CITY OF

Humble, Texas



2025 ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2025

City of Humble | 114 W.Higgins | Humble, Texas 77338

ANNUAL
FINANCIAL REPORT

of the

City of Humble, Texas

For the Year Ended
September 30, 2025

Prepared by

Finance Director


CITY OF HUMBLE
1911
1933
HARRIS COUNTY TEXAS

City of Humble, Texas

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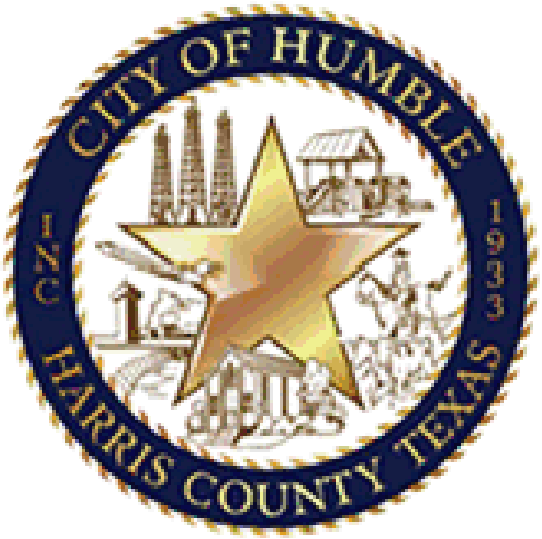
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CITY OF HUMBLE
1911
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HARRIS COUNTY TEXAS

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Humble, Texas (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Humble, Texas, as of September 30, 2025, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are required to be independent of City of Humble, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the

preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter

As discussed in Note V.G. to the financial statements, due to various accounting corrections to the prior year, the City restated its beginning net position/fund balance within governmental activities, the general fund, and the capital projects fund to correct prior year grant revenues and reimbursements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedules of changes in other postemployment benefits liabilities and related ratios – TMRS supplemental death benefits fund, the schedules of changes in other postemployment benefits liability and related ratios – retiree health care plan, and budgetary comparison information for the general and red light camera funds be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2026 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.



BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
October 7, 2026

City of Humble, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2025

As management of the City of Humble, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished elsewhere in this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources (net position) at September 30, 2025 by $206,091,173. Of this amount, $54,550,268 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net position increased by $11,782,228. The majority of the City's net position is invested in capital assets and restricted for specific purposes.

- The City's governmental funds reported combined ending fund balances of $70,032,216 at September 30, 2025, a decrease of $529,644 from the prior fiscal year; this includes an increase of $441,558 in the general fund, a decrease of $654,800 in the capital projects fund, a decrease of $787,081 in the red light camera fund, and an increase of $470,679 in the nonmajor governmental funds.

- At the end of the fiscal year, unassigned fund balance for the general fund was $32,947,275 or 73% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to 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 financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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 non-financial 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, court, public works, and community services. The business-type activities of the City include water and sewer utilities.

The government-wide financial statements can be found on pages 18-22 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects funds, red light camera fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general fund, debt service fund, capital projects fund, red light camera fund, and other non-major revenue funds. Budgetary comparison statements have been provided for the general fund and red light camera fund (a major special revenue fund) to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 22-29 of this report.

Proprietary Funds

The City's proprietary funds are all enterprise 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 utility operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 30-34 of this report.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 35-74 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Humble, Texas, assets and deferred outflows exceeded liabilities and deferred inflows by $206,091,173 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, $113,278,324 reflects its investments in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, construction in progress), less any debt used to acquire those assets that are 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.

An additional portion of the City of Humble, Texas's net position of $38,262,581 represents resources that are subject to external restrictions on how they may be used. The remaining balance of $54,550,268 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 80,030,201	$ 33,435,590	$ 113,465,791	$ 80,663,054	$ 27,091,097	$ 107,754,151
Long-term assets	87,958,318	26,332,782	114,291,100	85,477,167	27,662,718	113,139,885
Total Assets	167,988,519	59,768,372	227,756,891	166,140,221	54,753,815	220,894,036
Deferred Outflows	2,621,764	204,849	2,826,613	5,024,164	451,951	5,476,115
Current liabilities	7,616,579	2,002,651	9,619,230	8,781,877	1,229,511	10,011,388
Long-term liabilities	9,710,076	753,008	10,463,084	18,087,072	1,618,835	19,705,907
Total Liabilities	17,326,655	2,755,659	20,082,314	26,868,949	2,848,346	29,717,295
Deferred Inflows	4,090,417	319,600	4,410,017	2,150,465	193,446	2,343,911
Net Position:						
Net investment in capital assets	86,982,787	26,295,537	113,278,324	83,278,641	27,632,359	110,911,000
Restricted	37,617,686	644,895	38,262,581	38,685,223	1,989,877	40,675,100
Unrestricted	24,592,738	29,957,530	54,550,268	20,181,107	22,541,738	42,722,845
Total Net Position	$ 149,193,211	$ 56,897,962	$ 206,091,173	$ 142,144,971	$ 52,163,974	$ 194,308,945

Current and other assets for business-type activities increased by $6,344,493 or 23% primarily due to greater cash on hand resulting from an operating surplus in the current year. Long-term liabilities for the primary government decreased by $9,242,823, or 47%, primarily as a result of the decline in the City's net pension and OPEB liabilities over the course of the year. Deferred outflows for the primary government decreased $2,649,502, or 48% and deferred inflows for the primary government increased by $2,066,106 or 88%, primarily due to actuarial changes in the City's pension inputs over the course of the year.

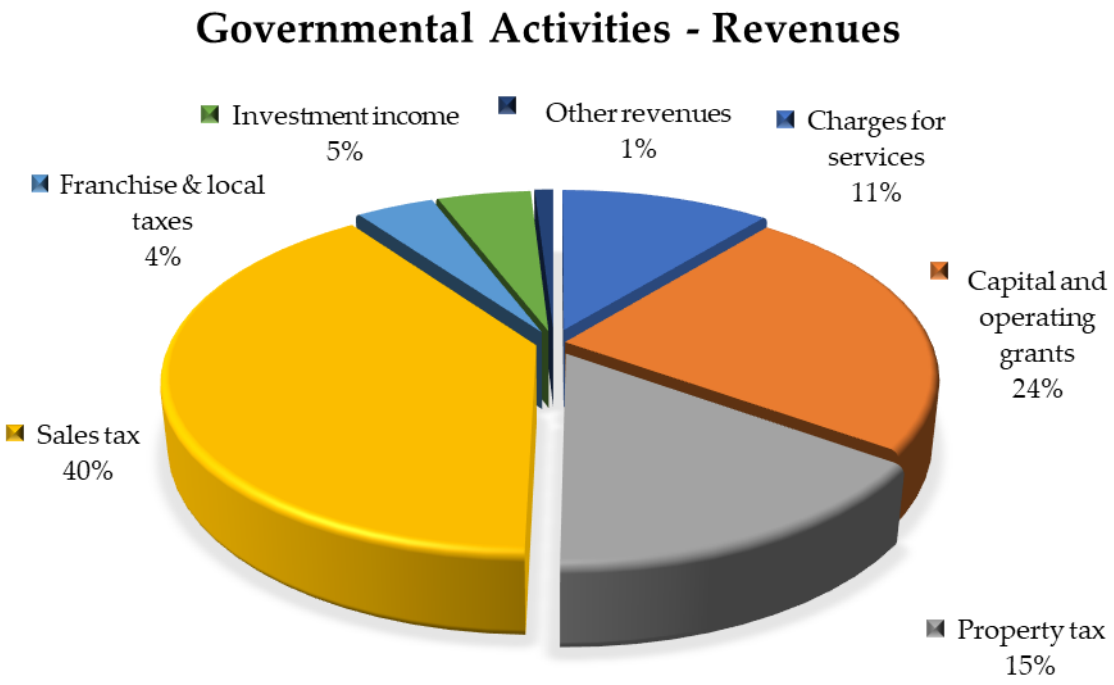
Statement of Activities

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

	For the Year Ended September 30, 2025			For the Year Ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities (Restated)	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 5,158,990	$ 11,844,390	$ 17,003,380	$ 7,733,111	$ 10,017,397	$ 17,750,508
Oper. & cap. grants	11,348,263	-	11,348,263	12,273,532	-	12,273,532
General revenues:						
Property tax	7,293,208	-	7,293,208	6,837,345	-	6,837,345
Sales tax	18,843,742	-	18,843,742	17,276,725	-	17,276,725
Franchise & local taxes	1,921,019	-	1,921,019	2,101,873	-	2,101,873
Investment income	2,306,765	1,457,812	3,764,577	2,690,062	1,842,125	4,532,187
Other revenues	456,753	74,963	531,716	473,970	78,989	552,959
Total Revenues	47,328,740	13,377,165	60,705,905	49,386,618	11,938,511	61,325,129
Expenses						
General government	5,223,804	-	5,223,804	4,492,227	-	4,492,227
Public safety	24,662,621	-	24,662,621	24,838,154	-	24,838,154
Court	1,196,308	-	1,196,308	1,118,956	-	1,118,956
Public works	4,666,909	-	4,666,909	4,561,771	-	4,561,771
Community services	5,084,775	-	5,084,775	4,526,580	-	4,526,580
Interest & fiscal chrgs	12,010	-	12,010	15,707	-	15,707
Water and sewer	-	8,077,250	8,077,250	-	8,114,996	8,114,996
Total Expenses	40,846,427	8,077,250	48,923,677	39,553,395	8,114,996	47,668,391
Change in Net Position Before Transfers and Special Items	6,482,313	5,299,915	11,782,228	9,833,223	3,823,515	13,656,738
Transfers	565,927	(565,927)	-	382,325	(382,325)	-
Special Items	-	-	-	(21,954,504)	-	(21,954,504)
Total	565,927	(565,927)	-	(21,572,179)	(382,325)	(21,954,504)
Change in Net Position	7,048,240	4,733,988	11,782,228	(11,738,956)	3,441,190	(8,297,766)
Beg. Net Position	142,144,971	52,163,974	194,308,945	153,883,927	48,722,784	202,606,711
Ending Net Position	$ 149,193,211	$ 56,897,962	$ 206,091,173	$ 142,144,971	$ 52,163,974	$ 194,308,945

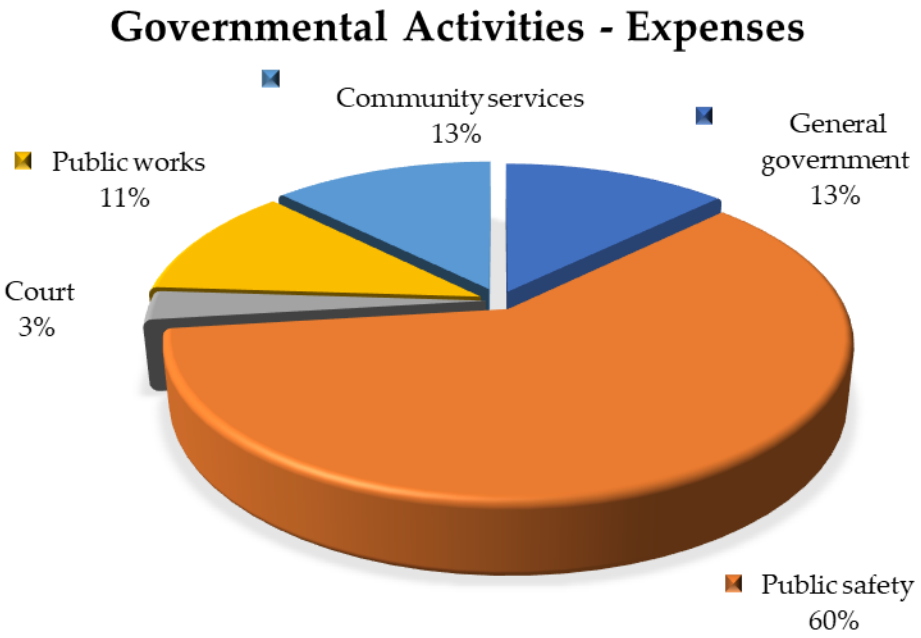
The City restated beginning fund balance/net position to correct prior year grant revenues and reimbursements. See Note V.G. to the financial statements for more information.

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



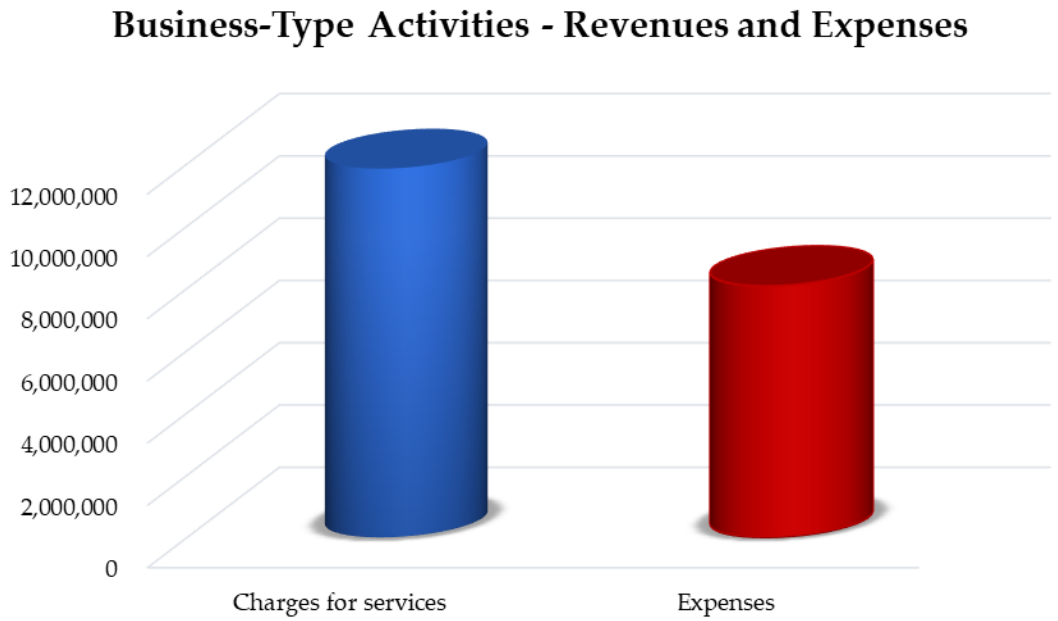
For the year ended September 30, 2025, revenues from governmental activities totaled $47,328,740. Property tax, charges for services, sales tax, and capital and operating grants are the City's largest general revenue sources. Overall revenue decreased $2,057,878, or 4%, from the prior year. Charges for services decreased by $2,574,121, or 33%, due to nonrecurring EMS receipts, court fine collections, red light camera citations, and civic center rental fees in the prior year. Investment income decreased by $383,297, or 14%, due to a decline in the market interest rate over the course of the year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2025, expenses for governmental activities totaled $40,846,427. Total expenses remained consistent with the prior year. The City's largest functional expense is public safety totaling $24,662,621, and remained consistent with prior year. General government increased by $731,577 or 16% due to greater group insurance costs, nonrecurring software maintenance, and greater personnel costs related to general wage increases during the year. In addition, the increase is due to nonrecurring costs related to the downtown improvement program and greater contract service costs incurred in the current year. Community services increased by $558,195 or 12% due to greater asset depreciation, employee insurance costs, and nonrecurring repairs/maintenance in the current year. All other expenses remained relatively consistent with the prior year.

Business-type activities are shown comparing operating costs to revenues generated by related services.



For the year ended September 30, 2025, charges for services by business-type activities totaled $11,844,390. This represents an increase of $1,826,993, or 18%, from the previous year, which is primarily due to an increase in water and sewer service rates by about 20% during the year.

Total business-type activity expenses totaled $8,077,250. Total expenses remained consistent with prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2025, the City's governmental funds reported combined fund balances of $70,032,216, a decrease of $529,644 in comparison with the prior year. Approximately 46% of this amount, $32,414,530, constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is restricted for particular purposes $37,617,686 .

As of the end of the year the general fund reflected a total fund balance of $63,042,111. Of this $30,094,836 is considered restricted for particular purposes including public safety, municipal court,

and capital projects, and $32,947,275 is unassigned. General fund balance increased by $441,558 during the current year, as compared to a final budgeted decrease of $9,564,656. The increase in fund balance was a direct result of nonrecurring transfers out in the prior year. In addition, the increase was primarily due to greater sales tax revenues during the year. Sales tax, charges for services, fines and forfeitures, and intergovernmental were the primary reasons for the positive revenue budget variance. All departmental expenditures were less than budget appropriations by $6,445,880.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of $32,947,275 is 73% of total general fund expenditures. Overall revenue in the general fund increased by $750,323 when compared to the prior year. Sales tax revenues showed the largest increase primarily due to greater local purchases fueled by economic growth in the current year. General fund expenditures increased $1,201,206 when compared to the prior year. The largest increase was in the general government department for $2,991,157, which was primarily due to greater personnel costs and capital purchases in the current year.

The capital projects fund had an ending deficit fund balance of $521,666. There was a decrease of $654,800 from the previous year. The decrease is due to transfers and capital expenditures exceeding intergovernmental and investment income. Certain revenue was deferred at year end and will be recognized in the subsequent year.

The Red Light Camera fund had an ending fund balance of $5,456,672. There was a fund balance decrease of $787,081 primarily as a result of current year expenditures exceeding investment income during the year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the close of the fiscal year for the proprietary fund amounted to $29,957,530, an increase of $7,415,792 from the previous year. Total investment in capital assets, net of related debt was $26,295,537 and capital assets, net of depreciation, totaled $26,332,782.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total budgeted revenues of $41,764,582 were less than actual revenues of $45,640,434, resulting in a total positive revenue variance of $3,875,852. Total budgeted expenditures of $51,658,538 were more than actual expenditures of $45,212,658, resulting in a total positive expenditure variance of $6,445,880. Actual public safety, community services, and debt service - principal departments exceeded budgeted amounts by $783,012, $397,217, and $54,783, respectively. Expenditures did not exceed appropriations at the legal level of control. The legal level of control as defined by the City Charter, is the fund level.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested $87,958,318 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested $26,332,782 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

Major capital asset events during the current year include the following:

- Remodeled the Civic Center for $474,486.
- Roof improvements for $243,779.
- Continued improvements on Fire Station #2 for $727,341.
- Drainage improvements for $311,150.
- Continued improvements on Wilson Road for $395,801.
- Began street improvement projects totaling $917,726.
- Began sealing project in the Northshire subdivision for $101,306.
- Purchased two plots of land totaling $1,095,799.
- Purchased equipment for the public safety department totaling $1,341,231.
- Purchased a generator for the court building for $117,687.
- Purchased a gas generator for $99,827.
- Purchased twelve public safety vehicles totaling $681,094.
- Purchased two vehicles for the public works department totaling $134,338.
- Purchased software for $172,364.
- Began phase six of the sewer rehabilitation project for $78,348.
- Installed a new motor a Well #9 for $54,059.
- Purchased two GMC vehicles for the utility department totaling $89,806.

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

LONG-TERM DEBT

The City's outstanding bonds, notes payable, and certificates of obligation payable, net of all premiums/discounts, decreased by $700,084 from the prior year. The City's total debt at the close of the fiscal year consists solely of notes payable totaling $49,813.

More detailed information about the City's long-term liabilities is presented in note IV.D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Humble and improving services provided to their public citizens. The City is budgeting for growth when preparing the budget for the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Humble, Texas, Director of Finance, 114 W. Higgins, Humble, Texas 77338.

BASIC FINANCIAL STATEMENTS

City of Humble, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 61,762,913	$ 35,823,188	$ 97,586,101
Investments	3,000,600	1,251,068	4,251,668
Receivables, net	9,235,518	2,392,504	11,628,022
Internal balances	6,031,170	(6,031,170)	-
Total Current Assets	80,030,201	33,435,590	113,465,791
Capital assets:			
Non-depreciable	5,374,471	2,067,018	7,441,489
Net depreciable capital assets	82,583,847	24,265,764	106,849,611
Total Noncurrent Assets	87,958,318	26,332,782	114,291,100
Total Assets	167,988,519	59,768,372	227,756,891
Deferred Outflows of Resources			
Pension outflows	2,499,413	195,289	2,694,702
OPEB outflows - TMRS	14,913	1,165	16,078
OPEB outflows - RHCP	107,438	8,395	115,833
Total Deferred Outflows of Resources	2,621,764	204,849	2,826,613

City of Humble, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	$ 2,787,519	$ 1,941,950	$ 4,729,469
Unearned revenue	3,795,647	-	3,795,647
Compensated absences, current	982,830	60,701	1,043,531
Accrued interest payable	770	-	770
Long-term debt due in one year	49,813	-	49,813
Total Current Liabilities	7,616,579	2,002,651	9,619,230
Noncurrent liabilities:			
Net pension liability	3,927,138	306,842	4,233,980
OPEB liability - TMRS	615,366	48,081	663,447
OPEB liability - RHCP	4,820,820	376,669	5,197,489
Compensated absences, noncurrent	346,752	21,416	368,168
Total Noncurrent Liabilities	9,710,076	753,008	10,463,084
Total Liabilities	17,326,655	2,755,659	20,082,314
Deferred Inflows of Resources			
Pension inflows-TMRS	1,305,496	102,003	1,407,499
OPEB inflows - TMRS	123,659	9,662	133,321
OPEB inflows - RHCP	2,661,262	207,935	2,869,197
Total Deferred Inflows of Resources	4,090,417	319,600	4,410,017
Net Position			
Net investment in capital assets	86,982,787	26,295,537	113,278,324
Restricted for:			
Tourism	2,066,178	-	2,066,178
Public safety	6,154,122	-	6,154,122
Capital projects	-	644,895	644,895
Capital projects-metro	28,630,808	-	28,630,808
Municipal court	766,578	-	766,578
Unrestricted	24,592,738	29,957,530	54,550,268
Total Net Position	$ 149,193,211	$ 56,897,962	$ 206,091,173

See Notes to Financial Statements.

City of Humble, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

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	$ 5,223,804	$ -	$ -	$ -
Public safety	24,662,621	959,542	391,751	-
Court	1,196,308	-	-	-
Public works	4,666,909	954,501	-	10,956,512
Community services	5,084,775	3,244,947	-	-
Interest and fiscal charges	12,010	-	-	-
Total Governmental Activities	40,846,427	5,158,990	391,751	10,956,512
Business-Type Activities				
Water and sewer	8,077,250	11,844,390	-	-
Total Business-Type Activities	8,077,250	11,844,390	-	-
Total Primary Government	$ 48,923,677	$ 17,003,380	$ 391,751	$ 10,956,512

General Revenues and Transfers:	
Taxes	
Property taxes	
Sales taxes	
Franchise and local taxes	
Investment income	
Other revenues	
Transfers	
Total General Revenues and Transfers	
Change in Net Position	
Beginning fund balances, as previously reported	
Error corrections	
Beginning fund balances, as adjusted	
Ending Net Position	

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (5,223,804)	$ -	$ (5,223,804)
(23,311,328)	-	(23,311,328)
(1,196,308)	-	(1,196,308)
7,244,104	-	7,244,104
(1,839,828)	-	(1,839,828)
(12,010)	-	(12,010)
(24,339,174)	-	(24,339,174)
-	3,767,140	3,767,140
-	3,767,140	3,767,140
(24,339,174)	3,767,140	(20,572,034)
7,293,208	-	7,293,208
18,843,742	-	18,843,742
1,921,019	-	1,921,019
2,306,765	1,457,812	3,764,577
456,753	74,963	531,716
565,927	(565,927)	-
31,387,414	966,848	32,354,262
7,048,240	4,733,988	11,782,228
141,790,756	52,163,974	193,954,730
354,215	-	354,215
142,144,971	52,163,974	194,308,945
$ 149,193,211	$ 56,897,962	$ 206,091,173

City of Humble, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2025

	General	Capital Projects	Red Light Camera	Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 45,893,125	$ 4,454,510	$ 9,011,597	$ 2,403,681
Investments	3,000,600	-	-	-
Accounts receivable, net	9,068,571	7,392	13,970	145,585
Due from other funds	11,318,210	-	-	1,080
Total Assets	$ 69,280,506	$ 4,461,902	$ 9,025,567	$ 2,550,346
Liabilities				
Accounts payable	$ 2,660,541	$ 55,761	$ 21,552	$ 49,665
Due to other funds	-	1,301,998	3,547,343	438,779
Unearned revenue	169,838	3,625,809	-	-
Total Liabilities	2,830,379	4,983,568	3,568,895	488,444
Deferred Inflows of Resources				
Unavailable revenue - property taxes	324,300	-	-	6,803
Unavailable revenue - fines and forfeitures	841,695	-	-	-
Unavailable revenue - grants	908,448	-	-	-
Unavailable revenue - EMS fees	1,333,573	-	-	-
	3,408,016	-	-	6,803
Fund Balances				
Restricted for:				
Public safety	697,450	-	5,456,672	-
Municipal court	766,578	-	-	-
Tourism	-	-	-	2,066,178
Capital projects-metro	28,630,808	-	-	-
Unassigned	32,947,275	(521,666)	-	(11,079)
Total Fund Balances	63,042,111	(521,666)	5,456,672	2,055,099
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 69,280,506	$ 4,461,902	$ 9,025,567	$ 2,550,346

See Notes to Financial Statements.

	Total Governmental Funds
$	61,762,913
	3,000,600
	9,235,518
	11,319,290
$	85,318,321
$	2,787,519
	5,288,120
	3,795,647
	11,871,286
	331,103
	841,695
	908,448
	1,333,573
	3,414,819
	6,154,122
	766,578
	2,066,178
	28,630,808
	32,414,530
	70,032,216
$	85,318,321

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City of Humble, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2025

Fund Balances - Total Governmental Funds	$	70,032,216
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		5,374,471
Capital assets - net depreciable		82,583,847
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax		331,103
Fines		841,695
Grant		908,448
EMS fees		1,333,573
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time		
Pension inflows		(1,305,496)
OPEB inflows - TMRS		(123,659)
OPEB inflows - RHCP		(2,661,262)
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditures) until then		
Pension outflows		2,499,413
OPEB outflows - TMRS		14,913
OPEB outflows - RHCP		107,438
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(770)
Net pension liability		(3,927,138)
OPEB liability - TMRS		(615,366)
OPEB liability - RHCP		(4,820,820)
Compensated absences		(1,329,582)
Long-term debt due in one-year		(49,813)
	$	149,193,211

See Notes to Financial Statements.

City of Humble, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	General	Capital Projects	Red Light Camera	Nonmajor Governmental Funds
Revenues				
Property tax	$ 7,292,839	$ -	$ -	$ 369
Sales tax	18,843,742	-	-	-
Franchise and local taxes	1,213,538	-	-	707,481
Fines and forfeitures	1,794,864	-	15,145	-
License and permits	954,501	-	-	-
Charges for services	2,900,525	-	-	58,516
Intergovernmental	10,383,587	56,228	-	-
Investment income	1,814,655	77	399,690	92,343
Other revenue	442,183	-	-	788
Total Revenues	45,640,434	56,305	414,835	859,497
Expenditures				
Current:				
General government	6,026,038	-	-	-
Public safety	27,792,070	-	1,201,916	-
Court	1,272,127	-	-	-
Public works	5,049,368	-	-	-
Community services	5,018,272	-	-	395,278
Debt Service:				
Principal	54,783	-	-	625,000
Interest and fiscal charges	-	-	-	12,815
Capital outlay	-	632,757	-	-
Total Expenditures	45,212,658	632,757	1,201,916	1,033,093
Revenues Over (Under) Expenditures	427,776	(576,452)	(787,081)	(173,596)
Other Financing Sources (Uses)				
Sale of assets	13,782	-	-	-
Transfers in	-	-	-	644,275
Transfers (out)	-	(78,348)	-	-
Total Other Financing Sources	13,782	(78,348)	-	644,275
Net Change in Fund Balances	441,558	(654,800)	(787,081)	470,679
Beginning fund balances, as previously reported	62,394,498	(15,026)	6,243,753	1,584,420
Error corrections	206,055	148,160	-	-
Beginning fund balances, as adjusted	62,600,553	133,134	6,243,753	1,584,420
Ending Fund Balances	$ 63,042,111	$ (521,666)	$ 5,456,672	$ 2,055,099

See Notes to Financial Statements.

	Total Governmental Funds
$	7,293,208
	18,843,742
	1,921,019
	1,810,009
	954,501
	2,959,041
	10,439,815
	2,306,765
	442,971
	46,971,071
	6,026,038
	28,993,986
	1,272,127
	5,049,368
	5,413,550
	679,783
	12,815
	632,757
	48,080,424
	(1,109,353)
	13,782
	644,275
	(78,348)
	579,709
	(529,644)
	70,207,645
	354,215
	70,561,860
$	70,032,216

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City of Humble, Texas

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

For the Year Ended September 30, 2025

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

Net changes in fund balances - total governmental funds	$	(529,644)
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		6,880,990
Depreciation expense		(4,399,839)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Fines and fees		(850,467)
Grants		908,448
EMS fees		285,906
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(137,024)
Accrued interest		805
Pension expense		1,181,562
OPEB expense - TMRS		(13,689)
OPEB expense - RHCP		3,021,108
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Amortization of bond premium upon debt retirement		20,301
Principal payments		679,783
Change in Net Position of Governmental Activities	$	7,048,240

See Notes to Financial Statements.

City of Humble, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS (Page 1 of 2)

September 30, 2025

		Water & Sewer
Assets		
Current Assets		
Cash and cash equivalents		$ 35,823,188
Investments		1,251,068
Accounts receivable, net		2,392,504
	Total Current Assets	39,466,760
Noncurrent Assets		
Capital assets:		
Non-depreciable		2,067,018
Net depreciable capital assets		24,265,764
	Total Noncurrent Assets	26,332,782
	Total Assets	65,799,542
Deferred Outflows of Resources		
Pension outflows - TMRS		195,289
OPEB outflows - TMRS		1,165
OPEB outflows - RHCP		8,395
	Total Deferred Outflows of Resources	204,849

See Notes to Financial Statements.

City of Humble, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS (Page 2 of 2)

September 30, 2025

	Water & Sewer
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	$ 1,941,950
Compensated absences, current	60,701
Due to other funds	6,031,170
Total Current Liabilities	8,033,821
Noncurrent Liabilities	
Compensated absences, noncurrent	21,416
Net pension liability	306,842
OPEB liability - TMRS	48,081
OPEB liability - RHCP	376,669
Total Noncurrent Liabilities	753,008
Total Liabilities	8,786,829
Deferred Inflows of Resources	
Pension inflows - TMRS	102,003
OPEB inflows - TMRS	9,662
OPEB inflows - RHCP	207,935
Total Deferred Inflows of Resources	319,600
Net Position	
Net investment in capital assets	26,295,537
Restricted for:	
Capital projects	644,895
Unrestricted	29,957,530
Total Net Position	$ 56,897,962

See Notes to Financial Statements.

City of Humble, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2025

		Water & Sewer
Operating Revenues		
Water services		$ 5,774,791
Sewer services		5,926,738
Penalties and interest		111,509
Tap and reconnection fees		31,352
Other revenue		74,963
	Total Operating Revenues	11,919,353
Operating Expenses		
Personnel services		1,695,230
Water operations		2,814,098
Sewer operations		666,605
Material and maintenance		1,216,171
Depreciation		1,685,146
	Total Operating Expenses	8,077,250
	Operating Income (Loss)	3,842,103
Nonoperating Revenues (Expenses)		
Investment earnings		1,457,812
	Total Nonoperating Revenues (Expenses)	1,457,812
	Income (Loss) Before Transfers	5,299,915
Transfers		
Transfers in		78,348
Transfers (out)		(644,275)
	Total Transfers	(565,927)
	Change in Net Position	4,733,988
	Beginning net position	52,163,974
	Ending Net Position	$ 56,897,962

See Notes to Financial Statements.

City of Humble, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2025

	Water & Sewer
Cash Flows from Operating Activities	
Receipts from customers	$ 11,364,705
Payments to employees	(2,209,124)
Payments to suppliers and contractors	(3,885,688)
Net Cash Provided (Used) by Operating Activities	5,269,893
Cash Flows from Noncapital Financing Activities	
Transfers in	78,348
Transfers (out)	(644,275)
Net Cash Provided (Used) by Noncapital Financing Activities	(565,927)
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(355,210)
Net Cash Provided (Used) by Capital and Related Financing Activities	(355,210)
Cash Flows from Investing Activities	
Interest on investments	1,457,812
Net Cash Provided by Investing Activities	1,457,812
Net Increase (Decrease) in Cash and Cash Equivalents	5,806,568
Beginning cash and cash equivalents	30,016,620
Ending Cash and Cash Equivalents	$ 35,823,188

See Notes to Financial Statements.

City of Humble, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2025

	Water & Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	$ 3,842,103
Adjustments to reconcile operating income (loss) to net cash provided (used):	
Depreciation	1,685,146
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(554,648)
Prepaid items	16,723
Deferred outflows:	
Pension	220,313
OPEB	26,789
Increase (Decrease) in:	
Accounts payable and accrued liabilities	794,463
Compensated absences	(9,021)
Deferred inflows:	
Pension	64,498
OPEB	61,656
Net pension liability	(423,411)
OPEB Liability	(454,718)
Net Cash Provided (Used) by Operating Activities	$ 5,269,893

See Notes to Financial Statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Humble, Texas (the "City") is an independent political subdivision operating under a home rule charter as authorized in Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Mayor-Council-Manager form of government in which all powers of the City are vested in an elective council. The City Council consists of the mayor and five council members. The City provides services related to the following: public safety to include fire and emergency medical services, public works, sanitation, water and sewer services, public improvements, planning and zoning, and administrative services.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) applicable to government units. The following is a summary of the more significant accounting policies.

A. Description of 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 of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *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.

B. Reporting Entity

For financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens

on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. The City has no other entities, organizations, or functions to be included as part of the City's financial reporting entity.

C. Basis of Presentation - Government-Wide and Fund 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 government's enterprise funds. Separate financial statements are provided for governmental funds and the 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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, community services, and community development.

Capital Projects Fund

The capital projects fund is used to account for resources obtained for the acquisition and/or construction of capital facilities by the City, except those financed by proprietary funds.

Red Light Camera Fund

The Red Light camera fund is used to account for red light fine receipts that are legally restricted to expenditures for specific purposes as defined by the State. Such expenditures include the cost of leasing the red light camera equipment, operating the system, which includes the costs of creating, reviewing, distributing, and delivering violation notices, and to fund traffic safety programs.

The government reports the following major enterprise fund:

Water and Sewer Fund

Water and Sewer Fund is used to account for the operation of the water distribution system, wastewater treatment plant, and wastewater pumping and collection systems which are supported primarily by user charges to the public.

Additionally, the government reports the following fund types:

Debt Service Funds

The City accounts for the accumulation of financial resources for the payments of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance is restricted exclusively for debt service expenditures.

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. As of September 30, 2025, the City is maintaining two special revenue funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-

wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

D. Measurement focus and basis of accounting

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

The government-wide 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, 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 government.

Proprietary, pension and other postemployment benefit trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity or Net Position

1. Deposits and Investments

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.

In accordance with GASB Statement No. 79, *External Investment Pools* the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code.

In summary, the City is authorized to invest in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities with a maximum stated maturity of four (4) years, excluding mortgage-backed securities.
- Fully insured or collateralized certificates of deposit with a maximum maturity of four (4) years insured by the Federal Deposit Insurance Corporation (FDIC)
- Fully collateralized interest bearing and money market accounts from any FDIC insured bank in Texas
- AAA-rated, Texas Local Government investment pools
- AAA-rated, SEC registered money market mutual funds
- A1/P1 rated commercial paper with a stated maturity of 270 or fewer days
- General debt obligations of any US state or political subdivision rated AA or better with a stated maturity not to exceed four (4) years
- Share certificates of Texas credit unions which are fully insured by the National Credit Union Share Insurance Fund

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

Inventory of the general fund and the water and sewer fund consists of supplies held for the City's use and are carried at cost. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. Restricted Assets

Certain proceeds are reclassified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or other restrictions.

6. Capital Assets

Capital assets are tangible and intangible assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and rights to water access are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, and capital items received in a service concession arrangement are reported at acquisition value. 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 units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Building and improvements	5 to 50 years
System infrastructure	5 to 50 years
Machinery and equipment	3 to 20 years
Vehicles	5 to 8 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows / inflows 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. The government has three items that qualify for reporting in this category.

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. The government 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, fines and forfeitures, grants, and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by governmental and proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the

effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

The net pension liability is presented separate from long term debt. This liability is valued using an actuarial model and represents the difference between the plan fiduciary net position and the net pension liability consistent with GASB statement no. 68. The portion of this liability presented as a current liability is based on actuarial calculations for estimated future payments of benefits and refunds over the twelve months following yearend.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

9. Compensated Absences

The City accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, Compensated Absences.

Under GASB Statement No. 101, the City recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the City has a present obligation to provide compensation through paid time off or cash settlement. Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from

employment, the City does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

10. Pensions

For 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.

11. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is $7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

12. Post-employment Healthcare Benefits ("RHCP")

The City provides post-employment healthcare benefits mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs. In addition, retired employees receiving annuities from the Texas Municipal Retirement System and if selected, their dependents, are eligible to continue to participate in the City's health insurance plan at 25% of the employee group rate.

13. Net Position Flow Assumption

Sometimes the government 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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

14. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance 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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

15. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government

itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government 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 government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the finance director to assign fund balance. The 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.

16. 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 and 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.

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

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 water and sewer fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) 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. 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 activities."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital projects, red light camera, and various special revenue funds. The general and red light camera fund (a major special revenue fund) budgets are the only budget schedules required for presentation for the current year ending September 30, 2025. Each year the City Manager is required to submit to the City Council, between sixty and ninety days prior to the beginning of the year, a proposed budget for each fund aforementioned. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added which affect the total fund expenditures without City Council approval. Appropriations lapse at the end of the year. Several supplemental budget amendments were made during the year. The general fund and major special fund budgets have been presented. Expenditures did not exceed appropriations at the legal level of control during the current fiscal year ended 2025.

A. Deficit Fund Equity

At September 30, 2025, the capital projects fund, beautification fund, and debt service fund had a deficit fund balances of $521,666, $10,521, and $558. These deficits will be eliminated by increased revenues, transfers from other funds, and a reduction of expenses in the future fiscal periods.

B. Restricted Net Position

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted net position for the primary government was $38,262,581, of which, $6,920,700 is restricted by enabling legislation.

C. Public Funds Investment & Collateral Acts

State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, the City held bank balances at two banking institutions that exceeded market values of pledged securities and FDIC coverage. In addition, the City is required to adopt certain standards as it relates to the investment and maintenance of public funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits - The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Public Funds Investment Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the City's and the depository bank's agent bank. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. The City's bank deposits exceeded market values of pledged securities and FDIC coverage by $90,726,972 as of September 30, 2025.

As of September 30, 2025, the primary government had the following investments:

Investment Type		Value	Weighted Average Maturity (Years)
TexSTAR investment pool (cash and cash equivalents)	$	4,945	0.14
Certificates of deposit (investments)		4,251,668	1.80
Total value	$	4,256,613	
Portfolio weighted average maturity			1.78

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool and TexSTAR use amortized cost and Texas CLASS uses the fair value method to value portfolio assets. The pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. Investments in the pools are classified as cash and cash equivalents for reporting purposes.

Interest rate risk: The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric. The weighted average maturities of the investment pools did not exceed 60 days. As of yearend, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit risk: The City's investment policy contains no limitation on the amount that can invested in any one issuer. At year-end, the City was not exposed to concentration of credit risk. As of September 30, 2025, the investment pools were rated AAAm by Standard and 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 does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the stated requirements of the Public Funds Investment Act.

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.

TexSTAR

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title

to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAm by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	Governmental Activities				
	General	Capital Projects	Red Light Camera	Nonmajor Governmental	Total
Property taxes	$ 372,941	$ -	$ -	$ 6,803	$ 379,744
Sales and other taxes	3,162,716	-	-	138,782	3,301,498
Franchise taxes	218,998	-	-	-	218,998
Metro mitigation	1,560,233	-	-	-	1,560,233
Fines	7,478,603	-	42,226,544	-	49,705,147
Accounts	7,444,179	-	-	-	7,444,179
Assessments	-	57,941	-	-	57,941
Other	167,895	-	-	-	167,895
Allowance	(11,336,994)	(50,549)	(42,212,574)	-	(53,600,117)
Total	$ 9,068,571	$ 7,392	$ 13,970	$ 145,585	$ 9,235,518

	Business-Type Activities
	Water & Sewer
Accounts	$ 2,957,638
Other	117,920
Allowance	(683,054)
Total	$ 2,392,504

C. Capital Assets

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

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 3,075,441	$ 1,095,799	$ -	$ 4,171,240
Construction in progress	15,274,633	2,425,775	(16,497,177)	1,203,231
Total capital assets not being depreciated	18,350,074	3,521,574	(16,497,177)	5,374,471
Capital assets, being depreciated:				
Buildings and improvements	52,328,843	776,796	12,982,781	66,088,420
Infrastructure	51,075,379	101,306	3,514,396	54,691,081
Furnitures, fixtures and equipment	16,768,419	1,665,882	-	18,434,301
Vehicles	11,061,527	815,432	(45,149)	11,831,810
Total capital assets being depreciated	131,234,168	3,359,416	16,452,028	151,045,612
Less accumulated depreciation				
Buildings and improvements	32,145,476	1,282,206	-	33,427,682
Infrastructure	11,037,723	1,237,247	-	12,274,970
Furnitures, fixtures and equipment	13,860,642	882,810	-	14,743,452
Vehicles	7,063,234	997,576	(45,149)	8,015,661
Total accumulated depreciation	64,107,075	4,399,839	(45,149)	68,461,765
Net capital assets being depreciated	67,127,093	(1,040,423)	16,497,177	82,583,847
Total Capital Assets	$ 85,477,167	$ 2,481,151	$ -	$ 87,958,318

Depreciation was charged to governmental functions as follows:

General government	$ 815,150
Court	46,423
Public safety	1,299,610
Public works	1,522,122
Community services	716,534
Total Governmental Activities Depreciation Expense	$ 4,399,839

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

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 394,876	$ -	$ -	$ 394,876
Construction in progress	1,558,894	113,248	-	1,672,142
Total capital assets not being depreciated	1,953,770	113,248	-	2,067,018
Capital assets, being depreciated:				
Buildings and improvements	8,733,741	33,600	-	8,767,341
Underground equipment	40,645,943	30,940	-	40,676,883
Furnitures, fixtures and equipment	5,183,553	87,616	-	5,271,169
Vehicles	1,018,946	89,806	-	1,108,752
Total capital assets being depreciated	55,582,183	241,962	-	55,824,145
Less accumulated depreciation				
Buildings and improvements	5,034,050	342,784	-	5,376,834
Underground equipment	20,677,698	1,015,806	-	21,693,504
Furnitures, fixtures and equipment	3,373,848	231,184	-	3,605,032
Vehicles	787,639	95,372	-	883,011
Total accumulated depreciation	29,873,235	1,685,146	-	31,558,381
Net capital assets being depreciated	25,708,948	(1,443,184)	-	24,265,764
Total Capital Assets	$ 27,662,718	$ (1,329,936)	$ -	$ 26,332,782

Depreciation was charged to business-type activities as follows:

Water and sewer	$ 1,685,146
Total Business-type Activities Depreciation Expense	$ 1,685,146

D. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2025. In general, the City uses the debt service and general fund to liquidate long-term liabilities.

	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, notes and other payables:					
Combination Tax and Revenue Bonds	$ 625,000	$ -	$ (625,000)	$ -	$ -
Less deferred amounts:					
For premiums	20,301	-	(20,301)	-	-
Total Bonds Payable	645,301	-	(645,301)	-	-
Notes payable	104,596	-	(54,783)	49,813	49,813
Total Governmental Activities	$ 749,897	$ -	$ (700,084)	$ 49,813	$ 49,813

Long-term liabilities due in more than one year	$ -

Long-term debt 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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund.

Primary government long-term debt at year end was comprised of the following debt issues:

	Governmental Activities
Notes Payable:	
$258,905 Note Payable for TYMCO Commercial Sweeper Equipment in 2023, due in installments through 2026, interest at 2.90%	$ 49,813
Total Debt	$ 49,813

The annual requirements to amortize the City's long-term activities debt issues outstanding at year end were as follows:

Governmental Activities:

Year ending	Notes Payable	
September 30,	Principal	Interest
2026	$ 49,813	$ 1,544
	$ 49,813	$ 1,544

E. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general fund and water and sewer fund to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Compensated absences	$ 1,192,558	$ 1,210,326	$ (1,073,302)	$ 1,329,582	$ 982,830
Total Governmental Activities	$ 1,192,558	$ 1,210,326	$ (1,073,302)	$ 1,329,582	$ 982,830
Other long-term liabilities due in more than one year				$ 346,752	
Business-Type Activities:					
Compensated absences	$ 91,138	$ 73,003	$ (82,024)	$ 82,117	$ 60,701
Total Business-Type Activities	$ 91,138	$ 73,003	$ (82,024)	$ 82,117	$ 60,701
Other long-term liabilities due in more than one year				$ 21,416	

F. Interfund Transactions

The compositions of interfund advances to/from balances as of the year ended September 30, 2025 were as follows:

	Due to: (payable fund)				
Due from: (receivable fund)	**Capital Projects**	**Red Light Camera**	**Nonmajor Govt**	**Water & Sewer**	**Total**
General	$ 1,301,998	$ 3,547,343	$ 437,699	$ 6,031,170	$ 11,318,210
Nonmajor Govt.	-	-	1,080	-	1,080
Total	$ 1,301,998	$ 3,547,343	$ 438,779	$ 6,031,170	$ 11,319,290

Interfund receivables and payables relate to various amounts used to cover operational and capital expenditures. All balances are expected to be resolved in the subsequent year.

Transfers between the primary government during the 2025 year were as follows:

	Transfers (Out):		
Transfers In:	**Capital Projects**	**Water & Sewer**	**Total**
Water & Sewer	$ 78,348	$ -	$ 78,348
Nonmajor Govt.	-	644,275	644,275
Total	$ 78,348	$ 644,275	$ 722,623

Transfers between funds were primarily to support debt service requirements, capital outlay and general operation of funds.

V. 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; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool that retains the risk of loss beyond the City's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

B. Contingent Liabilities

The City is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the City does not expect them to have a materially adverse effect on the basic financial statements.

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 which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City has been named as defendant in several lawsuits in the normal course of its operations. Legal counsel for the City is unable to estimate the amount, if any, for which the City may eventually become liable; however, such claims are not material to the financial condition of the City, in the opinion of its management. Should the City become liable in this manner, such liability would be satisfied by budgetary appropriation in a subsequent year.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage 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 bonds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Commitments

Mobility Funding Agreement with METRO

The City participates in a General Mobility Agreement with METRO, under which the City receives one-half of METRO's Available Sales and Use Tax Revenues collected within City limits. Transportation Payments must be used solely for eligible transportation projects, including roads, bridges, sidewalks, trails, signals, streetlights, drainage, and

transportation equipment. This agreement was effective from October 1, 1999 and has since been extended three times with the most recent expiration date of September 30, 2040. Transportation Payments are recorded as intergovernmental revenue in governmental funds and totaled $9,257,954 during the year while accounts receivable totaled $1,560,232 as of year end. The amount of unspent funds received from this agreement is $28,630,808 and is reported as restricted fund balance and net position at year end.

E. Pension Plans

Texas Municipal Retirement Systems

1. Plan Description

The City of Humble, Texas, participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

2. 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 three payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Plan provisions for the City were as follows:

	Plan Year 2023	Plan Year 2024
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	50% Repeating Transfers	50% Repeating Transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	151
Inactive employees entitled to but not yet receiving benefits	87
Active employees	232
Total	470

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Humble, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Humble, Texas, were 13.86% and 13.05% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $2,827,187, and were equal to the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel Roeder Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public/Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

Discount Rate:

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

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

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

1% Decrease 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
$ 19,090,353	$ 4,233,980	$ (7,999,850)

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Total Net Pension Liability (Asset) (a) – (b)
Balance at 12/31/23	$ 103,115,611	$ 94,267,416	$ 8,848,195
Changes for the year:			
Service cost	3,302,310	-	3,302,310
Interest	6,861,944	-	6,861,944
Change in benefit terms	(1,025,939)	-	(1,025,939)
Difference between expected and actual experience	121,464	-	121,464
Changes of assumptions	-	-	-
Contributions – employer	-	2,752,256	(2,752,256)
Contributions – employee	-	1,390,028	(1,390,028)
Net investment income	-	9,795,996	(9,795,996)
Benefit payments, including refunds of emp. contributions	(4,164,789)	(4,164,789)	-
Administrative expense	-	(62,818)	62,818
Other changes	-	(1,468)	1,468
Net changes	5,094,990	9,709,205	(4,614,215)
Balance at 12/31/24	$ 108,210,601	$ 103,976,621	$ 4,233,980

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2025, the City recognized pension expense of $1,507,026.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Change in assumptions	$ -	$ (353,676)
Differences between expected and actual economic experience	596,529	-
Difference between projected and actual investment earnings	-	(1,053,823)
Contributions subsequent to the measurement date	2,098,173	-
Total	$ 2,694,702	$ (1,407,499)

The City reported $2,098,173 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows/(Inflows)
2025	$ 230,175
2026	1,241,252
2027	(1,546,014)
2028	(741,048)
2029	4,665
Thereafter	-
	$ (810,970)

F. Other Postemployment Benefits Other Than Pensions

TMRS Supplemental Death Benefits Fund

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The City contributes to the SDBF at a contractually required rate 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.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	121
Inactive employees entitled to but not yet receiving benefits	25
Active employees	232
Total	378

The City's contributions to the TMRS SDBF for the years ended 2025 and 2024 were $21,338 and $19,282, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2023	0.10%	0.10%	100.0%
2024	0.10%	0.10%	100.0%
2025	0.10%	0.10%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the 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% 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower 3.08% or 1-percentage-point higher 5.08% than the current rate:

1% Decrease 3.08%	Current Single Rate 4.08%	1% Increase 5.08%
$ 788,471	$ 663,447	$ 565,414

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	$ 676,783
Changes for the year:	
Service Cost	21,843
Interest	25,552
Difference between expected and actual experience	(5,302)
Changes of assumptions	(35,572)
Benefit payments	(19,857)
Net changes	(13,336)
Balance at 12/31/24	$ 663,447

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

For the year ended September 30, 2025, the City recognized OPEB expense of $27,693.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ -	$ (17,666)
Changes in assumptions	-	(115,655)
Contributions subsequent to measurement date	16,078	-
Total	$ 16,078	$ (133,321)

The City reported $16,078 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2025	$ (16,931)
2026	(23,907)
2027	(41,269)
2028	(45,944)
2029	(2,425)
Thereafter	(2,845)
	$ (133,321)

Retiree Health Care Plan (RHCP)

The City's other post-employment benefits plan (OPEB) is a single-employer defined benefit healthcare plan that is administered by the City and covers retired employees of the City and if selected, their dependents. City Council has the authority to establish and amend benefit provisions of the plan. The plan does not issue a separate, publicly available report. In addition to providing pension benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

- For employees retiring and receiving annuities from the Texas Municipal Retirement System who are (1) at least 60 and have completed five consecutive years of active service with the city immediately prior to retirement, or (2) at any

age have completed 20 consecutive years of active service with the City immediately prior to retirement. Coverage for medical benefits is provided from the date of retirement, for the balance of the retiree's life, and is contingent on the payment of the retiree's premium.

- For retirees under the age of 65, the retiree will pay 25% of the retiree premium for medical coverage. If dependent coverage is selected, the retiree is responsible for 100% of the dependent coverage premium.

- For retirees over the age of 65, the retiree is responsible for 100% of the fully insured Medicare supplement plan. There is no GASB 45 liability associated with post-65 coverage.

- Retirees pay 25% of the retiree premium for dental, vision, and life insurance coverage. If dependent coverage is selected, the retiree is responsible for 100% of the dependent coverage premium. Life insurance coverage terminates for retirees at the age of 65.

- For retirees with a hire date on or after January 1, 2020, the City will provide a health reimbursement agreement (HRA) and fund $12,500 on an annual basis to the HRA to go towards medical, dental, vision, and life coverage through the market.

Employees covered by benefit terms

At the December 31, 2024 measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	71
Inactive, nonretired members	-
Active members	232
Total	303

Total OPEB Liability

The City's total OPEB liability of $5,197,489 was measured as of December 31, 2024, and was determined by an actuarial valuation as December 31, 2024 (most recently available). Update procedures were used to roll forward the total OPEB liability to the measurement date of December 31, 2024.

Actuarial assumptions:

The Total OPEB Liability, in the December 31, 2024 actuarial valuation (most recently available), was determined using the following actuarial assumptions:

Actual cost method	Individual Entry-Age Normal
Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
Demographic assumptions:	Based on the 2023 experience conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Health care trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 15 years.
Participation rates	40% for employees retiring before age 50; 65% for employees retiring between ages 50 and 59 hired before 1/1/2020; 80% for employees retiring between ages 50 and 59 hired after 1/1/2020; 95% for employees retiring between ages 60 and 64; 75% of retirees were assumed to participate in the life insurance benefit.

Other information*:*

Notes: The discount rate changed from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower 3.08% or 1-percentage-point higher 5.08% than the current rate:

1% Decrease	Current Single Rate	1% Increase
3.08%	4.08%	5.08%
$ 5,797,935	$ 5,197,489	$ 4,680,619

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

The following presents the total OPEB liability of the City, calculated using the assumed trend rates as well as what the City's total OPEB liability (asset) would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$ 4,748,687	$ 5,197,489	$ 5,733,637

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	$ 9,979,400
Changes for the year:	
Service Cost	511,310
Interest	375,875
Change in benefit terms	(3,741,368)
Difference between expected and actual experience	(1,221,151)
Changes of assumptions	(176,792)
Benefit payments	(529,785)
Net changes	(4,781,911)
Balance at 12/31/24	$ 5,197,489

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

For the year ended September 30, 2025, the City recognized OPEB gain of $3,160,268.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ -	$ (685,121)
Difference between projected and actual investment earnings	-	(2,184,076)
Contributions subsequent to measurement date	115,833	-
Total	$ 115,833	$ (2,869,197)

The City reported $115,833 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2026	$ (306,085)
2027	(331,717)
2028	(542,373)
2029	(539,103)
2030	(581,422)
Thereafter	(568,497)
	$ (2,869,197)

G. Restatements

The City restated beginning fund balance/net position for general fund, capital projects fund, and governmental activities to correct prior year grant revenues and reimbursements.

The City restatements are summarized below:

	Governmental Activities	General Fund	Capital Projects
Prior year ending net position/fund balance, as reported	$ 141,790,756	$ 62,394,498	$ (15,026)
Restate accrued grant revenue related to DR 2017 Floods CDBG Grant	(567,704)	(567,704)	-
Restate unrecognized grant revenue related to Blacks Bayou Drainage Project	148,160	-	148,160
Restate unrecognized SETRAC reimbursements	773,759	773,759	-
Restated beginning net position/fund balance	$ 142,144,971	$ 62,600,553	$ 133,134

H. New Accounting Pronouncements

Compensated Absences

The City adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a "full accrual" basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and had no material impact on sick leave liability as of September 30, 2024.

Certain Risk Disclosures

For the fiscal year ended September 30, 2025, the City implemented GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires governments to disclose concentrations and constraints that make the City vulnerable to a risk of substantial impact, if the risk is known to the City prior to issuance of the financial statements, is at least reasonably possible to occur or has already begun to occur within twelve months of the financial statement date, and could result in a substantial impact on the City's ability to continue providing services at current levels or meet its obligations as they come due. The implementation of this Statement did not have a significant effect on the City's financial statements.

I. Subsequent Events

There were no subsequent events through October 7, 2026, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Humble, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	$ 7,299,000	$ 7,299,000	$ 7,292,839	$ (6,161)
Sales tax	17,295,000	17,295,000	18,843,742	1,548,742
Franchise and local taxes	921,000	1,117,000	1,213,538	96,538
License and permits	572,600	572,600	954,501	381,901
Charges for services	2,315,350	2,315,350	2,900,525	585,175
Intergovernmental	8,520,000	10,046,432	10,383,587	337,155
Fines and forfeitures	1,502,200	1,502,200	1,794,864	292,664
Investment income	1,430,000	1,430,000	1,814,655	384,655
Other revenue	187,000	187,000	442,183	255,183
Total Revenues	40,042,150	41,764,582	45,640,434	3,875,852
Expenditures				
Current:				
General government	6,157,455	6,923,095	6,026,038	897,057
Public safety	25,522,551	27,009,058	27,792,070	(783,012)
Court	1,693,280	1,705,060	1,272,127	432,933
Public works	11,459,870	11,400,270	5,049,368	6,350,902
Community services	4,613,055	4,621,055	5,018,272	(397,217)
Debt Service:				
Principal	-	-	54,783	(54,783)
Total Expenditures	49,446,211	51,658,538	45,212,658	6,445,880
Revenues Over (Under) Expenditures	(9,404,061)	(9,893,956)	427,776	10,321,732
Other Financing Sources (Uses)				
Sale of assets	11,000	11,000	13,782	2,782
Transfers in	1,818,300	1,818,300	-	(1,818,300)
Transfers (out)	(1,500,000)	(1,500,000)	-	1,500,000
Total Other Financing Sources (Uses)	329,300	329,300	13,782	(315,518)
Net Change in Fund Balance	$ (9,074,761)	$ (9,564,656)	441,558	$ 10,006,214
Beginning fund balance, as previously reported			62,394,498	
Error correction			206,055	
Beginning fund balance, as adjusted			62,600,553	
Ending Fund Balance			$ 63,042,111	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

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City of Humble, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

RED LIGHT CAMERA

For the Year Ended September 30, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Fines and forfeitures	-	15,145	15,145
Investment income	-	399,690	399,690
Total Revenues	-	414,835	414,835
Expenditures			
Current:			
Public safety	2,189,843	1,201,916	987,927
Total Expenditures	2,189,843	1,201,916	987,927
Net Change in Fund Balance	$ (2,189,843)	(787,081)	$ 1,402,762
Beginning fund balance		6,243,753	
Ending Fund Balance		$ 5,456,672	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

City of Humble, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2024	12/31/2023	12/31/2022	12/31/2021
Total pension liability				
Service cost	$ 3,302,310	$ 3,002,224	$ 2,760,015	$ 2,715,213
Interest	6,861,944	6,622,065	6,236,357	5,824,722
Changes in benefit terms	(1,025,939)	-	-	-
Differences between expected and actual experience	121,464	(285,626)	728,807	1,061,586
Changes of assumptions	-	(555,205)	-	-
Benefit payments, including refunds of participant contributions	(4,164,789)	(4,542,806)	(3,721,369)	(3,329,877)
Net change in total pension liability	5,094,990	4,240,652	6,003,810	6,271,644
Total pension liability - beginning	103,115,611	98,874,959	92,871,149	86,599,505
Total pension liability - ending (a)	108,210,601	103,115,611	98,874,959	92,871,149
Plan fiduciary net position				
Contributions - employer	$ 2,752,256	$ 2,408,357	$ 2,190,837	$ 2,207,738
Contributions - members	1,390,028	1,279,097	1,178,774	1,161,056
Net investment income	9,795,996	9,878,926	(6,747,901)	10,662,108
Benefit payments, including refunds of participant contributions	(4,164,789)	(4,542,806)	(3,721,369)	(3,329,877)
Administrative expenses	(62,818)	(62,812)	(58,363)	(49,307)
Other	(1,468)	(438)	69,644	338
Net change in plan fiduciary net position	9,709,205	8,960,324	(7,088,378)	10,652,056
Plan fiduciary net position - beginning	94,267,416	85,307,092	92,395,470	81,743,414
Plan fiduciary net position - ending (b)	$ 103,976,621	$ 94,267,416	$ 85,307,092	$ 92,395,470
Fund's net pension liability - ending (a) - (b)	$ 4,233,980	$ 8,848,195	$ 13,567,867	$ 475,679
Plan fiduciary net position as a percentage of the total pension liability	96.09%	91.42%	86.28%	99.49%
Covered payroll	$ 19,857,549	$ 18,272,819	$ 16,839,629	$ 16,586,517
Fund's pension liability as a percentage of covered payroll	21.32%	48.42%	80.57%	2.87%

12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
$ 2,749,502	$ 2,517,684	$ 2,444,543	$ 2,426,241	$ 2,259,399	$ 1,924,388
5,497,961	5,205,963	4,918,920	4,623,653	4,331,685	4,231,641
-	-	-	-	-	(77,672)
9,844	(298,683)	(143,096)	201,046	143,558	(598,978)
-	64	-	-	-	276,563
(3,468,658)	(2,961,416)	(3,047,467)	(2,724,065)	(2,261,172)	(2,298,876)
4,788,649	4,463,612	4,172,900	4,526,875	4,473,470	3,457,066
81,810,856	77,347,244	73,174,344	68,647,469	64,173,999	60,716,933
86,599,505	81,810,856	77,347,244	73,174,344	68,647,469	64,173,999
$ 2,277,522	$ 2,041,816	$ 2,014,635	$ 2,005,334	$ 1,837,339	$ 1,777,135
1,171,425	1,064,239	1,038,248	1,029,838	959,787	761,631
5,773,026	10,171,822	(2,032,694)	8,226,874	3,726,746	80,955
(3,468,658)	(2,961,416)	(3,047,467)	(2,724,065)	(2,261,172)	(2,298,876)
(37,343)	(57,455)	(39,274)	(42,627)	(42,077)	(49,306)
(1,457)	(1,727)	(2,052)	(2,159)	(2,267)	(2,434)
5,714,515	10,257,279	(2,068,604)	8,493,195	4,218,356	269,105
76,028,899	65,771,620	67,840,224	59,347,029	55,128,673	54,859,568
$ 81,743,414	$ 76,028,899	$ 65,771,620	$ 67,840,224	$ 59,347,029	$ 55,128,673
$ 4,856,091	$ 5,781,957	$ 11,575,624	$ 5,334,120	$ 9,300,440	$ 9,045,326
94.39%	92.93%	85.03%	92.71%	86.45%	85.90%
$ 16,734,647	$ 15,203,408	$ 14,817,238	$ 14,713,410	$ 13,709,948	$ 12,693,854
29.02%	38.03%	78.12%	36.25%	67.84%	71.26%

City of Humble, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	$ 2,827,187	$ 2,640,667	$ 2,351,864	$ 2,216,526
Contributions in relation to the actuarially determined contribution	2,827,187	2,640,667	2,351,864	2,216,526
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Annual covered payroll	$ 21,337,796	$ 19,282,266	$ 17,899,799	$ 16,935,464
Employer contributions as a percentage of covered payroll	13.25%	13.69%	13.14%	13.09%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
$ 2,164,255	$ 2,257,544	$ 2,038,431	$ 2,000,953	$ 1,977,481	$ 1,860,348
2,164,255	2,257,544	2,038,431	2,000,953	492,954	1,860,348
$ -	$ -	$ -	$ -	$ 1,484,527	$ -
$ 16,167,487	$ 16,638,868	$ 15,132,665	$ 14,701,872	$ 14,535,815	$ 12,693,854
13.39%	13.57%	13.47%	13.61%	3.39%	14.66%

City of Humble, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	[1] 12/31/2024	12/31/2023	12/31/2022	12/31/2021
Total OPEB liability				
Service cost	$ 21,843	$ 18,273	$ 35,363	$ 33,173
Interest	25,552	24,986	16,616	17,138
Differences between expected and actual experience	(5,302)	2,306	(12,180)	(18,850)
Changes of assumptions	(35,572)	32,556	(301,497)	26,962
Benefit payments	(19,857)	(18,273)	(13,472)	(13,269)
Net changes	(13,336)	59,848	(275,170)	45,154
Total OPEB liability - beginning	676,783	616,935	892,105	846,951
Total OPEB liability - ending	[2] $ 663,447	$ 676,783	$ 616,935	$ 892,105
Covered-employee payroll	$ 19,857,549	$ 18,272,819	$ 16,839,629	$ 16,586,517
Total OPEB liability as a percentage of covered-employee payroll	3.34%	3.70%	3.66%	5.38%

Notes to schedule:

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

[2] No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

12/31/2020	12/31/2019	12/31/2018	12/31/2017
$ 28,449	$ 18,244	$ 20,754	$ 17,656
18,914	20,840	18,974	18,627
13,656	(21,205)	(5,289)	-
114,900	107,093	(40,965)	47,055
(5,020)	(3,041)	(4,447)	(4,414)
170,899	121,931	(10,973)	78,924
676,052	554,121	565,094	486,170
$ 846,951	$ 676,052	$ 554,121	$ 565,094
$ 16,734,647	$ 15,203,408	$ 14,824,400	$ 14,713,410
5.06%	4.45%	3.74%	3.84%

City of Humble, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS

RETIREE HEALTH CARE PLAN

Years Ended:

	[1] 12/31/2024	12/31/2023	12/31/2022	12/31/2021
Total OPEB liability				
Service cost	$ 511,310	$ 486,558	$ 708,875	$ 661,660
Interest	375,875	375,650	228,748	245,890
Changes in benefit terms	[3] (3,741,368)	-	-	-
Differences between expected and actual experience	(1,221,151)	208,114	(2,161,441)	(140,436)
Changes of assumptions	(176,792)	161,682	(1,341,187)	(338,881)
Benefit payments	(529,785)	(569,283)	(391,724)	(236,983)
Net changes	(4,781,911)	662,721	(2,956,729)	191,250
Total OPEB liability - beginning	9,979,400	9,316,679	12,273,408	12,082,158
Total OPEB liability - ending	[2] $ 5,197,489	$ 9,979,400	$ 9,316,679	$ 12,273,408
Covered-employee payroll	$ 20,224,146	$ 16,339,094	$ 16,839,629	$ 16,586,880
Total OPEB liability as a percentage of covered-employee payroll	25.70%	61.08%	55.33%	73.99%

Notes to schedule:

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

[2] No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

[3] Changes of benefit terms: Effective January 1, 2025, retiree medical coverage under the City's self-funded health plan was replaced with a fixed monthly City contribution to a Health Reimbursement Arrangement for eligible retirees under age 65.

12/31/2020	12/31/2019	12/31/2018	12/31/2017
$ 654,961	$ 589,832	$ 528,329	$ 434,530
307,088	393,336	267,651	274,959
(19,351)	-	-	-
(300,269)	(134,713)	1,766,316	(32,917)
788,657	(55,564)	140,063	372,655
(376,579)	(144,754)	(289,642)	(163,851)
1,054,507	648,137	2,412,717	885,376
11,027,651	10,379,514	7,966,797	7,081,421
$ 12,082,158	$ 11,027,651	$ 10,379,514	$ 7,966,797
$ 16,734,592	$ 15,203,395	$ 14,824,396	$ 14,480,133
72.20%	72.53%	70.02%	55.02%

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

City of Humble, Texas

COMBINING BALANCE SHEET (Page 1 of 2)

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2025

	Special Revenue Funds			
	Hotel/Motel Fund	Beautification Fund	Special Revenue Funds	Debt Service
Assets				
Cash and cash equivalents	$ 2,391,664	$ -	$ 2,391,664	$ 12,017
Accounts receivable, net	138,782	-	138,782	6,803
Due from other funds	1,080	-	1,080	-
Total Assets	$ 2,531,526	$ -	$ 2,531,526	$ 18,820
Liabilities				
Accounts payable	49,665	-	49,665	-
Due to other funds	415,683	10,521	426,204	12,575
Total Liabilities	465,348	10,521	475,869	12,575
Deferred Inflows of Resources				
Unavailable revenue - prop. tax	-	-	-	6,803
Total Deferred Inflows	-	-	-	6,803
Fund Balances				
Restricted for:				
Tourism	2,066,178	-	2,066,178	-
Unassigned	-	(10,521)	(10,521)	(558)
Total Fund Balances	2,066,178	(10,521)	2,055,657	(558)
Total Liabilities, Deferred Inflows and Fund Balances	$ 2,531,526	$ -	$ 2,531,526	$ 18,820

	Total Nonmajor Govt Funds
$	2,403,681
	145,585
	1,080
$	2,550,346
	49,665
	438,779
	488,444
	6,803
	6,803
	2,066,178
	(11,079)
	2,055,099
$	2,550,346

City of Humble, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Page 1 of 2)

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	Special Revenue Funds			
	Hotel/Motel Fund	Beautification Fund	Special Revenue Funds	Debt Service
Revenues				
Property tax	$ -	$ -	$ -	$ 369
Hotel occupancy tax	707,481	-	707,481	-
Charges for services	58,516	-	58,516	-
Investment income	92,343	-	92,343	-
Other revenue	788	-	788	-
Total Revenues	859,128	-	859,128	369
Expenditures				
Community services	388,264	7,014	395,278	-
Debt service:				
Principal	-	-	-	625,000
Interest and fiscal charges	-	-	-	12,815
Total Expenditures	388,264	7,014	395,278	637,815
Revenues Over (Under) Expenditures	470,864	(7,014)	463,850	(637,446)
Other Financing Sources (Uses)				
Transfers in	-	-	-	644,275
Total Other Financing Sources (Uses)	-	-	-	644,275
Net Change in Fund Balances	470,864	(7,014)	463,850	6,829
Beginning fund balances	1,595,314	(3,507)	1,591,807	(7,387)
Ending Fund Balances	$ 2,066,178	$ (10,521)	$ 2,055,657	$ (558)

	Total Nonmajor Govt Funds
$	369
	707,481
	58,516
	92,343
	788
	859,497
	395,278
	625,000
	12,815
	1,033,093
	(173,596)
	644,275
	644,275
	470,679
	1,584,420
$	2,055,099

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