OFFICIAL STATEMENT

Dated March 9, 2023

Rating:
Moody's: "Aa1"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, under existing law, interest on the Obligations (defined below)is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax imposed on individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"); however, for tax years beginning after December 31, 2022, interest on the Obligations is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Holders of the Obligations could be subject to the consequences of other provisions of the Code, as further described herein. See "TAX MATTERS" herein.

CITY OF MISSOURI CITY, TEXAS
(Fort Bend and Harris Counties)

$19,595,000
GENERAL OBLIGATION
BONDS, SERIES 2023

$8,250,000
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2023

Dated Date: April 1, 2023
Delivery Date: April 11, 2023

Due: June 15 as shown on inside cover

PAYMENT TERMS . . . Interest on the $19,595,000 City of Missouri City, Texas, General Obligation Bonds, Series 2023 (the "Bonds"), and the $8,250,000 City of Missouri City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") (collectively, the "Obligations") will accrue from April 11, 2023 (the "Delivery Date"). The Obligations will be payable June 15 and December 15 of each year commencing June 15, 2023 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE OF THE BONDS . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Chapter 1331 of the Texas Government Code, an election held in the City on November 2, 2021 (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE BONDS"). The Bonds constitute direct obligations of the City, payable from the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance"). (See "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT FOR THE BONDS"). In the Bond Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Bonds pursuant to the terms set forth in a "Pricing Certificate".

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas including particularly, Subchapter C of Chapter 271, Texas Local Government Code. The Certificates constitute direct obligations of the City and are payable from a combination of (i) the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $10,000) of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system as provided in Certificates Ordinance (the "Certificate Ordinance"). (See "THE OBLIGATIONS - AUTHORITY FOR ISSUANCE OF THE CERTIFICATES"). In the Certificate Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Certificates pursuant to the terms set forth in a "Pricing Certificate".

PURPOSE OF BONDS . . . Proceeds from the sale of the Bonds will be used to (i) construct drainage projects, public facilities, streets and parks, and (ii) to pay the costs of issuance associated with the sale of the Bonds.

PURPOSE OF CERTIFICATES . . . Proceeds from the sale of the Certificates will be used for (i) the construction of public works, more specifically, the construction of utility infrastructure, and any items related thereto, and (ii) to pay the costs of issuance associated with the sale of the Certificates.

See Maturity Schedules on Page 2

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after June 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION . . . In addition, the Bonds maturing on June 15, 2048 and June 15, 2048 (the "Term Bonds") and the Certificates maturing on June 15, 2043 (the "Term Certificates" together the "Term Obligations") are also subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "THE OBLIGATIONS – MANDATORY REDEMPTION").

LEGALITY . . . The Obligations are offered for delivery when, as and if issued and received by the Underwriters (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of Holland & Knight LLP, Houston, Texas, Bond Counsel (see APPENDIX C, "FORMS OF BOND COUNSEL'S OPINIONS"). Certain legal matters will be passed upon for the Underwriters by Bratton & Associates, PLLC, Houston, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Obligations will be available for delivery through the facilities of DTC on or about April 11, 2023.

SAMCO CAPITAL MARKETS **BOK FINANCIAL SECURITIES, INC.**

MATURITY SCHEDULE

THE BONDS
$19,595,000

Principal Amount	Maturity 15-Jun	Interest Rate	Price or Yield [1]	CUSIP Numbers [2]	Principal Amount	Maturity 15-Jun	Interest Rate	Price or Yield [1]	CUSIP Numbers [2]
$ 425,000	2024	5.000%	3.200%	606021AT0	$ 660,000	2033 [3][4]	5.000%	3.130%	606021BC6
445,000	2025	5.000%	3.230%	606021AU7	690,000	2034 [3][4]	5.000%	3.270%	606021BD4
470,000	2026	5.000%	3.110%	606021AV5	725,000	2035 [3][4]	5.000%	3.410%	606021BE2
490,000	2027	5.000%	3.030%	606021AW3	760,000	2036 [3][4]	5.000%	3.600%	606021BF9
515,000	2028	5.000%	3.000%	606021AX1	800,000	2037 [3][4]	4.000%	4.000%	606021BG7
540,000	2029	5.000%	3.030%	606021AY9	835,000	2038 [3][4]	4.000%	4.080%	606021BH5
570,000	2030	5.000%	3.030%	606021AZ6	865,000	2039 [3][4]	4.000%	4.150%	606021BJ1
595,000	2031	5.000%	3.050%	606021BA0	900,000	2040 [3][4]	4.000%	4.200%	606021BK8
625,000	2032	5.000%	3.060%	606021BB8	935,000	2041 [3][4]	4.000%	4.250%	606021BL6

$1,990,000 4.125% Term Bonds Due June 15, 2043[3] Priced to Yield 4.290%[1][4] - CUSIP # 606021BN2[2]
$5,760,000 4.375% Term Bonds Due June 15, 2048[3] Priced to Yield 4.410%[1][4] - CUSIP #606021BT9[2]

(Interest accrues from the Delivery Date)

THE CERTIFICATES
$8,250,000

Principal Amount	Maturity 15-Jun	Interest Rate	Price or Yield [1]	CUSIP Numbers [2]	Principal Amount	Maturity 15-Jun	Interest Rate	Price or Yield [1]	CUSIP Numbers [2]
$ 255,000	2024	5.000%	3.200%	606021BU6	$ 390,000	2033 [3][4]	5.000%	3.130%	606021CD3
265,000	2025	5.000%	3.230%	606021BV4	410,000	2034 [3][4]	5.000%	3.270%	606021CE1
280,000	2026	5.000%	3.110%	606021BW2	435,000	2035 [3][4]	5.000%	3.410%	606021CF8
295,000	2027	5.000%	3.030%	606021BX0	455,000	2036 [3][4]	5.000%	3.600%	606021CG6
305,000	2028	5.000%	3.000%	606021BY8	475,000	2037 [3][4]	4.000%	4.000%	606021CH4
325,000	2029	5.000%	3.030%	606021BZ5	495,000	2038 [3][4]	4.000%	4.080%	606021CJ0
340,000	2030	5.000%	3.030%	606021CA9	515,000	2039 [3][4]	4.000%	4.150%	606021CK7
355,000	2031	5.000%	3.050%	606021CB7	535,000	2040 [3][4]	4.000%	4.200%	606021CL5
375,000	2032	5.000%	3.060%	606021CC5	560,000	2041 [3][4]	4.000%	4.250%	606021CM3

$1,185,000 4.125% Term Certificate Due June 15, 2043[3] Priced to Yield 4.290%[1][4] – CUSIP # 606021CP6[2]

(Interest accrues from the Delivery Date)

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(1) The initial reoffering prices or yields on the Obligations are furnished by the Underwriters and represent the initial offering prices or yields to the public, which may be changed by the Underwriters at any time.
(2) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc., and are included solely for the convenience of the beneficial owners of the Obligations. Neither the City nor the Underwriters of the Obligations is responsible for the selection or correctness of the CUSIP numbers set forth herein.
(3) The Obligations maturing on and after June 15, 2033 are subject to redemption, at the option of the City, on June 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE OBLIGATIONS – OPTIONAL REDEMPTION." In addition, the Bonds maturing on June 15, 2043 and June 15, 2048 (the "Term Bonds") and Certificates maturing on June 15, 2043 (the "Term Certificates" together the "Term Obligations") are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date.
(4) Yields shown to first optional redemption date of June 15, 2032

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This Official Statement, which includes the cover page, Maturity Schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Service, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown on the inside cover page.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize the market price of the issue at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Obligations are exempt from registration with the SEC and consequently have not been registered therewith. The registration, qualification, or exemption of the Obligations in accordance with applicable securities law provisions of the jurisdiction in which these securities have been registered or exempted should not be regarded as a recommendation thereof.

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

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The cover page hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Missouri City (the "City") is a political subdivision and municipal corporation of the State of Texas, located in Fort Bend and Harris Counties. The City covers approximately 30.4 square miles (see "INTRODUCTION - DESCRIPTION OF THE CITY").

THE BONDS .... The Bonds are issued as $19,595,000 General Obligation Bonds, Series 2023 (the "Bonds"). The Bonds are issued as serial bonds, maturing June 15, 2024 through June 15, 2041 and as term bonds maturing on June 15, 2043 and June 15, 2048 (the "Term Bonds") (see "THE OBLIGATIONS -DESCRIPTION OF THE OBLIGATIONS").

THE CERTIFICATES .... The Certificates are issued as $8,250,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates"). The Certificates are issued as serial certificates, maturing June 15, 2024 through June 15, 2041 and as term certificates maturing on June 15, 2043 (the "Term Certificates") (see “THE OBLIGATIONS -DESCRIPTION OF THE OBLIGATIONS “).

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Delivery Date, and is payable June 15, 2023, and each June 15 and December 15 thereafter until stated maturity or prior redemption. Interest on the Certificates accrues from the Delivery Date and is payable June 15, 2023, and each June 15 and December 15 thereafter until stated maturity or prior redemption (see "THE OBLIGATIONS – DESCRIPTION OF THE OBLIGATIONS" and "OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE OF THE BONDS .... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Chapter 1331 of the Texas Government Code, an election held in the City on November 2, 2021 (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE BONDS"). The Bonds constitute direct obligations of the City, payable from the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the ordinance authorizing the Bonds (the "Ordinance"). (See "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT FOR THE BONDS"). In the Bond Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Bonds pursuant to the terms set forth in a pricing certificate.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES.............. The Certificates are issued pursuant to the Constitution and general laws of the State of Texas including particularly, Subchapter C of Chapter 271, Texas Local Government Code. The Certificates constitute direct obligations of the City and are payable from a combination of (i) the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $10,000) of a subordinate lien on the net revenues of the City’s waterworks and sanitary sewer system as provided in Certificates Ordinance (the "Ordinance"). (See "THE OBLIGATIONS – Authority for Issuance of the Certificates"). In the Certificate Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Certificates pursuant to the terms set forth in a pricing certificate.

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City (see "THE BONDS – SECURITY OF SOURCE OF PAYMENT").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $10,000) of a subordinate lien on the net revenues of the City’s waterworks and sanitary sewer system (see "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES").

REDEMPTION .... The City reserves the right, at its option, to redeem Obligations having stated maturities on and after June 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – OPTIONAL REDEMPTION"). In addition, the Bonds maturing on June 15, 2043 and June 15, 2048 (the "Term Bonds") and Certificates maturing on June 15, 2043 (the "Term Certificates" together the "Term Obligations") Additionally, the Obligations may be subject to mandatory redemption in the event the Underwriters elect to aggregate one or more maturities as a Term Obligation (see "THE OBLIGATIONS - MANDATORY SINKING FUND REDEMPTION").

TAX EXEMPTION.......................... Interest on the Obligations is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax imposed on individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"); however, for tax years beginning after December 31, 2022, interest on the Obligations is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. See "TAX MATTERS" and "APPENDIX C - Forms of Bond Counsel's Opinions" herein for a discussion of the opinion of Bond Counsel and a description of certain tax matters related to the Obligations.

PURPOSE OF THE BONDS .... Proceeds from the sale of the Bonds will be used to (i) construct drainage projects, public facilities, streets and parks, and (ii) to pay the costs of issuance associated with the sale of the Bonds.

PURPOSE OF THE CERTIFICATES.......................... Proceeds from the sale of the Certificates will be used for (i) the construction of public works, more specifically, the construction of utility infrastructure, and any items related thereto, and (iii) to pay the costs of issuance associated with the sale of the Certificates.

RATINGS .... The Obligations and presently outstanding tax supported debt of the City are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's"), without regard to credit enhancement (see "OTHER INFORMATION - RATINGS").

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

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

PAYING AGENT/REGISTRAR........ The initial Paying Agent/Registrar for the Obligations is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS – PAYING AGENT/REGISTRAR").

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt[3]	Per Capita G. O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
9/30/2019	77,242	$7,082,216,056	$ 91,689	$ 159,355,000	$ 2,063	2.25%	99.22%
9/30/2020	78,787	7,022,608,862	89,134	155,195,000	1,970	2.21%	99.20%
9/30/2021	78,787	7,593,335,703	96,378	158,635,000	2,013	2.09%	98.90%
9/30/2022	80,311	8,305,534,371	103,417	156,555,000	1,949	1.88%	99.77%
9/30/2023	79,330	9,632,813,828	121,427	171,495,000 (4)	2,162 (4)	1.78% (4)	94.14% (5)

(1) As of 2022, the City started using Environmental Systems Research Institute (ESRI) for their population estimates. Previously the information was pulled from the Fort Bend County Economic Development Council.
(2) As reported by the Fort Bend Central and Harris Central Appraisal Districts, subject to change throughout the year. Includes value attributable to three separate tax increment reinvestment zones (the "Zones"). Pursuant to the various agreements between the City and the Zones, 100% of the tax revenues generated from incremental assessed valuation attributable to the Zones are used for Zone projects and are not available to make debt service payments on the Bonds. See "TAX INFORMATION – TAX INCREMENT FINANCING ZONES."
(3) Includes self-supporting debt. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT."
(4) Projected, includes the Obligations.
(5) Collections as of February 28, 2023.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended				
	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Beginning Balance	$ 35,534,928	$ 27,039,086	$ 16,922,468	$ 11,014,044	$ 13,581,779
Total Revenue	61,061,887	62,856,658	54,452,191	50,531,539	53,596,480
Total Expenditures	53,420,075	53,063,662	50,270,101	46,018,651	58,017,369
Other Financing Sources (Uses)	(2,352,081)	(1,297,154)	5,934,528	1,395,536	1,853,154
Ending Balance	$ 40,824,659	$ 35,534,928	$ 27,039,086	$ 16,922,468	$ 11,014,044

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Position	Term Expires (November)
Robin Elackatt	Mayor	2025
Sonya Brown-Marshall	Council, At Large Position 1	2025
Lynn Clouser	Council, At Large Position 2	2025
Monica Riley	Council, District A	2024
Jeffrey L. Boney	Council, District B	2024
Anthony Maroulis	Council, District C	2024
Floyd Emery	Council, District D	2024

APPOINTED OFFICIALS

Name	Position	Year Employed
Angel Jones	City Manager (1)	2022
Allena Portis	Financial Services Director (2)	2019
Crystal Roan	City Secretary	2022
E. Joyce Iyamu	City Attorney	2009

(1) Ms. Jones has over 25 years of experience with municipal government.
(2) Ms. Portis has 20 years of experience in municipal finance.

CONSULTANTS AND ADVISORS

Auditors .... Weaver and Tidwell, LLP
Conroe, Texas

Bond Counsel .... Holland & Knight LLP
Houston, Texas

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

For additional information regarding the City, please contact:

Allena Portis Financial Services Director City of Missouri City 1522 Texas Parkway Missouri City, Texas 77489 Phone: (281) 403-8614	or	Joe Morrow Managing Director Hilltop Securities, Inc. 700 Milam Street, Suite 1200 Houston, Texas 77002 Phone: (713) 654-8690 Fax: (713) 651-9850

OFFICIAL STATEMENT

RELATING TO

$19,595,000 GENERAL OBLIGATION BONDS, SERIES 2023	$8,250,000 COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $19,595,000 City of Missouri City, Texas, General Obligation Bonds, Series 2023 (the "Bonds"), and the $8,250,000 City of Missouri City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") (collectively the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinances of the City Council of the City of Missouri City, Texas (the "City"), authorizing the issuance of the Bonds and the Certificates (the "Bond Ordinance" and the "Certificate Ordinance", respectively, and collectively the "Ordinances"), except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State and the City's Home Rule Charter. The City was incorporated in 1956, and first adopted its Home Rule Charter in 1974. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members (the "City Council"). The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years while four council members from single-member districts are elected every two years in odd number years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are public safety (police and fire protection), streets, cultural-recreation, public improvements, planning and zoning, and general administrative services. The estimated 2023 population to be approximately 79,330. The City covers approximately 30.4 square miles.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS

The Obligations are dated April 1, 2023, (interest accrues from Delivery Date) and mature, or are subject to redemption prior to maturity, on June 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 15 and December 15, commencing June 15, 2023. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE OF THE BONDS

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Chapter 1331 of the Texas Government Code, an election held in the City on November 2, 2021 (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE BONDS"). The Bonds constitute direct obligations of the City, payable from the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance"). (See "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT FOR THE BONDS"). In the Bond Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Bonds pursuant to the terms set forth in a "Pricing Certificate".

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES

The Certificates are issued pursuant to the Constitution and general laws of the State of Texas including particularly, Subchapter C of Chapter 271, Texas Local Government Code. The Certificates constitute direct obligations of the City and are payable from a combination of (i) the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $10,000) of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system as provided in Certificates Ordinance (the "Certificate Ordinance"). (See "THE OBLIGATIONS - AUTHORITY FOR ISSUANCE OF THE CERTIFICATES"). In the Certificate Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Certificates pursuant to the terms set forth in a "Pricing Certificate".

PURPOSE OF THE BONDS

Proceeds from the sale of the Bonds will be used to (i) construct drainage projects, public facilities, streets and parks, and (ii) to pay the costs of issuance associated with the sale of the Bonds.

PURPOSE OF THE CERTIFICATES

Proceeds from the sale of the Certificates will be used for (i) the construction of public works, more specifically, the construction of utility infrastructure, and any items related thereto, and (ii) to pay the costs of issuance associated with the sale of the Certificates.

SECURITY AND SOURCE OF PAYMENT

All taxable property within the City is subject to a continuing direct annual ad valorem tax levied, within the limits prescribed by law, by the City sufficient to provide for the payment of principal of and interest on the Bonds.

All taxable property within the City is subject to a continuing direct annual ad valorem tax levied, within the limits prescribed by law, by the City sufficient to provide for the payment of principal of and interest on the Certificates.

The Certificates are also payable from and secured by a limited pledge (not to exceed $10,000) of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system, as provided in the Ordinances.

TAX RATE LIMITATION

Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection factor.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Obligations having stated maturities on and after June 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of the Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) will determine by lot or other random method the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

The Bonds maturing June 15, 2039 and June 15, 2041 (the "Term Bonds"), are subject to mandatory sinking fund redemption in part prior to maturity and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

Term Bond Due June 15, 2043	
Redemption Date	Principal Amount
June 15, 2042	$ 975,000
June 15, 2043*	1,015,000
	$ 1,990,000

Term Bond Due June 15, 2048	
Redemtion Date	Principal Amount
June 15, 2044	$ 1,055,000
June 15, 2045	1,100,000
June 15, 2046	1,150,000
June 15, 2047	1,200,000
June 15, 2048*	1,255,000
	$ 5,760,000

* Stated Maturity.

The Certificates maturing June 15, 2043 (the "Term Certificates"), are subject to mandatory sinking fund redemption in part prior to maturity and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

Term Certificate Due June 15, 2043	
Redemption Date	Principal Amount
June 15, 2042	580,000
June 15, 2043*	605,000
	$ 1,185,000

* Stated Maturity.

The principal amount of Term Obligations of a stated maturity required to be redeemed on any mandatory sinking fund redemption date pursuant to the operation of such mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Obligations of the same maturity which, at least 45 days prior to a mandatory sinking fund redemption date (1) shall have been defeased or acquired by the City at a price not exceeding the principal amount of such Term Obligations plus accrued interest to the date of purchase, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at the request of the City with money in the Interest and Sinking Fund.

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. (While the Obligations are in book-entry form, the only registered owner will be the nominee of DTC). ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE

The Ordinances provide that the City may discharge its obligations to the registered owners of any or all of the Obligations in any manner now or hereafter permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Obligations to maturity or redemption and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Obligations; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a district, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Obligations, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Obligations, as the case may be. If any of the Obligations are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Obligations at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinances.

Upon such deposit as described above, such Obligations shall no longer be considered to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Obligations have been made as described above, all rights of the City to initiate proceedings to call such Obligations for redemption or take any other action amending the terms of such Obligations are extinguished; provided, however, that the right to call such Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of such Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT

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

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "THE OBLIGATIONS - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

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

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS - BOOK-ENTRY-ONLY SYSTEM" above for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT

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

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

OWNERS' REMEDIES

The Ordinances do not provide for the appointment of a trustee to represent the interests of the Obligation holders upon any failure of the City to perform in accordance with the terms of the Ordinances or upon any other condition and, in the event of any such failure to perform, the registered owners of the Obligations, respectively, would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinances. Under State law, there is no right to the acceleration of maturity of the Obligations upon the failure of the City to observe any covenant under the Ordinances. A registered owner of Obligations could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Obligations; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Obligations as they become due or perform other material terms and covenants contained in the Ordinances. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Obligations are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If governmental immunity is determined by a court to exist, then the Texas Supreme Court ruled in Tooke v. City of Mexia (197 S.W.3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in a clear and unambiguous language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the covenants in the Obligations or in the Ordinances.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligation holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce a creditor's rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. In a Chapter 9 proceeding, the City could propose, and the court could order, a plan that changes payment terms on the Obligations without the consent of the owners of the affected Obligations. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

SOURCES AND USES OF FUNDS

	The Bonds		The Certificates
Sources:		Sources:	
Par Amount	$ 19,595,000.00	Par Amount	$ 8,250,000.00
Premium	664,869.20	Premium	415,432.85
Total Sources of Funds	$ 20,259,869.20	Total Sources of Funds	$ 8,665,432.85
Uses:		Uses:	
Deposit to Construction Fund	$ 20,000,000.00	Deposit to Construction Fund	$ 8,500,000.00
Costs of Issuance (1)	136,295.00	Costs of Issuance (1)	103,790.00
Underwriters' Discount	122,531.63	Underwriters' Discount	58,609.23
Additional Proceeds	1,042.57	Additional Proceeds	3,033.62
Total Uses of Funds	$ 20,259,869.20	Total Uses of Funds	$ 8,665,432.85

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

TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the collective responsibility of the Fort Bend Central Appraisal District and Harris Central Appraisal District (each an "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION - CITY AND TAXPAYER REMEDIES").

STATE MANDATED HOMESTEAD EXEMPTIONS

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

LOCAL OPTION HOMESTEAD EXEMPTIONS

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED

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

PERSONAL PROPERTY

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

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS

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

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

OTHER EXEMPT PROPERTY

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

TAX INCREMENT REINVESTMENT ZONES

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS

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

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

CITY AND TAXPAYER REMEDIES

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

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX INFORMATION - PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES

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

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS

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

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

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

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

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

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

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

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

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

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

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

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

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

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

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

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

DEBT TAX RATE LIMITATIONS

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

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

MUNICIPAL SALES TAX

The City has adopted the provisions of Property Tax Code § 321.001 et seq., which grants the City the power to impose and levy a one percent (1%) Local Sales and Use Tax within the City. The proceeds of such tax are credited to the General Fund and are not pledged to payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas (the "Comptroller"), who monthly remits the proceeds of the tax, after deduction of a two percent (2%) service fee, to the City.

The Property Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales and use tax for the purpose of reducing its ad valorem property taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales and use tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. See "TABLE 13 – MUNICIPAL SALES TAX HISTORY" herein.

The City has also approved the imposition of an additional sales and use tax of one percent (1%) for the Metropolitan Transit Authority of Harris County, Texas ("METRO"). The sales tax for METRO is collected solely for the benefit of mass transit in the area. Metro rebates 50% of their sales tax to the City to be used for street improvements and general mobility project. See "TABLE 13 – MUNICIPAL SALES TAX HISTORY" herein.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the state sales and use tax rate of 6¼%).

CITY APPLICATION OF TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $25,000; disabled persons are granted an exemption of $20,000; disabled veterans are granted an exemption between $5,000 and $12,000; and residential homesteads receive a 2.5% exemption with a minimum of $5,000.

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

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

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

The City does tax nonbusiness personal property; and Fort Bend County collect taxes for the City.

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

The City does not tax freeport property.

The City does not grant a "goods-in-transit" exemption.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY

The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The City currently has 14 abatement agreements in effect. The value of property subject to abatement is shown in Table 1.

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TAX INCREMENT FINANCING ZONES

In June 2000, the City Council approved the creation of a Development Authority for the City that is responsible for management of all Public Improvement Districts and Tax Increment Reinvestment Zones created by the City. One zone was formed to develop an area that had long been noted for substandard housing and a lack of public infrastructure. Another zone was formed so that drainage problems could be handled on a regional basis. The third zone was created so the defined area would develop in a reasonable period of time. Approximately $1,253,189,429 of the tax year 2022 assessed valuation of the City is subject to agreements between the tax increment reinvestment zones and the City, and tax revenues generated on such assessed valuation are not available to make debt service payments on the Obligations. Historical collections below are provided by the City.

		Tax Year				
		2022	2021	2020	2019	2018
TIRZ #1	Captured	$ 304,456,119	$ 218,290,389	$ 198,707,108	$ 131,686,452	$ 111,942,977
	Taxable	374,303,910	287,639,780	268,554,899	201,534,243	181,790,768
TIRZ #2	Captured	726,495,436	485,554,765	377,598,515	319,025,606	301,343,784
	Taxable	728,609,446	464,666,865	379,712,525	321,139,616	303,457,794
TIRZ #3	Captured	222,237,874	202,087,039	245,213,041	162,867,099	148,202,189
	Taxable	250,942,374	230,791,539	273,917,541	191,571,599	176,906,689
	Total Captured	$ 1,253,189,429	$ 905,932,193	$ 821,518,664	$ 613,579,157	$ 561,488,950
	Total Taxable	1,353,855,730	983,098,184	922,184,965	714,245,458	662,155,251

NOTE: Base year valuations are subject to change as contested values and accounts are resolved, properties are annexed or de-annexed into a specific zone, and/or the Appraisal Districts update records.

DEVELOPMENT AGREEMENTS

The City has entered into development agreements to provide for planned development both inside and outside the current City limits. In some instances, economic development agreements have been entered into that utilize the Texas Local Government Code, Chapter 380 to provide for reimbursement to developers. In other cases, Tax Increment Reinvestment Zones and Public Improvement Districts have been used to assist development or redevelopment of areas. See APPENDIX B, Audited Financial Statements of the City for Fiscal Year Ended September 30, 2021, Note 17 – Development Agreements.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2022/2023 Market Valuation Established by the Fort Bend Central Appraisal District and the Harris Central Appraisal District (excluding totally exempt property)		$ 11,310,219,071
Less Exemptions/Reductions at 100% Market Value:		
Over 65	$ 161,492,032	
Disabled or Deceased Veterans / Disabled People	109,724,705	
Productivity Loss	44,796,697	
Auto Lease Vehicles	71,005,112	
Abatement	211,910,860	
Under 500 Exemption	24,408	
Prorated Exempt Property	101,132	
House Bill 366	206,245	
Homestead Cap	807,289,336	
Pollution Control	6,764,480	
Solar	1,581,918	
Freeport	216,210,220	$ 1,631,107,145
Adjustments made after Certification		(46,298,098)
2022/2023 Taxable Assessed Valuation		$ 9,632,813,828
General Obligation Debt Payable from Ad Valorem Taxes (as of September 30, 2022)		
Outstanding General Obligation Bonds	$ 120,510,000	
Outstanding Certificates of Obligation	36,045,000	
Plus: The Bonds	19,595,000	
Plus: The Certificates	8,250,000	
Total General Obligation Debt Payable from Ad Valorem Taxes		$ 184,400,000
Less: Self-Supporting Debt (as of September 30, 2022)		
Water and Wastewater Utilities General Obligation Debt	$ 20,851,082 (1)(2)	
Surface Water Treatment Fund General Obligation Debt	53,524,537 (1)	
Public Improvement District #2 General Obligation Debt	5,385,000	
Public Improvement District #4 General Obligation Debt	4,035,000	
Tax Increment Reinvestment Zone #2 General Obligation Debt	1,730,000	85,525,619
Net Funded Debt Payable From Ad Valorem Taxes		$ 98,874,381
Interest and Sinking Fund as of September 30, 2022		$ 6,545,928
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		6.06%

2023 Estimated Population - 79,330

Per Capita Taxable Assessed Valuation - $20,561

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $1,246

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(1) See "DEBT INFORMATION – ENTERPRISE AND COMPONENT UNIT REVENUE USED TO PAY GENERAL OBLIGATION DEBT SERVICE" and "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT."
(2) Includes the Certificates.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category[1]	2023 Amount	2023 % of Total	2022 Amount	2022 % of Total	2021 Amount	2021 % of Total
	Taxable Appraised Value for Fiscal Year Ended					
Real, Residential, Single-Family	$ 7,778,795,640	68.78%	$ 6,119,853,308	68.78%	$ 5,715,879,186	69.44%
Real, Residential, Multi-Family	137,627,243	1.22%	127,664,675	1.22%	120,128,794	1.46%
Real, Vacant Lots/Tracts	132,548,122	1.17%	114,411,860	1.17%	115,938,459	1.41%
Real Acreage (Land Only)	47,191,529	0.42%	54,569,497	0.42%	55,133,699	0.67%
Real, Farm and Ranch Improvements	20,185,726	0.18%	15,527,330	0.18%	17,576,870	0.21%
Real, Commercial, Industrial & Personal	1,983,097,806	17.53%	1,576,339,268	17.53%	1,381,129,669	16.78%
Real, Oil, Gas & Mineral Reserves	957,400	0.01%	521,920	0.01%	478,720	0.01%
Real & Intangible Personal, Utilities	115,471,580	1.02%	107,025,636	1.02%	90,929,280	1.10%
Tangible Personal Business	1,035,900,403	9.16%	780,212,844	9.16%	670,666,569	8.15%
Tangible Personal, Other	414,830	0.00%	163,390	0.00%	176,100	0.00%
Real Inventory	56,937,430	0.50%	50,615,172	0.50%	62,165,620	0.76%
Special Inventory	1,091,362	0.01%	74,650	0.01%	1,222,321	0.01%
Total Appraised Value Before Exemptions	$ 11,310,219,071 [2]	100.00%	$ 8,946,979,550 [2]	100.00%	$ 8,231,425,287 [2]	100.00%
Less: Total Exemptions/Reductions	(1,631,107,145)		(641,445,179)		(638,089,584)	
Adjustments Made After Certification	(46,298,098) [3]				-	
Taxable Assessed Value	$ 9,632,813,828		$ 8,305,534,371		$ 7,593,335,703	

Category[1]	2020 Amount	2020 % of Total	2019 Amount	2019 % of Total
	Taxable Appraised Value for Fiscal Year Ended			
Real, Residential, Single-Family	$ 5,384,328,407	70.52%	$ 5,214,844,283	72.54%
Real, Residential, Multi-Family	82,911,197	1.09%	83,592,140	1.16%
Real, Vacant Lots/Tracts	127,379,061	1.67%	191,359,697	2.66%
Real, Farm and Ranch Improvements	62,763,069	0.82%	25,913,006	0.36%
Real, Commercial, Industrial & Personal	19,315,510	0.25%	991,151,163	13.79%
Real Acreage (Land Only)	1,218,855,920	15.96%	63,959,177	0.89%
Real, Oil, Gas & Mineral Reserves	1,282,710	0.02%	65,746,810	0.91%
Real & Intangible Personal, Utilities	77,923,564	1.02%	517,293,025	7.20%
Tangible Personal Business	600,449,617	7.86%	6,312,869	0.09%
Tangible Personal, Other	176,100	0.00%	28,130,007	0.39%
Real Inventory	57,750,540	0.76%	881,964	0.01%
Special Inventory	1,510,341	0.02%	-	0.00%
Total Appraised Value Before Exemptions	$ 7,634,646,036 [2]	100.00%	$ 7,189,184,141 [2]	100.00%
Less: Total Exemptions/Reductions	(612,037,174)		(547,018,659)	
Adjustments Made After Certification	-		440,050,574 [3]	
Taxable Assessed Value	$ 7,022,608,862		$ 7,082,216,056	

(1) Includes value attributable to three separate tax increment reinvestment zones (the "Zones"). Pursuant to the various agreements between the City and the Zones, 100% of the tax revenues generated from assessed valuation attributable to the Zones are used for Zone projects and are not available to make debt service payments on the Obligations. See "TAX INFORMATION – TAX INCREMENT FINANCING ZONES."

(2) Excludes totally exempt property.

(3) Adjustments were made after initial certification of the appraisal district from updated supplements provided by the appraisal district.

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central and Harris Central Appraisal Districts to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts update records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
9/30/2019	77,242	$ 7,082,216,056	$ 91,689	$ 159,355,000	2.25%	$ 2,063
9/30/2020	78,787	7,022,608,862	89,134	155,195,000	2.21%	1,970
9/30/2021	78,787	7,593,335,703	96,378	158,635,000	2.09%	2,013
9/30/2022	80,311	8,305,534,371	103,417	156,555,000	1.88%	1,949
9/30/2023	79,330	9,632,813,828	121,427	171,495,000 [(4)]	1.78% [(4)]	2,162 [(4)]

(1) As of 2022, the City started using Environmental Systems Research Institute (ESRI) for their population estimates. Previously, the information was pulled from the Fort Bend County Economic Development Council.
(2) As reported by the Fort Bend Central and Harris Central Appraisal Districts, subject to change throughout the year. Includes value attributable to three separate tax increment reinvestment zones (the "Zones"). Pursuant to the various agreements between the City and the Zones, 100% of the tax revenues generated from incremental assessed valuation attributable to the Zones are used for Zone projects and are not available to make debt service payments on the Obligations. See "TAX INFORMATION – TAX INCREMENT FINANCING ZONES."
(3) Includes self-supporting debt. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT."
(4) Projected, includes the Obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Tax Year	Fiscal Year Ended	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections [(1)]	% Total Collections [(1)]
2017	9/30/2018	$ 0.60000	$ 0.44023	$ 0.15977	$ 37,557,568	99.13%	99.70%
2018	9/30/2019	0.63000	0.46000	0.17000	41,324,746	99.06%	99.60%
2019	9/30/2020	0.63000	0.46639	0.16361	44,361,234	98.75%	99.20%
2020	9/30/2021	0.59804	0.45353	0.14451	45,732,035	98.85%	98.90%
2021	9/30/2022	0.57804	0.44323	0.13481	47,601,830	98.84%	99.77%
2022	9/30/2023	0.57375	0.43198	0.14177	55,147,639	93.82% [(2)]	94.14% [(2)]

(1) Collected within the Fiscal Year of the levy.
(2) Collections as of February 28, 2023.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2022/2023 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Lake Olympia One Owner LP	Commercial	$ 122,028,550	1.27%
Amazon.com Services LLC	E-Commerce	50,910,370	0.53%
Ben E Keith Co	Food Distributor	50,350,120	0.52%
Watermark Retreat at Sienna Plantation LLC	Apartments	40,800,000	0.42%
Park 8Ninety Phase II LP	Commercial	40,403,689	0.42%
Waypoint Business Park LLC	Commercial	39,933,877	0.41%
Comcast of Houston LLC	Utility	38,491,350	0.40%
Centerpoint Energy Electric	Utility	37,302,230	0.39%
Westcore CG Gateway LLC	Commercial	36,116,266	0.37%
Exeter S Gessner 1 LP	Commercial	35,972,980	0.37%
		$ 492,309,432	5.11%

General Obligation Debt Limitation

A maximum ad valorem tax rate of $2.50 per $100 of taxable assessed valuation is imposed on the City under current State law and the City's Home Rule Charter (see "THE OBLIGATIONS - TAX RATE LIMITATION"). The Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

Table 6 - Tax Adequacy

2023 Principal and Interest Requirements on Net Funded Debt	$ 10,803,509 (1)
$0.6759 Tax Rate at 98% Collection Produces	$ 10,804,160
Average Annual Principal and Interest Requirements on Net Funded Debt, 2023 - 2048	$ 5,163,206 (1)
$0.3231 Tax Rate at 98% Collection Produces	$ 5,164,705
Maximum Principal and Interest Requirements on Net Funded Debt, 2024	$ 11,744,434 (1)
$0.7348 Tax Rate at 98% Collection Produces	$ 11,745,668

(1) Projected, includes the Obligations and excludes self-supporting debt. Interest on the Obligations estimated at market rates for purpose of illustration.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Governmental Entity	Debt as of 15-Mar-23	Overlapping Percentage	Overlapping Amount
Blue Ridge West MUD	$ 13,100,000	100.00%	$ 13,100,000
First Colony MUD No. 9	7,400,000	100.00%	7,400,000
Fort Bend County	696,140,542	8.28%	57,640,437
Fort Bend Co Drainage District	23,615,000	8.28%	1,955,322
Fort Bend County MUD No. 26	35,370,000	100.00%	35,370,000
Fort Bend County MUD No. 42	3,335,000	97.38%	3,247,623
Fort Bend County MUD No. 46	6,965,000	100.00%	6,965,000
Fort Bend County MUD No. 47	12,665,000	100.00%	12,665,000
Fort Bend County MUD No. 48	26,865,000	100.00%	26,865,000
Fort Bend County MUD No. 49	325,000	100.00%	325,000
Fort Bend County MUD No. 115	4,070,000	100.00%	4,070,000
Fort Bend County WC&ID No. 2	100,270,000	23.06%	23,122,262
Fort Bend Independent School District	1,523,860,000	15.97%	243,360,442
Harris County	1,239,727,125	0.08%	991,782
Harris County Department of Education	20,185,000	0.08%	16,148
Harris County Flood Control District	797,615,000	0.08%	638,092
Harris County Hospital District	70,970,000	0.08%	56,776
Harris County MUD No. 122	885,000	100.00%	885,000
Harris County Toll Road	151,335,000	0.08%	121,068
Harris County WC&ID (Fondren Road)	1,405,000	100.00%	1,405,000
Houston Community College System	384,345,000	2.84%	10,915,398
Houston Independent School District	2,050,045,000	0.16%	3,280,072
Missouri City Management District #1	3,920,000	100.00%	3,920,000
Palmer Plantation MUD #1	4,125,000	100.00%	4,125,000
Palmer Plantation MUD #2	2,390,000	100.00%	2,390,000
Port of Houston Authority	445,749,397	0.08%	356,600
Sienna Plantation Management District	50,830,000	100.00%	50,830,000
Sienna Plantation MUD #10	55,385,000	0.09%	49,847
Sienna Plantation MUD #12	60,955,000	4.41%	2,688,116
Sienna Plantation LID	177,240,000	6.31%	11,183,844
Southwest Harris County MUD No. 1	975,000	100.00%	975,000
Total Overlapping Debt			$ 530,913,827
The City (1)			184,400,000 (2)
Total Direct and Overlapping Debt			$ 715,313,827
Population			79,330
Per Capita Total Direct and Overlapping Debt			$ 9,017
Ratio of Total Direct and Overlapping Debt to Taxable Assessed Valuation			43.85%

Source: Texas Municipal Reports.
(1) Includes self-supporting debt.
(2) Projected, includes the Obligations.

DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Outstanding Debt Service[1]		The Bonds [2]		The Certificates [2]		Total Outstanding Debt	Water and Wastewater Utilities Self-Supporting Requirements [3]	Surface Water Treatment Fund Self-Supporting Requirements	PID #2 Self-Supporting Requirements	PID #4 Self-Supporting Requirements	TIRZ #2 Self-Supporting Requirements	Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest	Principal	Interest								
2023	$ 11,850,000	$ 6,728,608	$ -	$ 156,976	$ -	$ 66,903	$ 18,802,486	$ 1,585,797	$ 5,192,837	$ 535,900	$ 342,944	$ 341,500	$ 10,803,509	
2024	12,250,000	6,131,245	425,000	882,988	255,000	376,331	20,320,564	2,149,947	5,206,390	536,600	344,444	338,750	11,744,434	
2025	12,055,000	5,558,608	445,000	861,738	265,000	363,581	19,548,926	2,132,022	5,199,405	541,550	345,444	340,500	10,990,006	
2026	12,505,000	4,993,995	470,000	839,488	280,000	350,331	19,438,814	2,075,845	5,210,687	540,550	350,944	341,500	10,919,289	
2027	12,270,000	4,409,795	490,000	815,988	295,000	336,331	18,617,114	1,714,900	5,210,393	538,800	350,694	341,750	10,460,578	41.82%
2028	12,005,000	3,845,745	515,000	791,488	305,000	321,581	17,783,814	1,751,887	5,152,510	541,300	349,944	341,250	9,646,924	
2029	9,845,000	3,295,614	540,000	765,738	325,000	306,331	15,077,683	1,727,190	5,037,225	532,850	348,694	-	7,431,724	
2030	9,435,000	2,854,264	570,000	738,738	340,000	290,081	14,228,083	1,724,828	5,021,988	423,900	346,944	-	6,710,423	
2031	8,830,000	2,441,909	595,000	710,238	355,000	273,081	13,205,228	1,154,288	5,207,221	419,500	349,694	-	6,074,525	
2032	8,725,000	2,058,596	625,000	680,488	375,000	255,331	12,719,415	1,159,388	5,213,521	419,600	341,694	-	5,585,212	69.39%
2033	8,925,000	1,719,967	660,000	649,238	390,000	236,581	12,580,786	1,153,038	5,209,324	416,600	346,094	-	5,455,731	
2034	9,120,000	1,378,887	690,000	616,238	410,000	217,081	12,432,206	1,150,638	5,203,244	418,200	344,894	-	5,315,231	
2035	8,445,000	1,036,844	725,000	581,738	435,000	196,581	11,420,163	1,156,938	4,862,744	414,200	343,294	-	4,642,987	
2036	5,330,000	702,419	760,000	545,488	455,000	174,831	7,967,738	1,156,538	1,740,481	409,800	346,294	-	4,314,625	
2037	5,140,000	509,487	800,000	507,488	475,000	152,081	7,584,056	1,154,688	1,476,681	355,000	346,450	-	4,251,237	90.46%
2038	4,515,000	312,225	835,000	475,488	495,000	133,081	6,765,794	1,155,381	1,475,975	306,800	345,888	-	3,481,750	
2039	1,975,000	134,325	865,000	442,088	515,000	113,281	4,044,694	1,155,063	47,019	-	-	-	2,842,612	
2040	1,545,000	75,450	900,000	407,488	535,000	92,681	3,555,619	1,158,731	51,063	-	-	-	2,345,825	
2041	735,000	29,400	935,000	371,488	560,000	71,281	2,702,169	631,281	-	-	-	-	2,070,888	
2042	-	-	975,000	334,088	580,000	48,881	1,937,969	628,881	-	-	-	-	1,309,088	96.86%
2043	-	-	1,015,000	293,869	605,000	24,956	1,938,825	629,956	-	-	-	-	1,308,869	
2044	-	-	1,055,000	252,000	-	-	1,307,000	-	-	-	-	-	1,307,000	
2045	-	-	1,100,000	205,844	-	-	1,305,844	-	-	-	-	-	1,305,844	
2046	-	-	1,150,000	157,719	-	-	1,307,719	-	-	-	-	-	1,307,719	
2047	-	-	1,200,000	107,406	-	-	1,307,406	-	-	-	-	-	1,307,406	
2048	-	-	1,255,000	54,906	-	-	1,309,906	-	-	-	-	-	1,309,906	100.00%
	$ 155,500,000	$ 48,217,382	$ 19,595,000	$ 13,246,432	$ 8,250,000	$ 4,401,204	$ 249,210,018	$ 28,307,219	$ 71,718,705	$ 7,351,150	$ 5,544,350	$ 2,045,250	$ 134,243,343	

(1) Excluding General Obligation Bonds, Series 2014 being defeased June `5, 2023.
(2) Interest has been calculated at the rates shown on page 2 hereof.
(3) Includes the Certificates.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Net Debt Service Requirements, Fiscal Year Ending September 30, 2023		$10,803,509 (1)
Transfer to Tax Increment Reinvestment Zones		1,718,748
Interest and Sinking Fund, September 30, 2022	$ 6,545,928	
Budgeted Interest and Sinking Fund Tax Levy	13,280,441 (2)	
Budgeted Investment Income	45,300 (2)	19,871,669
Estimated Balance, September 30, 2023		$ 7,349,412

(1) Projected, includes the Bonds and excludes self-supporting debt.
(2) Data taken from fiscal year 2023 Adopted Budget.

ENTERPRISE AND COMPONENT UNIT REVENUE USED TO PAY GENERAL OBLIGATION DEBT SERVICE

The City has certain outstanding general obligation bonds of which some of the proceeds were used for projects that generate revenue for the subsequent repayment. The debt from these bonds is currently being paid in full or in part from such revenue and is listed below:

Issue	Percent Attributed to Self-Supporting Revenue	Revenue Source Fund	Due in 2023 Fiscal Year
General Obligation Refunding Bonds, Series 2014	2.00%	Water and Wastewater	$ 3,358
Combination Tax and Revenue Certificates of Obligation, Series 2014A	100.00%	Surface Water	336,070
Combination Tax and Revenue Certificates of Obligation, Series 2016	100.00%	Surface Water	169,763
General Obligation Refunding Bonds, Series 2016	65.00%	Multiple	4,224,443
Combination Tax and Revenue Certificates of Obligation, Series 2016A	100.00%	Surface Water	260,869
Combination Tax and Revenue Certificates of Obligation, Series 2018A	100.00%	Surface Water	1,428,250
Combination Tax and Revenue Certificates of Obligation, Series 2018B	100.00%	PID #2	83,800
Combination Tax and Revenue Certificates of Obligation, Series 2021	77.00%	Multiple	573,987
General Obligation Improvement and Refunding Bonds, Series 2022	48.82%	Multiple	851,534
Combination Tax and Revenue Certificates of Obligation, Series 2023(1)	100.00%	Water and Wastewater	66,903
			$ 7,998,977

(1) Includes the Certificates.

The debt issues described in this table are general obligation debt for which repayment is provided from revenues of the water and sewer system, ground water reduction and surface water treatment system, payments from Public Improvement District No. 2 ("PID #2"), payments from Public Improvement District No. 4 ("PID #4") and payments from Tax Increment Reinvestment Zone No. 2 ("TIRZ #2"). It is the City's current policy to provide these payments from such sources. There is no assurance that the use of these sources to make these payments will continue in the future. If payments are not made from such sources in the future, the difference will be paid for with ad valorem taxes.

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TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenues Available for Debt Service from Water and Wastewater Utilities (9/30/21)	$ 2,373,711
Water and Sewer System General Obligation Bond Requirements (9/30/23)	1,585,797 (1)
Balance	$ 787,914
Percentage of Water and Sewer System General Obligation Bonds Self-Supporting	100.00%
Net Revenues Available for Debt Service from Surface Water Utility Fund (9/30/21)	$ 6,490,957
Surface Water General Obligation Bond Requirements (9/30/23)	5,192,837
Balance	$ 1,298,120
Percentage of Surface Water General Obligation Bonds Self-Supporting	100.00%
Gross Revenues Available for Debt Service from TIRZ #2 Fund (9/30/21)	$ 3,780,602
TIRZ #2 General Obligation Bond Requirements (9/30/23)	341,500
Balance	$ 3,439,102
Percentage of TIRZ #2 General Obligation Bonds Self-Supporting	100.00%
Gross Revenues Available for Debt Service from PID #2 Fund (9/30/21)	$ 819,596
PID #2 General Obligation Bond Requirements (9/30/23)	535,900
Balance	$ 283,696
Percentage of PID #2 General Obligation Bonds Self-Supporting	100.00%
Gross Revenues Available for Debt Service from PID #4 Fund (9/30/21)	$ 396,364
PID #4 General Obligation Bond Requirements (9/30/23)	342,944
Balance	$ 53,420
Percentage of PID #4 General Obligation Bonds Self-Supporting	100.00%

(1) Includes the Certificates.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Drainage Improvements	9/13/2003	$ 20,000,000	$ 13,040,000	$ 1,500,000	$ 5,460,000
Drainage Improvements	5/10/2014	6,500,000	2,550,000	-	3,950,000
Street and Bridge	11/2/2021	51,615,000	3,620,000	11,600,000	36,395,000
Public Facility	11/2/2021	11,220,000	681,000	4,400,000	6,139,000
Parks and Recreation	11/2/2021	23,015,000	1,200,000	2,500,000	19,315,000
		$ 112,350,000	$ 21,091,000	$ 20,000,000	$71,259,000

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City does not anticipate the issuance of general obligation bonds in fiscal year 2023. It does anticipate approximately $19,595,000 of additional general obligation bonds in fiscal year 2024.

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OTHER OBLIGATIONS

Combined Capital Lease Agreements

FYE 9/30	Principal	Interest	Total
2023	$ 370,844	$ 86,914	$ 457,758
2024	336,716	75,314	412,030
2025	347,255	64,775	412,030
2026	358,133	53,898	412,031
2027	369,360	42,671	412,031
2028	380,947	31,084	412,031
2029	392,905	19,125	412,030
2030	136,154	6,781	142,935
2031	139,503	3,432	142,935
	$ 2,831,817	$ 383,994	$ 3,215,811

Combined Operating Lease Agreements

FYE 9/30	Principal	Interest	Total
2023	$ 171,094	$ 21,323	$ 192,417
2024	173,541	18,876	192,417
2025	176,054	15,783	191,837
2026	98,552	3,433	101,985
2027	75,649	840	76,489
	$ 694,890	$ 60,255	$ 755,145

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" - Note # 10.)

OTHER POST-EMPLOYMENT BENEFITS

The City's defined benefit OPEB plan, City of Missouri City Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single-employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

RHCP provides access to post retirement employees by offering a "blended premium" structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" subsidy. Because the underlying claims costs for a non- Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees. At December 31, 2021 there were 40 participants eligible to receive such benefits.

The City's total OPEB liability of $9,446,844 was measured as of December 31, 2021 and was determined by an actuarial valuation as of December 31, 2021. Update procedures were used to roll forward the total OPEB liability to December 31, 2021.

For the year ended September 30, 2022, the City recognized OPEB expense of $797,423. $135,121 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2022.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

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FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION

	Fiscal Year Ended				
Revenues:	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Program Revenues					
Charges for Services	$ 11,796,528	$ 11,667,097	$ 10,577,426	$ 10,494,532	$ 12,416,496
Operating Grants and Contributions	2,981,930	8,633,908	1,215,832	3,337,887	5,306,914
Capital Grants and Contributions	1,552,443	-	978,310	-	64,550
General Revenues					
Ad Valorem Tax[1]	52,788,621	50,335,730	48,146,655	45,306,222	41,915,313
Sales Tax[2]	13,994,291	12,403,392	10,752,684	9,546,249	11,944,882
Franchise Tax	7,574,641	6,773,972	6,242,215	6,176,854	6,948,121
Hotel Occupancy Taxes	351,655	308,824	212,219	242,901	270,487
Unrestricted Investment Earnings	(595,226)	579,719	1,573,680	1,896,654	1,120,334
Other	1,279,277	1,734,427	426,666	400,364	1,200,103
Gain on Sale of Capital Asset	-	189,888	164,080	97,106	180,217
Total Revenues	$ 91,724,160	$ 92,626,957	$ 80,289,767	$ 77,498,769	$ 81,367,417
Expenses:					
General Government	$ 13,679,452	$ 18,868,597	$ 12,760,796	$ 15,529,208	$ 14,685,034
Finance	2,425,421	2,393,615	2,302,951	2,348,268	2,412,310
Police	14,306,683	14,201,456	16,013,319	16,255,830	19,181,580
Fire	11,788,761	10,296,787	11,200,392	10,838,755	11,895,168
Public Works	18,214,830	16,239,625	15,310,375	14,791,746	18,407,432
Parks and Recreation	7,567,310	5,457,810	5,010,634	4,907,496	5,734,819
Planning	6,052,698	6,669,651	4,819,909	4,177,093	4,605,253
Interest on Long-Term Debt	3,938,896	4,364,188	3,889,497	4,112,146	5,114,943
Total Expenses	$ 77,974,051	$ 78,491,729	$ 71,307,873	$ 72,960,542	$ 82,036,539
Increase (Decrease) in Net Position before Transfers	$ 13,750,109	$ 14,135,228	$ 8,981,894	$ 4,538,227	$ (669,122)
Transfers	575,271	171,076	1,743,799	508,000	640,811
Increase (Decrease) in Net Position	$ 14,325,380	$ 14,306,304	$ 10,725,693	$ 5,046,227	$ (28,311)
Net Position - October 1	141,088,527	126,782,223	116,056,530	111,010,303	115,872,182
Prior Period Adjustments	-	-	-	-	(4,833,568)
Net Position - September 30	$ 155,413,907	$ 141,088,527 [3]	$ 126,782,223 [3]	$ 116,056,530	$ 111,010,303

(1) The property tax increases are due to increased assessed valuations.
(2) The sales tax increase is due to the pandemic with people shopping closer to home or by internet.
(3) The primary reason for the increase is federal funding received for the CARES Act.

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TABLE 12-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended				
	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Revenues:					
Taxes	$ 46,672,431	$ 43,876,038	$ 40,834,491	$ 37,649,050	$ 37,860,193
Licenses and Permits	4,112,459	4,649,242	3,833,704	3,207,411	3,533,623
Intergovernmental	4,200,914	8,307,912	3,458,197	2,502,587	3,162,582
Fine and Forfeitures	827,123	692,406	614,466	1,023,179	1,190,545
Franchise Fees	4,031,286	3,837,378	3,977,568	4,204,567	5,357,742
Investment Earnings (Loss)	(321,040)	-	-	-	-
Other Revenue	861,083	1,074,899	1,458,503	1,502,478	1,999,074
Charges for Services	677,631	418,783	275,262	442,267	492,721
Total Revenues	$ 61,061,887	$ 62,856,658	$ 54,452,191	$ 50,531,539	$ 53,596,480
Expenditures:					
General Government	$ 11,180,989	$ 15,858,765	$ 9,455,001	$ 8,834,843	$ 11,767,206
Finance	2,351,395	2,249,187	2,008,563	2,056,126	2,209,722
Police	13,849,411	13,246,819	13,680,585	13,447,568	16,730,375
Fire	10,880,379	9,197,057	9,311,446	8,965,131	10,918,160
Public Works	8,100,559	7,618,621	6,986,464	7,527,188	9,952,634
Parks and Recreation	4,369,669	3,328,397	2,908,912	3,068,640	3,587,829
Planning	2,252,230	1,564,816	1,390,791	1,648,832	1,732,489
Capital Outlay	80,987	-	4,528,339	470,323	1,118,954
Debt Service Principal	308,186	-	-	-	-
Interest and Fiscal Charges	46,270	-	-	-	-
Total Expenditures	$ 53,420,075	$ 53,063,662	$ 50,270,101	$ 46,018,651	$ 58,017,369
Revenues Over (Under) Exp	$ 7,641,812	$ 9,792,996	$ 4,182,090	$ 4,512,888	$ (4,420,889)
Other Financing Sources/Uses					
Transfer From Other Funds	$ 2,221,023	$ 1,740,961	$ 5,947,729	$ 1,395,539	$ 2,111,958
Transfers (to) Other Funds	(4,573,104)	(3,038,115)	(13,201)	(3)	(258,804)
Total Other Sources (Uses)	$ (2,352,081)	$ (1,297,154)	$ 5,934,528	$ 1,395,536	$ 1,853,154
Revenues and Other Financing Sources Over/(Under)	$ 5,289,731	$ 8,495,842	$ 10,116,618	$ 5,908,424	$ (2,567,735)
Fund Balances, Beginning of Year	$ 35,534,928	$ 27,039,086	$ 16,922,468	$ 11,014,044	$ 13,581,779
Ending Fund Balance	$ 40,824,659	$ 35,534,928 (1)	$ 27,039,086 (1)	$ 16,922,468	$ 11,014,044

(1) The primary reason for the increase is federal funding received from the CARES Act.

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% local sales and use tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The City has approved the imposition of an additional sales and use tax of one percent (1%) for the Metropolitan Transit Authority of Harris County, Texas ("METRO"). The sales tax for METRO is collected solely for the benefit of mass transit in the area.

Fiscal Year Ended	Total Collected [(1)]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita[(2)]
9/30/2018	$11,944,882	31.80%	$ 0.19	$ 160
9/30/2019	9,546,249	23.10%	0.15	124
9/30/2020	10,752,683	24.24%	0.15	138
9/30/2021	12,403,393	27.12%	0.16	159
9/30/2022	14,263,604	30.31%	0.18	178

(1) Represents only the sales taxes remitted to the City based on its 1% levy.
(2) Based on population estimates.

FINANCIAL POLICIES

Basis of Accounting . . The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The basic financial statements for the City include all activities, organizations and functions for which the City is financially accountable. The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34.

General Fund Balance . . The City has a policy of maintaining the General Fund Balance at a level between 20 and 30 percent of estimated revenues to assure adequate reserve for emergencies.

Debt Service Fund Balance . . . The Debt Service Fund is used to account for the payment of interest and principal on all general obligation debts of the City. The primary source of revenue for the debt service fund is property taxes.

Budgetary Procedures . . The City begins the budget process at the department level in March of each year. The departments submit budget workbooks back to the Director of Financial Services where they are compiled and submitted to the City Manager. After review and comment a proposed budget is submitted to City Council. The City Council holds public hearings and adopts a budget prior to September 30 of each year.

INVESTMENTS

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

LEGAL INVESTMENTS

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certain interest bearing bank deposits; (8) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the

United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of certain obligations (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

INVESTMENT POLICIES

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

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

ADDITIONAL PROVISIONS

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

TABLE 14 - CURRENT INVESTMENTS

As of October 31, 2022, the City's investable funds were invested in the following categories:

Investment Description	Percent of Total	Book Value
Cash Deposits	6.14%	$ 9,527,966
Security Investments	44.02%	68,291,026
LOGIC(1)	10.07%	15,615,145
Texas Class(1)	7.78%	12,071,524
Tex Pool(1)	2.65%	4,109,743
Certificates of Deposit	19.39%	30,076,447
Money Market	9.95%	15,427,338
Total Investments	100%	$ 155,119,189

(1) Government Investment Pool.

RISK FACTORS

RISKS OF HURRICANES AND RECENT WEATHER-RELATED EVENTS

The City is located near the United States Gulf Coast and is subject to hurricanes, tropical storms and other weather events that can cause damage to property through strong winds, storm surges and flooding. Such events may cause a reduction in the taxable assessed valuation of the City, which may exist for several years or longer. Consequently, the ability of the City to raise revenue through its ad valorem taxes could be negatively impacted.

INFECTIOUS DISEASE OUTBREAK – COVID 19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

The Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Among other things, such orders imposed limitations on social gatherings of more than 10 people. In addition to the actions by the state and federal officials, certain local officials, including Fort Bend and Harris Counties (which the City is within) declared a local state of disaster and issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues, ad valorem tax revenues and other revenues within the City. See "TAX INFORMATION". The Certificates are secured by an ad valorem tax (within the limits prescribed by law), and a limited pledged of water and wastewater system revenues and a reduction in the receipt of such revenues or in the property values within the City may require an increase in the ad valorem tax rate required to pay the Certificates as well as the City's operations and maintenance expenses. See "TAX INFORMATION". Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued spread of COVID-19 could have an adverse effect on the City's operations and financial condition.

TAX MATTERS

GENERAL . . . In the opinion of Bond Counsel, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Obligations.

The Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the City rebates certain excess earnings on proceeds and amounts treated as proceeds of the Obligations to the United States Treasury Department; restrictions on the investment of such proceeds and other amounts; and certain restrictions on the ownership and use of the facilities financed or refinanced with the proceeds of the Obligations. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the Obligations to maintain the exclusion of interest on the Obligations from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the Obligations in the gross income of the holders thereof for federal income tax purposes, retroactive to the date of issuance of the Obligations. The City has covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the Obligations in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the City complies with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the Obligations.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law or otherwise become effective, will not cause the interest on the Obligations to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the holders of Obligations from realizing the full current benefit of the tax status of the interest on the Obligations. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the Obligations. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is possible that legislation could be introduced that, if enacted, could change the federal tax consequences of owning the Obligations and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the Obligations are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the Obligations and of the property financed or refinanced thereby).

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX C – Forms of Bond Counsel's Opinions" for the complete text thereof. See also "LEGAL MATTERS" herein.

ALTERNATIVE MINIMUM TAX . . . An alternative minimum tax is imposed by Section 55 of the Code on certain individuals and corporations. Interest on the Obligations will not be treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals under Section 55 of the Code. Interest on the Obligations will therefore not be included in the alternative minimum taxable income of individuals. For tax years beginning after December 31, 2022, interest on the Obligations is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations that are subject to the alternative minimum tax under section 55 of the Code.

ORIGINAL ISSUE PREMIUM . . . The Obligations maturing on June 15 in the years 2024 through and including 2048 (collectively, the "Premium Obligations") have been sold to the public at an original issue premium. Section 171(a) of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for the Code, the purchaser's basis in a Premium Obligation will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a

Obligation in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Obligation and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Premium Obligations should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Premium Obligations at their maturity.

ORIGINAL ISSUE DISCOUNT . . . The Obligations maturing on June 15 in the years 2024 through and including 2048 (collectively, the "Discount Obligations") have been sold to the public at an original issue discount. Generally, the original issue discount is the excess of the stated Redemption Price at maturity of such a Discount Obligation over the initial offering price to the public (excluding underwriters and related parties thereto) at which price a substantial amount of that maturity of the Discount Obligations was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Discount Obligation is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather than as taxable gain. Original issue discount will not be treated as an item of tax preference for purposes of the alternative minimum tax.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to an owner of a Discount Obligation, who acquires the Discount Obligation in this initial offering, during any accrual period generally equals (i) the issue price of such Discount Obligation plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Obligation (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Obligation during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Obligation. Proceeds received from the sale, exchange, redemption or payment of a Discount Obligation in excess of the owner's adjusted basis (as increased by the amount of original issue discount that has accrued and has been treated as tax-exempt interest in such owner's hands), will be treated as a gain from the sale or exchange of such Discount Obligation and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Discount Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of Discount Obligations should consult their own tax advisors with respect to the consequences of owning Discount Obligations, including the effect of such ownership under applicable state and local laws.

OTHER TAX CONSEQUENCES . . . Prospective purchasers of the Obligations should be aware that ownership of the Obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations with "excess net passive income" and foreign corporations subject to the branch profits tax, individuals entitled to receive the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Obligations. Prospective purchasers of the Obligations should also be aware that ownership of the Obligations may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Obligations. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Obligations. Prospective purchasers of the Obligations should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the Obligations.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of Obligations, should consult their own tax advisors with respect to the consequences of owning Obligations, including the effect of such ownership under applicable state and local laws.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Interest paid on tax-exempt bonds, such as the Obligations, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Obligations from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Obligations, under certain circumstances, will be subject to "backup withholding" with respect to payments on the Obligations and proceeds from the sale of Obligations. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Obligations. This withholding generally applies if the owner of Obligations (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE OBLIGATIONS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN HOLDERS OF OBLIGATIONS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE HOLDERS OF OBLIGATIONS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of the opinions of Bond Counsel attached hereto as "APPENDIX C - FORMS OF BOND COUNSEL'S OPINIONS" for the complete text thereof. See also "OTHER INFORMATION - LEGAL OPINION" herein.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement in Tables 1 through 6 and Tables 8 through 14, and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year.

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

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

EVENT NOTICES

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

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and Orders of a court or governmental authority, or the entry of an Order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. The term "material" as used above has the meaning ascribed to it under federal securities laws. The term "financial obligation" as used above means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The City intends to use the words used in items 15 and 16 and the definition of "financial obligation" in this Section to have the same meanings as when they are used in the Rule, as evidenced, for example, by SEC Release No. 24-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION

The City has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

This continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an Underwriters to purchase or sell Obligations in the primary offering of the Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Obligations consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of such amendment or repeal would not have prevented an Underwriters from lawfully purchasing or selling Obligations in the primary offering of the Obligations.

COMPLIANCE WITH PRIOR UNDERTAKINGS

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

OTHER INFORMATION

RATINGS

The Obligations and presently outstanding tax supported debt of the City are rated "Aa1" by Moody's, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any of such rating companies, if in the judgment of one of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price and marketability of the Obligations.

NO LITIGATION CERTIFICATE

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL OPINION

The delivery of the Obligations is subject to the approving opinions of the Attorney General of Texas to the effect that the Obligations are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and, the approving legal opinion of Holland and Knight LLP, Bond Counsel to the City ("Bond Counsel"), in substantially the forms attached as Appendix C.

Bond Counsel has reviewed the information appearing in the Official Statement under "THE OBLIGATIONS" (except for "BOOK-ENTRY-ONLY SYSTEM," "OWNERS' REMEDIES," and "SOURCES AND USES OF PROCEEDS"), "TAX INFORMATION – GENERAL OBLIGATION DEBT LIMITATION," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except "COMPLIANCE WITH PRIOR UNDERTAKINGS"), "OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE," "OTHER INFORMATION – LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER INFORMATION – LEGAL OPINIONS" (except for the penultimate paragraph thereof), solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person or entity is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations are contingent on the sale and delivery of the Obligations.

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

Certain legal matters will be passed upon for the Underwriters by their counsel, Bratton & Associates, PLLC, Houston, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Obligations.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

UNDERWRITERS OF THE BONDS

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public, as shown on page 2 herein, less an underwriting discount of $122,531.63. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

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

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank, and are not insured by the Federal Deposit Insurance Corporation.

UNDERWRITERS OF THE CERTIFICATES

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public, as shown on page 2 herein, less an underwriting discount of $58,609.23. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering prices may be changed, from time to time, by the Underwriters.

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

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Certificates are not deposits of any bank, and are not insured by the Federal Deposit Insurance Corporation.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

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

/s/Robin Elackatt
Mayor
City of Missouri City, Texas

ATTEST:

/s/Crystal Roan
City Secretary
City of Missouri City, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City of Missouri City, Texas (the "City") is located in northeast Fort Bend County, with a small portion of the City extending into the southwestern section of Harris County, where its boundaries adjoin the City of Houston and is approximately twenty miles southwest of downtown Houston. Beltway 8 intersects with U.S. Highway 90A in the northernmost portion of the City. The intersection of Beltway 8 and U.S. Highway 59 (the "Southwest Freeway") is located just north of the City and provides area residents with ready access to Houston's central business district, as well as other business centers in the metropolitan area. The southern portion of the City is traversed by State Highway 6, one of the principal "outer loops" partially encircling the City of Houston. The City abuts the City of Stafford along its northwestern edge, the City of Houston on its northeastern and eastern edge, the City of Sugar Land on the west, and is surrounded by unincorporated acreage along much of its boundaries.

Except for the small portion of the City that enters Harris County, the City is located within the Fort Bend Independent School District which serves in excess of 78,000 students. The School District currently operates fifty-one elementary schools, nine of which are located within the City, fifteen middle schools, three of which are located within the City, and eleven senior high schools, three of which are located within the City. The University of Houston, a large state university, Texas Southern University, a state institution with a large international student body and Rice University, a private school with a national reputation for science and engineering, are about thirty minutes away from the City. Nine area junior colleges have joined to form the Gulf Coast Consortium Partnership. The Houston Community College has a center for computer training, continuing education and professional certification courses, and is planning a larger campus in the City to offer other accredited courses.

The City's economic base is expanding due to continued growth in commercial services and industrial development with a moderate growth in residential activity.

In the past ten years there has been a gradual increase in small businesses where existing sites are available. The majority of the commercial activity is in response to the growing residential development. The following is a summary of the building permits issued by the City over the past five fiscal years:

Fiscal Year Ended 9/30	Total Permits	Permit Valuation	Permit Revenues
2018	6,723	$ 383,988,931	$2,042,960
2019	4,695	422,919,955	2,152,742
2020	3,933	273,069,773	2,836,767
2021	4,677	456,205,436	3,555,480
2022	4,310	249,831,237	3,174,493

In recent years, the City of Houston's outward expansion and the resulting demand for outlying suburban subdivision development has generated an economic impact upon the City. The City adopted its Housing Code in 1987. This Housing Code established minimum standards for the interior and exterior of homes to insure continued compliance, through maintenance and upkeep and fire and health provisions. Enforcement of the Housing Code protects both residents and property values.

ECONOMIC AND GROWTH INDICATORS

POPULATION HISTORY

	1970 Census	1980 Census	1990 Census	2000 Census	2010 Census	2020 Census
Missouri City	4,136	24,423	36,176	52,913	66,531	76,643
Ft. Bend County	52,314	130,846	225,421	354,452	584,690	822,779

Source: U.S. Census Bureau.

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LABOR FORCE AND UNEMPLOYMENT RATE FOR FORT BEND COUNTY & MISSOURI CITY

Fort Bend County

Year	Civilian Labor Force	Total Employment	Unemployment	Rate
2018	382,102	366,922	15,180	4.0%
2019	392,275	378,653	13,622	3.5%
2020	394,948	364,410	30,538	7.7%
2021	407,603	383,362	24,241	5.9%
2022	418,649	402,222	16,427	3.9%

Missouri City

Year	Civilian Labor Force	Total Employment	Unemployment	Rate
2018	39,509	37,686	1,823	4.6%
2019	39,449	37,857	1,592	4.0%
2020	39,187	35,725	3,462	8.8%
2021	39,506	36,907	2,599	6.6%
2022	40,515	38,722	1,793	4.4%

Source: Texas Workforce Commission.

APPENDIX B

EXCERPTS FROM THE

CITY OF MISSOURI CITY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2022

The information contained in this Appendix consists of excerpts from the City of Missouri City, Texas Annual Financial Report for the Year Ended September 30, 2022, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

To the Honorable Mayor
And Members of the City Council of the
City of Missouri City, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Missouri City, Texas (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
Main: 936.756.8127

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, 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 this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the Annual Comprehensive Financial Report ("ACFR"). The other information comprises the Introductory and Statistical Sections, as listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 20, 2023

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Management's Discussion and Analysis

As management of the City of Missouri 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, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal as noted in the table of contents of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by $229.7 million (net position). Of this amount, $36.4 million is restricted for special purposes and $27.6 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $19.0 million as a result of operations.

- The City's total expenses were $101.3 million. Program revenues of $45.3 million reduced the net cost of the City's functions to be financed from the City's general revenues to $56.0 million.

Using the Financial Section of this Annual Comprehensive Financial Report

This Annual Comprehensive Financial Report consists of three sections: introductory, financial, and statistical. The financial section of this report has three components - *management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*.

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick 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, financial services, police, fire, public works, parks and recreation, and planning. The business-type activities of the City include regional wastewater treatment services for local municipal utility districts.

The government-wide financial statements include not only the City of Missouri City itself (known as the primary government), but also legally separate component units for which the City of Missouri City is financially accountable. These component units are the Missouri City Development Authority, Tax Increment Reinvestment Zones 1, 2 and 3, Public Improvement Districts 2 and 4 and the Missouri City Recreation and Leisure Local Government Corporation (LGC). All of these component units function for all practical purposes as departments of the City, almost entirely benefiting the City, and, therefore, have been included as an integral part ("blended") of the primary government.

Fund Financial Statements. The fund financial statements provide more information about the City's most significant funds - not the City as a whole. The City has two types of funds:

Governmental Funds. Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed near-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, both the governmental fund balance sheet and 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 22 individual governmental funds for financial reporting purposes. 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, the Debt Service Fund, the Capital Projects Fund, the American Rescue Plan Act ARPA 2021 fund, and the TIRZ #2 (Vicksburg) Fund, all of which are considered to be major funds. Data from the other funds is provided in the column labeled "nonmajor governmental funds." Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the annual comprehensive financial report.

Proprietary Funds. Proprietary Funds include the City's four enterprise funds that are used to report the functions presented as business-type activities in the government-wide financial statements. Major proprietary funds are the Water and Wastewater Utility Fund and the Surface Water Utility Fund. Nonmajor Enterprise Funds are the Missouri City LGC fund, which operates under the Missouri City Recreation and Leisure Local Government Corporation (LGC), which is a public, non-profit corporation, and the Solid Waste Collections fund.

General Fund Budgetary Highlights

The City Council approved an original General Fund operating budget of $58.9 million. During FY 2022, budget amendments were approved by City Council resulting in a final operating budget of $61.5 million. The majority of the increase in the budgeted expenditures was associated with the carry forward of FY 2021 encumbrances.

The final General Fund operating budget of $61.5 million was a 2% decrease from the previous year due primarily to a decrease in federal funding in the current year. The adopted property tax rate allocated $0.44323 cents for maintenance and operations (M&O) and $0.13481 cents for debt service (Interest & Sinking). Given the recent economic conditions, including the Coronavirus Pandemic, and their potential effect on the City's budget, it is of great importance to the City to continue the organizational strategies that have been in place for the last several years. The four main priorities are:

(1) Retain existing property values
(2) Increase commercial development
(3) Create value added services
(4) Develop an organization for optimum performance

The last three fiscal year budgets have shown improvements in the City's financial conditions, as Missouri City has been fortunate to have avoided many budget impacts that other governmental entities have experienced such as layoffs, furloughs or salary reductions, or the actual elimination of certain services or programs. During the pandemic, sales tax revenues actually increased due to residents shopping locally.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund and TIRZ #2 (Vicksburg) Fund budget compliance, its progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, and condition and maintenance data regarding certain portions of the City's infrastructure. Required supplementary information (RSI) and notes to RSI can be found beginning immediately after the notes to the financial statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $229.7 million at year end. The following table reflects the condensed Statement of Net Position.

City of Missouri City, Texas's Combined Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 128,622,493	$ 115,168,322	$ 43,217,941	$ 47,660,850	$ 171,840,434	$ 162,829,172
Capital assets	203,499,991	203,966,208	108,174,391	105,979,799	311,674,382	309,946,007
Total assets	332,122,484	319,134,530	151,392,332	153,640,649	483,514,816	472,775,179
Total deferred outflows of resources	7,481,478	6,152,085	1,636,759	1,788,251	9,118,237	7,940,336
Other liabilities	11,671,797	13,393,994	4,266,590	7,349,508	15,938,387	20,743,502
Long-term liabilities outstanding	160,700,197	164,258,205	74,432,196	78,492,462	235,132,393	242,750,667
Total liabilities	172,371,994	177,652,199	78,698,786	85,841,970	251,070,780	263,494,169
Total deferred inflows of resources	11,818,061	6,545,889	20,466	-	11,838,527	6,545,889
Net position:						
Net investment in capital assets	128,021,920	135,891,071	37,633,954	35,194,296	165,655,874	171,085,367
Restricted	30,211,142	42,349,848	6,174,036	5,948,552	36,385,178	48,298,400
Unrestricted	(2,819,155)	(37,152,392)	30,501,849	28,444,082	27,682,694	(8,708,310)
Total net position	$ 155,413,907	$ 141,088,527	$ 74,309,839	$ 69,586,930	$ 229,723,746	$ 210,675,457

A majority of the City's net position reflects its investment in capital assets (e.g., land, intangible assets - right of way, buildings, machinery, equipment, right-to-use leased assets and infrastructure) less any related 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 capital assets themselves cannot be used to liquidate these liabilities. Another major portion of the City's net position represents various restricted resources (16%) that are subject to specific external uses (impact fees, capital projects, debt service, parkland dedication, community development and other).

Statement of Activities

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

City of Missouri City, Texas's Change in Net Position

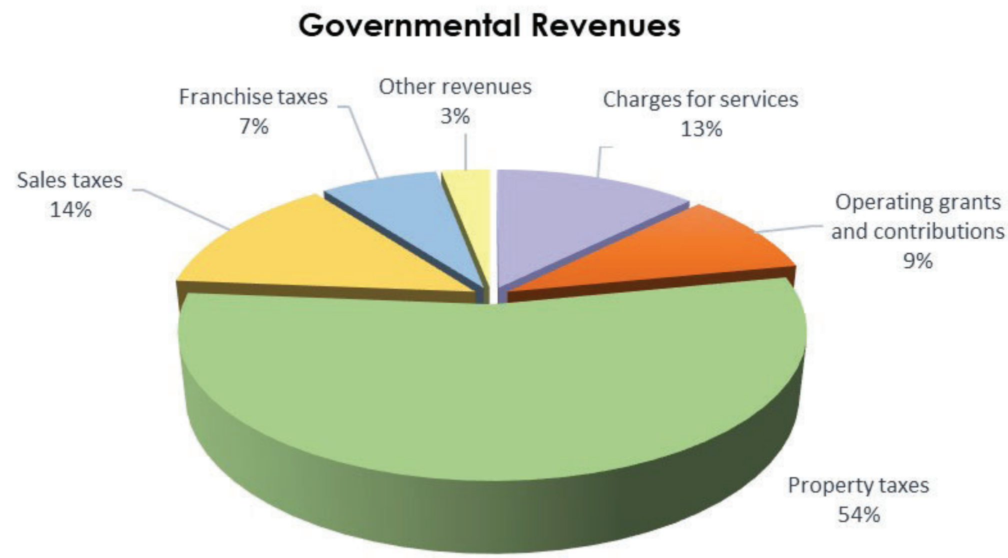
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	$ 11,796,528	$ 11,667,097	$ 28,962,338	$ 26,790,048	$ 40,758,866	$ 38,457,145
Operating grants and contributions	2,981,930	8,633,908	-	-	2,981,930	8,633,908
Capital grants and contributions	1,552,443	-	-	1,957,317	1,552,443	1,957,317
General revenues:						
Property taxes	52,788,621	50,335,730	-	-	52,788,621	50,335,730
Sales taxes	13,994,291	12,403,392	-	-	13,994,291	12,403,392
Franchise taxes	7,574,641	6,773,972	-	-	7,574,641	6,773,972
Hotel occupancy taxes	351,655	308,824	-	-	351,655	308,824
Investment earnings (loss)	(595,226)	579,719	(299,259)	239,474	(894,485)	819,193
Other revenues	1,279,277	1,734,427	200	91,122	1,279,477	1,825,549
Gain (loss) on sale of capital assets	-	189,888	-	-	-	189,888
Total revenues	91,724,160	92,626,957	28,663,279	29,077,961	120,387,439	121,704,918
Expenses:						
General government	13,679,452	18,868,597	-	-	13,679,452	18,868,597
Financial services	2,425,421	2,393,615	-	-	2,425,421	2,393,615
Police	14,306,683	14,201,456	-	-	14,306,683	14,201,456
Fire	11,788,761	10,296,787	-	-	11,788,761	10,296,787
Public works	18,214,830	16,239,625	-	-	18,214,830	16,239,625
Parks and recreation	7,567,310	5,457,810	-	-	7,567,310	5,457,810
Planning	6,052,698	6,669,651	-	-	6,052,698	6,669,651
Interest on long-term debt	3,938,896	4,364,188	-	-	3,938,896	4,364,188
Water and wastewater utilities	-	-	6,703,807	7,139,577	6,703,807	7,139,577
Surface water treatment	-	-	8,010,188	9,393,440	8,010,188	9,393,440
Solid waste collections	-	-	4,231,497	4,170,733	4,231,497	4,170,733
Missouri City LGC	-	-	4,419,607	3,585,757	4,419,607	3,585,757
Total expenses	77,974,051	78,491,729	23,365,099	24,289,507	101,339,150	102,781,236
Increase (decrease) in net position before transfers	13,750,109	14,135,228	5,298,180	4,788,454	19,048,289	18,923,682
Transfers	575,271	171,076	(575,271)	(171,076)	-	-
Change in net position	14,325,380	14,306,304	4,722,909	4,617,378	19,048,289	18,923,682
Net position - beginning	141,088,527	126,782,223	69,586,930	64,969,552	210,675,457	191,751,775
Net position - ending	$ 155,413,907	$ 141,088,527	$ 74,309,839	$ 69,586,930	$ 229,723,746	$ 210,675,457

The government's total net position increased by $19.0 million as a result of operations during the current fiscal year. Property taxes were 44% of total revenue, Charges for services were 34%, sales taxes were 12%, operating grants and contributions were 2% and franchise taxes were 6%. The remaining revenue totaled 2% of total revenue. On the expense side, general government was 13%, public works was 18% of the total, while police and fire were 14% and 12%, respectively. Water and wastewater, surface water, solid waste collection and Missouri City LGC expenses were 23% of total expenses. The remaining expenses totaled 20% of total expenses.

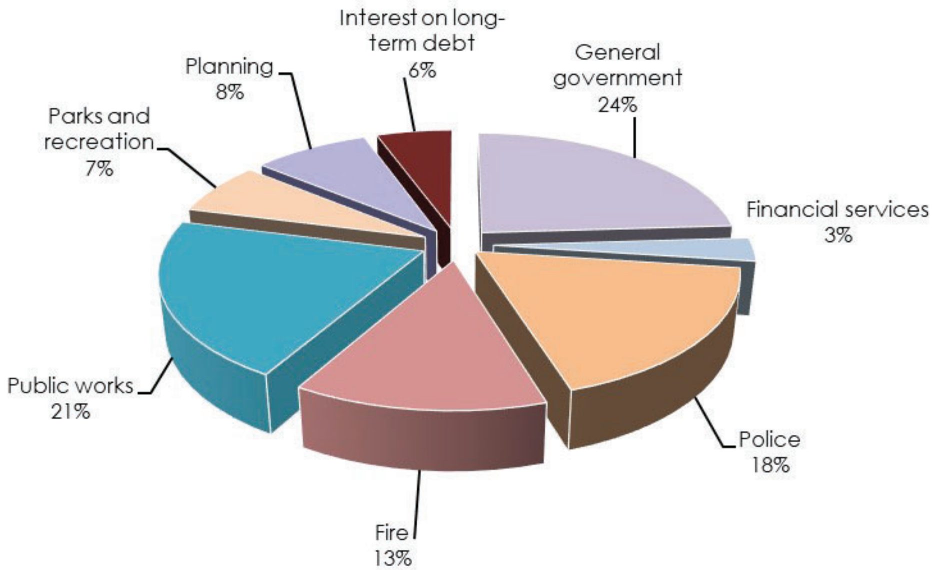
Governmental Activities

- Total governmental activities revenues exceeded total expenses by $13.7 million. Transfers in of $575 thousand from enterprise funds made the net increase in governmental activities net position of $14.3 million.
- Revenues in the governmental activities decreased in total by $902 thousand largely due to the decrease in operating grants and contributions as a result of less intergovernmental revenue received.
- Total governmental activities expenses decreased by $517 thousand as a result of a decrease in interest on long-term debt.

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



Governmental Expenses



Business-type Activities

Business-type activities represent: (1) Water and Wastewater Utilities for the operations of the Northeast Oyster Creek (NEOC) service area and the Mustang Bayou service area, (2) Surface Water Utilities as part of the Groundwater Reduction Plan (GRP), (3) Solid Waste Collection fund, and the (4) the Missouri City Recreation and Leisure Local Government Corporation (Missouri City LGC) fund.

- The Business-type Net Position increased by $4.7 million during the current fiscal year.

- Business-type revenues and expenses decreased by $415 thousand and $924 thousand, respectively. Revenues decreased primarily due to investment losses resulting from unfavorable market conditions. Expenses decreased primarily due to a decrease in expenses in the Surface water treatment for a one-time $ 2 million reimbursement to Sienna MUD #1 for the effluent reuse system agreement that occurred in the prior fiscal 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 fiscal year.

The City's governmental funds reflect a combined fund balance of $116.3 million at the end of the fiscal year. Of this amount, $75.8 million is restricted for specific purposes, $3 million is committed for specific purposes and $35.1 million is unassigned and available for day-to-day operations of the City.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the total general fund balance was $40.8 million. As a measure of the General Fund's liquidity, the City compares total fund balance to total fund expenditures and reoccurring transfers out. Total fund balance of the General Fund represents 73.2% of total General Fund expenditures for the fiscal year ended September 30, 2022. The fund balance of the City's General Fund increased $5.3 million during the fiscal year ended September 30, 2022. Total General Fund revenues decreased by $1.8 million and total General Fund expenditures increased by $356 thousand. The primary factor in the decrease in revenue is the decrease in intergovernmental revenues received. The primary factor in the increase in expenditures is the increase in fire and parks and recreation.

The Debt Service Fund has a total fund balance of $6.2 million, all of which is restricted for the payment of debt service. Total expenditures exceeded total revenues (excluding other financing sources and transfers) by $309 thousand.

The Capital Projects Fund has a total fund balance of $35.9 million, which is an increase of $4.8 million from the prior year. This increase can be attributed primarily to the issuance of general obligation bonds for capital projects.

The American Rescue Plan Act ARPA 2021 fund has a total fund balance deficit of $59 thousand, which is a decrease of $60 thousand from the prior year. This decrease can be attributed primarily to investment losses resulting from unfavorable market conditions.

The TIRZ #2 (Vicksburg) Fund has a total fund balance of $16.4 million, which is an increase of $3.3 million from the prior year. This increase can be attributed primarily to the increase in property tax revenues as a result of an increase in assessed values.

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

Total net positions of the Water and Wastewater Utility Fund and the Surface Water Utility Fund amounted to $34.3 million and $39.3 million, respectively. The Solid Waste Collections fund and the Missouri City Recreation and Leisure Local Government Corporation (Missouri City LGC) fund had a net position of approximately $431 thousand and $313 thousand, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to $311.7 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, machinery and equipment, right-to-use leased buildings and improvements, right-to-use leased machinery and equipment, and infrastructure.

City of Missouri City, Texas's Capital Assets (net of depreciation/amortization)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land and right of way	$ 16,376,831	$ 15,486,538	$ 4,760,826	$ 4,760,826	$ 21,137,657	$ 20,247,364
Constructions in progress	1,940,027	4,582,319	12,261,792	24,450,522	14,201,819	29,032,841
Buildings and improvements	39,121,920	32,960,410	2,126,112	2,205,056	41,248,032	35,165,466
Improvement other than buildings	14,246,879	15,738,276	39,667	24,592	14,286,546	15,762,868
Infrastructure	124,369,811	125,783,387	88,483,613	74,354,919	212,853,424	200,138,306
Machinery and equipment	7,212,402	9,415,278	107,248	183,884	7,319,650	9,599,162
Right-to-use leased buildings and improvements*	-	-	887	5,453	887	5,453
Right-to-use leased machinery and equipment*	232,121	319,428	394,246	587,261	626,367	906,689
Totals	$ 203,499,991	$ 204,285,636	$ 108,174,391	$ 106,572,513	$ 311,674,382	$ 310,858,149

* Right-to-use leased buildings and improvements and right-to-use leased machinery and equipment have been adjusted to reflect a beginning balance upon adoption of GASB 87, *Leases*.

Construction in progress for the governmental activities ($1.9 million) at year-end represents five ongoing projects. These projects are Mustang Bayou Wastewater Treatment Plant expansion, Park Maintenance Facility, Flood Gauge Installations, Cangelosi Detention and Willow Waterhole Drainage Improvement.

The construction in progress balance for the enterprise funds ($12.2 million) consists primarily of projects for Mustang Bayou Wastewater & Surface Water Treatment Plant and Regional Water Treatment Plant Phase II.

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of $200.6 million. Of this amount, $120.5 million is general obligation debt, certificates of obligation is $36.0 million, private placement bonds are $2.1 million, contractual obligations of $17.2 million, and financed purchases of $3.3 million. Business-type activities debt is comprised of $34.1 million in general obligation debt and $32.1 million in certificates of obligation.

City of Missouri City, Texas's Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
General obligation bonds	$ 86,370,068	$ 79,068,815	$ 34,139,932	$ 36,601,185	$ 120,510,000	$ 115,670,000
Certificates of obligation	3,900,000	9,345,000	32,145,000	33,620,000	36,045,000	42,965,000
Private Placement Bonds	2,075,000	2,460,000	-	-	2,075,000	2,460,000
Issuance premiums	10,911,480	9,863,975	7,750,414	8,271,277	18,661,894	18,135,252
Financed Purchases	3,316,270	3,763,738	-	-	3,316,270	3,763,738
Leases payable*	211,204	319,428	396,850	579,209	608,054	898,637
Contractual obligations	17,187,439	18,339,780	-	-	17,187,439	18,339,780
Compensated absences	2,170,189	2,099,266	-	-	2,170,189	2,099,266
Total	$ 126,141,650	$ 125,260,002	$ 74,432,196	$ 79,071,671	$ 200,573,846	$ 204,331,673

* Leases payable has been adjusted to reflect a beginning balance upon adoption of GASB 87, *Leases*.

The City's total debt decreased by $3.8 million (1.8%) from the prior fiscal year. Key factor in this decrease was the payment of principal from scheduled debt payments in the current fiscal year.

All general obligation debt and certificates of obligation are scheduled to be retired by 2041.

The City has earned an "AA" rating from Standard and Poor's, an "Aa2" rating from Moody's Investor Service, and an "AA" rating from Fitch Ratings.

More detailed information about the City's long-term liabilities is presented in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Missouri City as of September 30, 2022 was 6.0%. The U.S. and Texas unemployment rates for September 30, 2022 were 3.7% and 4% respectively.

The City is expected to increase its population base over the next 3 years from 79,330 in 2022 to 85,034 by 2025 which is an 7.2% increase. Fort Bend County's population was 900,000 in 2022, and it is expected to grow to 960,690 by 2025, which is a 6.7% increase.

In the upcoming fiscal year of 2023, the City is expecting to maintain a fund balance of approximately 59.2%, of estimated recurring expenditures, which is above the City's fund balance policy parameters of 20%-30% of annual expenditures. The total General Fund budget for FY23 is $75.8 million, with 35.4% of the spending being for police and fire services totaling $26.8 million.

Requests for Information

This financial report is designed to provide a general overview of the City of Missouri City's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Allena Portis, Director of Financial Services, City Hall, 1522 Texas Parkway, Missouri City, TX 77489, telephone (281) 403-8500; or, for general City information, visit the City's website at www.missouricitytx.gov.

Basic Financial Statements

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City of Missouri City, Texas
Statement of Net Position
September 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 47,972,630	$ 9,832,642	$ 57,805,272
Restricted cash - customer deposits	-	388,650	388,650
Investments	73,612,779	27,913,413	101,526,192
Receivables, net of allowances	6,630,918	5,059,038	11,689,956
Internal balances	176,238	(176,238)	-
Inventories	157,409	200,436	357,845
Prepaids	72,519	-	72,519
Capital assets:			
Capital assets, not being depreciated/amortized	18,316,858	17,022,618	35,339,476
Capital assets, being depreciated/amortized, net	185,183,133	91,151,773	276,334,906
Total assets	332,122,484	151,392,332	483,514,816
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,269,482	1,636,759	2,906,241
Deferred outflows - pension	4,052,811	-	4,052,811
Deferred outflows - other postemployment benefits	2,159,185	-	2,159,185
Total deferred outflows of resources	7,481,478	1,636,759	9,118,237
LIABILITIES			
Accounts payable and current liabilities	5,121,997	3,323,962	8,445,959
Accrued interest payable	1,316,094	839,165	2,155,259
Unearned revenue	5,233,706	103,463	5,337,169
Noncurrent liabilities:			
Due within one year	12,742,499	4,829,175	17,571,674
Due in more than one year			
Long-term debt	113,399,151	69,603,021	183,002,172
Net pension liability	25,111,703	-	25,111,703
Other postemployment benefits liability	9,446,844	-	9,446,844
Total liabilities	172,371,994	78,698,786	251,070,780
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	135,816	20,466	156,282
Deferred inflows - pension	9,877,325	-	9,877,325
Deferred inflows - other postemployment benefits	1,804,920	-	1,804,920
Total deferred inflows of resources	11,818,061	20,466	11,838,527
NET POSITION			
Net investment in capital assets	128,021,920	37,633,954	165,655,874
Restricted for:			
Construction and rehabilitation	-	2,462,754	2,462,754
Grants	1,438	-	1,438
Law enforcement	1,413,668	-	1,413,668
Impact fees	326,159	3,711,282	4,037,441
Facilities construction	1,363,391	-	1,363,391
Debt service	5,312,707	-	5,312,707
Parkland dedication	2,066,157	-	2,066,157
Community development	12,387,634	-	12,387,634
Metro projects	7,339,988	-	7,339,988
Unrestricted	(2,819,155)	30,501,849	27,682,694
TOTAL NET POSITION	$ 155,413,907	$ 74,309,839	$ 229,723,746

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

City of Missouri City, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2022

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental activities:				
General government	$ 13,679,452	$ 63,400	$ 958,385	$ -
Financial services	2,425,421	-	-	-
Police	14,306,683	1,273,214	423,416	-
Fire	11,788,761	3,228,337	172,726	-
Public works	18,214,830	208,492	1,100,000	662,151
Parks and recreation	7,567,310	669,737	-	890,292
Planning	6,052,698	6,353,348	327,403	-
Interest on long-term debt	3,938,896	-	-	-
Total governmental activities	77,974,051	11,796,528	2,981,930	1,552,443
Business-type activities:				
Water and wastewater utilities	6,703,807	7,982,153	-	-
Surface water treatment	8,010,188	11,921,791	-	-
Solid waste collections	4,231,497	4,432,418	-	-
Missouri City LGC	4,419,607	4,625,976	-	-
Total business-type activities	23,365,099	28,962,338	-	-
TOTAL PRIMARY GOVERNMENT	$ 101,339,150	$ 40,758,866	$ 2,981,930	$ 1,552,443

General revenues:
Property taxes
Sales taxes
Franchise taxes
Hotel occupancy taxes
Investment earnings (loss)
Other revenues
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

NET POSITION - ENDING

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (12,657,667)	$ -	$ (12,657,667)
(2,425,421)	-	(2,425,421)
(12,610,053)	-	(12,610,053)
(8,387,698)	-	(8,387,698)
(16,244,187)	-	(16,244,187)
(6,007,281)	-	(6,007,281)
628,053	-	628,053
(3,938,896)	-	(3,938,896)
(61,643,150)	-	(61,643,150)
-	1,278,346	1,278,346
-	3,911,603	3,911,603
-	200,921	200,921
-	206,369	206,369
-	5,597,239	5,597,239
(61,643,150)	5,597,239	(56,045,911)
52,788,621	-	52,788,621
13,994,291	-	13,994,291
7,574,641	-	7,574,641
351,655	-	351,655
(595,226)	(299,259)	(894,485)
1,279,277	200	1,279,477
575,271	(575,271)	-
75,968,530	(874,330)	75,094,200
14,325,380	4,722,909	19,048,289
141,088,527	69,586,930	210,675,457
$ 155,413,907	$ 74,309,839	$ 229,723,746

City of Missouri City, Texas
Balance Sheet - Governmental Funds
September 30, 2022

	General Fund	Debt Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,926,950	$ 1,512,181
Investments	32,084,842	4,740,978
Receivables, net of allowances	4,684,218	383,354
Due from other funds	360,541	-
Inventories	157,409	-
Prepaids	72,519	-
Advances to other funds	141,672	-
TOTAL ASSETS	$ 45,428,151	$ 6,636,513
LIABILITIES		
Accounts payable	$ 1,944,732	$ 7,712
Salaries payable	601,471	-
Due to other funds	-	-
Due to others	779,109	-
Unearned revenue	220	-
Total liabilities	3,325,532	7,712
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	1,277,960	390,664
Total deferred inflows of resources	1,277,960	390,664
FUND BALANCES		
Nonspendable:		
Inventories	157,409	-
Prepaids	72,519	-
Restricted for:		
Grants	1,438	-
Law enforcement	-	-
Street improvement	-	-
Metro projects	-	-
Impact fees	-	-
Facilities construction	-	-
Debt service	-	6,238,137
Parkland dedication	-	-
Community development	-	-
Committed for:		
Emergency reserve	1,500,000	-
Operating contingency reserve	1,500,000	-
Assigned for:		
Purchases on Order	2,139,635	-
Unassigned	35,453,658	-
Total fund balances	40,824,659	6,238,137
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 45,428,151	$ 6,636,513

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

Capital Projects Fund	American Rescue Plan Act ARPA 2021	TIRZ #2 (Vicksburg) Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 29,279,180	$ 1,384,066	$ 3,933,903	$ 3,936,350	$ 47,972,630
6,959,812	4,155,511	12,513,073	13,158,563	73,612,779
1,054,528	-	-	508,818	6,630,918
-	-	-	-	360,541
-	-	-	-	157,409
-	-	-	-	72,519
-	-	-	-	141,672
$ 37,293,520	$ 5,539,577	$ 16,446,976	$ 17,603,731	$ 128,948,468
$ 1,381,530	$ 364,744	$ 2,876	$ 36,195	$ 3,737,789
-	-	-	3,618	605,089
-	-	-	325,975	325,975
-	-	-	10	779,119
-	5,233,486	-	-	5,233,706
1,381,530	5,598,230	2,876	365,798	10,681,678
-	-	-	333,912	2,002,536
-	-	-	333,912	2,002,536
-	-	-	-	157,409
-	-	-	-	72,519
-	-	-	-	1,438
-	-	-	1,413,668	1,413,668
28,245,843	-	-	-	28,245,843
7,339,988	-	-	-	7,339,988
326,159	-	-	-	326,159
-	-	-	1,363,391	1,363,391
-	-	16,444,100	-	22,682,237
-	-	-	2,066,157	2,066,157
-	-	-	12,387,634	12,387,634
-	-	-	-	1,500,000
-	-	-	-	1,500,000
-	-	-	-	2,139,635
-	(58,653)	-	(326,829)	35,068,176
35,911,990	(58,653)	16,444,100	16,904,021	116,264,254
$ 37,293,520	$ 5,539,577	$ 16,446,976	$ 17,603,731	$ 128,948,468

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City of Missouri City, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 116,264,254
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds.		
Capital assets, not being depreciated/amortized	$ 18,316,858	
Capital assets, net of accumulated depreciation/amortization	185,183,133	203,499,991
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		2,002,536
Long-term liabilities and related deferred outflows and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported as liabilities or deferrals in the governmental funds.		
General obligation bonds	$ (86,370,068)	
Certificates of obligation	(3,900,000)	
Private Placement bonds	(2,075,000)	
Issuance premiums	(10,911,480)	
Financed Purchases	(3,316,270)	
Leases payable	(211,204)	
Accrued interest	(1,316,094)	
Compensated absences	(2,170,189)	
Deferred charge on refunding	1,269,482	
Deferred gain on refunding	(135,816)	
Contractual obligation	(17,187,439)	
Net pension liability	(25,111,703)	
Deferred outflows - pension	4,052,811	
Deferred inflows - pension	(9,877,325)	
Other postemployment benefits liability	(9,446,844)	
Deferred outflows - other postemployment benefits	2,159,185	
Deferred inflows - other postemployment benefits	(1,804,920)	(166,352,874)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 155,413,907

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

City of Missouri City, Texas
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Fiscal Year Ended September 30, 2022

	General Fund	Debt Service Fund
REVENUES		
Property taxes and penalties	$ 32,678,140	$ 9,958,711
Other taxes	13,994,291	-
Licenses and permits	4,112,459	-
Fines and forfeitures	827,123	-
Franchise taxes	4,031,286	-
Intergovernmental revenues	4,200,914	-
Other revenue	861,083	4,587
Charges for services	677,631	-
Investment earnings (loss)	(321,040)	(38,310)
Total revenues	61,061,887	9,924,988
EXPENDITURES		
Current:		
General government	11,180,989	-
Financial services	2,351,395	-
Police	13,849,411	-
Fire	10,880,379	-
Public works	8,100,559	-
Parks and recreation	4,369,669	-
Planning	2,252,230	-
Capital outlay	80,987	-
Debt service:		
Principal	308,186	6,868,685
Interest and fiscal charges	46,270	3,341,947
Bond issuance cost	-	23,602
Total expenditures	53,420,075	10,234,234
Excess (deficiency) of revenues over (under) expenditures	7,641,812	(309,246)
OTHER FINANCING SOURCES (USES)		
Transfers in	2,221,023	-
Issuance of refunding bonds	-	2,369,565
Issuance of general obligation bonds	-	-
Issuance of premium	-	183,107
Transfers out	(4,573,104)	-
Payments to refunded bond escrow agent	-	(2,551,217)
Total other financing sources (uses)	(2,352,081)	1,455
Net change in fund balances	5,289,731	(307,791)
Fund balances, beginning of year	35,534,928	6,545,928
FUND BALANCES, END OF YEAR	$ 40,824,659	$ 6,238,137

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

Capital Projects Fund	American Rescue Plan Act ARPA 2021	TIRZ #2 (Vicksburg) Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 3,926,229	$ 6,060,480	$ 52,623,560
5,777,227	-	-	351,655	20,123,173
-	-	-	-	4,112,459
-	-	-	77,198	904,321
-	-	-	225,396	4,256,682
1,100,000	1,676,766	-	327,300	7,304,980
413,852	-	-	137,610	1,417,132
-	-	-	116,909	794,540
114,693	(60,365)	(145,627)	(144,577)	(595,226)
7,405,772	1,616,401	3,780,602	7,151,971	90,941,621
-	124,323	2,914	817,789	12,126,015
-	-	-	-	2,351,395
-	-	-	364,931	14,214,342
58,236	-	-	2,075	10,940,690
-	-	-	-	8,100,559
-	-	-	92,427	4,462,096
4,360,467	-	-	327,403	6,940,100
13,069,620	1,552,443	-	-	14,703,050
-	-	245,000	2,027,341	9,449,212
-	-	98,787	903,962	4,390,966
147,020	-	-	46,599	217,221
17,635,343	1,676,766	346,701	4,582,527	87,895,646
(10,229,571)	(60,365)	3,433,901	2,569,444	3,045,975
5,011,537	-	-	100,000	7,332,560
-	-	-	4,415,000	6,784,565
9,860,000	-	-	-	9,860,000
1,177,020	-	-	566,456	1,926,583
(1,000,000)	-	(93,860)	(1,090,325)	(6,757,289)
-	-	-	(4,985,935)	(7,537,152)
15,048,557	-	(93,860)	(994,804)	11,609,267
4,818,986	(60,365)	3,340,041	1,574,640	14,655,242
31,093,004	1,712	13,104,059	15,329,381	101,609,012
$ 35,911,990	$ (58,653)	$ 16,444,100	$ 16,904,021	$ 116,264,254

City of Missouri City, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended September 30, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 14,655,242
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.		
Capital outlay	$ 15,204,726	
Depreciation/amortization expense	(15,979,312)	(774,586)
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		(11,059)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		498,597
Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Par value	$ (16,644,565)	
(Premium) discount	(1,926,583)	(18,571,148)
Payment to escrow agent to refund bonds		7,537,152
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. This adjustment reflects the change in:		
Principal repayments	$ 7,741,179	
Amortization of bond premiums	770,123	
Financed Purchases repayments	447,468	
Lease principal repayments	108,224	
Accrued interest payable	22,529	
Compensated absences	(70,923)	
Amortization of deferred charge on refunding	(142,569)	
Amortization of deferred gain on refunding	19,208	
Net effect of contractual obligations	1,152,341	
Net pension liability	4,002,450	
Deferred outflows - pension	1,542,415	
Deferred inflows - pension	(4,007,271)	
Other postemployment benefits liability	756,634	
Deferred outflows - other postemployment benefits	(121,415)	
Deferred inflows - other postemployment benefits	(1,229,211)	10,991,182
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 14,325,380

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

City of Missouri City, Texas
Statement of Net Position
Proprietary Funds
September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water and Wastewater Utilities	Surface Water Treatment	Nonmajor Enterprise Funds	Totals Enterprise Funds
ASSETS				
Current assets				
Cash and cash equivalents	$ 3,688,788	$ 5,645,962	$ 497,892	$ 9,832,642
Restricted cash - customer deposits	388,650	-	-	388,650
Investments	12,849,448	15,023,942	40,023	27,913,413
Receivables, net of allowances	2,372,315	1,893,789	792,934	5,059,038
Inventories	-	-	200,436	200,436
Total current assets	19,299,201	22,563,693	1,531,285	43,394,179
Noncurrent assets				
Capital assets				
Land and right of way	532,013	4,228,813	-	4,760,826
Constructions in progress	7,045,677	5,216,115	-	12,261,792
Buildings and improvements	3,946,598	-	-	3,946,598
Improvements other than buildings	126,247	-	105,115	231,362
Infrastructure	26,464,672	78,859,091	-	105,323,763
Equipment	2,553,864	11,997	80,096	2,645,957
Right-to-use leased buildings and improvements	-	-	5,453	5,453
Right-to-use leased machinery and equipment	-	-	581,808	581,808
Less accumulated depreciation/amortization	(9,386,241)	(11,922,672)	(274,255)	(21,583,168)
Total capital assets (net of accumulated depreciation/amortization)	31,282,830	76,393,344	498,217	108,174,391
Advances to other funds	269,578	-	-	269,578
Total noncurrent assets	31,552,408	76,393,344	498,217	108,443,969
Total assets	50,851,609	98,957,037	2,029,502	151,838,148
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	233,793	1,402,966	-	1,636,759
Total deferred outflows of resources	233,793	1,402,966	-	1,636,759
LIABILITIES				
Current liabilities				
Accounts payable and other current liabilities	2,255,037	460,067	583,942	3,299,046
Accrued salaries payable	-	-	24,916	24,916
Accrued interest payable	145,572	693,593	-	839,165
Due to other funds	-	-	34,566	34,566
Unearned revenue	-	-	103,463	103,463
Bonds payable - current	1,347,925	3,335,977	-	4,683,902
Leases payable - current	-	-	145,273	145,273
Total current liabilities	3,748,534	4,489,637	892,160	9,130,331
Noncurrent liabilities				
Bonds payable - noncurrent	13,023,720	56,327,724	-	69,351,444
Leases payable - noncurrent	-	-	251,577	251,577
Advances from other funds	-	269,578	141,672	411,250
Total noncurrent liabilities	13,023,720	56,597,302	393,249	70,014,271
Total liabilities	16,772,254	61,086,939	1,285,409	79,144,602
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding	20,466	-	-	20,466
Total deferred inflows of resources	20,466	-	-	20,466
NET POSITION				
Net investment in capital assets	18,532,657	18,999,930	101,367	37,633,954
Restricted for construction and rehabilitation	2,462,754	-	-	2,462,754
Restricted for impact fees	3,711,282	-	-	3,711,282
Unrestricted	9,585,989	20,273,134	642,726	30,501,849
TOTAL NET POSITION	$ 34,292,682	$ 39,273,064	$ 744,093	$ 74,309,839

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

City of Missouri City, Texas

Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water and Wastewater Utilities	Surface Water Treatment	Nonmajor Enterprise Funds	Totals Enterprise Funds
OPERATING REVENUES				
Charges for services	$ 7,982,153	$ 11,921,791	$ 9,058,394	$ 28,962,338
Miscellaneous	200	-	-	200
Total operating revenues	7,982,353	11,921,791	9,058,394	28,962,538
OPERATING EXPENSES				
Personnel	-	-	1,321,770	1,321,770
Commodities	75,743	2,894,557	1,004,147	3,974,447
Repairs and maintenance	937,574	327,380	156,342	1,421,296
Contractual services	4,595,325	1,308,897	4,332,039	10,236,261
Other services	-	-	1,609,703	1,609,703
Depreciation and amortization	673,395	1,382,440	215,725	2,271,560
Total operating expenses	6,282,037	5,913,274	8,639,726	20,835,037
Operating income	1,700,316	6,008,517	418,668	8,127,501
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings (loss)	(136,585)	(165,404)	2,730	(299,259)
Interest expense	(421,770)	(2,096,914)	(11,378)	(2,530,062)
Total non-operating revenues (expenses)	(558,355)	(2,262,318)	(8,648)	(2,829,321)
Income before contributions and transfers	1,141,961	3,746,199	410,020	5,298,180
CONTRIBUTIONS AND TRANSFERS				
Transfers in	700,000	-	30,000	730,000
Transfers out	(144,471)	(1,144,800)	(16,000)	(1,305,271)
Total contributions and transfers	555,529	(1,144,800)	14,000	(575,271)
Change in net position	1,697,490	2,601,399	424,020	4,722,909
Net position - beginning	32,595,192	36,671,665	320,073	69,586,930
NET POSITION, END OF YEAR	$ 34,292,682	$ 39,273,064	$ 744,093	$ 74,309,839

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

City of Missouri City, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water and Wastewater Utilities	Surface Water Treatment	Nonmajor Enterprise Funds	Totals Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 8,066,203	$ 11,708,407	$ 9,023,437	$ 28,798,047
Cash payments to suppliers	(7,937,833)	(4,489,891)	(7,917,182)	(20,344,906)
Cash payments to employees	-	-	(1,313,739)	(1,313,739)
Other cash receipts	200	-	-	200
Net cash provided by operating activities	128,570	7,218,516	(207,484)	7,139,602
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	700,000	-	30,000	730,000
Transfers to other funds	(144,471)	(1,144,800)	(16,000)	(1,305,271)
Net cash provided (used) by noncapital financing activities	555,529	(1,144,800)	14,000	(575,271)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(3,717,240)	(69,566)	(92,084)	(3,878,890)
Proceeds from issuance of bonds	1,514,039	-	-	1,514,039
Principal paid on bonds	(2,705,747)	(3,093,450)	-	(5,799,197)
Principal (paid) on long-term debt	-	-	(190,411)	(190,411)
Interest paid	(431,010)	(2,133,649)	(11,378)	(2,576,037)
Net cash provided (used) by capital and related financing activities	(5,339,958)	(5,296,665)	(293,873)	(10,930,496)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales (purchases) of investments, net	(2,470,192)	(3,456,494)	44,595	(5,882,091)
Earnings (loss) on investments	(136,585)	(165,404)	2,730	(299,259)
Net cash provided (used) by investing activities	(2,606,777)	(3,621,898)	47,325	(6,181,350)
Net increase in cash and cash equivalents	(7,262,636)	(2,844,847)	(440,032)	(10,547,515)
Cash and cash equivalents, beginning balance	11,340,074	8,490,809	937,924	20,768,807
CASH AND CASH EQUIVALENTS, ENDING BALANCE	$ 4,077,438	$ 5,645,962	$ 497,892	$ 10,221,292
Unrestricted cash and cash equivalents	$ 3,688,788	$ 5,645,962	$ 497,892	$ 9,832,642
Restricted cash and cash equivalents	388,650	-	-	388,650
Total cash and cash equivalents	$ 4,077,438	$ 5,645,962	$ 497,892	$ 10,221,292

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

City of Missouri City, Texas
Statement of Cash Flows - Continued
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water and Wastewater Utilities	Surface Water Treatment	Nonmajor Enterprise Funds	Totals Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 1,700,316	$ 6,008,517	$ 418,668	$ 8,127,501
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation and amortization	673,395	1,382,440	215,725	2,271,560
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Receivables, net of allowances	606,938	(213,384)	(44,893)	348,661
Inventories	-	-	(47,073)	(47,073)
Increase (decrease) in liabilities:				
Accounts payable and other current liabilities	(2,329,190)	40,943	(767,878)	(3,056,125)
Accrued salaries payable	-	-	8,031	8,031
Due to other funds	(522,889)	-	(1,215)	(524,104)
Unearned revenue	-	-	11,151	11,151
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 128,570	$ 7,218,516	$ (207,484)	$ 7,139,602

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

Note 1. Summary of Significant Accounting Policies

The City of Missouri City, Texas, was incorporated March 12, 1956, and adopted the Home Rule Charter November 23, 1974, pursuant to the laws of the State of Texas. The City operates under a "Council-Manager" form of government and provides services authorized by its charter. Presently, these services include police and fire protection, drainage, building and code inspection, planning, zoning, engineering, street repair and maintenance, park maintenance, recreational activities for citizens, and general administrative services.

The financial statements of the City of Missouri City have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

The City is an independent political subdivision of the State of Texas, governed by an elected mayor and six-member council, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity.

The basic financial statements for the City of Missouri City include all activities, organizations and functions for which the City is financially accountable. The criteria considered includes (1) whether the organization is part of the City's legal entity or (2) whether the City appoints the voting majority of the organization's governing body and either (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. In addition, an organization may be financially dependent on the City and also included in its reporting entity. Those criteria are based upon and are consistent with those set forth in the Codification of Governmental Accounting Standards, Section 2100, Defining the Financial Reporting Entity.

The Missouri City Development Authority and Tax Incremental Reinvestment Zones 1, 2 and 3, and Public Improvement Districts 2 and 4 have been included in the City's financial reporting. These legally separate entities are blended component units and are included as Special Revenue Funds of the City. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. The City maintains all accounting records for the blended component units.

All the members of Missouri City's governing body (City Council) serve as board members of the Development Authority Board and both Public Improvement Districts. The City Council appoints the majority of the directors of the Tax Incremental Reinvestment Zones. The City Council appoints six of the nine board members for TIRZ 1, five of the seven board members for TIRZ 2 and seven of the eleven board members for TIRZ 3. All TIRZ boards are substantively the same as the City. Contributions to the TIRZs, in the form of incremental tax revenues, come from the City and participating agencies including Fort Bend County, Fort Bend Drainage District, Sienna Levee Improvement District, and WCID #2, whom can each appoint one board member to the TIRZ in which they participate.

Fort Bend Independent School District elected not to join the TIRZs. The boards of the zones/districts make recommendations to City Council regarding the administration of the zones/districts. The boards are not authorized to issue bonds, impose taxes or assess fees. The City approves the tax rate, and assumes obligation to finance deficits in the zones on a short-term basis until incremental improvements are made and the City Manager is authorized to hire consultants for the zones. The above-mentioned component units' services (providing infrastructure that will be owned by the City) almost exclusively benefit the City in that the development of these areas (economically depressed areas) increases the tax base, resulting in additional revenue to the City. Therefore, there is a financial benefit/burden relationship between the City and the blended component units. Separate financial statements are not issued for the above-mentioned blended component units.

The Missouri City Recreation and Leisure Local Government Corporation (LGC) is a nonmajor proprietary fund that is also a blended component unit that operates from user fees. Specifically, all the members of Missouri City's governing body (City Council) serve as board members of the LGC. There is a financial benefit/burden relationship between the City and the blended component unit.

The City developed a regional wastewater treatment master plan to achieve economies of scale by requiring utility districts and new developments to share wastewater treatment plants. The plant is contractually operated by the Quail Valley Municipal Utility.

Presently, the City has thirty-four (34) active municipal utility districts within City limits and extra-territorial jurisdiction providing water and sewer services. These districts are not considered a part of the City's legal entity since they are not fiscally dependent on the City, have taxing powers and set their own budgets.

B. Measurement Focus and Basis of Accounting

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows, fund equity, revenues, and expenditure/expenses. 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 are recorded only when payment is due.

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 in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

The government reports the following major Governmental Funds:

General Fund
The General Fund is the government's primary operating fund. The General Fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues of the general fund are property taxes, sales and use taxes, franchise fees, permit fees, and fines and forfeitures. Expenditures are for general government, financial services, public safety, public works, park maintenance and recreation, planning and zoning, and engineering.

Debt Service Fund
The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds, including certificates of obligation. The primary source of revenue for debt service is property taxes.

Capital Projects Fund
The Capital Projects Fund is used to account for the proceeds from the sale of general obligation bonds and certificates of obligation and expenditures of these proceeds for the acquisition of capital assets as designated in each bond issue. It also includes the proceeds of the one-half (1/2) of the one cent sales tax collected by the Harris County Metropolitan Transit Authority (METRO) within the City. The funds are to be used for transportation projects as defined by the agreement.

American Rescue Plan Act ARPA 2021 Fund
This fund is used to account for the administering of American Rescue Plan Act ARPA 2021 funds received by the City.

Tax Incremental Reinvestment Zone (TIRZ) #2 (Vicksburg) Fund
This fund is used to account for the TIRZ in the Vicksburg area of the City. The land within this TIRZ is prime for development has been limited for years due to drainage problems. By forming the TIRZ, drainage problems can be addressed on a regional basis and quality growth can occur.

The government reports the following major Proprietary Funds:

Water and Wastewater Utilities Fund
The Water and Wastewater Utility Fund accounts for the provision of water and wastewater services to the citizens of the City of Missouri City who are not serviced by any municipal utility district (MUD). The two main areas included at this time in the Water and Wastewater Utilities Fund are Northeast Oyster Creek (NEOC) Service area and the Mustang Bayou (MB) Service area for both water and wastewater treatment, and wastewater treatment for Hightower High School. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing, debt service, billing and collection.

Surface Water Utility Fund
The Surface Water Utility Fund is used to account for the construction and operation of a surface water treatment plant to service the City (including fourteen municipal utility districts and other special water districts). The surface water treatment plant is an integral part of the area's Groundwater Reduction Plan. A plan entered into by these districts legally obligates each participant for the repayment of the construction debt.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in a demand account, money market mutual fund, petty cash funds, Texas Local Government Investment Pool (TexPool), the Local Government Investment Cooperative (LOGIC), Texas CLASS and short-term investments with maturities of three months or less. TexPool, Texas CLASS and LOGIC are external investment pools established by interlocal contracts under state law. Cash and cash equivalents are recorded at fair value, except for certain investment pools. The investment pools operate within appropriate state laws and regulations and are reported at amortized cost or net asset value (approximates fair value).

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. The City pools excess cash of the various individual funds to purchase investments. These pooled investments are reported in the combined balance sheet as investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund monthly based on its respective share of pooled investments.

D. Investments

Investments consist of certificates of deposit, U.S. Government Agency Securities and Municipal Bonds. Investments, with the exception of certificates of deposit, are stated at fair value based on the hierarchy established by generally accepted accounting principles. The net increase or decrease in the fair value of investments is netted with investment earnings in local sources of revenue. Investments are generally held to maturity.

E. Receivables

The City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue were made for uncollectible accounts as needed.

F. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide statement of net position and are classified as "due from other funds" or "due to other funds" in the fund financial statements. Advances to other funds or advances from other funds are also eliminated from the government-wide statement of net position; however, they represent a receivable and payable that will not be paid back within the next year.

G. Inventory

Inventory, which consists of gasoline and parts for use in the City's vehicles and alcohol, food and merchandise for LGC, is stated at cost (weighted average method). Expenditures are recognized as the fuel and parts are used.

H. Capital Assets

Capital assets, which include property, plant, equipment, right-to-use leased assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, 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 one year. Infrastructure is not held to the $5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land, intangibles, Right of Way and construction in progress are not depreciated. Property, plant, equipment, right-to-use leased assets, and infrastructure assets of the primary government, as well as the component units, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings and building improvements	10 to 50 years
Improvements other than buildings	5 to 20 years
Infrastructure	10 to 65 years
Machinery and equipment	4 to 25 years
Right-to-use leased buildings and improvements	2 to 5 years
Right-to-use leased machinery and equipment	2 to 5 years

I. Leases

The City is a lessee in noncancellable leases of buildings and improvements and machinery and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more.

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

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments that the City is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statements of net position. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

J. Compensated Absences

Compensated absences, which include unpaid vacation and other employee benefit amounts, are accumulated during employment. Amounts accumulated are paid to employees upon separation from City service. Employees earn vacation leave at the rate of fourteen days per year from one to five years and up to twenty days per year for service of fifteen years or more. Fire fighters and police officers who are civil service employees, as defined under Section 143.003 of the Texas Local Government Code, receive eighteen days of vacation for less than fifteen years of service, and up to twenty days of vacation for service of fifteen years or more. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

The maximum vacation accrual a civil service fire fighter may maintain if working 12 hour days is 480 hours; the maximum amount for a civil service police officer is 320 hours. All other employees maximum vacation accrual is 256 hours. City employees receive twelve paid holidays per year. Regular full-time nonexempt employees required to work on a holidays may be paid or may elect to receive compensatory time off for the holiday. The maximum accrual an employee may maintain for holiday compensatory time is 132 hours. Overtime is earned at one and one-half times the regular rate of pay. Employees may be paid or receive compensatory time for overtime worked. The maximum compensatory time accrual a nonexempt employee may maintain for overtime worked is 80 hours.

K. Long-Term Obligations

The government-wide financial statements and proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts.

The fund financial statements report bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources at par. Premiums (discounts) associated with the debt are reported as other financing sources (uses).

L. Net Position Flow Assumptions

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.

M. 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.

N. Fund Balance Policies

Fund balances are classified as follows on the governmental fund financial statements:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, State or Federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by ordinances passed by City Council, the City's highest level of decision making authority; this includes the budget reserve account. Commitments may be modified or rescinded only through ordinances approved by City Council.

Assigned – Amounts that are intended to be used for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's policy, amounts can be assigned by the City Manager.

Unassigned – All amounts not included in other classifications. The general fund is the only fund that reports a positive unassigned fund balance. However, in other governmental funds, if expenditures for specific purposes exceed restricted, committed or assigned fund balances, a negative assigned fund balance may be reported in that fund.

O. Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category:

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from, pension plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual actuarial experiences, differences between projected and actual investment earnings, and changes in actuarial assumptions. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Differences in projected and actual earnings are amortized on a closed basis over a five year period. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual actuarial experiences and changes in actuarial assumptions and other inputs. The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. Differences in projected and actual earnings are amortized on a closed basis over a five year period. The other deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has four items that qualify for reporting in this category:

- Deferred inflows of resources for refunding - Reported in the government-wide statement of net position, this deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes, municipal court, grants, charges for services, false alarms and lease payments arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from of differences between expected and actual experience and differences in projected and actual earnings. These amounts will be amortized over a closed five year period.

- Deferred inflows of resources for other post-employment benefits (OPEB) – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences in expected and actual experience and changes in actuarial assumptions. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

P. 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.

Information regarding the City's net pension liability is obtained from TMRS through reports prepared for the City by the TMRS consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.*

Q. Other Post-Employment Benefits.

The City offers two OPEB plans, a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF") administered by the Texas Municipal Retirement System (TMRS) and a single-employer defined benefit other post-employment benefits ("OPEB") plan, known as the Retiree Health Care Plan (the "Plan") administered by the City. Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB liability, and total OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms.

Information regarding the City's total OPEB liability for Retiree Health is obtained through reports prepared for the City by a consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Information regarding the City's total OPEB liability for Supplemental Death Benefit Fund (SDBF) is obtained from TMRS through reports prepared for the City by the TMRS consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

R. 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.

S. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater utilities fund, surface water utility fund, solid collections fund and the Missouri City LGC fund are charges to customers for sales and services. 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 non-operating revenues and expenses.

T. Use of 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

U. Restricted Assets

The Enterprise Funds have restricted certain cash for customer deposits. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. The proceeds from debt are restricted for use on capital projects.

V. Encumbrances

Encumbrances for materials, other goods, and purchased services are documented by purchase orders or contracts. Encumbrances outstanding at year-end do not constitute expenditures or liabilities under GAAP. The City honors these commitments and records GAAP expenditures in the subsequent year as the transactions are completed.

Encumbrances are reported in the financial statements as restricted, committed, or assigned for specific purposes in the governmental funds. As of September 30, 2022, significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in	
	Restricted Fund Balance	Assigned Fund Balance
General fund	$ -	$ 2,139,635
TIRZ #2	8,499	-
Capital projects fund	6,667,019	-
Nonmajor fund	205,294	-
Total encumbrances	$ 6,880,812	$ 2,139,635

W. Implementation of New Accounting Standards

GASB Statement 87, *Leases* ("GASB 87"), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019; however, issuance of GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 87 to reporting periods beginning after June 15, 2021, with earlier application encouraged. The City implemented GASB 87 as of the beginning of the fiscal year, resulting in the recognition of $319,428 of lease assets and leases payable within the governmental activities in the government-wide financial statements and $579,209 of lease assets and leases payable within the business-type activities in the government-wide and proprietary fund financial statements as of October 1, 2021.

X. Deficit Equity

At September 30, 2022, the American Rescue Plan Act fund had a negative fund balance of $58,653. This deficit balance was primarily caused by a decrease in the fair value of the investments within the fund. Additionally, the CDBG Fund had a negative fund balance of $326,829. This was due to the final request for reimbursement of grant expenditures incurred during the fiscal year submitted after the availability period to recognize revenue to offset the current year expenditures.

Note 2. Deposits and Investments

The City's cash and investments are classified as cash and cash equivalents and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, short-term investments in external public funds investment pool accounts such as LOGIC, Texas CLASS and TexPool, and money market mutual funds. The investments, which have maturities at purchase date of greater than three months, consist mainly of U.S. government securities, municipal bonds, and certificates of deposit. For better management of cash, the City pools the cash, based on the City's needs, into deposits in the bank, in short-term investments with LOGIC, Texas CLASS and TexPool, or in longer term investments in U.S. Government securities. However, each fund's balance of cash and investments is maintained in the books of the City.

The City's deposits are maintained under the provisions of a depository contract as a cash concentration account for use by all City funds. All receipts of City funds are deposited into a money market mutual fund account, and the depository bank transfers funds to a separate demand deposit checking account as checks are posted. The City bids out excess funds as necessary and awards the bid to the institution or agency offering the highest interest rate. In compliance with section 2256.025 of the Public Funds Investment Act, brokers/dealers must complete a questionnaire, submit financial statements, and be approved by the Investment Committee before being accepted to bid on investments of excess City funds.

Investment Policy
The Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act (Chapter 2256 Texas Government Code). The investments of the City are in compliance with the Council's investment policies. It is the City's policy to restrict its investments to direct obligations of the U.S. Government, Money Market Mutual Funds registered with and regulated by the Securities Exchange Commission, fully collateralized certificates of deposit and other interest-bearing time and demand deposits, and other instruments and investments in public funds investment pools such as the Local Government Investment Cooperative (LOGIC), Texas CLASS and Texas Local Government Investment Pool (TexPool).

Under provisions of state and local statutes, the City's investment policies, and provisions of the City's depository contracts with the area financial institutions, the City is authorized to place available deposits and investments in the following:

1. Obligations, including letters of credit, of the United States or its Agencies and Instruments, including the Federal Home Loan Banks;

2. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

3. Obligations of the State of Texas or its agencies and instrumentalities, and obligations of counties, cities, and other political subdivisions of this State rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

4. Fully insured or collateralized deposits at eligible depositories placed in compliance with this Policy and the Act;

5. Repurchase agreements structured in compliance with the Act. The term includes direct security repurchase agreements entered into by City and reverse repurchase agreements only obtained in connection with investment by City in an eligible investment pool or money market mutual fund. All City repurchase agreement transactions shall be governed in accordance with a written repurchase agreement;

6. Money market mutual funds registered with and regulated by the Securities & Exchange Commission; that fully invest dollar-for-dollar all City funds without sales commissions or loads; that are categorized as a "Treasury" or "Government" money market fund; and, whose investment objectives include seeking to maintain a stable net asset value of $1.0000 per share. City may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market fund;

7. Eligible investment pools as defined by and in compliance with the Act, that have been authorized by the City Council, maintain a rating of a least AAA or AAAm, and whose investment philosophy and strategy seek to maintain a stable net asset value of $1.00.

All significant legal and contractual provisions for investments were complied with during the year.

As of September 30, 2022, the City had the following cash and cash equivalents and investments.

	Value	Weighted Average Maturity (Days)
Cash and cash equivalents:		
Cash deposits	$ 194,158	-
Cash equivalents:		
Money market mutual funds	26,287,840	-
TexPool external investment pool	4,099,529	25
Texas CLASS	12,038,470	82
LOGIC	15,573,925	19
Total Cash and Cash Equivalents	$ 58,193,922	
Investments:		
U.S. government agency bonds/notes:		
Federal National Mortgage Association (FNMA)	$ 1,141,669	5,109
Federal Home Loan Mortgage Corp. (FHLMC)	11,819,478	335
Federal Home Loan Bank (FHLB)	8,698,037	592
Federal Farm Credit Bank (FFCB)	2,925,485	243
Federal Agricultural Mortgage Corp (FAMC)	7,187,422	605
United States Treasury Note	31,953,282	407
Municipal Bonds	4,715,385	168
Certificates of Deposit	33,085,434	183
Total Investments	$ 101,526,192	
Total portfolio		309

The U.S. government securities were purchased through a broker/dealer and held for safekeeping by the City's depository bank (independent agent), registered for the account of Missouri City. The City generally holds all investments to maturity date.

Custodial Credit Risk - Deposits
The risk that, in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities, to the extent the deposits exceed FDIC coverage. Uninsured financial institution deposits and repurchase agreement investments marketable security collateral must be maintained at a minimum 102% of deposit or investment value, plus any accrued interest.

The City's total cash deposits, including certificates of deposit at September 30, 2022 were entirely covered by collateralized securities held in the City's name or by federal deposit insurance.

The City has invested in a governmental money market mutual fund as part of its investment strategy. This investment is accomplished through daily sweeps of excess cash by the City's custodial bank into a bank sponsored program, short-term investment fund. This fund is a custodial bank-sponsored commingled fund that is invested in short-term U.S. government agency and treasury debt and repurchase agreements.

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

Texas CLASS is an external investment pool measured at net asset value. The investment pool's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short term marketable securities. There are no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. The Texas CLASS portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; AAA rated money market mutual funds; and commercial paper.

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

The TexPool investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of $1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and no maximum transaction amounts. TexPool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects TexPool's liquidity.

Local Government Investment Cooperative (LOGIC)
LOGIC is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. (JPMIM), and managed by JPMIM, who provides custody and investment management.

LOGIC's investment objectives are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The portfolio will maintain a dollar-weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of $1.00 per share. LOGIC may invest in securities including: obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; other obligations which are unconditionally guaranteed or insured by the U.S.; fully collateralized repurchase agreements with a defined termination date and unconditionally guaranteed or insured by the U.S. or its agencies and instrumentalities; SEC-registered money-market fund rated in the highest rating category by at least one nationally recognized statistical rating organization (NRSRO); and commercial paper as authorized under the Public Funds Investment Act. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Investments' Fair Value

The City's investments are carried at fair value based on quoted market prices at year-end, in accordance with U.S. generally accepted accounting principles. The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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

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

Certain of the City's investments are not required to be measured at fair value; this includes its investment in TexPool which is measured at amortized cost, LOGIC, Texas CLASS, and Government Mutual Fund are measured at net asset value and is included in cash equivalents. Its investments in certificates of deposit are measured at cost. These instruments are exempt from categorization within the fair value hierarchy.

Investments' fair value measurements are as follows at September 30, 2022:

		Fair Value Measurements Using
Investments	Fair Value	Other Observable Inputs (Level 2)
U.S. Government Agency Bonds/Notes:		
Federal National Mortgage Assoc (FNMA)	$ 1,141,669	$ 1,141,669
Federal Home Loan Mtg Corp (FHLMC)	11,819,478	11,819,478
Federal Home Loan Bank (FHLB)	8,698,037	8,698,037
Federal Farm Credit Bank (FFCB)	2,925,485	2,925,485
Federal Agricultural Mortgage Corp (FAMC)	7,187,422	7,187,422
United States Treasury Note	31,953,282	31,953,282
Municipal Bonds	4,715,385	4,715,385
Total	$ 68,440,758	$ 68,440,758

The U.S. government agency bonds/notes and municipal bonds included in Level 2 of the fair value hierarchy are valued using a market approach based on a matrix pricing technique, whereby valuation is determined in reference to benchmark prices and interest rates.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, and monitors interest rate risk using weighted average maturity analysis.

Credit Risk

The City's policy requires that investments are limited to only certain instruments that are authorized by the Public Funds Investment Act. Further specifications are that external investment pools must be rated no lower than "AAA" or an equivalent rating by at least one nationally recognized rating service, United States Treasury and agency investments are guaranteed (either express or implied) and backed by the full faith and credit of the United States or its respective agencies, and certificates of deposit are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized under an approved pledge agreement.

As of September 30, 2022, the City's investment in TexPool, Texas CLASS and LOGIC were rated "AAAm" by Standard & Poor's. The City's investments in U.S. agency bonds and notes were rated "AA+" and above by Standard & Poor's and its investment in Municipal Bonds was rated "A" and above by Standard & Poor's. The certificates of deposit are unrated.

Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The City's investment policy limits investments by security type and institution. With the exception of U.S. Treasury securities, government-sponsored enterprises (GSE's), interest-bearing checking accounts that are fully collateralized, and authorized local government pools, the City will diversify the entire portfolio to comply with the investment strategy. The investments in obligations of states, agencies, counties, cities, districts, and other political subdivisions as well as repurchase agreements (excluding bond fund) are limited to 50% of the portfolio balance each.

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 custody of securities is maintained at financial institutions, avoiding physical possession.

Note 3. Property Taxes

Property taxes for each year are levied on approximately October 1 and are due upon receipt of the City's tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest. The lien exists in the favor of the State and each taxing unit. Appraised values are established by the Fort Bend Central Appraisal District (FBCAD) and Harris County Appraisal District (HCAD) through procedures established by the Texas Legislature. The County bills and collects property taxes on behalf of the City, and remits payment to the City on a frequent basis. The City bills its tax levies as soon as possible after certification of taxable values by the CAD, which is approximately October 1 as noted above. Additional tax bills are sent in February, May, and July (which includes a surcharge for legal costs associated with collection). In August, delinquent taxes are turned over to the City's delinquent tax attorneys for final collection or other disposition.

The City is permitted, by Article VIII, Section 9, of the State of Texas Constitution and the City Charter, to levy property taxes up to $2.50 per $100 of assessed valuation for general governmental services. Within the $2.50 maximum levy, there is no legal limit upon the amount of property taxes, which can be levied for debt service. The property tax rates to finance general governmental services and debt service for the 2021 - 2022 fiscal year were $0.443225 and $0.13481 respectively, per $100 of assessed valuation. The 2021 tax year assessed value and total tax levy as adjusted through September 30, 2022, were $8,272,427,271 and $47,601,830, respectively.

Note 4. Receivables

Receivables as of year-end for the government's individual major and nonmajor funds, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Governmental Activities
Receivables:					
Property taxes	$ 1,099,054	$ 398,882	$ -	$ -	$ 1,497,936
Sales tax	2,899,200	-	-	-	2,899,200
Municipal court	1,063,094	-	-	21,699	1,084,793
Other	248,796	-	-	170,253	419,049
Due from other governments	538,725	-	1,054,528	338,565	1,931,818
Gross receivable	5,848,869	398,882	1,054,528	530,517	7,832,796
Less: Allowance for uncollectible	(1,164,651)	(15,528)	-	(21,699)	(1,201,878)
Net Receivables	$ 4,684,218	$ 383,354	$ 1,054,528	$ 508,818	$ 6,630,918

	Water and Wastewater Utilities	Surface Water Treatment	Nonmajor Enterprise Funds	Business-Type Activities
Receivables:				
Other	$ -	$ -	$ 792,934	$ 792,934
Due from other governments (MUD)	2,372,315	1,893,789	-	4,266,104
Gross receivable	2,372,315	1,893,789	792,934	5,059,038
Net Receivables	$ 2,372,315	$ 1,893,789	$ 792,934	$ 5,059,038

Note 5. Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2022:

	Balance September 30, 2021	Additions	Retirements and Transfers	Balance September 30, 2022
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 12,773,017	$ 890,293	$ -	$ 13,663,310
Intangibles - Right of Way	2,713,521	-	-	2,713,521
Construction in progress	4,582,319	3,909,450	(6,551,742)	1,940,027
Total capital assets, not being depreciated/amortized	20,068,857	4,799,743	(6,551,742)	18,316,858
Capital assets, being depreciated/amortized:				
Buildings and building improvements	47,337,374	1,013,793	6,447,595	54,798,762
Improvements other than buildings	38,370,861	1,896,639	104,147	40,371,647
Infrastructure	249,365,148	6,870,803	-	256,235,951
Machinery and equipment	25,030,048	623,748	(637,030)	25,016,766
Right-to-use leased machinery and equipment*	319,428	-	-	319,428
Total capital assets, being depreciated/amortized	360,422,859	10,404,983	5,914,712	376,742,554
Less accumulated depreciation/amortization for:				
Buildings and building improvements	(14,376,964)	(1,299,878)	-	(15,676,842)
Improvements other than buildings	(22,632,585)	(3,492,183)	-	(26,124,768)
Infrastructure	(123,581,761)	(8,284,379)	-	(131,866,140)
Machinery and equipment	(15,614,770)	(2,815,565)	625,971	(17,804,364)
Right-to-use leased machinery and equipment*	-	(87,307)	-	(87,307)
Total accumulated depreciation/amortization	(176,206,080)	(15,979,312)	625,971	(191,559,421)
Total capital assets, being depreciated/amortized, net	184,216,779	(5,574,329)	6,540,683	185,183,133
Governmental activities capital assets, net	$ 204,285,636	$ (774,586)	$ (11,059)	$ 203,499,991

* Right-to-use leased machinery and equipment has been adjusted to reflect a beginning balance upon adoption of GASB 87, *Leases*.

	Balance September 30, 2021	Additions	Retirements and Transfers	Balance September 30, 2022
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 4,741,426	$ -	$ -	$ 4,741,426
Intangibles - Right of Way	19,400	-	-	19,400
Construction in progress	24,450,522	3,740,965	(15,929,695)	12,261,792
Total capital assets, not being depreciated/amortized	29,211,348	3,740,965	(15,929,695)	17,022,618
Capital assets, being depreciated/amortized:				
Buildings and improvements	3,946,598	-	-	3,946,598
Improvements other than buildings	199,240	32,122	-	231,362
Infrastructure	89,348,226	45,842	15,929,695	105,323,763
Equipment	2,585,995	59,962	-	2,645,957
Right-to-use leased buildings and improvements*	5,453	-	-	5,453
Right-to-use leased machinery and equipment*	573,756	8,052	-	581,808
Total capital assets being depreciated/amortized	96,659,268	145,978	15,929,695	112,734,941
Less accumulated depreciation/amortization for:				
Buildings and building improvements	(1,741,542)	(78,944)	-	(1,820,486)
Improvements other than buildings	(174,648)	(17,047)	-	(191,695)
Infrastructure	(14,993,307)	(1,846,843)	-	(16,840,150)
Machinery and equipment	(2,402,111)	(136,598)	-	(2,538,709)
Right-to-use leased buildings and improvements*	-	(4,566)	-	(4,566)
Right-to-use leased machinery and equipment*	-	(187,562)	-	(187,562)
Total accumulated depreciation/amortization	(19,311,608)	(2,271,560)	-	(21,583,168)
Total capital assets being depreciated/amortized, net	77,347,660	(2,125,582)	15,929,695	91,151,773
Business-type activities capital assets, net	$ 106,559,008	$ 1,615,383	$ -	$ 108,174,391

* Right-to-use leased buildings and improvements and right-to-use leased machinery and equipment have been adjusted to reflect a beginning balance upon adoption of GASB 87, *Leases*.

Depreciation/amortization expense for the year ended September 30, 2022 was distributed as follows:

Governmental activities:		
General government	$	1,771,471
Financial services		112,934
Police		534,121
Fire		1,079,334
Public works		10,204,070
Parks and recreation		2,251,507
Planning		25,875
Total governmental activities	$	15,979,312
Business-type activities:		
Water and wasterwater	$	673,395
Surface water		1,382,440
Missouri City LGC		215,725
Total business-type activities	$	2,271,560

Constructions in progress for the various projects and remaining commitments under these construction contracts as of September 30, 2022, are:

	Approved Contract	Total in Progress	Remaining Commitment
Governmental activities:			
Willow Waterhole Drainage Improvement	$ 1,576,835	$ 501,482	$ 1,075,353
Mustang Bayou SA WWTP Expn & Rh Phase II	511,014	293,784	217,230
Mustang Bayou SA Sanitary Sewer Collect	1,398,327	242,621	1,155,706
Freedom Tree Park Improvements	342,990	62,373	280,617
Mustang Bayou SA Water Distribution	1,131,417	13,242	1,118,175
Park Maintenance Facility	333,386	269,992	63,394
Flood Gauge Installations	281,544	281,509	35
Cangelosi Detention	292,041	275,024	17,017
Knight Road Extension Project	7,544,731	6,928,625	616,106
Texas Parkway Beatification	989,319	695,232	294,087
Scalin to TX. PKWY	2,129,971	300,671	1,829,300
Total government activities	$ 16,531,574	$ 9,864,555	$ 6,667,019
Business-type activities:			
Mustang Bayou Service Area Water Treatment Expansion	$ 8,387,976	$ 6,498,488	$ 1,889,488
Total business-type activities	$ 8,387,976	$ 6,498,488	$ 1,889,488

Note 6. Long-Term Debt and Other Long-Term Obligations

The City issues general obligation bonds and certificates of obligation for the purpose of fulfilling its capital improvement programs. General obligation bonds and certificates of obligation are for both governmental and business-type activities. The bonds and leases payable are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general obligation bonds, certificates of obligation, private placement bonds and contractual obligations are paid through the Debt Service Fund and blended component units from tax revenues. Generally these programs are classified in several broad areas: public safety, drainage, transportation, parks, facilities and utility construction.

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2022, is as follows:

		Balance September 30, 2021		Additions		Reductions		Balance September 30, 2022		Amounts Due Within One Year
Governmental activities:										
Bonds payable:										
General obligation bonds	$	79,068,815	$	16,644,565	$	9,343,312	$	86,370,068	$	7,487,974
Certificates of obligation		9,345,000		-		5,445,000		3,900,000		260,000
Private placement bonds		2,460,000		-		385,000		2,075,000		400,000
Plus:										
Issuance premiums		9,863,975		1,926,583		879,078		10,911,480		770,123
Total bonds payable		100,737,790		18,571,148		16,052,390		103,256,548		8,918,097
Financed purchases		3,763,738		-		447,468		3,316,270		461,069
Leases payable*		319,428		-		108,224		211,204		108,600
Contractual obligations		18,339,780		-		1,152,341		17,187,439		1,084,544
Compensated absences		2,099,266		2,185,919		2,114,996		2,170,189		2,170,189
Net pension liability		29,114,153		16,018,018		20,020,468		25,111,703		-
Other postemployment benefits liability		10,203,478		944,472		1,701,106		9,446,844		-
Total governmental activities	$	164,577,633	$	37,719,557	$	41,596,993	$	160,700,197	$	12,742,499

* Leases payable has been adjusted to reflect a beginning balance upon adoption of GASB 87, *Leases*.

		Balance September 30, 2021		Additions		Reductions		Balance September 30, 2022		Amounts Due Within One Year
Business-type activities:										
General obligation bonds	$	36,601,185	$	1,405,435	$	3,866,688	$	34,139,932	$	2,567,028
Certificates of obligation		33,620,000		-		1,475,000		32,145,000		1,535,000
Plus:										
Issuance premiums		8,271,277		108,604		629,467		7,750,414		581,874
Total bonds payable		78,492,462		1,514,039		5,971,155		74,035,346		4,683,902
Leases payable*		579,209		8,052		190,411		396,850		145,273
Total business-type activities	$	79,071,671	$	1,522,091	$	6,161,566	$	74,432,196	$	4,829,175

* Leases payable has been adjusted to reflect a beginning balance upon adoption of GASB 87, *Leases*.

As of September 30, 2022, the City has $91,259,000 of authorized but unissued bonds.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds.

Compensated absences, financed purchases, and leases payable generally are paid by the General Fund for the governmental activities. Net pension liability and other postemployment benefits liability are liquidated by the General Fund. Financed purchases and leases payables are liquidated by the General Fund and the Debt Service Fund for the governmental activities.

In April 2022, the City issued $18,050,000 in General Obligation Improvement and Refunding Bonds, Series 2022 for drainage projects, public facilities projects, parks, street mobility, and to refund $4,010,000 of General Obligation Bonds, Series 2013 and $4,915,000 of Combination Tax and Revenue Certificates of Obligation, Series 2010A. The refunding resulted in a net present value saving of $643,663 and a gross savings of $793,407. The reacquisition price was less than the net carrying amount of the old debt by $31,224. This amount is recorded as a deferred inflow and amortized over the life of the refunded debt.

The following is a summary of general obligation bonds, certificates of obligation, private placement bonds, and financed purchases outstanding as of September 30, 2022:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Governmental activities:				
General obligation bonds:				
Series 2014 permanent improvement bonds	$ 1,740,000	2033	3.125 - 3.75%	$ 1,140,000
Series 2015 permanent improvement bonds	8,600,000	2034	3.00 - 3.25%	6,050,000
Series 2016 permanent improvement bonds	3,080,000	2035	3.00 - 3.25%	2,250,000
Series 2016 refunding bonds	33,131,233	2038	2.00 - 5.00%	22,405,503
Series 2017 permanent improvement bonds	14,445,000	2037	3.00 - 5.00%	10,820,000
Series 2018 permanent improvement bonds	11,990,000	2038	2.00 - 5.00%	9,660,000
Series 2019 refunding bonds	11,065,000	2039	3.00 - 5.00%	9,585,000
Series 2021 refunding bonds	8,620,000	2040	4.00%	7,815,000
Series 2022 improvement and refunding bonds	16,644,565	2041	4.00 - 5.00%	16,644,565
Total general obligation bonds				86,370,068
Certificates of obligation:				
Series 2014 certificates of obligation	990,000	2033	1.00 - 3.75%	650,000
Series 2018 certificates of obligation	1,140,000	2038	4.00%	970,000
Series 2021 certificates of obligation	2,535,000	2040	4.00%	2,280,000
Total certificates of obligation				3,900,000
Private Placement Bonds:				
Series 2015 increment revenue refunding bonds	4,600,000	2027	2.22%	2,075,000
Total Private Placement Bonds				2,075,000
Financed Purchases:				
2013 Fire truck	387,490	2023	3.13%	44,340
Lighting and HVAC equipment	1,337,007	2031	2.46%	1,141,471
2019 Fire truck	2,239,086	2029	3.49%	1,646,008
IT equipment	652,246	2027	2.65%	484,451
Total Financed Purchases				3,316,270
Total governmental activities				$ 95,661,338
Business-type activities:				
General obligation bonds:				
Series 2014 permanent improvement refunding bonds	440,556	2024	2.00 - 3.00%	$ 155,000
Series 2016 refunding bonds	39,533,766	2038	2.00 - 5.00 %	32,579,497
Series 2022 improvement and refunding bonds	1,405,435	2026	5.00%	1,405,435
Total general obligation bonds				34,139,932
Certificates of obligation:				
Series 2014A certificates of obligation	4,995,000	2024	2.00 - 3.125%	3,335,000
Series 2016A certificates of obligation	4,025,000	2036	2.00 - 3.00%	3,025,000
Series 2016 certificates of obligation	2,475,000	2035	3.00%	1,805,000
Series 2018 certificates of obligation	18,435,000	2038	4.00 - 5.00 %	15,905,000
Series 2021 certificates of obligation	8,645,000	2040	4.00%	8,075,000
Total certificates of obligation				32,145,000
Total business-type activities				$ 66,284,932

The annual requirements to amortize all general obligation bonds outstanding as of September 30, 2022, are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2023	$ 7,487,972	$ 3,746,947	$ 2,567,028	$ 1,609,897
2024	7,764,878	3,384,242	2,700,122	1,483,045
2025	7,673,124	3,016,886	2,526,876	1,349,639
2026	7,957,070	2,654,717	2,627,930	1,223,295
2027	7,790,003	2,279,045	2,484,997	1,091,899
2028 - 2032	24,967,021	7,022,877	12,902,979	3,538,123
2033 - 2037	17,315,000	2,847,038	8,330,000	720,000
2038 - 2040	5,415,000	398,175	-	-
Totals	$ 86,370,068	$ 25,349,927	$ 34,139,932	$ 11,015,898

The annual requirements to amortize all certificates of obligation outstanding as of September 30, 2022, are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2023	$ 260,000	$ 137,825	$ 1,535,000	$ 1,233,937
2024	265,000	128,175	1,610,000	1,172,214
2025	270,000	118,263	1,675,000	1,107,439
2026	280,000	108,150	1,735,000	1,038,639
2027	285,000	97,500	1,810,000	969,189
2028 - 2032	1,350,000	324,062	10,175,000	3,697,259
2033 - 2037	855,000	124,000	10,585,000	1,661,255
2038 - 2040	335,000	14,038	3,020,000	139,188
Totals	$ 3,900,000	$ 1,052,013	$ 32,145,000	$ 11,019,120

The annual requirements to amortize all private placement bonds outstanding as of September 30, 2022, are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest
2023	$ 400,000	$ 46,065
2024	405,000	37,185
2025	415,000	28,194
2026	425,000	18,981
2027	430,000	9,546
Totals	$ 2,075,000	$ 139,971

Financed Purchases
The City is lessee for financed purchase agreements for equipment with various maturity dates and interest rates as shown in the summary of general obligation bonds, certificates of obligation, private placement bonds, and financed purchases outstanding. The City recognized an initial asset in the amount $3,963,583, which is included with machinery and equipment in the capital assets activity.

The annual requirements to amortize all financed purchases outstanding as of September 30, 2022, are as follows:

Year Ending	Governmental Activities	
September 30,	Principal	Interest
2023	$ 461,069	$ 98,674
2024	429,365	84,650
2025	442,394	71,621
2026	455,828	58,189
2027	469,679	44,336
2028-2031	1,057,935	60,422
Totals	$ 3,316,270	$ 417,892

The principal and interest on the general obligation bonds, certificates of obligation, private placement bonds, leases, and financed purchases are payable solely from property taxes levied on taxable property within the City. The City is in compliance with all significant limitations and restrictions contained in the various bond ordinances.

The annual requirements to amortize certain contractual obligations of the City to Sienna Plantation Management District (see Note 16) are as follows:

Year Ending	Governmental Activities	
September 30,	Principal	Interest
2023	$ 1,084,544	$ 446,340
2024	1,111,496	443,775
2025	1,153,127	416,448
2026	1,204,152	387,466
2027	1,246,040	356,613
2028 - 2032	6,924,241	1,258,933
2033 - 2035	4,463,839	256,240
Totals	$ 17,187,439	$ 3,565,815

Federal Tax Compliance (Arbitrage) for Long-term Debt
In accordance with provisions of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), the City's long-term debt obligations must meet certain minimum criteria to be considered and continue to be considered "tax exempt." This "tax exempt" status means that interest income earned by purchasers of the City's long-term debt instruments is not subject to federal income taxes. Related Treasury Regulations promulgated under Section 148 of the Code generally provide that the determination of whether these obligations are tax exempt is made as of the date such obligations are issued based on a reasonable expectations regarding the use of the proceeds of the bonds issued. Long-term debt that does not meet and continue to meet the minimum criteria of Section 148 of the Code and the related Treasury Regulations described above are considered "arbitrage bonds" and are not considered "tax exempt" as described above.

The City has performed calculations required under section 148(f) of the Code and has no present liability nor has the City ever been required to make rebate payments for issued debt in past years.

The City is currently in compliance with yield restriction requirements and does not anticipate associated significant noncompliance issues. The City is continuing to proceed with reasonable diligence to expend any remaining unexpended debt issuance proceeds on qualifying projects or to retire related debt issues still outstanding.

Defeased Bonds

The City has defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future bonds are not included in the City's financial statements. At September 30, 2022, the City had no outstanding bonds considered defeased.

Leases Payable

The City has entered into lease agreements as lessee for various types of equipment and office space. The leases allow the City the right-to-use the leased assets over the term of the lease. The City is required to make principal and interest payments at its incremental borrowing rate or the interest rate stated or implied within the lease. The lease rate, term, and ending lease liability as of September 30, 2022 are as follows:

Description	Matures	Interest Rate (%)	Ending Balance
Governmental activities:			
Computer equipment	2024	0.48%	$ 179,584
Printers	2024	0.25 - 0.48%	31,620
Total governmental activities			$ 211,204
Business-type activities:			
GPS equipment	2026	0.48%	$ 173,610
Printers	2025	2.02%	7,169
Golf carts	2026	3.55 - 4.85%	215,291
Office space	2023	0.21%	780
Total business-type activities			$ 396,850

The future principal and interest lease payments as of September 30, 2022 are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2023	$ 108,600	$ 937	$ 145,273	$ 6,817
2024	102,604	450	113,123	4,157
2025	-	-	114,522	1,837
2026	-	-	23,932	93
Totals	$ 211,204	$ 1,387	$ 396,850	$ 12,904

Note 7. Interfund Receivables, Payables and Transfers

The following is a summary of interfund balances as of September 30, 2022:

Due to Fund	Due From Fund	Purpose	Amount
General fund	Nonmajor enterprise fund	Cash advances on operations	$ 34,566
General fund	Nonmajor governmental fund	Cash advances on operations	325,975
			$ 360,541

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

The following is a summary of interfund advance balances as of September 30, 2022:

Advance from Fund	Advance to Fund	Purpose	Amount
General fund	Nonmajor enterprise fund	Cash advances on operations	$ 141,672
Water and wastewater utilities	Surface water treatment	Cash advances on operations	269,578
			$ 411,250

Amounts booked as advance to/from are considered to be long-term loans and will not be repaid during the following fiscal year.

For the year ended September 30, 2022, interfund transfers consisted of the following:

Transfers In Fund	Transfers Out Fund	Purpose	Amount
General fund	Capital projects fund	Cover costs of Mobility expenses for streets, drainage & traffic	$ 1,000,000
General fund	Nonmajor governmental fund	Cover operating expenses for radio tower	40,011
General fund	Nonmajor governmental fund	Reimbursement for expenditures	267,481
General fund	Nonmajor governmental fund	Cover administrative cost	207,200
General fund	Nonmajor governmental fund	Cover a portion of Assistant City Attorney salary	27,200
General fund	TIRZ #2 (Vicksburg) fund	Cover administrative cost	73,860
General fund	Water and wastewater utility fund	Cover administrative cost	144,471
General fund	Surface water treatment fund	Cover administrative cost	444,800
General fund	Nonmajor enterprise fund	Cover administrative cost for Front Desk Customer Service Support	16,000
Capital projects fund	General fund	Construction costs	4,573,104
Capital projects fund	Nonmajor governmental fund	Veteran Memorial Project	250,000
Capital projects fund	Nonmajor governmental fund	Construction costs	188,433
Nonmajor governmental fund	Nonmajor governmental fund	Cover administrative cost	80,000
Nonmajor governmental fund	TIRZ #2 (Vicksburg) fund	Cover administrative cost	20,000
Water and wastewater utility fund	Surface water treatment fund	Mustang Bayou retail water treatment	700,000
Nonmajor enterprise fund	Nonmajor governmental fund	Management services	30,000
			$ 8,062,560

Transfers are used to move revenues from the fund with collection authorization to other funds that finance various programs in accordance with budgetary authorizations.

Note 8. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the plan and makes investment decisions and disburses funds to employees in accordance with plan provisions.

The fair value of plan assets held and administered by the plan's third-party administrator were $15,762,375.

Note 9. Pension Plan

A. Plan Description

The City of Missouri City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

B. 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 based on the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payments options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's contributions and interest.

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

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Updated service credit	100% Transfers
Annuity increase (to retirees)	70% of CPI

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

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

Inactive employees or beneficiaries currently receiving benefits	219
Inactive employees entitled to but not yet receiving benefits	230
Active employees	355
Total	804

C. 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 8.92% and 9.05% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were $3,282,464, which exceeded the required contributions by $771,753 since the City contributed at the rate of 12%. The City's contributions exceeded the requirement rate in an attempt to reduce the unfunded pension liability.

D. Net Pension Liability

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

Actuarial Assumptions
The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the City, rates are multiplied by an additional factor of 100%. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	35.0%	7.55%
Core fixed income	6.0%	2.00%
Non-core fixed income	20.0%	5.68%
Other public and private markets	12.0%	7.22%
Real estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private equity	10.0%	10.00%
Total	100%	

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2020	$ 149,189,620	$ 120,075,467	$ 29,114,153
Changes for the year:			
Service cost	4,385,786	-	4,385,786
Interest (on the total pension liability)	10,027,677	-	10,027,677
Difference between expected and actual experience	1,532,127	-	1,532,127
Change in assumptions	-	-	-
Contributions - employer	-	2,590,969	(2,590,969)
Contributions - employee	-	1,783,876	(1,783,876)
Net investment income	-	15,645,127	(15,645,127)
Benefit payments, including refunds of employee contributions	(5,648,675)	(5,648,675)	-
Administrative expense	-	(72,428)	72,428
Other	-	496	(496)
Net changes	10,296,915	14,299,365	(4,002,450)
Balance at December 31, 2021	$ 159,486,535	$ 134,374,832	$ 25,111,703

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

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

1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
$ 49,625,392	$ 25,111,703	$ 5,243,912

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.

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

For the year ended September 30, 2022 the City recognized pension expense of $1,706,645.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,246,029	$ 1,849,261
Changes in actuarial assumptions	302,506	-
Difference between projected and actual investment earnings	-	8,028,064
Contributions subsequent to the measurement date	2,504,276	-
Totals	$ 4,052,811	$ 9,877,325

$2,504,276 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2023	$ (1,707,199)
2024	(3,591,356)
2025	(1,733,557)
2026	(1,296,678)
Totals	$ (8,328,790)

Note 10. Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

The City also participates in the single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits Provided
The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500.

Membership in the plan as of the measurement date of December 31, 2021 was as follows:

Inactive employees currently receiving benefits	154
Inactive employees entitled to but not yet receiving benefits	65
Active employees	355
Total	574

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

The retiree portion of contribution rates to the SDBF for the City was 0.07% and 0.08% in calendar years 2021 and 2022, respectively. The City's contributions to the SDBF for the year ended September 30, 2022 were $21,577, and were equal to the required contributions.

Discount Rate
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 Statement No. 75 (i.e., no assets are accumulated for OPEB), and as such, the SDBF is considered to be an unfunded OPEB plan. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan is be based on an index of tax-exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2021, the discount rate used in the development of the total OPEB liability was 1.84%.

Actuarial Assumptions

The City's total OPEB liability was measured at December 31, 2021 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Inflation:	2.50%
Salary Increases:	3.50% to 11.50%, including inflation
Discount rate:	1.84%. The discount rate was based on the Fidelity Index's "20- Year Municipal GO AA Index" rate as of December 31, 2021.
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.
Mortality rates – service retirees:	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees:	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information

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

Changes in the Total OPEB Liability

Balance at December 31, 2020	$ 1,242,552
Changes for the year:	
Service cost	61,161
Interest on total OPEB liability	25,284
Difference between expected and actual experience	10,874
Changes of assumptions or other inputs	45,030
Benefit payments	(17,839)
Net changes	124,510
Balance at December 31, 2021	$ 1,367,062

Sensitivity Analysis
The following presents the total OPEB liability of the employer, calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.84%) or 1 percentage point higher (2.84%) than the current rate.

1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
$ 1,700,214	$ 1,367,062	$ 1,114,767

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity
For the year ended September 30, 2022, the City recognized OPEB expense of $139,330.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,793	$ 60,066
Changes in actuarial assumptions and other inputs	278,639	27,719
Contributions made subsequent to the measurement date	16,695	-
Totals	$ 326,127	$ 87,785

$16,695 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2023.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year Ending September 30,	Net deferred outflows (inflows) of resources
2023	$ 52,885
2024	52,885
2025	45,322
2026	43,770
2027	22,727
Thereafter	4,058
Totals	$ 221,647

Retiree Health Care Plan (RHCP)

Plan Description
The City's defined benefit OPEB plan, City of Missouri City Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single-employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

Benefits Provided
RHCP provides access to post retirement employees by offering a "blended premium" structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" subsidy. Because the underlying claims costs for a non- Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Employees covered by benefit terms. At December 31, 2021, the following employees were covered by the benefit terms:

Retirees and beneficiaries	34
Inactive, nonretired members	-
Active members	355
	389

Total OPEB Liability
The City's total OPEB liability of $8,079,782 was measured as of December 31, 2021, and was determined by an actuarial valuation as of December 31, 2021.

Actuarial Assumptions and Methods

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method:	Individual Entry-Age
Discount Rate:	1.84% as of December 31, 2021
Inflation:	2.50%
Salary Increases:	3.50% to 11.50%, including inflation
Demographic Assumptions:	Based on the experience study covering the four year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality:	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates:	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years; Post-65: Initial rate of 5.50% declining to an ultimate rate of 4.15% after 12 years
Participation Rates:	95% for retirees who are eligible for a City subsidy; 50% for retirees who are not eligible; 0% for employees who retire before the age of 50
Other Information:	
Note:	The discount rate changed from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021.

Discount Rate

Because the RHCP is unfunded or pay-as-you go, the discount rate is based on the 20-year tax-exempt AA or higher municipal bond. For the purpose of this valuation, the municipal bond rate is 1.84% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). As of December 31, 2021, the discount rate used in the development of the total OPEB liability was 1.84%.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2020	$ 8,960,926
Changes for the year:	
Service cost	442,893
Interest on total OPEB liability	181,484
Change of benefit terms	-
Difference between expected and actual experience	(1,477,753)
Change in assumptions	188,620
Benefit payments	(216,388)
Net changes	(881,144)
Balance at December 31, 2021	$ 8,079,782

Changes of assumptions reflect a change in the discount rate from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the City's total OPEB liability, calculated using a discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease in Discount Rate (0.84 %)	Discount Rate (1.84 %)	1% Increase in Discount Rate (2.84 %)
$ 9,408,343	$ 8,079,782	$ 6,991,742

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the City's total OPEB liability, calculated using the assumed trend rates as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

1% Decrease Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase Healthcare Cost Trend Rate
$ 6,800,740	$ 8,079,782	$ 9,707,105

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended September 30, 2022, the City recognized OPEB expense of $658,093.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,728	$ 1,502,760
Changes in actuarial assumptions used	1,707,904	214,375
Contributions made subsequent to the measurement date	118,426	-
Totals	$ 1,833,058	$ 1,717,135

$118,426 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2023.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year Ending September 30,	Net deferred outflows (inflows) of resources
2023	$ 33,716
2024	33,716
2025	33,716
2026	33,716
2027	23,551
Thereafter	(160,918)
Totals	$ (2,503)

Combined Totals for Retiree Healthcare Plan and Supplemental Death Benefits Plan
The combined totals for the two OPEB plans are as follows:

	Retiree Health Care Plan	SDBF	Total
OPEB liability	$ (8,079,782)	$ (1,367,062)	$ (9,446,844)
Deferred inflows	(1,717,135)	(87,785)	(1,804,920)
Deferred outflows	1,833,058	326,127	2,159,185
OPEB expense (credit)	658,093	139,330	797,423

Note 11. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League (TMLIRP), an Intergovernmental Risk-Pool and through commercial insurance carriers. The City purchases commercial general insurance through the Texas Municipal League, an unincorporated association of political subdivisions of the State of Texas.

This policy encompasses general liability, automobile liability, law enforcement liability, errors and omissions liability, property, automobile vehicle liability, and damages with limits of liability for each occurrence at $3,000,000. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in the TML-IRP is limited to payment of premiums.

Workers' Compensation
The City is a member of the Texas Municipal League (TML) Workers' Compensation Intergovernmental Risk Pool, an unincorporated association of political subdivisions of the State of Texas. The fund contracts with a third-party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool. The City's liability is limited to payment of premiums as assessed by TML.

The City pays unemployment insurance claims filed by former employees on an actual reimbursement basis. The Texas Workforce Commission determines individual claim eligibility and bills the City for each eligible claim made. The City contracts with a third party, TALX Employer Services L.L.C., to administer its unemployment insurance/compensation program.

Long-term Disability
The City provides long-term disability coverage for all full-time employees through Madison National Life Insurance Company. The City pays the entire amount of the premiums. After a 90-day waiting period, employees who become disabled though injury or sickness may receive 66-2/3 percent of basic monthly earnings, not to exceed maximum benefit less other income benefits.

Health/Dental/Life Insurance Plan
The City provides medical insurance, prescription card, dental, vision and life insurance programs for City employees. As of September 30, 2022, the City contracts with United Health Care, which offers a H.S.A. high deductible medical plan and a P.P.O. medical plan for employees to choose from. The City also provides life insurance to employees in the amount of $50,000 through Minnesota Life Insurance Company.

Note 12. Commitments and Contingencies

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Sick Leave

Employees are credited with sick leave at the rate of one day per month with no maximum accumulation, one-half of which is set aside for major illness each year. Civil service employees' sick leave is calculated in accordance with the minimum requirements of Section 143.045, Texas Local Government Code, and accrue fifteen days of sick leave per calendar year. Regular sick days may be used for ordinary sick days, caring for relatives, and doctor's appointments. Unused sick leave is credited to the major illness accumulation at the end of the year. Employees do not receive any pay or other compensation either for, or in lieu of, accrued sick leave time upon any type of employment termination except for retirement. Upon meeting retirement qualifications and retiring from the City, employees will be paid 25 percent of accumulated major illness sick leave exceeding sixty days up to a total of thirty days. A fire fighter or police officer who leaves the classified service for any reason will receive, in a lump-sum payment, the full amount of the person's salary for accumulated sick leave up to a maximum amount of 90 days of accumulated sick leave.

Note 13. Park Land Dedication

The City enacted an ordinance requiring open space, park, and recreational areas, which is intended to assure that within residential developments of the City, there is sufficient land dedicated for open space and neighborhood parks. The City subsequently amended this ordinance providing for cash to be remitted in lieu of park land. Cash received shall be restricted to an area established by zone. Presently, the City has established thirteen zones. Cash received in the Park Land Dedication Fund by the City under this agreement must be expended within five years for the acquisition or development of a neighborhood park.

If not expended within the time frame established, the current owner of the property for which money was paid in lieu of land dedication shall be entitled to a refund providing a refund request is made within a one-year period. The activities of this program are accounted for in a special revenue fund.

Note 14. Agreement with Gulf Coast Water Authority

In July of 1997, the City entered into an option agreement with Gulf Coast Water Authority (GCWA), a Texas conservation and reclamation district, to purchase surface water rights. The agreement allows the City the option to buy fifteen (15) million gallons per day of surface water from GCWA's canal system. Beginning in March 2009, the City exercised its option to purchase raw surface water and began paying for approximately 52,000 gallons a day to start the process of design for a surface water treatment plant. This water was utilized for a pilot test plant during the design phase of the project. This plant is the key facilitator for the Ground Water Reduction Plan (GRP) for the region. The City completed the design and construction of the Regional Water Treatment Plant in 2012 and began treating surface water.

In May of 2014, the City and GCWA revisited the agreement and entered into a new System Raw Water Availability Agreement that provided the City with a firm quantity of fifteen (15) million gallons per day (MGD) of surface water from GCWA's canal system, and an additional ten (10) million gallons per day of option water. This contract extended the agreement term to 2027. The contract was amended and restated in 2020, and further extended to August 31, 2045. Under the amended and restated agreement in 2020, the first five (5) MGD of option water converted to contract water on September 1, 2022. The second five MGD of option water will convert to contract water on September 1, 2025.

The City has paid a total of $1,601,398 for contract water and $563,975 for option water, totaling $2,165,373 for the fiscal year ended September 30, 2022.

Note 15. Regional Wastewater Treatment Facilities

In March 1996, the City contracted with First Colony Municipal Utility District No. 9 (MUD 9) and Fort Bend County Municipal Utility District No. 42 (MUD 42) to construct a regional wastewater system to include a regional lift station, major transmission line, first phase of the Steep Bank Flat Bank Creek Wastewater Treatment Plant, and sludge processing. The project was completed and began operation in December 1999 with a treatment capacity of 1.5 million gallons per day (MGD), more than initially needed by MUDs 9 and 42. Between 2000 and 2010, the City signed regional wastewater facilities agreements with Fort Bend County MUDs No. 46, 115, 129 and 149 to utilize the temporary excess capacity in the Phase I plant, and to secure permanent capacity for these MUDs in future plant expansions. Construction of the Phase II plant expansion from 1.5 to 3.0 MGD began in 2009 and came on line in late 2010. This included a second aeration basin and clarifier, headworks improvements and ultraviolet disinfection system upgrades and expansion. Final cost shares are based on pro rata capacity allocations. The current discharge permit provides for future expansion of the plant to interim Phase III 4.5 MGD and final Phase up to 6.0 MGD phase. In June 2019, the City entered into an agreement with Sienna Regional Municipal District to accept at least 0.5 MGD of wastewater until a 1.5 MGD expansion could be completed. Sienna Regional MUD began partially diverting flow in October 2019 to the plant. Sienna Regional MUD is currently funding the expansion of the existing plant from 3.0 MGD to 4.5 MGD capacity at a cost of approximately $13 Million dollars. Construction was authorized in January 2022 and upon completion/expansion, Sienna Regional MUD will be entitled to 1.5 MGD of plant capacity.

The City owns the plant and is responsible for its operation and maintenance. Under an agreement between the City and SiEnvironmental, this operations company performs the operation and maintenance activities. Each of the MUDs are billed monthly charges for their share of operations and maintenance expenses, which includes funding an operations and maintenance reserve.

MUDs 9, 42, 46, 115, 129, 149 and the City have agreed that each district shall initially have the right to deliver, subject to agreed terms and conditions, wastewater to the plant in the following capacities, and based on current plant capacity (3.0 MGD):

District	Percent	Reserved Capacity (MGD)
First Colony MUD #9	35.0%	1.0500
Fort Bend County MUD #42	14.0%	0.4200
Fort Bend County MUD #115	8.8%	0.2640
Fort Bend County MUD #46	14.2%	0.4250
Fort Bend County MUD #129	14.6%	0.4380
Fort Bend County MUD #149	13.4%	0.4030
Totals	100.0%	3.0000

In March 2015 the City and MUDs 9, 42, 46, 115, 129 and 149, amended the agreements to clarify the obligations of the existing agreements regarding the Phase III expansion, to establish a protocol for the MUDs the opportunity to sell any excess capacity to a future participant and to allow MUDs 46, 115, 129 and 149 the ability to adjust their total requested capacity to equal 1.5 million gallons. The total assigned capacity will not exceed the permitted 3.0 MGD.

The City may provide funding, or, per the agreements, the City can request that the MUDs fund their prorata share, for the expansion of the facility when needed and reserves the option to utilize package plants in the interim, if necessary, to provide services to all areas. The districts will pay their share of the debt service for expansion or for regulatory upgrades. The maintenance and operation of the plant will be prorated among the MUDs utilizing their average equivalent connections for the year.

Mustang Bayou Water and Wastewater Service Area
The Mustang Bayou (MB) Water Supply and Wastewater Treatment (WWTP) Service Area includes Fort Bend Municipal Utility Districts No. 47 and 48 (which serve the Vicksburg and Olympia Estates neighborhoods and Hightower High School), Tax Increment Reinvestment Zone No. 2 and Public Improvement Districts No. 2, 3 and 4. The area is attracting major retail and residential development as a result of the Fort Bend Toll Road, which opened in August 2004, connecting Highway 6 with Beltway 8. In 2004, the City and Fort Bend MUDs 47 and 48 executed a regional wastewater treatment and water supply agreement to provide integrated utility services to the area. The wastewater portion of that agreement was updated in 2010 when regional wastewater treatment facilities agreements between the City and MUDs 47 and 48 were executed. Since the new agreements were executed the City has been providing regional water and wastewater service to MUDs 47 and 48 and retail service to the City service area.

The City and the Vicksburg Joint Powers (MUDs 47 and 48) collectively constructed new wastewater facilities for the expansion of the Vicksburg Wastewater Treatment Plant (WWTP), located on the west side of the Toll Road, just north of Trammel-Fresno Road. The City now owns and operates the Vicksburg WWTP, and has since renamed the plant the Mustang Bayou Regional WWTP. The City's Mustang Bayou Regional WWTP provides treatment for most of the service area, including MUDs 47 and 48. This expansion was completed in December of 2009, and plant ownership transfer was completed in March of 2010.

In 2018, in order to serve new development in the portion of the Mustang Bayou Service Area north of Lake Olympia Parkway, an interlocal agreement was executed between the City and Quail Valley Utility District (QVUD). This agreement allows for up to 585,585 gallons per day wastewater treatment at the QVUD's Wastewater Treatment Plant.

Fort Bend MUDs 47 and 48 originally owned and operated a water well and plant located in the north side of the Mustang Service Area. The City owns and operates a water well and plant in the south side of the service area, south of Highway 6 and east of the Fort Bend Toll Road. The City well and plant has increased water supply and improved water pressure available for fire flows for new and existing development. Under the 2011 water agreements, the ownership of the MUDs' water well and plant was transferred to the City in January 2012, and the two plants are permanently interconnected to jointly supply the entire service area.

The City projected a need for a water/wastewater master plan, capital improvement plan and an impact fee study as the City and MUDs 47 and 48 proceed with coordination on utility service issues in the Mustang Bayou Service Area. This study has been completed and has provided the technical and financial information for the City to properly administer and provide utility service in the area. City Council updated the impact fees in June 2022 for the Mustang Bayou Service Area. Due to projected growth and rehabilitation needs, the existing MB WWTP is being rehabilitated and expanded from its rated 0.95 MGD capacity to 1.50 MGD at an estimated project cost of $14 million. MUD 47 and MUD 48 are estimated to pay approximately $3 million towards this overall project cost per existing agreements with the City. The Phase 1 rehabilitation and expansion is estimated to be completed by Spring 2023. The City has also initiated a Phase 2A construction project to further expand the Plant to 2 MGD to accommodate growth demands in the Service Area at a cost not to exceed $3,379,900.

Note 16 - Development Agreements

Agreement with Sienna
In past years, it was the policy of City Council that before a reclamation district, water control improvement district or municipal utility district could be created, the landowners in the City's extra-territorial jurisdiction must petition for annexation into the City. As a result, the City approved the creation of several separate municipal districts in past years.

In 1995-96, the City began development of a regional water, sewer and storm drainage plan to determine future demands for water, sewer and storm drainage facilities for the entire City including these districts. With the City approximately one-third built, not including the City's extra-territorial jurisdiction, this was a good time to initiate the change. In conjunction with this, a Municipal Utility District Study was performed to assure that Regionalization versus separate MUDs was feasible.

As a result, the City determined to leave the existing districts in place at this time and review their Regionalization needs on an individual basis, when the need to sell new debt or expand the plant took place. For the rest of the City, the City is seeking Regionalization by requiring MUDs to go to a regionalized plant, and to develop contracts for Regionalization with existing MUDs. The Quail Valley Utility District is a good example of this Regionalization effort.

In other areas, Public Improvement Districts were being formed to fund the water, sewer, drainage and other needed improvements.

In 1995-96, several developers of Sienna, a 10,800-acre master planned community in the City's extraterritorial jurisdiction approached the City Council to allow development by agreement. As a result, a development agreement was proposed allowing development to take place outside the City limits.

The developers in Sienna entered into the Sienna Joint Development Agreement with the City of Missouri City (the "City") dated February 19, 1996, as amended (collectively, the "Development Agreement"), which stipulates the City's regulatory authority over the development of Sienna. The Development Agreement establishes certain restrictions and commitments related to the development of Sienna, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna by the City, and identifies and establishes a master plan for the development of Sienna. The provisions of the Development Agreement govern the development of all land within Sienna.

In the Development Agreement, the City agrees not to annex the property in any district before such time as (i) at least 90 percent of the developable acreage within such district has been developed with water, wastewater treatment, and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. Upon annexation, the area is expected to add approximately 60,000 citizens to the population of the City.

Contract with Sienna Regional Municipal Utility District (Master District)
Sienna (the "District"), together with each conservation and reclamation district located within the District, has contracted with Sienna Regional Municipal Utility District (the "Master District") to provide water supply and distribution, sewage collection and treatment services, major trunk storm sewer drain services, fire protection, and other services and facilities permitted by law for the entire Sienna development. The District has incurred, or incurs, the following expenditures with respect to this contract:

- the District's prorated share of the Master District's capital cost (connection charges) of which future costs will be capitalized by the District; and,
- monthly connection charges in an amount sufficient to meet the District's prorated share of the operational and maintenance costs of the central facilities, based on the relevant use of such facilities.

Fire Protection Agreements between City and Sienna MUDs
Fire Protection agreements have been entered into between the City and various Municipal Utility Districts as follows:

March 19, 2001 Sienna Regional Municipal Utility District
March 19, 2001 Sienna Municipal Utility District 2
March 19, 2001 Sienna Municipal Utility District 3
January 3, 2005 Sienna Municipal Utility District 4
January 3, 2005 Sienna Municipal Utility District 5
January 3, 2005 Sienna Municipal Utility District 6
January 3, 2005 Sienna Municipal Utility District 7
February 21, 2005 Sienna Municipal Utility District 10
February 21, 2005 Sienna Municipal Utility District 12

Each of these districts are partially or wholly within the City's extraterritorial jurisdiction. The agreements are to provide fire suppression and rescue services. The MUD districts agree to pay the City a monthly charge for each residential unit in the districts connected to the public water supply on or before the twentieth day of the preceding month. For non-residential properties, the districts agree to pay a monthly charge per 2,000 SF of building floor space.

Fire Station #5 Agreement with Sienna Regional Municipal Utility District
In March 2001, a Fire Protection Agreement between the City and the District required the District to design and construct Fire Station No. 5 ("Station 5") to service the entire Sienna Plantation area providing fire protection services performed by the City and received by the District. In September 2006, the First Supplement to Fire Protection Agreement (the "First Supplement") between the City and the District, was entered into, shifting the responsibility for the design and construction of Station 5 to the City. In March 2015, final negotiations were completed and the station opened in July 2015.

In providing Fire Protection Services to the Sienna Fire Service Area, the City shall be solely responsible for determining the standard of care for the operation and maintenance of its facilities and equipment and the training of its personnel. The City shall provide staff who meet minimum staff qualifications to perform the Fire Protection Services required by this Agreement. Neither the District nor the Internal Sienna MUDs assume any responsibility for the actions of the City staff in performing Fire Protection Services. The District will make no recommendations and is in no way responsible for the sufficiency or qualification of the City's staff. It is also understood and agreed that the City shall be the owner of Station 5 and all appurtenances, sites, rights-of-way, and easements, including all additions or improvements thereto.

Annually, the City will provide the District with an estimate of the Total Operating Costs upon presentation of the Fire Department's initial budget request submitted to the Financial Services Department and shall provide the final Total Operating Costs and Sienna Capital Costs calculations to the District within 10 business days of the City's adoption of its budget. The District shall review such data and provide any objections to the calculations within 10 business days. The City and the District shall work together to resolve any disagreement of the calculation of the Total Operating Costs and the Sienna Operating Costs. It is the intent of the Parties that Total Operating Costs shall include Capital Expenses; accordingly, Sienna Operating Costs shall include an allocation of Capital Expenses.

NewQuest Properties Economic 380 Agreement – Fort Bend Town Center
The Fort Bend Town Center is a commercial development located along both sides of Fort Bend Parkway, south of State Highway 6. This particular property lacked major infrastructure needed for development. As an incentive to have it develop sooner rather than later, in 2006 the City executed an economic development agreement, reimbursing the developer for some of their cost incurred in developing the site. The estimated cost of the project at inception was $6,679,450.

As part of this development, the developer, with the City's assistance, was successful in working out an agreement to extend service lanes for the Fort Bend Parkway south of its original terminus. Such an extension was a critical component in encouraging the next phase of the parkway to Sienna Parkway to take place sooner and ultimately improve traffic circulation in the Sienna North area. As an added bonus, the Fort Bend Toll Road Authority agreed to reimburse the cost incurred for a portion of the extension once bonds were sold.

Interest on the reimbursement is capped at two (2) years.

NewQuest Properties Economic 380 Agreement – Fort Bend Town Center II
In order to further economic growth within the City, a development agreement was executed to provide assistance for the Fort Bend Town Center II project which includes a Cinemark Movie Theater. This agreement provides a maximum reimbursement of $4 million towards infrastructure that supports the 250,000 square foot power center at the intersection for the Fort Bend Toll Road and Highway 6. The project includes a mix of retail uses and the development of the 45,000 square foot Cinemark theater.

New Quest Properties Economic 311 Agreement – Fort Bend Town Center III
This development, which will include retail, multi family, and a METRO Park and Ride Garage, began construction in 2022. TIRZ #2 approved the amended financing plan to include the reimbursement of public infrastructure up to $9 million for Fort Bend Town Center III and the development agreement associated with Fort Bend Town Center III. Major components of the development agreement include maximum $9 million in reimbursement, interest capped at 2 years, and project updates to be provided to the Zone Board once every six months. The City will not own or maintain the following improvements: detention facilities, emergency vehicle access facilities, fire lanes, fire loop/suppression facilities, public service access facilities, pedestrian access facilities that are not located on public property, storm water pump stations and accessories, land designated for floodplain mitigation, and land designated for wetland mitigation. The City will receive an easement or other appropriate instrument to utilize the detention facility.

Reinvestment Zone Number Three Agreement – Sienna Management District (SMD)
The Tax Increment Reinvestment Zone #3 (the "Zone") established by the City in December of 2007, is located within the city limits near the intersection of State Highway 6 and Sienna Parkway. Created under state law, the Zone is to promote private economic development of an area by investing in public infrastructure such as public roadways, water distribution, wastewater collection and storm drainage facilities. The improvements will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City. All of the land within the zone lies wholly within the boundaries of the City.

The base taxable assessed value of real property within the TIRZ is established when the TIRZ is created. The incremental growth in the taxable assessed value of real property within the TIRZ is determined annually upon receipt of the certified tax rolls. Any incremental growth in the taxable assessed value of real property over the base is considered a "tax increment." Taxing jurisdictions within the Zone have the option of contributing all or portions of tax collections attributed to the tax increment to the City for use in financing the public infrastructure improvements. The City has entered into separate tax participation agreements with the Sienna Levee Improvement District, Fort Bend Drainage District and Fort Bend County, Texas, which obligates these entities to contribute all or a portion of property taxes collected on the tax increment ("TIRZ Revenues") to the City.

The City of Missouri City, the Sienna Management District (the "District"), and the Missouri City Development Authority (the "MCDA"), entered into the Sienna Reinvestment Zone Development Plan Agreement (the "Agreement") to provide for the unified development of all land within the Zone and to establish rules for development, financing and operation of improvements. The Agreement defines two categories of projects: District Improvements and TIRZ Improvements. The District is responsible for the acquisition, design, financing and construction of all District Improvements and TIRZ Improvements.

The District Project budget for District TIRZ Improvements shall not exceed $39 million, without the consent of the City. This includes new roadway construction ($15.9 million), roadway and intersection improvements ($8.55 million), a structured parking garage ($6.75 million), decorative signage, landscaping, and enhancements ($6 million), and zone administrative costs ($1.8 million).

District Improvements are financed with bonds that the District is authorized to issue for any appropriate District purpose. Those bonds are payable from District collected property taxes and any other lawful revenue of the District. TIRZ Improvements are financed with TIRZ bonds which are payable from TIRZ revenues and District property taxes. As of September 30, 2022, the District has issued $22,907,884 in Road Bonds and Unlimited Tax and Tax Increment Contract Revenue Road Bonds (TIRZ Bonds). The TIRZ Bonds are the obligations solely of SMD and not the City or the Zone. The Bonds are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property in the District. In addition, the Bonds will be secured by the pledge of TIRZ revenues under the agreement described above, paid to the District from monies received by the City from tax increments resulting within the Zone. These pledged revenues are anticipated to be sufficient to amortize the Bonds. The TIRZ Bonds year end amount outstanding is $17.2 million, which is recognized as a contractual obligation in the City's financial statements.

On the first business day of each calendar quarter, the City pays the District from the TIRZ revenues the amount necessary (1) to pay debt service on District TIRZ Bonds and to (2) to pay the direct costs of the development and construction of District TIRZ Improvements that are not funded through the issuance of District debt. During the fiscal year ended September 30, 2022, the City paid the District a total of $1,633,679. Under the terms of the agreement, the District receives a METRO sales tax which is a portion of the sales tax rebated to the City by the Metropolitan Transportation Authority of Harris County which is derived from sales tax revenue generated within the Zone. The reimbursements will be based on the increase in taxable value of real property within the Zone and 50% of the total amount of Metro Tax generated from the District. During the fiscal year ended September 30, 2022, the City paid the District $258,377.

Trammel Crow Economic 380 Agreement – Park Eight 90

Located at the intersection of US90A and Beltway 8, Park Eight-Ninety is an 129 acre development by Trammell Crow Development and offers the opportunity for more than 1,700,000 SF of investment grade warehouse, distribution and manufacturing space. The project builds upon the strong relationship between Trammel Crow and the City and track record of success in developing the very successful Missouri City's Lakeview Business Park.

In continuation of the City's pro-business and development values, the City entered into a chapter 380 development agreement with Trammel Crow. This performance based agreement provides the opportunity for Trammel Crow to be reimbursed for up to $7,000,000 of qualifying infrastructure costs associated with the park. The reimbursements are based on the net growth in assessed value in the park not including abated or exempt property and are structured so that the City is ensured a positive return on investment.

Note 17. Agreement with Harris County Metropolitan Transit Authority

The City entered into a Congestion Mitigation/Traffic Management Agreement with the Harris County Metropolitan Transit Authority (METRO) to address ongoing mobility needs through the further development of regional transportation systems. Under this agreement, METRO will make payments to the City to fund eligible transportation projects as defined in the agreement. The agreement is effective through December 31, 2025. These payments will generally be limited to one-half (1/2) of all METRO sales tax collections within the City during the agreement. These payments will be in addition to payments for previously approved METRO projects within the City. The City received approximately $6 million pursuant to this agreement for eligible transportation projects in the fiscal year 2022.

Note 18. Tax Abatements

The City grants tax abatement agreements under Chapter 380 of the Texas Local Government Code and the Property Redevelopment and Tax Abatement Act under Chapter 312 of the Texas Tax Code to provide incentives for economic development within the City limits. The agreements take two forms; ad valorem taxes and sales tax.

The currently active ad valorem tax agreements call for the abatement of a portion (30% to 75%) of property taxes that would normally be due on real and personal property of a specified development's assessed value. All of these agreements will call for the entity to construct and maintain certain buildings and improvements at specified levels. Some agreements will call for entities to produce and maintain a certain number of jobs for the length of the agreements. Failure of the entity to comply with the requirements will cause the entity to be subject to a claw back provision which typically includes the repayment of all abated ad valorem taxes plus interest at the Texas Tax Code delinquent tax rate. Total ad valorem taxes abated in the current fiscal year under these agreements were approximately $1,216,000.

Of the currently active sales tax abatements agreements, one provides for 100% abatement of sales taxes generated by the entity in exchange for employing 210 employees and maintaining at least $10 million in inventory. Failure of the entity to meet either commitment will invalidate the tax rebate for the year the requirement was not satisfied. Two provide for a 50% abatement of sales taxes generated by the projects upon the successful completion of the project with no claw back provisions. Total sales taxes abated for the current fiscal year under these agreements totaled approximately $625,000.

Note 19. Recent Accounting Pronouncements

The Government Accounting Standards Board (GASB) pronouncements effective in fiscal years 2022 and beyond are listed below:

GASB Statement 91, *Conduit Debt Obligations* ("GASB 91"), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 will be implemented by the City in 2023 and the impact has not yet been determined.

GASB Statement No. 92, *Omnibus 2020* ("GASB 92"), addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including Leases (GASB 87) and postemployment benefits. GASB 92 was implemented by the City in 2022 with no impact to amounts reported under previous standards.

GASB Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 94 will be implemented by the City in 2023 and the impact has not yet been determined.

GASB Statement No. 96*, Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 96 will be implemented by the City in 2023 and the impact has not yet been determined.

GASB Statement No. 99*, Omnibus 2022* (GASB 99), enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB statements and 2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. These requirements were implemented in the City's fiscal year 2022 financial statements with no impact to amounts previously reported. The requirements related to leases were implemented in the City's fiscal year 2022 financial statements in conjunction with GASB 87 as discussed in Note 1. The requirements related to PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. These requirements for GASB 99 will be implemented in the City's fiscal year 2023 financial statements and the impact has not yet been determined. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements for GASB 99 will be implemented in the City's fiscal year 2024 financial statements and the impact has not yet been determined.

GASB Statement No. 100*, Accounting Changes and Error Corrections* (GASB 100), enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement 1) defines accounting changes and corrections of errors; 2) prescribes the accounting and financial reporting for each type of accounting change and error corrections; and 3) clarifies required note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2023, with earlier application encouraged. GASB 100 will be implemented in the City's fiscal year 2024 financial statements and the impact has not yet been determined.

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

Note 20. Subsequent Events

Issuance of General Obligation Bonds and Certificates of Obligation

In April 2023, the City expects to issue $19,705,000 of General Obligation Bonds, Series 2023 and $8,245,000 of Combination Tax and Revenue Certificates of Obligation, Series 2023. The purpose of issuing the bonds will be for the construction of drainage projects, public facilities, streets and parks, and to pay the costs of issuance associated with the sale of the bonds. The purpose of issuing the certificates will be for the construction of utility infrastructure and to pay the costs of issuance associated with the sale of the certificates.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Holland & Knight

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Holland & Knight LLP | www.hklaw.com

April 11, 2023

Ladies and Gentlemen:

WE HAVE ACTED as bond counsel for the CITY OF MISSOURI CITY, TEXAS (the "City"), in connection with an issue of bonds described as follows:

> THE CITY OF MISSOURI CITY, TEXAS, GENERAL OBLIGATION BONDS, SERIES 2023 (the "Bonds"), in the aggregate original principal amount of $19,595,000, issuable in fully registered form only, in denominations, dated the date, bearing interest, maturing in the years and amounts, and transferable and exchangeable as set out in the Bonds and in the Ordinance ("Ordinance") adopted by the City Council of City of Missouri City, Texas authorizing their issuance.

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the status of the interest on the Bonds under federal income tax law. In such capacity we have examined relevant provisions of the Constitution and laws of the State of Texas; a transcript of certain certified proceedings pertaining to the issuance of the Bonds; certain certifications and representations concerning the use of proceeds of the Bonds, the use of other funds of the City, and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds, including executed Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data, or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. Capitalized terms used herein, unless otherwise defined, have the meaning set forth in the Ordinance.

BASED ON SUCH EXAMINATION, it is our opinion that:

(1) the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds are valid and legally binding Bonds of the City in accordance with the terms and conditions thereof, except to the extent that the enforcement of the rights and remedies of the owners thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, or moratorium or other similar laws affecting the rights of creditors, or the exercise of judicial discretion in accordance with general principles of equity; the Bonds have been authorized in accordance with law; the Bonds and any additional Bonds hereafter issued on a parity therewith are payable from and are secured solely by a pledge of the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the boundaries of the City.

IT IS FURTHER OUR OPINION that, under existing law:

(i) The interest on the Bonds (which is defined to include any original issue discount properly allocable to the holder thereof) is excludable from gross income for federal income tax purposes. Moreover, such interest will not be treated as an item of tax preference in computing the federal alternative minimum tax imposed on individuals.

The opinions expressed in the preceding paragraph are conditioned upon compliance by the City with its covenants relating to certain arbitrage rebate and other tax requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code (including, without limitation, its covenants not to use any proceeds of the Bonds in a manner that would cause the Bonds to be classified as private activity bonds under Sections 141(a) and 141(d) of the Code and to comply with the requirements contained in Section 148 of the Code), to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes. Failure of the City to comply with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular bondholders. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal income tax consequences that may arise due to ownership of the Bonds. We express no opinion regarding any state tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding any state tax consequences of owning the Bonds.

In providing such opinions, we have relied on representations of the City, the City's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the City, the City's Financial Advisor, and the Underwriter, respectively, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied upon the Report regarding the mathematical accuracy of certain computations. In the event that such representations or the Report are determined to be inaccurate or incomplete or the City fails to comply with the foregoing covenants in the Ordinance, interest on the Bonds could become includable in gross income from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions.

Yours very truly,

Holland & Knight

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April 11, 2023

WE HAVE ACTED as bond counsel for the City of Missouri City, Texas (the “City”), in connection with an issue of certificates (the “Certificates”) described as follows:

> CITY OF MISSOURI CITY, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2023 in the principal amount of $8,250,000.

The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the City authorizing their issuance (the “Ordinance”).

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, under which the City is acting as a home-rule city of the State of Texas, and with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates which contains certified copies of certain proceedings of the City, customary certificates of officers, agents and representatives of the City and other public officials, certain certifications and representations concerning the use and investment of proceeds of the Certificates and other certified showings relating to the authorization and issuance of the Certificates. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), the Treasury Regulations thereunder (the "Regulations"), court decisions and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. Failure of the Certificates and the proceeds thereof to comply with the applicable requirements of the Code and the Regulations that must be satisfied subsequent to the issuance of the Certificates in order that the interest on the Certificates be, and continue to be, excludable from gross income for federal income tax purposes, may cause the inclusion of interest on the Certificates in the gross income of the holders thereof for federal income tax purposes retroactive to the date of issuance of the Certificates. We have also examined executed Certificate No. I-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Certificates constitute valid and legally binding obligations of the City, and that taxable property within the City is subject to the levy of ad valorem taxes, within the limits prescribed by law, to pay the Certificates and the interest thereon.

(2) Ad valorem taxes, within the limit prescribed by law, upon all taxable property within the City, necessary to pay the interest on and principal of the Certificates, have been pledged irrevocably for such purpose, and, solely to permit the sale of the Certificates for cash, $10,000 of the net revenues of the City's waterworks and sanitary sewer system have also been pledged.

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

IT IS OUR FURTHER OPINION that, under existing law:

(3) Interest on the Certificates is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax imposed on individuals; however, for tax years beginning after December 31, 2022, interest on the Certificates is taken into account in computing the federal alternative minimum tax imposed on certain corporations.

(4) The Certificates are not "private activity bonds" within the meaning of the Code, and as such, interest on the Certificates is not subject to the alternative minimum tax.

The opinion set forth immediately above assumes the accuracy of factual representations made by the City and is subject to the compliance by the City with all requirements of the Code and the Regulations that must be satisfied subsequent to the issuance of the Certificates in order that the interest on the Certificates be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Certificates to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Certificates.

In providing such opinions, we have relied on representations of the City, the City's financial advisor and the underwriters of the Certificates, with respect to matters solely within the knowledge of the City, the City's financial advisor and the underwriters of the Certificates, respectively, which we have not independently verified. In addition, we have assumed for purposes of these opinions continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Certificates from gross income for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the City fails to comply with the foregoing provisions of the Ordinance, interest on the Certificates could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of the Certificates.

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

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any action hereafter taken or not taken, any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law or interpretation thereof that may hereafter be enacted, arise or occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Yours very truly,

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company.