

**SUPPLEMENT TO FINAL OFFICIAL STATEMENT DATED MARCH 18, 2025**

**\$5,000,000**  
**CITY OF PRIMERA, TEXAS**  
**(A political subdivision of the State of Texas located in Cameron County)**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF**  
**OBLIGATION, SERIES 2025**

The following table replaces “TABLE 5 – TEN LARGEST TAXPAYERS” on page A-4 of the final Official Statement, dated March 18, 2025, to correct a misspelling of one of the listed taxpayers:

Name of Taxpayer	Nature of Property	2024	% of Total
		Net Assessed Valuation	Net Assessed Valuation
Sunquest Properties LP	Property Management	\$ 3,499,230	1.32%
Texas Valley Properties LTD	Real Estate	2,409,355	0.91%
AEP Texas INC-07C	Utility	1,851,660	0.70%
Cesar Paez Moncayo	Residential	1,296,357	0.49%
Cano Home Builders	Commercial	1,281,864	0.48%
DGOG Harlingen	Commercial	1,101,116	0.41%
Casas Luis E dba Casas	Residential	790,241	0.30%
Charles L. Shofner & Shofner	Residential	787,931	0.30%
Vargas Real Estate Holdings LLC	Property Management	770,831	0.29%
Primera Properties LLC	Real Estate	760,230	0.29%
		<u>\$ 14,548,815</u>	<u>5.47%</u>

The following table replaces “TABLE 8 – GENERAL FUND REVENUES AND EXPENDITURE” on page A-6 of the final Official Statement, dated March 18, 2025, to remove two figures that were inadvertently included in the 2024 column (all other figures and totals in the 2024 column remain unchanged):

Fiscal Years Ended September 30,

	UNAUDITED				
	2024	2023	2022	2021	2020
<b>Revenues</b>					
Property Taxes	\$ 1,102,483	\$ 982,113	\$ 926,587	\$ 889,053	\$ 853,954
Charges for Services	231,482	219,509	163,734	154,389	153,997
Licenses and permits	135,932	115,632	130,814	74,025	94,968
Fines and Forfeitures	26,505	58,076	54,395	65,632	61,970
Franchise Fees	134,688	143,933	142,387	105,107	96,355
Grant Income	-	-	-	-	-
Intergovernmental	345,542	231,501	974,911	284,866	56,606
Sales Tax	211,899	204,023	168,683	135,902	120,959
Trash and brush	490,301	461,707	463,356	405,548	353,086
Other revenues	160,911	72,295	111,434	61,295	56,281
Interest Income	45,737	3,142	3,675	6,811	11,065
<b>Total Revenues</b>	<b>\$ 2,885,480</b>	<b>\$ 2,491,931</b>	<b>\$ 3,139,976</b>	<b>\$ 2,182,628</b>	<b>\$ 1,859,241</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	\$ 654,054	\$ 560,769	\$ 984,119	\$ 870,187	\$ 610,035
Public Safety	671,383	683,712	663,593	570,328	504,062
Public Works	814,092	762,537	221,557	198,286	188,731
Healthcare and welfare	135,431	71,485	163,658	146,276	130,932
Culture and recreation	-	-	-	-	-
Capital Outlay	181,366	312,904	731,917	266,057	146,140
Principal	-	-	-	10,964	10,964
Interest	-	-	-	211	-
<b>Total Expenditures</b>	<b>\$ 2,456,326</b>	<b>\$ 2,391,407</b>	<b>\$ 2,764,844</b>	<b>\$ 2,062,309</b>	<b>\$ 1,590,864</b>
<b>Excess (Deficiency) of</b>					
Revenues Over Expenditures	\$ 429,154	\$ 100,524	\$ 375,132	\$ 120,319	\$ 268,377
<b>Other Financing Sources (Uses)</b>					
Gain from Sale of Assets	\$ -	\$ -	\$ 3,500	\$ -	\$ -
Operating Transfers In	2,425	-	-	-	86,637
Operating Transfers Out	(34,735)	(41,721)	(118,052)	(89,890)	(112,809)
Other Financing Sources	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (32,310)</b>	<b>\$ (41,721)</b>	<b>\$ (114,552)</b>	<b>\$ (89,890)</b>	<b>\$ (26,172)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 396,844</b>	<b>\$ 58,803</b>	<b>\$ 260,580</b>	<b>\$ 30,429</b>	<b>\$ 242,205</b>
<b>Fund Balances at Beginning of Year</b>	<b>\$ 2,569,981</b>	<b>\$ 2,511,178</b>	<b>\$ 2,250,598</b>	<b>\$ 2,220,169</b>	<b>\$ 1,977,964</b>
<b>Fund Balance at End of Year</b>	<b>\$ 2,966,825</b>	<b>\$ 2,569,981</b>	<b>\$ 2,511,178</b>	<b>\$ 2,250,598</b>	<b>\$ 2,220,169</b>

*Dated: March 28, 2025*

OFFICIAL STATEMENT  
Dated March 18, 2025

NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P "AA"/"AA-" (Enhanced/Unenhanced)  
(See "OTHER PERTINENT INFORMATION -  
Municipal Bond Rating," "BOND INSURANCE" and  
"BOND INSURANCE GENERAL RISKS" herein)

*In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the City (defined herein) after the date of initial delivery of the Certificates (defined herein) with certain covenants contained in the Ordinance (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Certificates for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See "TAX MATTERS" herein.*

THE CERTIFICATES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS



**\$5,000,000**  
**CITY OF PRIMERA, TEXAS**  
*(A political subdivision of the State of Texas located in Cameron County)*  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2025**

Dated Date: March 1, 2025

Due: April 15, as shown on page -ii- herein

The City of Primera, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.064, Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") of the City Commission of the City of Primera, Texas (the "City") adopted on March 18, 2025.

The Certificates constitute direct and general obligations of the City payable primarily from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law. (See "AD VALOREM PROPERTY TAXATION".) In addition, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the City's combined waterworks and sewer system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding) such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues which are or may be pledged to the payment of the City's currently outstanding Subordinate Lien Obligations or any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City (as each such term is described and defined in the Ordinance). In the Ordinance, the City has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Certificates will accrue from the Delivery Date as shown below and will be payable on April 15 and October 15 of each year, commencing October 15, 2025, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas as the initial paying agent/registrant (the "Paying Agent/Registrar") to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

The proceeds of the Certificates will be used for the purpose or purposes of: paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, equipping, and improving a new municipal complex that will include administrative offices housing governmental functions of the City, the City's Public Works department, and public safety facilities, including the City's police department, (2) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes, and (4) the payment of professional services relating to the design, construction, project management, and financing of the aforementioned capital improvements. (See "THE CERTIFICATES - Use of Proceeds herein.")

**ASSURED GUARANTY** The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY INC. ("AG"). (See "OTHER PERTINENT INFORMATION - Municipal Bond Rating," "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

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**For Maturity Schedule, Principal Amounts, Interest Rates, Initial Yields, CUSIP Numbers, and Redemption Provisions for the Certificates See Page -ii- Herein.**

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*The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof named below (the "Underwriter") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's legal opinion. Certain legal matters also will be passed upon for the Underwriter by Jackson Walker LLP, Houston, Texas. It is expected that the Certificates will be available for delivery through the services of DTC on or about April 3, 2025 (the "Delivery Date").*

**SAMCO CAPITAL**

**\$5,000,000**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2025**

**CUSIP NO. PREFIX: 741584**

**\$905,000 Serial Certificates**

Maturity (April 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP <sup>(1)</sup> Suffix
2028	\$ 85,000	5.00%	3.12%	FK7
2029	90,000	5.00%	3.18%	FL5
2030	95,000	5.00%	3.28%	FM3
2031	100,000	5.00%	3.33%	FN1
2032	105,000	5.00%	3.38%	FP6
2033	110,000	5.00%	3.46%	FQ4
2034	115,000	5.00%	3.57%	FR2
****	****	****	****	****
2046	205,000	5.00%	4.42% <sup>(2)</sup>	GD2

(Interest to accrue from the Delivery Date)

**\$4,095,000 Term Certificates**

- \$245,000 – 5.00% - Term Certificates Due April 15, 2036 – Priced to Yield 3.70%<sup>(2)</sup> CUSIP No. Suffix FT8<sup>(1)</sup>
- \$275,000 – 5.00% - Term Certificates Due April 15, 2038 – Priced to Yield 3.81%<sup>(2)</sup> CUSIP No. Suffix FV3<sup>(1)</sup>
- \$300,000 – 5.00% - Term Certificates Due April 15, 2040 – Priced to Yield 3.96%<sup>(2)</sup> CUSIP No. Suffix FX9<sup>(1)</sup>
- \$330,000 – 5.00% - Term Certificates Due April 15, 2042 – Priced to Yield 4.13%<sup>(2)</sup> CUSIP No. Suffix FZ4<sup>(1)</sup>
- \$560,000 – 5.00% - Term Certificates Due April 15, 2045 – Priced to Yield 4.32%<sup>(2)</sup> CUSIP No. Suffix GC4<sup>(1)</sup>
- \$440,000 – 5.00% - Term Certificates Due April 15, 2048 – Priced to Yield 4.45%<sup>(2)</sup> CUSIP No. Suffix GF7<sup>(1)</sup>
- \$490,000 – 5.00% - Term Certificates Due April 15, 2050 – Priced to Yield 4.50%<sup>(2)</sup> CUSIP No. Suffix GH3<sup>(1)</sup>
- \$540,000 – 5.00% - Term Certificates Due April 15, 2052 – Priced to Yield 4.58%<sup>(2)</sup> CUSIP No. Suffix GK6<sup>(1)</sup>
- \$915,000 – 5.00% - Term Certificates Due April 15, 2055 – Priced to Yield 4.61%<sup>(2)</sup> CUSIP No. Suffix GN0<sup>(1)</sup>

(Interest to accrue from the Delivery Date)

The City reserves the right to redeem the Certificates maturing on and after April 15, 2036, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof (and, if less than all Certificates within a stated maturity are redeemed, selected by lot by the Paying Agent/Registrar), on April 15, 2035, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. In addition, the Certificates maturing on April 15, 2036, April 15, 2038, April 15, 2040, April 15, 2042, April 15, 2045, April 15, 2048, April 15, 2050, April 15, 2052, and April 15, 2055 are also subject to mandatory sinking fund redemption. ( See “THE CERTIFICATES – Redemption Provisions of the Certificates” herein).

<sup>(1)</sup> CUSIP numbers are included solely for the convenience of owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., on behalf of American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for convenience of the owners of the Certificates. 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 Underwriter, the City or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed April 15, 2035, the first optional call date for the Certificates, at a redemption price of par, plus accrued interest to the redemption date.

**CITY OF PRIMERA, TEXAS  
22893 Stuart Place Road  
Primera, Texas 78552**

**CITY COMMISSION**

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Dave Kusch	Mayor	1 year 6 months	May, 2025	Retired
Hilda Siller	Mayor Pro-Tem	13 years 9 months	May, 2025	Retired
Carlos Navarro	Commissioner, Place 4	1 year 9 months	May, 2025	Self Employed/Small Business Owner
Rudy Garza, Jr.	Commissioner, Place 5	13 years 9 months	May, 2026	Self Employed/Small Business Owner
Melissa Cano	Commissioner, Place 2	9 months	May, 2026	Teacher
Diana Ramirez	Commissioner, Place 3	9 months	May, 2026	Retired

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Years of Service with City</u>
Celina Gonzales	City Manager	5 years 7 months
Vacant	City Secretary	-
Cleo Longoria	Finance Coordinator	1 year 7 months

**CONSULTANTS AND ADVISORS**

Carr, Riggs, & Ingram, LLC  
Harlingen, Texas

Auditors

Norton Rose Fulbright US LLP  
Austin and San Antonio, Texas

Bond Counsel

Estrada Hinojosa  
San Antonio, Texas

Financial Advisor

For Additional Information Contact:

Celina Gonzales, City Manager  
Cleo Longoria, Finance Coordinator  
City of Primera  
22893 Stuart Place Road  
Primera, Texas 78552  
(956) 423-9654  
Fax (956) 423-2166  
Email: [cgonzales@primeratexas.gov](mailto:cgonzales@primeratexas.gov)

Donald J. Gonzales, CPA  
Senior Managing Director  
Estrada Hinojosa  
14414 Blanco Road, Suite 320  
San Antonio, Texas 78216  
(210) 223-4888  
Fax (214) 292-8849  
Email: [don@ehmuni.com](mailto:don@ehmuni.com)

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement, which includes the cover page and appendices thereto, does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

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

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

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

None of the City, the Financial Advisor, or the Underwriter makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM", or the insurer, and its municipal bond insurance policy described herein (or incorporated by reference) under the heading "BOND INSURANCE", as such information has been provided by DTC and the insurer, respectively.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Certificates, is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE CERTIFICATES.

AG makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE" and "Appendix E - Specimen Municipal Bond Insurance Policy".

(The remainder of this page has been left blank intentionally.)

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

**OFFICIAL STATEMENT SUMMARY INFORMATION**

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement:

THE ISSUER .....	The City of Primera, Texas (the "City") is a general law Type A municipality and political subdivision of the State of Texas (the "State"), located in Cameron County, Texas. For more information regarding the City and its economy, see "APPENDIX B – GENERAL INFORMATION REGARDING THE CITY OF PRIMERA AND ITS ECONOMY."
THE CERTIFICATES .....	The Certificates are issued as "City of Primera, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025" (the "Certificates"). The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.064, Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") of the City Commission of the City of Primera, Texas (the "City") adopted on March 18, 2025.
DATED DATE .....	March 1, 2025.
REDEMPTION .....	Certificates stated to mature on and after April 15, 2036 are subject to optional redemption, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if less than all Certificates within a stated maturity are redeemed, selected by lot by the Paying Agent/Registrar) on April 15, 2035 or any date thereafter, at a price of par (100%) plus accrued interest to the date fixed for redemption. In addition, the Certificates maturing on April 15, 2036, April 15, 2038, April 15, 2040, April 15, 2042, April 15, 2045, April 15, 2048, April 15, 2050, April 15, 2052, and April 15, 2055 are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
PAYING AGENT/REGISTRAR .....	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
SECURITY FOR THE CERTIFICATES .....	The Certificates constitute direct and general obligations of the City payable primarily from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein). In addition, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the City's combined waterworks and sewer system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding) such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues which are or may be pledged to the payment of the City's currently outstanding Subordinate Lien Obligations or any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City (as each such term is described and defined in the Ordinance). In the Ordinance, the City has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)



Book-Entry-Only System .....	The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment as to principal and interest of the Certificates and the method of transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
TAX EXEMPTION .....	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax of the owners thereof who are individuals.
USE OF PROCEEDS .....	The proceeds of the Certificates will be used for the purpose or purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, equipping, and improving a new municipal complex that will include administrative offices housing governmental functions of the City, the City's Public Works department, and public safety facilities, including the City's police department, (2) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes, and (4) the payment of professional services relating to the design, construction, project management, and financing of the aforementioned capital improvement. (See "THE CERTIFICATES - Use of Proceeds" herein.)
RATING .....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" (stable outlook) to the Certificates based on the municipal bond insurance policy of AG to be issued simultaneously with the delivery of the Certificates. S&P has assigned an underlying rating of "AA-" (stable outlook) to the Certificates. (See "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein.)
QUALIFIED TAX-EXEMPT OBLIGATIONS .....	The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)
FUTURE BOND ISSUES.....	The City does not anticipate issuing additional general obligation debt in the next twelve months, except for any potential refunding bonds for debt service savings.
PAYMENT RECORD .....	The City has never defaulted on the payment of its general obligation tax debt. The City has, however, had an untimely interest payment on certain of the City's recently issued privately placed debt that occurred on October 18, 2023 which was due to an administrative oversight caused by recent turnover in the City's Finance Department. The City had sufficient funds to make a timely payment on the interest payment date. (See "THE CERTIFICATES – Payment Record" herein.)
DELIVERY DATE.....	When issued, anticipated on or about April 3, 2025.
LEGALITY .....	The Certificates are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, as Bond Counsel. (See "APPENDIX D – FORM OF OPINION OF BOND COUNSEL" herein.)
BOND INSURANCE .....	The scheduled payment of principal and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY INC. ("AG"). (See "OTHER PERTINENT INFORMATION – Municipal Bond Rating", "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

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## OFFICIAL STATEMENT

### RELATED TO

**\$5,000,000**  
**CITY OF PRIMERA, TEXAS**  
*(A political subdivision of the State of Texas located in Cameron County, Texas)*  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2025**

### INTRODUCTION

This Official Statement of the City of Primera, Texas (the "City") is provided to furnish certain information in connection with the sale of the City's \$5,000,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates").

This Official Statement, which includes the cover page and the appendices hereto, provides certain information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the City and, during the offering period, from the City's Financial Advisor, Estrada Hinojosa, 14414 Blanco Road, Suite 320, San Antonio, Texas 78216, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement pertaining to the Certificates will be filed by the Underwriter with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Ordinance (defined below).

### THE CERTIFICATES

#### Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Section 271.041 through Section 271.064, Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Commission of the City on March 18, 2025.

#### General Description

The Certificates are dated March 1, 2025 (the "Dated Date") and will accrue interest from the Delivery Date (hereinafter defined), and such interest shall be payable on April 15 and October 15 in each year, commencing October 15, 2025, until stated maturity or prior redemption. The Certificates will mature on the dates, in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Certificates is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Certificates is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 principal for any one maturity.

Initially the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the owners thereof. Notwithstanding the foregoing, as long as the Certificates are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Certificates 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 Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.

#### Use of Proceeds

The proceeds of the Certificates will be used for the purpose or purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, equipping, and improving a new municipal complex that will include administrative offices housing governmental functions of the City, the City's Public Works department, and public safety facilities, including the City's police department, (2) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system, (3) the purchase of materials, supplies, equipment, land, and rights-of-way for authorized needs and purposes, and (4) the payment of professional services relating to the design, construction, project management, and financing of the aforementioned capital improvements.

## Security for Payment

The Certificates constitute direct and general obligations of the City payable primarily from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law. See "AD VALOREM PROPERTY TAXATION". In addition, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the City's combined waterworks and sewer system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding) such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues which are or may be pledged to the payment of the City's currently outstanding Subordinate Lien Obligations or any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City (as each such term is described and defined in the Ordinance). In the Ordinance, the City has reserved the right to issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. See "AD VALOREM PROPERTY TAXATION" herein.

## Redemption Provisions of the Certificates

**Optional Redemption.** The City reserves the right to redeem the Certificates maturing on and after April 15, 2036, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on April 15, 2035, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. The years of maturity of the Certificates called for redemption shall be selected by the City.

**Mandatory Sinking Fund Redemption.** The Certificates maturing on April 15, 2036, April 15, 2038, April 15, 2040, April 15, 2042, April 15, 2045, April 15, 2048, April 15, 2050, April 15, 2052, and April 15, 2055 are also subject to mandatory sinking fund redemption. The Term Certificates are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

Term Certificates - 5.00% <u>Maturing April 15, 2036</u>		Term Certificates - 5.00% <u>Maturing April 15, 2038</u>		Term Certificates - 5.00% <u>Maturing April 15, 2040</u>	
<u>Redemption Date (4/15)</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date (4/15)</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date (4/15)</u>	<u>Principal Amount (\$)</u>
2035	120,000	2037	135,000	2039	145,000
2036*	125,000	2038*	140,000	2040*	155,000

  

Term Certificates - 5.00% <u>Maturing April 15, 2042</u>		Term Certificates - 5.00% <u>Maturing April 15, 2045</u>		Term Certificates - 5.00% <u>Maturing April 15, 2048</u>	
<u>Redemption Date (4/15)</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date (4/15)</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date (4/15)</u>	<u>Principal Amount (\$)</u>
2041	160,000	2043	180,000	2047	215,000
2042*	170,000	2044	185,000	2048*	225,000
		2045*	195,000		

  

Term Certificates - 5.00% <u>Maturing April 15, 2050</u>		Term Certificates - 5.00% <u>Maturing April 15, 2052</u>		Term Certificates - 5.00% <u>Maturing April 15, 2055</u>	
<u>Redemption Date (4/15)</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date (4/15)</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date (4/15)</u>	<u>Principal Amount (\$)</u>
2049	240,000	2051	265,000	2053	290,000
2050*	250,000	2052*	275,000	2054	305,000
				2055*	320,000

\*Payable at Stated Maturity.

The principal amount of Term Certificates required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least forty-five (45) days prior to a mandatory redemption date (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

## **Selection of Certificates for Redemption**

If less than all of the Certificates are redeemed within a stated maturity at any time, the Certificates to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of \$5,000 within any stated maturity.

## **Notice of Redemption**

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books relating to the Certificates kept by the Paying Agent/Registrar (the "Security Register") at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE CERTIFICATEHOLDERS FAILED TO RECEIVE SUCH NOTICE.

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Certificate is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Ordinance, such Certificate (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Certificate (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Certificate shall not be deemed to be Outstanding.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will mail any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates held by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

## **Legality**

The Certificates are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the Certificates. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

## **Delivery**

When issued; anticipated on or about April 3, 2025 (the "Delivery Date").

## **Payment Record**

The City has never defaulted with respect to the payment of the principal and interest requirements on any of its bonded indebtedness.

The City privately placed its "City of Primera, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2023A" (the "2023A Certificates") with the Texas Water Development Board on June 14, 2023. The initial interest payment date on the 2023A Certificates was due on October 16, 2023 (the first business day after the October 15, 2023 Interest Payment Date, as defined in the ordinance). Due to an administrative oversight caused by recent turnover in the Finance Department, the City made this interest payment on October 18, 2023. The City had sufficient funds on hand to make the interest payment on a timely basis. The inadvertent payment delay bore no relation to the City's financial condition, and owners of the 2023A Certificates received payment. The City has instituted procedures to ensure that principal and interest payments are paid on their respective principal and interest payment dates going forward.

## **Future Bond Issues**

The City does not anticipate issuing additional general obligation debt in the next twelve months, except for any potential refunding bonds for debt service savings.

## **Defeasance**

Any Certificate will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Ordinance when payment of the principal of and interest on such Certificate to its stated maturity or redemption date will have been made or will have been provided by depositing with the Paying Agent/Registrar, or an authorized escrow agent, (1) cash in an amount sufficient to make such payment, (2) Government Obligations (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Obligations. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's financial advisor, the Paying Agent/Registrar, or such other qualified institution as specified in the Ordinance.

The Ordinance provides that "Government Obligations" means (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 of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm less than "AAA" or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. The City has additionally reserved the right in the Ordinance, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations originally deposited, to reinvest the uninvested money for such deposit for such defeasance, and to withdraw for the benefit of the City money in excess of the amount required for the defeasance. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid for purposes of applying any debt limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

## **Amendments**

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of all of the registered owners of the Certificates then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of, or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, the redemption price therefor, or in any other way modify the terms of payment of the principal of, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the percentage of the aggregate principal amount of Certificates required to be held for consent to any amendment, addition, or waiver.

## Defaults and Remedies

If the City defaults in the payment of principal or interest, or redemption price, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Texas cities are generally immune from suits for money damages for breach of contracts under the doctrine of sovereign immunity. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general 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 bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER, AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. If the Certificates are not held in the Book-Entry-Only System, interest on the Certificates will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE - Record Date" herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner, and principal of the Certificates will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar.

### **Successor Paying Agent/Registrar**

The City covenants that until the Certificates are paid it will at all times maintain and provide a Paying Agent/Registrar. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City will promptly cause a notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

### **Record Date**

The record date ("Record Date") for determining the person entitled to the payment of interest on a Certificate is the last business day of the month next preceding each interest payment date.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment is the next succeeding day which is not such a day and payment on such date will have the same force and effect as if made on the original date payment was due.

### **Special Record Date for Interest Payment**

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Certificate appearing on the 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.

### **Registration, Transferability and Exchange**

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Certificates and thereafter the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer 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 Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Certificate or Certificates surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein.

### **Limitation on Transferability of Certificates Called for Redemption**

Neither the City nor the Paying Agent/Registrar are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Certificates and ending



at the close of business on the day of such mailing, or (2) to transfer or exchange any Certificates so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

### **Replacement Certificates**

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate of like kind and in the same amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen, or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to establish to the City and the Paying Agent/Registrar that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with Certificate or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Certificates, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Certificates. The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

### **Assured Guaranty Inc.**

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.*

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG ("AGM"), merged with and into AG, with AG as the surviving company (such transaction, the "Merger"). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

### *Current Financial Strength Ratings*

On October 18, 2024, KBRA announced it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG's financial strength rating of "AA" (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

#### *Capitalization of AG*

At December 31, 2024:

- The policyholders' surplus of AG was approximately \$3,524 million.
- The contingency reserve of AG was approximately \$1,392 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,424 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the Securities and Exchange Commission (the "SEC") on February 28, 2025 that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AG makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE".

### **BOND INSURANCE GENERAL RISKS**

The City has obtained a commitment from the Insurer to provide the Policy relating to the Certificates. The following are risk factors relating to the bond insurance.

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES – Default and Remedies" herein). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under

the Policy, the Certificates are payable primarily from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law, and are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the System not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding) (see "THE CERTIFICATES – Security for Payment"). In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the long-term rating on the Certificates will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Certificates, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates. (See the disclosure described in "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein).

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer; the remedies available may be limited by applicable bankruptcy law. None of the City, the Underwriter, or the Financial Advisor has made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal of and interest on the Certificates and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein.

Moody's Investors Services, Inc., S&P Global Ratings ("S&P"), and Fitch Ratings, Inc. (collectively the "Rating Agencies") have, since 2008, downgraded, and/or placed on negative credit watch, the claims-paying ability and financial strength of all providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of municipal bond insurers. Thus, when making an investment decision, potential investors should carefully consider the ability of any such municipal bond insurer to pay principal and interest on the Certificates and the claims-paying ability of any such municipal bond insurer, particularly over the life of the investment.

#### **BOOK-ENTRY-ONLY SYSTEM**

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

The City and Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or the redemption price or redemption notices or other notices with respect to the Certificates, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or any redemption or other notice with respect to the Certificates, 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 United States 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 Certificates. The Certificates 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 Certificates, each in the aggregate principal amount 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 corporations that

clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission (the "SEC"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered as provided in the Ordinance. (See "THE REGISTRATION, TRANSFER AND EXCHANGE" above.)

The information in this section concerning DTC and DTC's Book-Entry System has been obtained from sources that the City believes to be reliable, but none of the City, the Underwriter, or the Financial Advisor takes responsibility for the accuracy thereof.

## Use of Certain Terms in Other Sections of This Official Statement

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

## 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 certificates will be issued to the respective holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

## SOURCES AND USES OF FUNDS

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

<u>Sources</u>	
Par Amount of the Certificates	\$ 5,000,000.00
Premium on the Certificates	290,577.05
Total Sources	<u>\$ 5,290,577.05</u>
 <u>Uses</u>	
Deposit to Construction Fund	\$ 5,000,000.00
Deposit to Interest & Sinking Fund	50,000.00
Underwriter Discount	46,571.93
Costs of Issuance (includes Bond Insurance Premium)	194,005.12
Total Uses	<u>\$ 5,290,577.05</u>

## FINANCIAL POLICIES

### Basis of Accounting

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Those revenues considered susceptible-to-accrual are property taxes, hotel occupancy taxes, special assessments, interest income, and charges for services. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. The City's internal service fund accounts for major medical activities. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level in the Statement of Net Position. The net activity of these services is offset against the appropriate functional activity in the Statement of Activities. This complies with the City's policy of eliminating internal activity from the government-wide statements. Interfund services provided and used are not eliminated in the process of consolidation.

The City's fiduciary funds are presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (e.g., other governments or private parties) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City's fiduciary funds are used to account for court cash bonds held for others, and for certain funds collected and passed through to other governments.

The City reports the following major governmental funds:

## **General Fund**

This fund is the general operating fund of the City. It is used to account for all financial resources of the general government except, for those required to be accounted for in another fund.

## **Debt Service Fund**

This fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The City reports the following major enterprise funds:

## **Water and Sewer Fund**

This fund is used to account for the provision of water and sewer services to the residents in the City. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges to utility customers and rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

## **Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

## **Budgetary Procedures**

State laws and the City Charter require the preparation and filing of a balanced annual operating budget. Departments are required to submit requests to the Finance Department by the last week of May for the development of the annual operating budget. Under the direction of the City Manager, the Director of Finance uses these requests to develop a proposed balanced operating budget for presentation to the City Commission by the beginning of August. Following a month of budget discussions and deliberations with the City Commission, a public hearing is scheduled for the first week of September and adoption of the budget ordinance and supporting fee schedules occur no later than September 30th. The operating budget is prepared by fund, department, function, and organizational unit or project levels.

Budgetary management is delegated to department heads that may approve transfers of appropriations within their department. Budgetary control is performed by both department heads and the Finance Department. Transfer of appropriations between funds and departments requires City Commission approval.

During the months of August and September, a project team comprised of the Finance Department, Engineering Department and applicable department heads initiate a review of previously appropriated capital projects and construction in progress.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report. Budget-to-actual reports are prepared on a monthly and unaudited basis by the Finance Department and provided to City Commission and management for review and use in monitoring revenues and expenditures.

## **INVESTMENT POLICIES**

The City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City Commission of the City. Both State law and the City's investment policies are subject to change.

## **Legal Investments**

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; (15) aggregate repurchase agreement transactions entered into by an investing entity in

conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (16) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

### Investment Policies

Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments 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." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

### Current Investments

As of September 30, 2024, the City's investable funds were invested as follows:

Description	% of Total	Market Value
<b>Primary government</b>		
Cash	21.70%	\$ 4,033,375
Cash - restricted	75.40%	14,016,203
Investments		
Certificates of deposit	2.91%	\$ 540,484
Total	100%	\$ 18,590,062

Source: The City of Primera, Texas Unaudited Financial Statement.

### AD VALOREM PROPERTY TAXATION

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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.*

*The 89th Texas legislative session commenced on January 14, 2025 and will continue through June 2, 2025. During this time, the Texas Legislature could potentially enact laws that materially affect the City and its finances. The City can make no prediction as to the outcome of the legislative session but intends to monitor applicable legislation related thereto.*

### Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising

property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Cameron Appraisal District (the "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 ad valorem property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies" herein.)

### **State Mandated Homestead Exemptions**

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

### **Local Option Homestead Exemptions**

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the 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 also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentation 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.

## **Temporary Exemption for Qualified Property Damaged by a Disaster**

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes, located in an area declared by the Governor (hereinafter defined) to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

## **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.

## **Chapter 380 Agreements**

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

## **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.

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 was set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION - 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. The City does not allow split payments or discounts.

### **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.

### **Public Hearing and Maintenance and Operations Tax Rate Limitations**

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

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

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

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"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).

"preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the 2020 foregone revenue amount, 2021 foregone revenue amount, and 2022 foregone revenue amount divided by the current total value.

"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 Commission 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 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 City has approved a one-fourth percent (1/4%) sales and use tax for property tax reduction. See "APPENDIX A – MUNICIPAL SALES TAX HISTORY."

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

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 (a Type A municipality with a population greater than 5,000), 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.

## **TAX MATTERS**

### **Tax Exemption**

The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel, to the effect that interest on the Certificates for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears as APPENDIX D hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

### **Tax Changes**

Existing law may change to reduce or eliminate the benefit to Registered Owners of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### **Ancillary Tax Consequences**

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

## **Tax Accounting Treatment of Discount Certificates**

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Certificates"). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and with respect to the state and local tax consequences of owning Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

## **Tax Accounting Treatment of Premium Certificates**

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the "Premium Certificates"). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Certificates. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

## **Qualified Tax-Exempt Obligations**

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The City has designated the Certificates as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreements for the benefit of the holders and Beneficial Owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB through EMMA is available free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

### Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file in its public records each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the City includes all quantitative financial information and operating data of the general type included in this Official Statement. The information is of the type included in APPENDIX A, exclusive of the tables reflecting "Estimated Overlapping Tax Debt" and in APPENDIX C.

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

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

### Notice of Certain Events

The City will file with the MSRB notice of any of the following events with respect to the Certificates in a timely manner (and not more than 10 business days after 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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, 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 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 Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement (though the City has applied for a municipal bond insurance policy), or liquidity enhancement. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the MSRB.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34- 83885 dated August 20, 2018.

## **Availability of Information from MSRB**

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

## **Limitations and Amendments**

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

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Beneficial Owners of the Certificates. The City may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

## **Compliance with Prior Undertakings**

Except as hereafter described, the City has during the past five years complied in all material respects with continuing disclosure agreements made by it in accordance with the Rule.

Beginning with the fiscal year ended 2015, the City filed unaudited financial statements with a notice of failure to timely file, but failed to produce financial tables and has not submitted audited financial statements. For the fiscal year ended 2016, unaudited financial statements were filed timely and audited financial statements were filed on March 30, 2018; however, financial tables were not filed. For fiscal years 2017 through 2019, neither financial statements nor financial tables were filed. In 2020, the City changed its Financial Advisory relationship and contracted with its Financial Advisor to begin preparing and submitting its continuing disclosure report in accordance with the Rule. The City filed a material event notice, dated March 31, 2021, disclosing these occurrences and filed with the MSRB concurrently with the notice the audited financial statements for fiscal years 2015 and 2017 through 2019 and financial tables presenting information for fiscal years 2015 through 2019.

## **LEGAL MATTERS**

The City will furnish the Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the City 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 based upon examination of such transcript of proceedings, the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas ("Bond Counsel"), to the effect that the Certificates are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor and Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. A form of Bond Counsel's opinion appears in APPENDIX D attached hereto. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in their capacity as Bond Counsel, such firm has reviewed the information under the captions "THE CERTIFICATES (except under the subcaptions "Use of Proceeds," "Delivery," "Payment Record," "Future Bond Issues," and "Defaults and Remedies" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except matters discussed under the subcaption "Compliance with Prior Undertakings" as to which no opinion is expressed)," "LEGAL MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER PERTINENT INFORMATION - Registration and Qualification of Certificates for Sale," in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and the legal issues addressed therein and,

with respect to the Certificates, such information conforms to the Ordinance. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. Certain matters will be passed on for the Underwriter by its counsel, Jackson Walker LLP, Houston, Texas. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on definitive bonds in the event of discontinuance of the Book-Entry-Only System.

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

## **LITIGATION**

In the opinion of certain officials of the City, the City is not a party to any litigation or other proceedings pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal which, if decided adversely to the City, would have a material adverse effect on the financial statements of the City.

At the time of initial delivery of the Certificates, the City will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

## **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

## **OTHER PERTINENT INFORMATION**

### **Authenticity of Financial Data and Other Information**

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

### **Registration and Qualification of Certificates for Sale**

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

It is the obligation of the Underwriter to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.



## **Municipal Bond Rating**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" (stable outlook) to the Certificates based on the municipal bond insurance policy of AG to be issued simultaneously with the delivery of the Certificates. S&P has assigned an underlying rating of "AA-" (stable outlook) to the Certificates.

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

## **Financial Advisor**

Estrada Hinojosa (the "Financial Advisor") is employed as the Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City. Estrada Hinojosa, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Certificates.

## **Underwriting**

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at the price equal to the initial offering prices to the public, as shown on the inside cover hereof, less an underwriter's discount of \$46,571.93, and no accrued interest. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Certificates, if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

SAMCO Capital Markets Inc., an Underwriter of the Certificates, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

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

The Underwriter is SAMCO Capital Markets, Inc., San Antonio, Texas, 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**

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

It is important to note that the City's actual results could differ materially from those 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 would prove to be accurate.

## **Information from External Sources**

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein

are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

**Authorization of the Official Statement**

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

This Official Statement has been approved by the City Commission of the City for distribution in accordance with provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c-12, as amended.

The Ordinance approved the form and content of this Official Statement and any addenda, supplement, or amendment thereto and approved its further use in the reoffering of the Certificates by the Underwriter.

CITY OF PRIMERA, TEXAS

/s/ \_\_\_\_\_ Dave Kusch  
Mayor

ATTEST:

/s/ \_\_\_\_\_ Celina Gonzales  
City Manager

**APPENDIX A**  
**SELECTED FINANCIAL INFORMATION**  
**OF THE CITY OF PRIMERA, TEXAS**

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**TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT**

2024 Market Valuation Established by Cameron County Appraisal District		\$ 384,446,634
Less Exemptions/Reductions at 100% Market Value:		
Productivity Loss	\$ 12,092,505	
Homestead Cap	61,464,635	
CB Cap	23,305,931	
Disabled Persons	130,000	
Disabled Veterans Exemptions	11,468,952	
Exempt Property	3,798,230	
Homestead Exemption	4,676,790	
Special Exemption	3,000	
Over 65	<u>1,538,687</u>	
Less: Total Exemptions/Reductions at 100% Market Value		<u>\$ 118,478,730</u>
2024 Net Taxable Assessed Valuation		<u><u>\$ 265,967,904</u></u>
Debt Payable from Ad Valorem Taxes as of September 30, 2024 <sup>(1)</sup>		
Limited Tax Refunding Bonds, Series 2014	\$ 1,345,000	
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Taxable Series 2021	149,000	
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2023A	5,895,000	
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2023B	80,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024	7,735,000	
The Certificates	<u>5,000,000</u>	
Total Tax Debt		\$ 20,204,000
Less: Self-Supported Debt <sup>(1)</sup>		
Limited Tax Refunding Bonds, Series 2014	\$ -	
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Taxable Series 2021	149,000	
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2023A	5,895,000	
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2023B	80,000	
The Certificates (approximately 43%, percentage may vary from year to year)	<u>2,150,000</u>	
Less: Total Self-Supported Debt		\$ 8,274,000
Net Tax Debt		<u><u>\$ 11,930,000</u></u>
General Obligation Interest and Sinking Fund as of September 30, 2024 <sup>(2)</sup>		\$ 105,550
Ratio of Tax Debt to 2024 Taxable Assessed Valuation		7.60%

2025 Estimated Population	5,780
Per Capita Taxable Assessed Valuation	\$ 46,015
Per Capita Tax Debt Payable from Ad Valorem Taxes	\$ 3,496
Per Capita Net Tax Debt Payable from Ad Valorem Taxes	\$ 2,064

Source: The Municipal Advisory Council of Texas, the City of Primera, Texas and the Cameron County Appraisal District.

<sup>(1)</sup> Includes the Certificates. May vary from year to year.

<sup>(2)</sup> The City of Primera, Texas Unaudited Financial Statements.

**TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value For Fiscal Year Ended September 30,					
	2025		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 306,369,330	79.69%	\$ 264,836,359	85.59%	\$ 174,334,490	82.75%
Real, Residential, Multi-Family	3,731,622	0.97%	3,785,023	1.22%	3,791,433	1.80%
Real, Vacant Lots/Tracts	15,472,485	4.02%	8,334,170	2.69%	7,239,289	3.44%
Real, Acreage (Land Only)	12,288,052	3.20%	4,633,613	1.50%	3,648,166	1.73%
Real, Farm and Ranch Improvements	18,800,040	4.89%	9,850,426	3.18%	7,528,363	3.57%
Real, Commercial	10,095,332	2.63%	6,136,544	1.98%	2,929,523	1.39%
Real, Industrial	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	3,050,910	0.79%	2,871,790	0.93%	2,607,650	1.24%
Tangible Personal, Commercial	3,853,639	1.00%	2,564,252	0.83%	2,166,596	1.03%
Tangible Personal, Industrial	-	0.00%	-	0.00%	-	0.00%
Tangible Personal, Mobile Homes	3,160,261	0.82%	3,227,765	1.04%	3,245,401	1.54%
Residential Inventory	-	0.00%	-	0.00%	89,029	0.04%
Special Inventory	13,383	0.00%	2,817	0.00%	2,867	0.00%
Income Producing Tangible Property	10,396	0.00%	-	0.00%	-	0.00%
Exempt Property	7,601,184	1.98%	3,196,151	1.03%	3,094,835	1.47%
Total Appraised Value Before Exemptions	\$ 384,446,634	100.00%	\$ 309,438,910	100.00%	\$ 210,677,642	100.00%
Less: Total Exemptions/Reductions	118,478,730		73,111,261		31,228,840	
Net Taxable Assessed Valuation	\$ 265,967,904		\$ 236,327,649		\$ 179,448,802	

Category	Taxable Appraised Value For Fiscal Year Ended September 30,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 159,115,888	81.96%	\$ 130,081,600	79.46%
Real, Residential, Multi-Family	3,454,724	1.78%	8,601,208	5.25%
Real, Vacant Lots/Tracts	5,754,374	2.96%	5,385,324	3.29%
Real, Acreage (Land Only)	4,377,154	2.25%	4,548,830	2.78%
Real, Farm and Ranch Improvements	7,719,994	3.98%	2,273,618	1.39%
Real, Commercial	3,127,716	1.61%	3,156,005	1.93%
Real, Industrial	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	2,434,360	1.25%	2,139,400	1.31%
Tangible Personal, Commercial	1,788,332	0.92%	1,585,564	0.97%
Tangible Personal, Industrial	-	0.00%	-	0.00%
Tangible Personal, Mobile Homes	3,258,292	1.68%	3,254,537	1.99%
Residential Inventory	109,554	0.06%	-	0.00%
Special Inventory	8,808	0.00%	9,316	0.01%
Income Producing Tangible Property	-	0.00%	-	0.00%
Exempt Property	2,988,827	1.54%	2,681,598	1.64%
Total Appraised Value Before Exemptions	\$ 194,138,023	100.00%	\$ 163,717,000	100.00%
Less: Total Exemptions/Reductions	30,480,216		17,440,700	
Net Taxable Assessed Valuation	\$ 163,657,807		\$ 146,276,300	

Source: The Texas Comptroller of Public Accounts, Property Tax Division, Cameron County Appraisal District, and the City of Primera, Texas. Values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 – VALUATION AND AD VALOREM TAX DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Net Taxable Assessed Valuation <sup>(2)</sup>	Net Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year <sup>(3)</sup>	Ratio of Tax Debt to Net Taxable Assessed Valuation	Tax Debt Per Capita
2016	4,701	100,550,661	21,389	2,275,000	2.26%	484
2017	4,767	106,600,187	22,362	2,185,000	2.05%	458
2018	4,843	112,755,962	23,282	2,085,000	1.85%	431
2019	4,950	122,152,957	24,677	1,985,000	1.63%	401
2020	5,130	130,932,053	25,523	1,875,000	1.43%	365
2021	5,257	146,276,300	27,825	1,963,000	1.34%	373
2022	5,292	163,657,807	30,926	1,813,000	1.11%	343
2023	5,449 <sup>(5)</sup>	179,448,802	32,932	7,656,000	4.27%	1,405
2024	5,612 <sup>(5)</sup>	236,327,649	42,111	15,391,000	6.51%	2,743
2025	5,780 <sup>(5)</sup>	265,967,904	46,012	20,204,000 <sup>(4)</sup>	7.60%	3,495

Source: <sup>(1)</sup> The Municipal Advisory Council of Texas, July 1, 2022 U.S. Census Estimate, and the City of Primera.

<sup>(2)</sup> The Cameron County Appraisal District; subject to change during the ensuing year.

<sup>(3)</sup> Includes the Self-Supporting Debt Service.

<sup>(4)</sup> Includes the Certificates.

<sup>(5)</sup> The City of Primera estimates a 3% increase in population beginning with Fiscal Year Ended 2023.

**TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 30-Sep	Tax Rate	Distribution		Tax Levy	% Current Collections*	% Total Collections*
		General Fund	Interest and Sinking Fund			
2016	0.69277	0.55161	0.14116	661,757	95.00%	95.00%
2017	0.69002	0.55781	0.13221	698,784	95.00%	95.00%
2018	0.69000	0.55125	0.13875	762,456	97.50%	98.00%
2019	0.75000	0.62277	0.12723	897,824	97.50%	98.00%
2020	0.75000	0.63892	0.11108	962,351	97.50%	98.00%
2021	0.75000	0.60987	0.14013	1,075,131	97.50%	98.00%
2022	0.68500	0.56180	0.12320	1,098,635	97.50%	98.00%
2023	0.66000	0.53603	0.12397	1,184,362	97.50%	98.00%
2024	0.55259	0.46570	0.08689	1,305,923	97.50%	98.00%
2025	0.60000	0.43717	0.16283	1,595,807 <sup>(1)</sup>	In Process of Collection	

Source: The City of Primera, Texas.

<sup>(1)</sup> Levy calculated using net taxable assessed valuation from Table 2 at 100% collections rate.

\* Estimated.

**TABLE 5 – TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2024	% of Total
		Net Assessed Valuation	Net Assessed Valuation
Sunquest Properties LP	Property Management	\$ 3,499,230	1.32%
Texas Valley Properties LTD	Real Estate	2,409,355	0.91%
AEP Texas INC-07C	Utility	1,851,660	0.70%
Cesar Paez Moncayo	Residential	1,296,357	0.49%
Cano Home Builders	Commercial	1,281,864	0.48%
DGOG Harlingen	Commercial	1,101,116	0.41%
Casas Luis E dba Casas	Residential	790,241	0.30%
Charles L. Shofner & Shofner	Residential	787,931	0.30%
Vargas Real Estate Holdings LLC	Property Management	770,831	0.29%
Primera Properties LLC	Real Estate	760,230	0.29%
		<u>\$ 14,548,815</u>	<u>5.47%</u>

Source: The Municipal Advisory Council of Texas and the Cameron County Appraisal District.

**TABLE 6 – ESTIMATED OVERLAPPING TAX 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 Tax Debt was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas, and other sources. 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 Tax Debt since the date of the report, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated overlapping Tax Debt.

Taxing Jurisdiction	Tax Year 2024	Tax Year 2024	Tax	Estimated	City's	Authorized
	Taxable Assessed Valuation	Tax Rate	Debt as of 12/31/2024			
City of Primera	\$ 265,967,904	\$ 0.6000	\$ 20,204,000 <sup>(1)</sup>	100.00%	\$ 20,204,000	\$ -
Cameron County	32,174,603,409	0.4269	229,410,000 <sup>(2)</sup>	0.75%	1,720,575	-
Cameron Drainage District #5	3,181,376,552	0.1328	540,000 <sup>(2)</sup>	8.14%	43,956	-
Harlingen CISD	5,211,688,134	0.9182	78,655,000 <sup>(2)</sup>	3.90%	3,067,545	-
Total Direct and Overlapping Tax Debt					\$ 25,036,076	
Ratio of Direct Overlapping Tax Debt to Taxable Assessed Valuation					9.41%	
Per Capita Overlapping Debt					\$ 4,331	

Source: The Municipal Advisory Council of Texas.

<sup>(1)</sup> Includes the Certificates and Self-Supporting Debt.

<sup>(2)</sup> Gross Debt as of 12/31/24 per the Municipal Advisory Council of Texas.



**TABLE 7 – AD VALOREM TAX DEBT SERVICE REQUIREMENTS**

FYE 9/30	Outstanding Tax Debt Service			The Certificates			Total Tax Debt Service	Less: Self-Supporting Debt Service <sup>(1)</sup>	Net Tax-Supported Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2025	\$ 237,000	\$ 523,368	\$ 760,368	\$ -	\$ -	\$ -	\$ 760,368	\$ 348,946	\$ 411,422	
2026	301,000	518,818	819,818	-	258,333	258,333	1,078,151	615,485	462,667	
2027	436,000	508,563	944,563	-	250,000	250,000	1,194,563	661,813	532,750	
2028	491,000	493,523	984,523	85,000	250,000	335,000	1,319,523	715,123	604,400	
2029	571,000	476,636	1,047,636	90,000	245,750	335,750	1,383,386	733,598	649,788	10.94%
2030	606,000	456,577	1,062,577	95,000	241,250	336,250	1,398,827	751,714	647,113	
2031	652,000	435,550	1,087,550	100,000	236,500	336,500	1,424,050	770,475	653,575	
2032	445,000	413,036	858,036	105,000	231,500	336,500	1,194,536	459,461	735,075	
2033	525,000	397,762	922,762	110,000	226,250	336,250	1,259,012	526,575	732,438	
2034	545,000	380,914	925,914	115,000	220,750	335,750	1,261,664	527,502	734,163	27.27%
2035	565,000	362,845	927,845	120,000	215,000	335,000	1,262,845	527,845	735,000	
2036	580,000	343,458	923,458	125,000	209,000	334,000	1,257,458	527,508	729,950	
2037	600,000	326,040	926,040	135,000	202,750	337,750	1,263,790	528,778	735,013	
2038	615,000	307,532	922,532	140,000	196,000	336,000	1,258,532	527,082	731,450	
2039	640,000	285,012	925,012	145,000	189,000	334,000	1,259,012	524,912	734,100	45.41%
2040	665,000	261,237	926,237	155,000	181,750	336,750	1,262,987	529,625	733,363	
2041	685,000	236,307	921,307	160,000	174,000	334,000	1,255,307	521,457	733,850	
2042	710,000	210,140	920,140	170,000	166,000	336,000	1,256,140	525,190	730,950	
2043	735,000	182,861	917,861	180,000	157,500	337,500	1,255,361	523,336	732,025	
2044	765,000	158,485	923,485	185,000	148,500	333,500	1,256,985	523,760	733,225	67.23%
2045	785,000	132,901	917,901	195,000	139,250	334,250	1,252,151	520,914	731,238	
2046	815,000	106,526	921,526	205,000	129,500	334,500	1,256,026	522,651	733,375	
2047	840,000	78,998	918,998	215,000	119,250	334,250	1,253,248	523,810	729,438	
2048	870,000	50,581	920,581	225,000	108,500	333,500	1,254,081	524,456	729,625	
2049	525,000	21,000	546,000	240,000	97,250	337,250	883,250	151,763	731,488	91.56%
2050	-	-	-	250,000	85,250	335,250	335,250	150,863	184,388	
2051	-	-	-	265,000	72,750	337,750	337,750	151,988	185,763	
2052	-	-	-	275,000	59,500	334,500	334,500	150,525	183,975	
2053	-	-	-	290,000	45,750	335,750	335,750	151,088	184,663	
2054	-	-	-	305,000	31,250	336,250	336,250	151,313	184,938	
2055	-	-	-	320,000	16,000	336,000	336,000	151,200	184,800	100.00%
	<u>\$ 15,204,000</u>	<u>\$ 7,668,667</u>	<u>\$ 22,872,667</u>	<u>\$ 5,000,000</u>	<u>\$ 4,904,083</u>	<u>\$ 9,904,083</u>	<u>\$ 32,776,750</u>	<u>\$ 14,520,749</u>	<u>\$ 18,256,001</u>	

Source: The Municipal Advisory Council of Texas and the City of Primera.

(1) Assumes the Certificates will be approximately 43% Self-Supporting. Self-Supporting debt service is subject to change annually.

(2) Includes estimated cash contributions that City projects it will contribute annually of approximately \$75,000 from the Utility Fund cash balance and \$250,000 from the General Fund cash balance. Subject to change annually.

**TABLE 8 –GENERAL FUND REVENUES AND EXPENDITURE**

	Fiscal Years Ended September 30,				
	UNAUDITED				
	2024	2023	2022	2021	2020
Revenues					
Property Taxes	\$ 1,102,483	\$ 982,113	\$ 926,587	\$ 889,053	\$ 853,954
Charges for Services	231,482	219,509	163,734	154,389	153,997
Licenses and permits	135,932	115,632	130,814	74,025	94,968
Fines and Forfeitures	26,505	58,076	54,395	65,632	61,970
Franchise Fees	134,688	143,933	142,387	105,107	96,355
Grant Income	-	-	-	-	-
Intergovernmental	345,542	231,501	974,911	284,866	56,606
Sales Tax	211,899	204,023	168,683	135,902	120,959
Trash and brush	490,301	461,707	463,356	405,548	353,086
Other revenues	160,911	72,295	111,434	61,295	56,281
Interest Income	45,737	3,142	3,675	6,811	11,065
Total Revenues	<u>\$ 2,885,480</u>	<u>\$ 2,491,931</u>	<u>\$ 3,139,976</u>	<u>\$ 2,182,628</u>	<u>\$ 1,859,241</u>
Expenditures					
Current:					
General Government	\$ 654,054	\$ 560,769	\$ 984,119	\$ 870,187	\$ 610,035
Public Safety	671,383	683,712	663,593	570,328	504,062
Public Works	814,092	762,537	221,557	198,286	188,731
Healthcare and welfare	135,431	71,485	163,658	146,276	130,932
Culture and recreation	-	-	-	-	-
Capital Outlay	181,366	312,904	731,917	266,057	146,140
Principal	-	-	-	10,964	10,964
Interest	-	-	-	211	-
Total Expenditures	<u>\$ 2,456,326</u>	<u>\$ 2,391,407</u>	<u>\$ 2,764,844</u>	<u>\$ 2,062,309</u>	<u>\$ 1,590,864</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 429,154	\$ 100,524	\$ 375,132	\$ 120,319	\$ 268,377
Other Financing Sources (Uses)					
Gain from Sale of Assets	\$ -	\$ -	\$ 3,500	\$ -	\$ -
Operating Transfers In	2,425	-	-	-	86,637
Operating Transfers Out	(34,735)	(41,721)	(118,052)	(89,890)	(112,809)
Other Financing Sources	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ (32,310)</u>	<u>\$ (41,721)</u>	<u>\$ (114,552)</u>	<u>\$ (89,890)</u>	<u>\$ (26,172)</u>
Net Change in Fund Balance	\$ 396,844	\$ 58,803	\$ 260,580	\$ 30,429	\$ 242,205
Fund Balances at Beginning of Year	<u>\$ 2,569,981</u>	<u>\$ 2,511,178</u>	<u>\$ 2,250,598</u>	<u>\$ 2,220,169</u>	<u>\$ 1,977,964</u>
Fund Balance at End of Year	<u><u>\$ 2,966,825</u></u>	<u><u>\$ 2,569,981</u></u>	<u><u>\$ 2,511,178</u></u>	<u><u>\$ 2,250,598</u></u>	<u><u>\$ 2,220,169</u></u>

Source: The City of Primera, Texas Audited Financial Statements.

**TABLE 9 – WATER AND SEWER FUND**

	Fiscal Years Ended September 30,				
	UNAUDITED				
	2024	2023	2022	2021	2020
<b>Operating Revenues</b>					
Water Use Charges <sup>(1)</sup>	\$ 940,601	\$ 837,758	\$ 719,421	\$ 714,019	\$ 624,357
Sewer Use Charges <sup>(1)</sup>	788,181	667,976	549,846	521,476	463,881
Meter and Tap Fees, Late Charges	41,989	37,024	27,703	-	32,886
Renter Deposits	-	4,050	-	-	250
Other Revenues	-	-	-	6,346	-
<b>Total Revenues</b>	<b>\$ 1,770,771</b>	<b>\$ 1,546,808</b>	<b>\$ 1,296,970</b>	<b>\$ 1,241,841</b>	<b>\$ 1,121,374</b>
<b>Operating Expenditures</b>					
Contractual Services	\$ 390,949	\$ 419,017	\$ 454,866	\$ 341,918	\$ 414,154
Office Expenses	32,837	23,387	34,525	31,674	29,796
Supplies	47,288	42,868	26,641	18,452	34,396
Equipment Rental	15,328	16,913	8,353	53,638	34,549
Travel	62	172	838	-	-
Utilities and Telephone	10,714	10,588	13,605	13,944	15,705
Gas and Parts Expense	10,359	7,225	17,244	15,736	16,896
Salary - Water	225,797	184,641	150,471	129,011	113,111
Salary - Sewer	225,794	184,637	150,294	129,071	131,246
Insurance	66,423	71,238	66,372	60,582	53,058
Payroll Tax, TMRS & OPEB Expenses	61,098	63,580	3,883	12,155	3,278
Professional Fees	65,939	430,981	63,257	59,423	27,407
Miscellaneous	62,515	39,191	28,178	15,843	9,479
Bad Debt Expense	-	-	-	-	1,269
Sewer - Expenses	47,712	34,968	79,994	98,472	56,110
Other - Expenses	-	-	-	-	-
Depreciation	477,574	459,342	441,751	335,671	296,114
<b>Total Expenditures</b>	<b>\$ 1,740,389</b>	<b>\$ 1,988,748</b>	<b>\$ 1,540,272</b>	<b>\$ 1,315,590</b>	<b>\$ 1,236,568</b>
<b>Excess (Deficiency) of</b>					
Revenues Over Expenditures	\$ 30,382	\$ (441,940)	\$ (243,302)	\$ (73,749)	\$ (115,194)
<b>Nonoperating Revenue (Expenses)</b>					
Other Revenues	\$ 30,633	\$ 26,616	\$ 19,350	\$ 45,237	\$ 4,644
Interest Earned	341,171	66,199	2,832	5,346	11,176
Interest Expense	(115,298)	(12,337)	(13,874)	-	(185)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 256,506</b>	<b>\$ 80,478</b>	<b>\$ 8,308</b>	<b>\$ 50,583</b>	<b>\$ 15,635</b>
<b>Net Change in Fund Balance</b>					
Capital Contributions	\$ 286,888	\$ (361,462)	\$ (234,994)	\$ (23,166)	\$ (99,559)
	23,400	-	-	-	-
<b>Fund Balances at Beginning of Year</b>					
Prior Period Adjustment	\$ 10,159,005	\$ 10,520,467	\$ 10,759,832	\$ 10,782,998	\$ 10,882,557
	-	-	(4,371)	-	-
<b>Adjusted Beginning Fund Balance</b>	<b>\$ 10,159,005</b>	<b>\$ 10,520,467</b>	<b>\$ 10,755,461</b>	<b>\$ 10,782,998</b>	<b>\$ 10,882,557</b>
<b>Fund Balance at End of Year</b>	<b>\$ 10,469,293</b>	<b>\$ 10,159,005</b>	<b>\$ 10,520,467</b>	<b>\$ 10,759,832</b>	<b>\$ 10,782,998</b>

Source: The City of Primera, Texas Audited Financial Statements.

<sup>(1)</sup> The Revenues are based on rates as of October 1, 2024. It is anticipated that the City Commission will approve a rate increase at their September 2025 meeting, which will take effect on October 1, 2025.

**TABLE 10 – MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, Texas 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 of which are credited to the General Fund and are not pledged to the payment of Tax Debt, including the Certificates. In addition, the City imposes an additional one-half percent (1/2%) sales tax to reduce ad valorem property taxes pursuant to authority conferred by the Tax Code and a local option election held to authorize the additional 1/2% sales tax to reduce ad valorem property taxes. 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 total City sales tax is 1.50%. Net collections on a fiscal year basis are as follows:

Calendar Year Ended 31-Dec	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2019	\$ 193,715	21.58%	0.1586	39.13
2020	215,335	22.38%	0.1645	41.98
2021	243,088	22.61%	0.1662	46.24
2022	304,523	27.72%	0.1861	57.54
2023	322,764	27.25%	0.1799	59.23
2024	356,873	27.33%	0.1510	63.59

Source: The Municipal Advisory Council of Texas, the Cameron County Appraisal District, and the City of Primera.

**PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS**

**PENSION FUND**

See Note 3 Retirement Plans and Note 4 - Other Post Employment Benefits in the Notes to Basic Financial Statements as of September 30, 2023 included in "APPENDIX C - EXCERPTS FROM THE CITY OF PRIMERA, TEXAS AUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2023."

**APPENDIX B**

**GENERAL INFORMATION REGARDING THE  
CITY OF PRIMERA AND ITS ECONOMY**

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*This Appendix contains a brief discussion of certain economic and demographic characteristics of City. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Much of this information was obtained from the City, Texas Workforce Commission, Cameron County, Texas, and the City's Municipal Advisory Council of Texas Report.*

**Location**

The City of Primera, Texas (the “City”) located in Cameron County in South Central Texas is a neighboring City, approximately 3 miles northwest of the City of Harlingen and 31 miles northwest of Brownsville and is part of the Brownsville-Harlingen Metropolitan Statistical Area. The City is located approximately 8 miles from Valley International Airport in Harlingen.

**Utilities**

The City’s residents are provided electricity by American Electric Power and natural gas by Texas Gas Service. Telephone service is provided by AT&T and cable/internet service by Time Warner Cable. Water, sewer, and trash removal services are provided by the City.

**Economic Background**

The City of Primera is primarily a residential community with working age residents employed in and around the Brownsville-Harlingen Metropolitan Statistical Area. The largest employers in the City are Rodriguez Elementary, Wilson Elementary, and Alamo Doors.

**Cameron County Characteristics**

Cameron County is the southern-most Texas County. The county is traversed by Interstate I-69E and I-2 formerly known as U.S. Highways 77 and 83 as well as U.S. 281; U.S. Highways 77, 83; State Highways 4, 48, 100, 107, and 245; and nine farm-to-market roads. Fifteen motor freight trucking firms provide service to and from Brownsville. Rail transportation is provided by Union Pacific and National Railways of Mexico. Commercial air service is provided to Brownsville by United Airlines; and to Harlingen by Southwest, American, and United Airlines. Air freight service is provided by Emery, UPS, Kitty Hawk, Casino Express, and Burlington. The Brownsville International Airport also includes an industrial park. The Port of Brownsville is the main shipping port for the Rio Grande Valley and South Texas. Port facilities include a man-made basin connected by 17 miles of channel to the Gulf of Mexico, various docking and terminal facilities, turning basin and approach, fishing harbor, warehousing and railway switching operations, worldwide shipping lines and barge transportation services. The county is the only port of entry from Mexico that provides all four methods of transportation – sea, air, highway, and rail. The county was the second largest sugarcane producing county and the fifth largest sorghum producing county in Texas for 2016.

**Population Statistics**

<u>Year</u>	<u>Cameron County</u>
1990 <sup>(1)</sup>	266,600
2000 <sup>(1)</sup>	335,227
2010 <sup>(1)</sup>	406,220
2020 <sup>(1)</sup>	421,017
2023 <sup>(2)</sup>	425,457
2024 <sup>(2)</sup>	427,292

Source: <sup>(1)</sup> U.S. Census figures.

<sup>(2)</sup> Estimate from Cameron County.

**Major Area Employers**

The ten largest employers, their products and approximate number of employees, as currently reported by the City are given below:

<u>Name</u>	<u>Number of Employees</u>
Rodriguez Elementary	80
Wilson Elementary	70
Alamo Doors	33
Ramses Tacos	20
Quality Electric	18
Tejano Brick	12
Dollar Tree	9
Bumble Bees Daycare	8
Dollar General	7
Subway	7

Source: The City of Primera as of January 17, 2025.

**Labor Force Statistics - Cameron County and State of Texas**

	<u>Cameron County</u>				
	<u>December 2024</u>	<u>December 2023</u>	<u>December 2022</u>	<u>December 2021</u>	<u>December 2020</u>
Civilian Labor Force	188,565	181,053	178,432	176,340	175,193
Total Employment	179,032	172,376	169,109	165,528	158,935
Total Unemployment	9,533	8,677	9,323	10,812	16,258
Percentage Unemployment	5.06%	4.79%	5.22%	6.13%	9.28%

	<u>Texas</u>				
	<u>December 2024</u>	<u>December 2023</u>	<u>December 2022</u>	<u>December 2021</u>	<u>December 2020</u>
Civilian Labor Force	15,591,398	15,147,835	14,773,939	14,488,125	14,162,338
Total Employment	15,012,362	14,619,352	14,260,768	13,894,391	13,209,905
Total Unemployment	579,036	528,483	513,171	593,734	952,433
Percentage Unemployment	3.71%	3.49%	3.47%	4.10%	6.73%

Source: Texas Workforce Commission – Local Area Unemployment Statistics (LAUS) Report.

**Education**

The City is provided public education by Harlingen C.I.S.D. Institutions of higher education in the area include: Texas State Technical Colleges Harlingen (3 miles), University of Texas at Brownsville (28 miles), University of Texas Rio Grande Valley (30 miles), and Texas Southmost College in McAllen (32 miles).

Source: The Municipal Advisory Council of Texas.



**APPENDIX C**

**EXCERPTS FROM THE CITY OF PRIMERA  
AUDITED FINANCIAL STATEMENT  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2023**



**CITY OF PRIMERA, TEXAS**

**FINANCIAL STATEMENTS**

September 30, 2023

**City of Primera, Texas**  
**City Officials**  
**September 30, 2023**

Mayor

Dave Kusch

City Council

Hilda Siller

Chuck Navarro

Rudy Garza Jr.

Melissa Cano

Diana Ramirez

City Manager

Celina Gonzales



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# REPORT







**Carr, Riggs & Ingram, LLC**  
402 East Tyler Avenue  
Harlingen, TX 78550-9122  
  
(956) 423-3765  
(956) 428-7520 (fax)  
CRIcpa.com

## **INDEPENDENT AUDITOR'S REPORT**

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

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Primera, Texas as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Primera, Texas, as of September 30, 2023 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Primera, Texas' 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 of Primera, Texas' ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 9-15 and 63-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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### ***Supplementary Information***

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

The combining nonmajor, individual fund and component unit financial statements 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 nonmajor, individual fund and component unit financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Information**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2024 on our consideration of the City of Primera, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Primera, Texas' 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 of Primera, Texas' internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Harlingen, Texas  
July 12, 2024

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## **MANAGEMENT'S DISCUSSION & ANALYSIS**

As management of the City of Primera, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Primera for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

### **Financial Highlights**

- The governmental assets and deferred outflows of resources of the City's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,974,257 (net position). Of this amount, \$2,632,978 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The assets and deferred outflows of resources of the City's business-type activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,159,005 (net position). Of this amount, \$742,691 (unrestricted net position) may be used to meet the water and sewer systems ongoing obligations to citizens and creditors.
- The assets of the City's component unit exceeded its liabilities at the close of the most recent fiscal year by \$764,396 (net position). Of this amount, \$705,789 (unrestricted net position) may be used to meet the City's economic and administrative services to the community.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,699,297. 95.21% percent of this total amount, \$2,569,981 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,569,981.
- The City's total long-term debt increased by \$5,785,959 during the current fiscal year due to the issuance of the Series 2023A and Series 2023B Certificates of Obligation.

### **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 required supplementary information and other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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 leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare and culture and recreation. The business-type activities of the City include the Water and Sewer System.

The government-wide financial statements include not only the City of Primera itself (known as the primary government), but also a legally separate Economic Development Corporation for which the City of Primera is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 17-19 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Typically, all of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The City has no fiduciary funds.

### **Governmental Funds**

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

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

The City maintains two major and seven nonmajor governmental funds. Information for the major funds are 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 and Debt Service Fund. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 20-23 of this report.

The City of Primera adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

GASB Statement No. 54 provides for a hierarchy of five possible classifications of fund balance as follows.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances include restricted, committed, assigned and unassigned based upon the hierarchy of spending constraints. Restricted: fund balances that are constrained by external parties, constitutional provisions or enabling legislation; Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority (the City council members); Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose (the city manager has the authority to assign funds for specific purposes); and Unassigned: fund balance of the general fund that has not been constrained for any particular purpose.

### **Proprietary Funds**

The City maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the water and sewer services (a major fund).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24-27 of this report.

### **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.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's revenues and expenditures budget to actual comparison for its general fund and information concerning the City's progress in funding its obligations to provide pension and other postemployment benefits to its employees.

The combining statements referred to earlier, in connection with nonmajor governmental funds are presented immediately following the required supplementary information. The combining statements and individual fund schedules can be found on pages 69-98 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,133,262 the close of the most recent fiscal year.

The largest portion of the City's net position (79 percent) reflects its investment in capital assets (e.g., land buildings, vehicles, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The City's condensed Statement of Net Position is presented for comparison in the table below.

	City of Primera's Net Position							
	Governmental Activities		Business-type Activities		Total		Component Unit	
	2023	2022	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 3,463,921	\$ 3,714,961	\$ 7,783,967	\$ 2,454,487	\$ 11,247,888	\$ 6,169,448	\$ 762,452	\$ 746,067
Capital assets	7,794,289	7,654,461	9,349,700	8,975,928	17,143,989	16,630,389	58,607	6,777
Total assets	11,258,210	11,369,422	17,133,667	11,430,415	28,391,877	22,799,837	821,059	752,844
Deferred outflows of resources	88,703	29,295	32,478	11,074	121,181	40,369	-	-
Total assets and deferred outflows of resources	\$ 11,346,913	\$ 11,398,717	\$ 17,166,145	\$ 11,441,489	\$ 28,513,058	\$ 22,840,206	\$ 821,059	\$ 752,844
Current liabilities	\$ 828,360	\$ 1,079,235	\$ 556,402	\$ 369,569	\$ 1,384,762	\$ 1,448,804	\$ 56,663	\$ 26,641
Noncurrent liabilities	1,513,908	1,648,261	6,437,715	517,403	7,951,623	2,165,664	-	-
Total liabilities	2,342,268	2,727,496	6,994,117	886,972	9,336,385	3,614,468	56,663	26,641
Deferred inflows of resources	30,388	40,426	13,023	34,050	43,411	74,476	-	-
Net position								
Net investment in capital assets	6,211,963	5,924,970	8,908,475	8,415,683	15,120,438	14,340,653	58,607	6,777
Restricted	129,316	121,925	507,839	783,742	637,155	905,667	-	-
Unrestricted	2,632,978	2,583,900	742,691	1,321,042	3,375,669	3,904,942	705,789	719,426
Total net position	8,974,257	8,630,795	10,159,005	10,520,467	19,133,262	19,151,262	764,396	726,203
Total liabilities, deferred inflows of resources and net position	\$ 11,346,913	\$ 11,398,717	\$ 17,166,145	\$ 11,441,489	\$ 28,513,058	\$ 22,840,206	\$ 821,059	\$ 752,844

The balance of unrestricted net position for the primary government (\$3,375,339 or 18 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

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

## Governmental Activities

Governmental activities increased the City's net position by \$343,462. This increase is largely due to higher tax collections during the year as the City grows.

The City's condensed Changes in Net Position are presented in the table below.

	City of Primera's Changes in Net Position									
	Governmental Activities		Business-type Activities		Total		Component Unit			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenues:										
Program revenues:										
Charges for services	\$ 872,954	\$ 855,801	\$ 1,546,808	\$ 1,296,970	\$ 2,419,762	\$ 2,152,771	\$ -	\$ -		
Operating grants and contributions	219,958	991,045	-	-	219,958	991,045	-	-		
Capital grants and contributions	152,690	27,055	-	-	152,690	27,055	-	-		
General revenues:										
Property tax	1,201,700	1,131,125	-	-	1,201,700	1,131,125	-	-		
Sales tax	204,023	168,683	-	-	204,023	168,683	122,414	112,536		
Franchise taxes	143,933	142,387	-	-	143,933	142,387	-	-		
Other	62,013	52,241	92,815	22,182	154,828	74,423	5,834	(31,425)		
<b>Total revenues</b>	<b>2,857,271</b>	<b>3,368,337</b>	<b>1,639,623</b>	<b>1,319,152</b>	<b>4,496,894</b>	<b>4,687,489</b>	<b>128,248</b>	<b>81,111</b>		
Expenses:										
General government	627,218	1,105,372	-	-	627,218	1,105,372	-	-		
Public safety	715,578	701,360	-	-	715,578	701,360	-	-		
Public works	1,003,043	397,425	-	-	1,003,043	397,425	-	-		
Health and welfare	71,485	165,055	-	-	71,485	165,055	-	-		
Culture and recreation	43,265	18,619	-	-	43,265	18,619	-	-		
Interest on long-term debt	53,220	57,843	12,337	13,874	65,557	71,717	-	-		
Water and sewer services	-	-	1,988,748	1,540,272	1,988,748	1,540,272	-	-		
Economic development services	-	-	-	-	-	-	90,055	29,006		
<b>Total expenses</b>	<b>2,513,809</b>	<b>2,445,674</b>	<b>2,001,085</b>	<b>1,554,146</b>	<b>4,514,894</b>	<b>3,999,820</b>	<b>90,055</b>	<b>29,006</b>		
Increase/(decrease) in net position	343,462	922,663	(361,462)	(234,994)	(18,000)	687,669	38,193	52,105		
Net position - beginning	8,630,795	7,708,132	10,520,467	10,755,461	19,151,262	18,463,593	726,203	674,098		
Net position - ending	\$ 8,974,257	\$ 8,630,795	\$ 10,159,005	\$ 10,520,467	\$ 19,133,262	\$ 19,151,262	\$ 764,396	\$ 726,203		

## Business-Type Activities

Business-type activities decreased the City's net position by \$(361,462) for the fiscal year. This decrease is largely due to issuance costs attributed to the Series 2023A and Series 2023B Certificates of Obligation.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City of Primera's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$17,143,989 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, vehicles, machinery and equipment. The total net increase in the City's investments in capital assets for the current fiscal year was \$513,600.

City of Primera's Capital Assets (Net of depreciation)								
	Governmental Activities		Business-type Activities		Total		Component Unit	
	2023	2022	2023	2022	2023	2022	2023	2022
Capital assets, not being depreciated								
Land and water rights	\$ 316,623	\$ 107,891	\$ 526,079	\$ 29,932	\$ 842,702	\$ 137,823	\$ -	\$ -
Construction in progress	392,205	209,336	256,993	91,132	649,198	300,468	-	-
	<b>708,828</b>	317,227	<b>783,072</b>	121,064	<b>1,491,900</b>	438,291	-	-
Capital assets, being depreciated								
Buildings	998,296	959,649	103,930	103,930	1,102,226	1,063,579	-	-
Vehicles	580,636	533,899	496,062	449,703	1,076,698	983,602	-	-
Machinery and equipment	524,073	505,286	320,298	253,930	844,371	759,216	47,416	8,471
Infrastructure	8,991,654	8,991,654	13,868,542	13,810,163	22,860,196	22,801,817	18,140	-
	<b>11,094,659</b>	10,990,488	<b>14,788,832</b>	14,617,726	<b>25,883,491</b>	25,608,214	<b>65,556</b>	8,471
Less accumulated depreciation for:								
Buildings	(724,944)	(697,831)	(73,682)	(70,521)	(798,626)	(768,352)	-	-
Vehicles	(410,296)	(372,196)	(215,154)	(120,126)	(625,450)	(492,322)	-	-
Machinery equipment	(363,339)	(297,717)	(215,690)	(195,342)	(579,029)	(493,059)	(6,873)	(1,694)
Infrastructure	(2,510,619)	(2,285,510)	(5,717,678)	(5,376,873)	(8,228,297)	(7,662,383)	(76)	-
Total accumulated depreciation	<b>(4,009,198)</b>	(3,653,254)	<b>(6,222,204)</b>	(5,762,862)	<b>(10,231,402)</b>	(9,416,116)	<b>(6,949)</b>	(1,694)
Total capital assets, being depreciated, net	<b>7,085,461</b>	7,337,234	<b>8,566,628</b>	8,854,864	<b>15,652,089</b>	16,192,098	<b>58,607</b>	6,777
Capital assets, net	\$ <b>7,794,289</b>	\$ 7,654,461	\$ <b>9,349,700</b>	\$ 8,975,928	\$ <b>17,143,989</b>	\$ 16,630,389	\$ <b>58,607</b>	\$ 6,777

Major capital asset additions for governmental activities included the purchase of land and water rights, ongoing Primera Street improvements, ongoing Drainage Master Plan and Sewer Extension Improvement projects, as well as vehicles and equipment purchased during the year.

### Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue bonds and certificates of obligation	\$ 1,485,000	\$ 1,620,000	\$ 6,171,000	\$ 193,000	\$ 7,656,000	\$ 1,813,000
Premium on issuance of bond	97,326	109,491	-	-	97,326	109,491
Net OPEB liability	19,230	25,085	8,242	21,129	27,472	46,214
Compensated absences	64,517	45,850	4,402	5,116	68,919	50,966
Financing agreements	-	-	323,158	367,245	323,158	367,245
	<b>\$ 1,666,073</b>	\$ 1,800,426	<b>\$ 6,506,802</b>	\$ 586,490	<b>\$ 8,172,875</b>	\$ 2,386,916

The City's total long-term debt increased by \$5,785,959 during the current fiscal year due to the issuance of the Series 2023A and Series 2023B Certificates of Obligation. Additional information on the City of Primera's long-term debt can be found in Note 3.

### **General Fund Budgetary Highlights**

Actual revenues were higher than budgeted revenues by \$159,449.

Actual expenditures were less than final budgeted expenditures by \$185,674.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

During the budget process for fiscal year 2023-2024 the Mayor, City Commission and staff considered various economic factors. These factors are drivers and/or indicators of economic growth. As a result of the budget workshops, the tax rate decreased to 0.552590 per \$100 of valuation.

The City of Primera continues to work on street improvements including Eric Salinas and Railroad streets through a recent grant from TXCDBG grant that will be used to compliment prior year's grants received from TXCDBG for street improvements that will provide needed quality of life enhancements for the residents of the City of Primera.

Within the business-type activities, the Water and Sewer Fund has an operating loss due to depreciation expense.

All of these factors were considered in preparing the City budget for the 2023-2024 fiscal year.

City staff will continue to review all expense items and revenue sources to optimize the finances.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, 22893 Stuart Place Road, Primera, Texas 78552.

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# FINANCIAL STATEMENTS



City of Primera, Texas  
**STATEMENT OF NET POSITION**

<i>September 30, 2023</i>	Primary Government			Component Unit
	Governmental Activities	Business - type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,474,515	\$ 1,065,742	\$ 3,540,257	\$ 683,830
Investments	258,233	272,693	530,926	78,622
Receivables, net				
Property taxes	76,589	-	76,589	-
Services receivable	39,977	191,048	231,025	-
Other receivables	125,166	-	125,166	-
Internal balances	324,731	(324,731)	-	-
Due from component unit/primary government	46,139	-	46,139	-
Net pension asset	43,033	18,443	61,476	-
Cash and cash equivalents - restricted	75,538	6,560,772	6,636,310	-
Capital assets, net				
Non-depreciable assets	708,828	783,072	1,491,900	-
Depreciable assets, net	7,085,461	8,566,628	15,652,089	58,607
Total assets	11,258,210	17,133,667	28,391,877	821,059
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on refunding	12,919	-	12,919	-
Deferred outflows related to pensions	68,787	29,480	98,267	-
Deferred outflows related to OPEB	6,997	2,998	9,995	-
Total deferred outflows of resources	88,703	32,478	121,181	-
Total assets and deferred outflows of resources	\$ 11,346,913	\$ 17,166,145	\$ 28,513,058	\$ 821,059
<b>LIABILITIES</b>				
Accounts payable	\$ 374,601	\$ 182,216	\$ 556,817	\$ 10,524
Accrued interest payable	24,750	-	24,750	-
Payable from restricted assets	-	143,099	143,099	-
Unearned revenue	276,844	162,000	438,844	-
Due to component unit/primary government	-	-	-	46,139
Non-current liabilities				
OPEB liability	19,230	8,242	27,472	-
Due within one year	157,165	95,680	252,845	-
Due in more than one year	1,489,678	6,402,880	7,892,558	-
Total liabilities	2,342,268	6,994,117	9,336,385	56,663
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	15,409	6,604	22,013	-
Deferred inflows related to OPEB	14,979	6,419	21,398	-
Total deferred inflows of resources	30,388	13,023	43,411	-
<b>NET POSITION</b>				
Net investment in capital assets	6,211,963	8,908,475	15,120,438	58,607
Restricted	129,316	507,839	637,155	-
Unrestricted	2,632,978	742,691	3,375,669	705,789
Total net position	8,974,257	10,159,005	19,133,262	764,396
Total liabilities, deferred inflows of resources and net position	\$ 11,346,913	\$ 17,166,145	\$ 28,513,058	\$ 821,059

*The notes to the financial statements are an integral part of this statement.*

City of Primera, Texas  
**STATEMENT OF ACTIVITIES - Continued**

<i>For the year ended September 30, 2023</i>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
<b>Governmental activities:</b>				
General government	\$ 627,218	\$ 590,909	\$ 135,664	\$ 141,147
Public safety	715,578	262,489	24,294	11,543
Public works	1,003,043	9,500	-	-
Health and welfare	71,485	-	60,000	-
Culture and recreation	43,265	10,056	-	-
Interest on long term debt	53,220	-	-	-
Total governmental activities	2,513,809	872,954	219,958	152,690
<b>Business - type activities:</b>				
Water and sewer services	1,988,748	1,546,808	-	-
Interest on long-term debt	12,337	-	-	-
Total business-type activities	2,001,085	1,546,808	-	-
Total primary government	\$ 4,514,894	\$ 2,419,762	\$ 219,958	\$ 152,690
<b>Component Unit</b>				
Economic development services	\$ 90,055	\$ -	\$ -	\$ -

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service purposes
- Sales taxes
- Franchise taxes

Miscellaneous

Unrestricted investment earnings

Total general revenues
Change in net position
Net position--beginning
Net position--ending

*The notes to the financial statements are an integral part of this statement.*

City of Primera, Texas  
**STATEMENT OF ACTIVITIES - Continued**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business - type Activities	Total	Component Unit
\$ 240,502	\$ -	\$ 240,502	\$ -
(417,252)	-	(417,252)	-
(993,543)	-	(993,543)	-
(11,485)	-	(11,485)	-
(33,209)	-	(33,209)	-
(53,220)	-	(53,220)	-
(1,268,207)	-	(1,268,207)	-
-	(441,940)	(441,940)	-
-	(12,337)	(12,337)	-
-	(454,277)	(454,277)	-
\$ (1,268,207)	\$ (454,277)	\$ (1,722,484)	-
\$ -	\$ -	\$ -	\$ (90,055)
\$ 976,221	\$ -	\$ 976,221	\$ -
225,479	-	225,479	-
204,023	-	204,023	122,414
143,933	-	143,933	-
58,725	26,616	85,341	5,250
3,288	66,199	69,487	584
1,611,669	92,815	1,704,484	128,248
343,462	(361,462)	(18,000)	38,193
8,630,795	10,520,467	19,151,262	726,203
\$ 8,974,257	\$ 10,159,005	\$ 19,133,262	\$ 764,396

City of Primera, Texas  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

<i>September 30, 2023</i>	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,469,958	\$ -	\$ 4,557	\$ 2,474,515
Investments	258,233	-	-	258,233
Cash and cash equivalents - restricted	-	60,152	15,386	75,538
Receivables, net				
Property taxes, net of allowance	62,380	14,209	-	76,589
Trash and brush service	39,977	-	-	39,977
Other	120,690	-	4,476	125,166
Due from other funds	709,627	394,249	49,664	1,153,540
Due from component unit	46,139	-	-	46,139
<b>Total assets</b>	<b>\$ 3,707,004</b>	<b>\$ 468,610</b>	<b>\$ 74,083</b>	<b>\$ 4,249,697</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 365,221	\$ -	\$ 9,380	\$ 374,601
Due to other funds	437,823	351,426	39,560	828,809
Unearned revenue	276,844	-	-	276,844
<b>Total liabilities</b>	<b>1,079,888</b>	<b>351,426</b>	<b>48,940</b>	<b>1,480,254</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue				
Property taxes (net)	57,135	13,011	-	70,146
<b>Total deferred inflows of resources</b>	<b>57,135</b>	<b>13,011</b>	<b>-</b>	<b>70,146</b>
<b>FUND BALANCE</b>				
Restricted for:				
Debt service	-	104,173	-	104,173
Municipal court technology	-	-	10,375	10,375
Grant projects	-	-	14,768	14,768
Unassigned	2,569,981	-	-	2,569,981
<b>Total fund balance</b>	<b>2,569,981</b>	<b>104,173</b>	<b>25,143</b>	<b>2,699,297</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 3,707,004</b>	<b>\$ 468,610</b>	<b>\$ 74,083</b>	<b>\$ 4,249,697</b>

*The notes to the financial statements are an integral part of this statement.*

City of Primera, Texas

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

*September 30, 2023*

Fund balances for governmental funds	\$ 2,699,297
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,794,289
Property tax revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds.	70,146
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. All liabilities - both current and long-term - are reported in the statement of net position.	(1,646,843)
Included in the noncurrent assets is the recognition of the City's net pension asset required by GASB 68 in the amount of \$43,033, a deferred resource inflow in the amount of \$(15,409), and a deferred resource outflow in the amount of \$68,787. This resulted in an increase in net position by \$96,411.	96,411
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$(19,230), a deferred resource inflow in the amount of \$(14,979), and a deferred resource outflow in the amount of \$6,997. This resulted in a decrease in net position by \$(27,212).	(27,212)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(24,750)
Gains/losses on defeasance of debt through refundings are recognized as deferred inflows or outflows and amortized over the remaining life of the debt as an increase (decrease) to net position. Deferred inflows/outflows due to debt refundings are not reported in the funds.	12,919
Net position of governmental activities	\$ 8,974,257

*The notes to the financial statements are an integral part of this statement.*

City of Primera, Texas

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

<i>For the year ended September 30, 2023</i>	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 982,113	\$ 227,919	\$ -	\$ 1,210,032
Charges for services	219,509	-	-	219,509
Licenses and permits	115,632	-	-	115,632
Fines and forfeitures	58,076	-	4,460	62,536
Franchise fees	143,933	-	-	143,933
Intergovernmental	231,501	-	141,147	372,648
Sales tax	204,023	-	-	204,023
Trash and brush	461,707	-	-	461,707
Other revenues	72,295	-	-	72,295
Interest income	3,142	137	9	3,288
<b>Total revenues</b>	<b>2,491,931</b>	<b>228,056</b>	<b>145,616</b>	<b>2,865,603</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	560,769	7,179	-	567,948
Public safety	683,712	-	-	683,712
Public works	762,537	-	3,379	765,916
Health and welfare	71,485	-	-	71,485
Capital outlay	312,904	-	182,868	495,772
<b>Debt service</b>				
Principal	-	135,000	-	135,000
Interest	-	64,125	-	64,125
<b>Total expenditures</b>	<b>2,391,407</b>	<b>206,304</b>	<b>186,247</b>	<b>2,783,958</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>100,524</b>	<b>21,752</b>	<b>(40,631)</b>	<b>81,645</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	41,721	41,721
Transfers (out)	(41,721)	-	-	(41,721)
<b>Total other financing sources (uses)</b>	<b>(41,721)</b>	<b>-</b>	<b>41,721</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>58,803</b>	<b>21,752</b>	<b>1,090</b>	<b>81,645</b>
<b>Fund balance, beginning of year</b>	<b>2,511,178</b>	<b>82,421</b>	<b>24,053</b>	<b>2,617,652</b>
<b>Fund balance, end of year</b>	<b>\$ 2,569,981</b>	<b>\$ 104,173</b>	<b>\$ 25,143</b>	<b>\$ 2,699,297</b>

*The notes to the financial statements are an integral part of this statement.*

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

*For the year ended September 30, 2023*

Net change in fund balances -- total governmental funds	\$ 81,645
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$495,772 exceeded depreciation (\$355,944) in the current period.</p>	139,828
<p>Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.</p>	3,588
<p>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 is the amount of interest accrued during the year.</p>	1,969
<p>GASB Statement No 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/22 caused the change in ending net position to increase in the amount of \$23,102. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(2,962). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(10,147). The result of these changes is to increase the change in net position.</p>	9,993
<p>GASB Statement No. 75 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/22 caused the change in ending net position to increase in the amount of \$1,135. Contributions made before the measurement date but after the previous date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(418). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by \$(7,627). The result of these changes is to decrease the change in net position.</p>	(6,910)
<p>Repayment of bond principal are expenditures in the governmental funds, however, the repayments reduce long-term liabilities in the statement of net position.</p>	135,000
<p>Compensated absences are paid as incurred in the governmental funds, but are accrued as a non-current liability in the statement of net position. This is the amount by which compensated absences increased during the current year.</p>	(18,667)
<p>Certain revenues were recognized in prior years on the statement of activities were recognized in governmental funds in the current year and must be removed from the statement of activities.</p>	(11,920)
<p>Governmental funds report the effect of annual amortization of premiums on bonds of \$12,165, and amortization of deferred charges of \$(3,229), when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	8,936
Change in net position of governmental activities:	\$ 343,462

*The notes to the financial statements are an integral part of this statement.*



City of Primera, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

<i>September 30, 2023</i>	<u>Business-type activities</u> Water and Sewer Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,065,742
Investments	272,693
Receivables	
Services receivable	191,048
Total current assets	1,529,483
Noncurrent assets	
Net pension asset	18,443
Cash and cash equivalents - restricted	6,560,772
Capital assets	
Nondepreciable assets	
Land and water rights	526,079
Construction in progress	256,993
Depreciable assets	
Buildings	103,930
Vehicles	496,062
Machinery and equipment	320,298
Infrastructure	13,868,542
Accumulated depreciation	(6,222,204)
Total capital assets	9,349,700
Total noncurrent assets	15,928,915
Total assets	17,458,398
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	29,480
Deferred outflows related to OPEB	2,998
Total deferred outflows of resources	32,478
Total assets and deferred outflows of resources	\$ 17,490,876

*The notes to the financial statements are an integral part of this statement.*

City of Primera, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION - Continued**

<i>September 30, 2023</i>	<u>Business-type activities</u> Water and Sewer Fund
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 182,216
Due to other funds	324,731
Current portion - noncurrent liabilities	95,680
Unearned revenues - principal forgiveness	75,000
Unearned revenues - grants	87,000
Total current liabilities	764,627
Payable from restricted assets	
Customer deposits	143,099
Total payable from restricted assets	143,099
Bonds payable, net of current portion	6,078,320
OPEB liability	8,242
Notes payable	323,158
Compensated absences	1,402
Total noncurrent liabilities	6,411,122
Total liabilities	7,318,848
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	6,604
Deferred inflows related to OPEB	6,419
Total deferred inflows of resources	13,023
<b>NET POSITION</b>	
Net investment in capital assets	8,908,475
Restricted	507,839
Unrestricted	742,691
Total net position	10,159,005
Total liabilities, deferred inflows of resources and net position	\$ 17,490,876

City of Primera, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**

	Business-type activities	
	Water and	Sewer Fund
<i>For the year ended September 30, 2023</i>		
<hr/>		
Operating revenues		
Water use charges	\$	837,758
Sewer use charges		667,976
Meter and tap fees, late charges		37,024
Renter deposits		4,050
Total operating revenues		1,546,808
Operating expenses		
Contractual services		419,017
Office expenses		23,387
Supplies		42,868
Equipment rental		16,913
Travel		172
Utilities and telephone		10,588
Gas and parts expense		7,225
Salary - water		184,641
Salary - sewer		184,637
Insurance		71,238
Payroll tax, TMRS & OPEB expense		63,580
Professional fees		430,981
Miscellaneous		39,191
Sewer - expenses		34,968
Depreciation		459,342
Total operating expenses		1,988,748
Operating loss		(441,940)
Nonoperating revenues (expenses)		
Other revenues		26,616
Interest earned		66,199
Interest expense		(12,337)
Total nonoperating revenues		80,478
Net income (loss) before transfers and capital contributions		(361,462)
Change in net position		(361,462)
Net position, beginning of year		10,520,467
Net position, end of year	\$	10,159,005

*The notes to the financial statements are an integral part of this statement.*

City of Primera, Texas  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

	Business-type activities
	Water and Sewer Fund
<i>For the year ended September 30, 2023</i>	
Cash flows from operating activities	
Cash received from customers	\$ 1,504,528
Cash paid to suppliers	(989,140)
Cash paid to employees	(407,538)
Net cash provided by (used in) operating activities	107,850
Cash flows from (to) noncapital financing activities	
Increase in due from other funds	49,055
Increase in due to other funds	(950,001)
Net cash provided by (used in) noncapital financing activities	(900,946)
Cash flows from (to) capital and related financing activities	
Equipment purchases	(833,114)
Customer deposits	4,425
Proceeds from long-term debt issuance	6,000,000
Principal paid on long-term debt	(66,087)
Interest paid	(12,337)
Other nonoperating income	26,616
Net cash provided by (used in) capital and related financing activities	5,194,503
Cash flows from investing activities	
Interest income received	66,199
(Purchases) dispositions of investments	(3,184)
Net cash provided by (used in) investing activities	63,015
Net increase in cash and cash equivalents	4,464,422
Cash and cash equivalents, beginning of year	3,162,092
Cash and cash equivalents, end of year	\$ 7,626,514
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (441,940)
Adjustments to reconcile operating loss from operations to net cash provided by operating activities:	
Depreciation	459,342
Decrease in water and sewer receivable	(42,280)
Decrease in net pension asset	81,352
Increase in deferred outflows related to pensions	(23,701)
Decrease in deferred outflows related to OPEB	2,297
Decrease in accounts payable and accrued expenses	107,408
Decrease in deferred inflows related to pensions	(26,180)
Increase in deferred inflows related to OPEB	5,153
Increase in OPEB liability	(12,887)
Increase in compensated absences	(714)
Total adjustments	549,790
Net cash provided by (used in) operating activities	\$ 107,850
<i>Supplemental schedule of noncash activities</i>	
Capital contributions	\$ -

*The notes to the financial statements are an integral part of this statement.*

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# NOTES TO FINANCIAL STATEMENTS



## City of Primera, Texas Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Primera, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (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. Incorporated on April 12, 1955, the City of Primera, Texas (the "City") is a general law, type "A" city providing the following services: streets, sanitation, water and sewer, health and social services, public safety and general administrative services.

#### ***Reporting Entity***

The City is a municipal corporation governed by an elected mayor and six-member governing council (the "Council"). The accompanying financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. The discussion of component units below summarizes the relevant guidelines considered by the City in determining their operational or financial relationships. The more significant of the City's accounting policies are described below.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

#### ***Blended Component Units***

Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units is combined with data of the primary government. The City of Primera, Texas does not include any blended component units.

#### ***Discretely Presented Component Unit***

The discretely presented component units, on the other hand, are reported in a separate column in the statement of net position to emphasize that they are legally separate from the City. Discretely presented component units include the following:

*Economic Development Corporation of Primera* - This component unit was organized pursuant to the Development Corporation Act of 1979, as amended by Section 4A and 4B of said act. It was established for the purpose of promoting, assisting, and enhancing economic and industrial development within the City of Primera and the State of Texas. The City of Primera appoints five (5) directors to the Corporation's Board who in turn designate management. The corporation is authorized to negotiate the issuance of bonds which are payable solely from the revenues of said corporation. The City is not in any event liable for the payment of any obligations or agreements created or incurred by the corporation.

## City of Primera, Texas Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Government-Wide and Fund Financial Statements***

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

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

Separate financial statements are provided for governmental funds and proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

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

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

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



**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)***

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

***Fund Financial Statements***

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

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The City reports the following major enterprise funds:

The *Water and Sewer Fund* accounts for the provision of water and sewer services to the residents in the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges to utility customers and rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements (Continued)***

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

***Budgetary Information***

***Budgetary basis of accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Water and Sewer Fund. Certain special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even. Encumbrances are not utilized by the District.

***Excess of expenditures over appropriations***

For the year ended September 30, 2023, expenditures did not exceed appropriations in any fund levels (the legal level of budgetary control).

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity***

*Cash and cash equivalents*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*Investments*

Investments for the City are reported at amortized cost.

*Receivables and payables*

Unbilled receivables – An amount for unbilled revenue is recorded in the Water and Sewer fund for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 60 days are subject to being considered as uncollectible.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

*Interfund Activities and Transactions*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when on fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are netted as part of the reconciliation to the government-wide presentation.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity***

*Prepaid Items*

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

*Restricted Assets*

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

*Customer and developer deposit accounts* – Deposited in non-interest bearing accounts and refunded upon termination of service with the City and satisfaction of all obligations due.

*Bond and capital activities* – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or future capital activities.

*Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. For infrastructure assets the same estimated minimum useful life is used (in excess of three years).

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements, only the proceeds from the disposition are reported.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity***

Within the proprietary fund, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. Interest expense is not capitalized on capital assets of governmental funds.

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however, it is included in the gross expense by function in the government-wide Statement of Activities.

Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	30 years
Infrastructure	50 years
Vehicles and equipment	3-7 years

***Deferred Outflows/Inflows of Resources***

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

The City has three (3) items that qualify for reporting as deferred outflows of resources, the *deferred amount on refunding*, *deferred outflows related to pensions*, and the *deferred outflows related to other post-employment benefits (OPEB)* all reported in the government-wide and proprietary funds statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions and OPEB are reported for changes in actuarial assumptions, differences in projected and actual investment performance, and for contributions made subsequent to the measurement date.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Deferred Outflows/Inflows of Resources (continued)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two (2) items that qualify for reporting as deferred inflows of resources; the *deferred inflows related to pensions* and the *deferred inflows related to OPEB*. The difference in expected and actual pension and OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

*Unavailable revenue*, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Compensated Absences*

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the City and, accordingly upon separation from service, no monetary obligation exists.

*Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Pensions*

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

*Other Post-Employment Benefits (OPEB) Liability*

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

*Categories and Classification of Fund Equity*

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

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

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

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

*Nonspendable fund balance* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

*Categories and Classification of Fund Equity (continued)*

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

*Unassigned fund balance* – Unassigned fund balance is the residual classification for the General Fund.

***Revenues and Expenditures/Expenses***

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

*Property taxes* – Property taxes attach as an enforceable lien on January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied on October 1 became delinquent on February 1 of the following calendar year. At this time, penalties and interest may be assessed by the City.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenues and Expenditures/Expenses (Continued)***

*Proprietary funds operating and nonoperating revenues and expenses* – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Water and Sewer fund are charges to customers for sales and services. The Water and Sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. The City does not utilize encumbrance accounting.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for doubtful accounts, pension liability, and OPEB liability.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be used, July 12, 2024. See Note 8 for relevant disclosures regarding subsequent events. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements***

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this Statement.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. As of July 1, 2023, derivative instruments that hedge the interest rate risk of taxable debt and use an IBOR as a reference rate are no longer eligible for hedge accounting. There were no significant impacts of implementing this Statement.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). 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, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. There were no significant impacts of implementing this Statement.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (Continued)***

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). There were no significant impacts of implementing this Statement.

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The City is evaluating the requirements of the above statements and the impact on reporting.

**Note 2: DETAILED NOTES ON ALL FUNDS**

***Deposits and Investments***

The City is required by Government Code Chapter 2256, The Public Funds Investment Act (the “Act”), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

It is the City’s policy for deposits plus accrued interest thereon to be 100% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2023, the City’s deposits were fully covered by federal deposit insurance or were secured by collateral held by the City’s agent in the City’s name pursuant to the City’s investment policy and its depository agreement.

In addition, the following is disclosed regarding coverage of balances on the date of highest deposit:

**a. Name of Bank: First Community Bank.**

b. The amount of bond and/or market value of securities pledged and FDIC insurance as of the date of the highest balance on deposit were \$6,314,553 and occurred during the month of January 2023. The deposit balances on that were \$4,712,706 as of September 30, 2023.

**c. Name of Bank: Texas Regional Bank.**

d. The amount of bond and/or market value of securities pledged and FDIC insurance as of the date of the highest balance on deposit were \$1,735,974 and occurred during the month of January 2023. The deposit balances on that were \$745,775 as of September 30, 2023.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Deposits and Investments (continued)***

	Investment Maturities (in years)			Greater than 1 year	Level
	Value	1 or Less			
<b>Primary government</b>					
Cash	\$ 3,540,257	\$ 3,540,257		-	
Cash - restricted	6,636,310	6,636,310		-	
	10,176,567	10,176,567		-	
Investments					
Certificates of deposit	530,926	530,926		-	L1
Total investments	530,926	530,926		-	
<b>Total cash and investments</b>	<b>\$ 10,707,493</b>	<b>\$ 10,707,493</b>	<b>\$</b>	<b>-</b>	
<b>Component Unit</b>					
Cash	\$ 683,830	\$ 683,830	\$	-	
Investments					
Certificate of deposit	78,622	78,622		-	L1
Total investments	78,622	78,622		-	
<b>Total cash and investments</b>	<b>\$ 762,452</b>	<b>\$ 762,452</b>	<b>\$</b>	<b>-</b>	

A reconciliation of cash and investment follows:

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Cash	\$ 2,474,515	\$ 1,065,742	\$ 3,540,257	\$ 683,830
Cash-restricted	75,538	6,560,772	6,636,310	-
<b>Total cash and cash equivalents</b>	<b>2,550,053</b>	<b>7,626,514</b>	<b>10,176,567</b>	<b>683,830</b>
Investments				
Certificates of deposit	258,233	272,693	530,926	78,622
Total investments	258,233	272,693	530,926	78,622
<b>Total cash and investments</b>	<b>\$ 2,808,286</b>	<b>\$ 7,899,207</b>	<b>\$ 10,707,493</b>	<b>\$ 762,452</b>

*Interest Rate Risk* - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. The City and component unit do not own any other investments other than certificates of deposit.

*Credit Risk* - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Deposits and Investments (continued)***

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the City's investment policy, and Government Code Chapter 2257 "Collateral For Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

*Concentration of Credit Risk* - The Investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act.

*Public Funds Investment Pools* - The City had no funds in a public funds investment pool.

***Accounts Receivable***

For the Water and Sewer Fund, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2023 (unbilled receivable), is estimated and accrued at year end. The City deems all amounts past 60 days uncollectible therefore an allowance for doubtful accounts is necessary. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Accounts Receivable (Continued)***

All account receivables are shown net of allowances for uncollectible accounts for governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2023, were as follows: Receivables at September 30, 2023 consist of the following:

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Receivables			
Grants	\$ 4,476	\$ -	\$ 4,476
Taxes	82,413	-	82,413
Services	39,977	238,560	278,537
Other	120,690	-	120,690
Gross receivables	247,556	238,560	486,116
Less allowance for uncollectibles	(5,824)	(47,512)	(53,336)
Total receivables, net	\$ 241,732	\$ 191,048	\$ 432,780

There are no other reserves for receivables recorded by the City as of September 30, 2023.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets**

The following is a summary of changes in capital assets during the year ended September 30, 2023:

**Governmental Activities**

	Balance October 1, 2022	Additions	Transfers/ Reclassification	Retirements	Balance September 30, 2023
<b>Capital assets, not being depreciated:</b>					
Land	\$ 107,891	\$ 208,732	\$ -	\$ -	\$ 316,623
Construction in progress	209,336	221,516	(38,647)	-	392,205
	<u>317,227</u>	<u>430,248</u>	<u>(38,647)</u>	<u>-</u>	<u>708,828</u>
<b>Capital assets, being depreciated:</b>					
Buildings	959,649	-	38,647	-	998,296
Vehicles	533,899	46,737	-	-	580,636
Machinery and equipment	505,286	18,787	-	-	524,073
Infrastructure	8,991,654	-	-	-	8,991,654
	<u>10,990,488</u>	<u>65,524</u>	<u>38,647</u>	<u>-</u>	<u>11,094,659</u>
<b>Less accumulated depreciation for:</b>					
Buildings	(697,831)	(27,113)	-	-	(724,944)
Vehicles	(372,196)	(38,100)	-	-	(410,296)
Machinery and equipment	(297,717)	(65,622)	-	-	(363,339)
Infrastructure	(2,285,510)	(225,109)	-	-	(2,510,619)
<b>Total accumulated depreciation</b>	<u>(3,653,254)</u>	<u>(355,944)</u>	<u>-</u>	<u>-</u>	<u>(4,009,198)</u>
<b>Total capital assets, being depreciated, net</b>	<u>7,337,234</u>	<u>(290,420)</u>	<u>38,647</u>	<u>-</u>	<u>7,085,461</u>
<b>Governmental activities, capital assets, net</b>	<u>\$ 7,654,461</u>	<u>\$ 139,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,794,289</u>

**Business-type Activities**

	Balance October 1, 2022	Additions	Transfers/ Reclassification	Retirements	Balance September 30, 2023
<b>Capital assets, not being depreciated:</b>					
Land and water rights	\$ 29,932	\$ 496,147	\$ -	\$ -	\$ 526,079
Construction in progress	91,132	165,861	-	-	256,993
	<u>121,064</u>	<u>662,008</u>	<u>-</u>	<u>-</u>	<u>783,072</u>
<b>Capital assets, being depreciated:</b>					
Buildings	103,930	-	-	-	103,930
Vehicles	449,703	46,359	-	-	496,062
Machinery and equipment	253,930	66,368	-	-	320,298
Infrastructure	13,810,163	58,379	-	-	13,868,542
	<u>14,617,726</u>	<u>171,106</u>	<u>-</u>	<u>-</u>	<u>14,788,832</u>
<b>Less accumulated depreciation for:</b>					
Buildings	(70,521)	(3,161)	-	-	(73,682)
Vehicles	(120,126)	(95,028)	-	-	(215,154)
Machinery and equipment	(195,342)	(20,348)	-	-	(215,690)
Infrastructure	(5,376,873)	(340,805)	-	-	(5,717,678)
<b>Total accumulated depreciation</b>	<u>(5,762,862)</u>	<u>(459,342)</u>	<u>-</u>	<u>-</u>	<u>(6,222,204)</u>
<b>Total capital assets, being depreciated, net</b>	<u>8,854,864</u>	<u>(288,236)</u>	<u>-</u>	<u>-</u>	<u>8,566,628</u>
<b>Business-type activities, capital assets, net</b>	<u>\$ 8,975,928</u>	<u>\$ 373,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,349,700</u>



**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

*Component Unit*

	October 1, 2022	Additions	Transfers/ Reclassification	Retirements	Balance September 30, 2023
Capital assets, being depreciated:					
Machinery and equipment	\$ 8,471	\$ 38,945	\$ -	\$ -	\$ 47,416
Infrastructure	-	18,140	-	-	18,140
	8,471	57,085	-	-	65,556
Less accumulated depreciation for:					
Machinery and equipment	(1,694)	(5,179)	-	-	(6,873)
Infrastructure	-	(76)	-	-	(76)
Total accumulated depreciation	(1,694)	(5,255)	-	-	(6,949)
Total capital assets, being depreciated, net	6,777	51,830	-	-	58,607
Total capital assets, net	\$ 6,777	\$ 51,830	\$ -	\$ -	\$ 58,607

Depreciation was allocated to the government functions in the statement of activities as follows:

General Government	\$ 43,684
Public Safety	31,785
Public Works	237,210
Culture and Recreation	43,265
<b>Total depreciation - governmental activities</b>	<b>\$ 355,944</b>

**Long-Term Debt and Liabilities**

*Governmental Activities*

The City issued Series 2014 Limited Tax Refunding Bonds for the purpose of refunding outstanding bonds Series 2006 and Series 2011. The bonds mature in 2031 and interest rates vary from 3.00% to 4.00%.

Long-term liability activity for the year ended September 30, 2023, was as follows for governmental activities:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	Due Within One Year
Series 2014 Limited Tax Refunding Bonds	\$ 1,620,000	\$ -	\$ (135,000)	\$ 1,485,000	\$ 140,000
Premium on issuance of bonds	109,491	-	(12,165)	97,326	12,165
Net OPEB liability	25,085	-	(5,855)	19,230	-
Compensated absences	45,850	-	18,667	64,517	5,000
	\$ 1,800,426	\$ -	\$ (134,353)	\$ 1,666,073	\$ 157,165

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

Compensated absences, other postemployment benefits and the net pension liability will be liquidated in future periods primarily by the General Fund for governmental activities.

Debt service requirements to maturity for governmental activities are as follows:

Year Ended September 30,	Certificate of Obligation		Total Requirements
	Principal	Interest	
2024	\$ 140,000	\$ 59,400	\$ 199,400
2025	170,000	53,800	223,800
2026	175,000	47,000	222,000
2027	190,000	40,000	230,000
2028	190,000	32,400	222,400
2029-2031	620,000	50,200	670,200
	<u>\$ 1,485,000</u>	<u>\$ 282,800</u>	<u>\$ 1,767,800</u>

***Business Type Activities***

The City issued Series 2021 Certificates of Obligation for the purpose of financing various flood control and storm drainage improvements. The certificates have an interest rate of 0% and mature in 2031.

In July 2021, the City entered into a financing agreement in the amount of \$409,975 for a Vector Truck. The agreement matures in 2027.

In June 2023, the City issued Series 2023A Certificates of Obligation for the purposes of financing various water and sewer improvements. The certificates have interest rates between 1.8% and 2.6% and mature in 2048.

In June 2023, the City issued Series 2023B Certificates of Obligation for the purposes of financing various water and sewer improvements. The certificates have an interest rate of 0% and mature in 2040.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

Long-term liability activity for the year ended September 30, 2023, was as follows for business-type activities:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	Due Within One Year
Waterworks and Sewer System					
2021 Certificates of Obligation	\$ 193,000	\$ -	\$ (22,000)	\$ 171,000	\$ 22,000
2023A Certificates of Obligation	-	5,915,000	-	5,915,000	20,000
2023B Certificates of Obligation	-	85,000	-	85,000	5,000
Financing agreement payable	367,245	-	(44,087)	323,158	45,680
Net OPEB liability	21,129	-	(12,887)	8,242	-
Compensated absences	5,116	-	(714)	4,402	3,000
<b>Total long-term debt</b>	<b>\$ 586,490</b>	<b>\$ 6,000,000</b>	<b>\$ (79,688)</b>	<b>\$ 6,506,802</b>	<b>\$ 95,680</b>

Business-type activities compensated absences will be liquidated by the respective proprietary fund.

Year Ended September 30,	Certificates of Obligation		Financing Agreement		Total Requirements
	Principal	Interest	Principal	Interest	
2024	\$ 47,000	\$ 104,577	\$ 45,680	\$ 10,744	\$ 208,001
2025	67,000	124,716	47,330	9,094	248,140
2026	76,000	124,068	44,886	6,836	251,790
2027	126,000	123,313	185,262	6,692	441,267
2028	151,000	121,873	-	-	272,873
2029-2033	1,034,000	577,111	-	-	1,611,111
2034-2038	1,400,000	483,389	-	-	1,883,389
2039-2043	1,540,000	329,307	-	-	1,869,307
2044-2048	1,730,000	134,091	-	-	1,864,091
	<b>\$ 6,171,000</b>	<b>\$ 2,122,445</b>	<b>\$ 323,158</b>	<b>\$ 33,366</b>	<b>\$ 8,649,969</b>

Debt service requirements to maturity for business-type activities are as follows:

In prior years, the City defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the defeased bonds are not included in the City's financial statements.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (continued)***

At September 30, 2023, the following outstanding bonds are considered defeased:

<u>Governmental Activities</u>	<u>Ending Balance</u>
2006	\$ 190,000
2011	1,345,000
	<u>\$ 1,535,000</u>

***Interfund Receivables, Payables, and Transfers***

Payable Fund	Receivable Fund				Total
	Governmental funds				
	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds	
<b>Governmental Funds</b>					
General Fund	\$ -	\$ 394,249	\$ 43,574	\$ 437,823	\$ 437,823
Debt Service Fund	351,426	-	-	351,426	351,426
Nonmajor Funds	33,470	-	6,090	39,560	39,560
Subtotal	384,896	394,249	49,664	828,809	828,809
<b>Business Type Activities</b>					
Water and Sewer Fund	324,731	-	-	324,731	324,731
Subtotal	324,731	-	-	324,731	324,731
Total interfund balances	\$ 709,627	\$ 394,249	\$ 49,664	\$ 1,153,540	\$ 1,153,540

The primary government's component unit owed the primary government in the amount of \$46,139. This was due to EDC payroll and fees that were paid from the General Fund. The primary government owed its' component unit \$-0- for sales tax collected throughout the years.

The interfund balances are the result of interfund services provided and other charges between the City's wastewater services functions and various other functions of the City.

As of September 30, 2023 the City had transfers between funds in the amount of \$41,721. The transfers provides reimbursement for budgeted capital improvements within the City.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Net Position***

Net position is comprised of three categories: Net investment in capital assets, Restricted, and Unrestricted.

	Governmental Activities	Business-Type Activities	Component Unit
Net investment in capital assets:			
Capital assets, net of accumulated depreciation	\$ 7,794,289	\$ 9,349,700	\$ 58,607
Less related liabilities (bonds and financing agreements)	(1,582,326)	(6,494,158)	-
Add back unspent bond proceeds	-	6,052,933	-
Net investment in capital assets - total	6,211,963	8,908,475	58,607
Restricted net position consists of the following:			
Subdivision fees	-	507,839	-
Restricted for debt service	104,173	-	-
Restricted for grant projects	14,768	-	-
Restricted for municipal court technology	10,375	-	-
Restricted net position - total	129,316	507,839	-
Unrestricted net position	2,632,978	742,691	705,789
Total net position	\$ 8,974,257	\$ 10,159,005	\$ 764,396

**Note 3: RETIREMENT PLANS**

***Description of Plan***

The City of Primera, Texas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual financial report (AFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

***Benefits Provided***

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

At retirement, the benefits are calculated as if the sum of the employee’s contributions, with interest, and the city-financing monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

***Employees covered by benefit terms***

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

<u>Plan Membership</u>	<u>General Employees</u>
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	39
<u>Active employees</u>	<u>25</u>
<u>Total members</u>	<u>70</u>

**Note 3: RETIREMENT PLANS (Continued)**

***Contributions***

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

Employees for the City of Primera, Texas were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Primera, Texas were 0.85% and 4.07% in calendar year 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$34,849 and were equal to the required contributions.

***Net Pension Asset***

The City's Net Pension Asset (NPA) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

***Actuarial assumptions***

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation
Investment Rate of Return	6.75%

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. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled.

The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 3: RETIREMENT PLANS (Continued)**

***Actuarial assumptions (continued)***

Actuarial assumptions used in the December 31, 2022, valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Global Public Equity	35.0%	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 100.0%



**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 3: RETIREMENT PLANS (Continued)**

***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.

***Schedule of Changes in Net Pension Asset***

	Increase (Decrease)		
	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a)-(b) Net Pension Liability (Asset)
Balance at December 31, 2021	\$ 715,346	\$ 933,621	\$ (218,275)
Changes for the year			
Service cost	84,576	-	84,576
Interest	51,062	-	51,062
Change in benefit terms	28,379	-	28,379
Difference between expected/actual experience	(23,523)	-	(23,523)
Changes of assumptions	-	-	-
Contributions - employer	-	7,450	(7,450)
Contributions - employee	-	43,822	(43,822)
Net investment income	-	(67,691)	67,691
Benefit payments, including refunds of employee contributions	(59,066)	(59,066)	-
Administrative expenses	-	(590)	590
Other charges	-	704	(704)
Net changes	81,428	(75,371)	156,799
Balance at December 31, 2022	\$ 796,774	\$ 858,250	\$ (61,476)

Net pension asset amounts are allocated between the governmental and business-type activities on the Statement of Net Position. The governmental activities portion of the asset is \$43,033 and the business-type portion is \$18,443.

***Sensitivity of the Net Pension Asset to Changes in the Discount Rate***

The following presents the net pension asset of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension asset would have been 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.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 3: RETIREMENT PLANS (Continued)**

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 45,254	\$ (61,476)	\$ (148,397)

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

For the year ended September 30, 2023 the City recognized pension expense in the amount of \$56,448. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 3,748	\$ 22,013
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings (net of current year amortization)	61,516	-
Contributions subsequent to the measurement date	33,003	-
<b>Total</b>	<b>\$ 98,267</b>	<b>\$ 22,013</b>

\$33,003 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a an offset to the net pension asset for the year ending September 30, 2024. 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,	
2024	\$ (9,288)
2025	10,244
2026	16,154
2027	26,141
2028	-
Thereafter	-
<b>Total</b>	<b>\$ 43,251</b>

**Note 4: OTHER POST EMPLOYMENT BENEFITS**

***Plan Description and Benefits***

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

***Employees covered by benefit terms***

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
<u>Active employees</u>	<u>25</u>
<u>Total members</u>	<u>32</u>

***Contributions***

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Employees for the City of Primera were required to contribute 0.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Primera were 0.12% and 0.20% in calendar year 2022 and 2023, respectively. The City’s contributions to the TMRS for the year ended September 30, 2023 were \$2,018, and were equal to the required contributions.

**Note 4: OTHER POST EMPLOYMENT BENEFITS (Continued)**

***Actuarial assumptions:***

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation date:	12/31/2022
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount rate*	4.05%
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 male 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.

\*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period of December 31, 2014 to December 31, 2018.

***Total OPEB Liability***

The City's Total OPEB Liability was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 4: OTHER POST EMPLOYMENT BENEFITS (Continued)**

The following presents a summary of the changes in total OPEB liability:

	Increase (Decrease) Total OPEB Liability (a)
Balance at December 31, 2021	\$ 46,214
Changes for the year	
Service cost	3,593
Interest	881
Change in benefit terms	-
Difference between expected/actual experience	(5,455)
Changes of assumptions	(17,498)
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(263)
Administrative expenses	-
Other charges	-
Net changes	(18,742)
Balance at December 31, 2022	\$ 27,472

OPEB liability amounts are allocated between the governmental and business-type activities on the Statement of Net Position. The governmental activities portion of the liability is \$19,230 and the business-type portion is \$8,242.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or 1 percentage point higher (5.05%) than the current rate.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's total OPEB liability	\$ 33,965	\$ 27,472	\$ 22,642

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 4: OTHER POST EMPLOYMENT BENEFITS (Continued)**

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

For the year ended September 30, 2023 the City recognized combined OPEB expense in the amount of \$2,582. At September 30, 2023 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 economic experience (net of current year amortization)	\$ -	\$ 6,056
Changes in actuarial assumptions	8,373	15,342
Differences between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	1,622	-
<b>Total</b>	<b>\$ 9,995</b>	<b>\$ 21,398</b>

\$1,622 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ending September 30,	
2024	\$ (1,890)
2025	(2,210)
2026	(1,888)
2027	(2,604)
2028	(3,272)
Thereafter	(1,161)
<b>Total</b>	<b>\$ (13,025)</b>

**Note 5: RISK MANAGEMENT**

The City of Primera, Texas is exposed to various uncertainties related to intentional and unintentional torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; health and dental medical claims by employees; and job-related accidents and injuries for which the City carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year; no negative settlements or jury awards have exceeded insurance coverage in any of the past three years. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City is not aware of any pending claims for which expected liability would exceed the limits of the present insurance coverage.

**Note 6: COMMITMENTS AND CONTINGENT LIABILITIES**

The City received a substantial portion of its financial resources in the form of federal grants. Expenditures of such funds generally requires compliance with terms and conditions specified in the grant agreement. These funds are also subject to audit by the grantor agency. Any disallowed costs resulting from such audit could become the responsibility of the City and repayment could be requested from nonfederal resources.

From time to time, the City is involved in litigation claims against it that are generally incidental to its operations. It is the opinion of the City's attorney and management that the City's liability in those cases that are not covered by liability insurance will not be material to the financial statements. Accordingly, no provision has been made in the financial statements for these contingent liabilities.

**City of Primera, Texas**  
**Notes to Financial Statements**

**Note 7: WATER SERVICE RATES**

The City of Primera has established the following water rates based on the rate order dated October 25, 2022:

	<u>Within the City</u>	<u>Outside the City</u>
Minimum charge for up to 2,000 gallons	\$17.50	\$20.05
2,000 to 10,000 gallons	3.29 per 1,000	3.78 per 1,000
Above 10,000 gallons	3.98 per 1,000	4.58 per 1,000
 Water:		
¾" water meter tap fee	\$300 per meter per lot	\$450 per meter per lot
1" water meter tap fee	\$525 per meter per lot	\$525 per meter per lot
Water impact fee	\$200 per lot	\$600 per lot
 Sewer:		
Sewer tap fee	\$450 per lot	\$600 per lot
Sewer impact fee	\$200 per lot	\$200 per lot
 Customer service inspection fee	 \$60	 \$60

**Note 8: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after September 30, 2023 through July 12, 2024, the date of the current year's financial statements were available to be issued.

The City obtained the following debt issuances during fiscal year 2023-2024:

- Certificates of Obligation Series 2024 in amount of (\$7,735,000.00) for the need of a New City Hall construction, Primera Volunteer Fire Department equipment purchases, Public Works and Police Department equipment purchases

The City obtained the following grants during fiscal year 2023-2024:

- TX-CDBG GRANT CDV23-0348 in the amount of about (\$500,000.00) for Street Rehabilitation
- TX-CDBG GLO RCP E497 (\$123,953.00) for Planning and Administrative Services
- TX-CDBG-DR GLO E225 (\$1,000,000.00) for Sewer Improvements





# **REQUIRED SUPPLEMENTARY INFORMATION**



**City of Primera, Texas**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

*For the year ended September 30, 2023*

	Budget		Actual	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 955,764	\$ 974,420	\$ 982,113	\$ 7,693
Charges for services	157,350	157,350	219,509	62,159
Licenses and permits	120,000	120,000	115,632	(4,368)
Fines and forfeits	58,600	58,600	58,076	(524)
Franchise fees	150,000	150,000	143,933	(6,067)
Intergovernmental	342,100	133,563	231,501	97,938
Sales tax	155,000	204,023	204,023	-
Trash and brush	472,500	472,500	461,707	(10,793)
Other revenues	37,800	58,026	72,295	14,269
Interest income	4,000	4,000	3,142	(858)
<b>Total revenues</b>	<b>2,453,114</b>	<b>2,332,482</b>	<b>2,491,931</b>	<b>159,449</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	697,476	671,141	560,769	110,372
Public safety	735,138	759,318	683,712	75,606
Public works	774,961	771,828	762,537	9,291
Health and welfare	-	60,000	71,485	(11,485)
Capital outlay	207,177	314,794	312,904	1,890
<b>Total expenditures</b>	<b>2,414,752</b>	<b>2,577,081</b>	<b>2,391,407</b>	<b>185,674</b>
Excess (deficiency) of revenues over (under) expenditures	38,362	(244,599)	100,524	345,123
<b>Other financing sources (uses)</b>				
Transfers out	(38,263)	(97,528)	(41,721)	(139,249)
<b>Total other financing sources (uses)</b>	<b>(38,263)</b>	<b>(97,528)</b>	<b>(41,721)</b>	<b>(139,249)</b>
<b>Net change in fund balance</b>	<b>\$ 99</b>	<b>\$ (342,127)</b>	<b>58,803</b>	<b>\$ 205,874</b>
Fund balance, beginning of year			2,511,178	
Fund balance, end of year			\$ 2,569,981	

**City of Primera, Texas**  
**Notes to Required Supplementary Information**

**Stewardship, compliance, and accountability**

**Budgetary information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and some major Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

As required by state law, the Mayor submits to the City Council the proposed executive budget for the fiscal year prior to the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the City Council. The original annual appropriated budgets are adopted by resolutions by the City Council prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.

The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the City Council.

Actual expenditures were lower than final budgeted expenditures by \$185,674. The City budgeted a significant amount for repairs in public works and public safety, anticipating more repairs to occur during the year. In addition, not all capital outlay that had been anticipated in the budget was expended by year end.

**City of Primera, Texas**  
**Schedule of Changes in Net Pension Asset and Related Ratios**  
**For Agent Multiple Employer Pension Plan –**  
**Texas Municipal Retirement System**

<i>For the Plan Years Ended December 31,</i>	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 84,576	\$ 52,055	\$ 47,545	\$ 35,270	\$ 32,872	\$ 32,729	\$ 33,208	\$ 33,585	\$ 31,935
Interest (on the total pension liability)	51,062	43,638	41,152	37,440	34,917	35,546	35,425	31,834	28,306
Changes of benefit terms	28,379	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(23,523)	9,792	(32,232)	(4,107)	(4,518)	(34,416)	(31,348)	509	(2,853)
Change of assumptions	-	-	-	1,836	-	-	-	17,254	-
Benefit payments, including refunds of employee contributions	(59,066)	(21,190)	(22,610)	(20,553)	(33,641)	(52,839)	(17,674)	(8,233)	(7,374)
<b>Net Change in Total Pension Liability</b>	<b>81,428</b>	<b>84,295</b>	<b>33,855</b>	<b>49,886</b>	<b>29,630</b>	<b>(18,980)</b>	<b>19,611</b>	<b>74,949</b>	<b>50,014</b>
<b>Total Pension Liability - Beginning</b>	<b>715,346</b>	<b>631,051</b>	<b>597,196</b>	<b>547,310</b>	<b>517,680</b>	<b>536,660</b>	<b>517,049</b>	<b>442,100</b>	<b>392,086</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 796,774</b>	<b>\$ 715,346</b>	<b>\$ 631,051</b>	<b>\$ 597,196</b>	<b>\$ 547,310</b>	<b>\$ 517,680</b>	<b>\$ 536,660</b>	<b>\$ 517,049</b>	<b>\$ 442,100</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 7,450	\$ 5,124	\$ (4)	\$ 344	\$ 2,731	\$ 4,062	\$ 1,761	\$ 1,101	\$ 4,640
Contributions - employee	43,822	39,198	37,203	28,675	26,256	26,058	26,609	27,756	24,684
Net investment income	(67,691)	104,382	55,448	96,726	(19,587)	82,474	37,039	780	27,475
Benefit payments, including refunds of employee contributions	(59,066)	(21,190)	(22,610)	(20,553)	(33,641)	(52,839)	(17,674)	(8,233)	(7,374)
Administrative expense	(590)	(487)	(361)	(553)	(380)	(429)	(420)	(476)	(287)
Other	704	3	(14)	(17)	(20)	(22)	(23)	(24)	(24)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(75,371)</b>	<b>127,030</b>	<b>69,662</b>	<b>104,622</b>	<b>(24,641)</b>	<b>59,304</b>	<b>47,292</b>	<b>20,904</b>	<b>49,114</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>933,621</b>	<b>806,591</b>	<b>736,929</b>	<b>632,307</b>	<b>656,948</b>	<b>597,644</b>	<b>550,352</b>	<b>529,447</b>	<b>480,333</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 858,250</b>	<b>\$ 933,621</b>	<b>\$ 806,591</b>	<b>\$ 736,929</b>	<b>\$ 632,307</b>	<b>\$ 656,948</b>	<b>\$ 597,644</b>	<b>\$ 550,351</b>	<b>\$ 529,447</b>
<b>Net Pension Asset - Ending (a) - (b)</b>	<b>\$ (61,476)</b>	<b>\$ (218,275)</b>	<b>\$ (175,540)</b>	<b>\$ (139,733)</b>	<b>\$ (84,997)</b>	<b>\$ (139,268)</b>	<b>\$ (60,984)</b>	<b>\$ (33,302)</b>	<b>\$ (87,347)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>130.51%</b>	<b>130.51%</b>	<b>127.82%</b>	<b>123.40%</b>	<b>115.53%</b>	<b>126.90%</b>	<b>111.36%</b>	<b>106.44%</b>	<b>119.76%</b>
<b>Covered Payroll</b>	<b>\$ 876,437</b>	<b>\$ 783,961</b>	<b>\$ 744,050</b>	<b>\$ 573,498</b>	<b>\$ 525,115</b>	<b>\$ 521,163</b>	<b>\$ 532,179</b>	<b>\$ 555,121</b>	<b>\$ 493,681</b>
<b>Net Pension Asset as a Percentage of Covered Payroll</b>	<b>-7.01%</b>	<b>-27.84%</b>	<b>-23.59%</b>	<b>-24.37%</b>	<b>-16.19%</b>	<b>-26.72%</b>	<b>-11.46%</b>	<b>-6.00%</b>	<b>-17.69%</b>

***GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.***

**City of Primera, Texas**  
**Schedule of Contributions**  
**For Agent Multiple Employer Pension Plan –**  
**Texas Municipal Retirement System**

<i>For the Year Ended September 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 34,849	\$ 6,952	\$ 3,699	\$ 108	\$ 974	\$ 3,023	\$ 4,447	\$ 2,477	\$ (2,739)
Contributions in relation to actuarially determined contribution	(34,849)	(6,952)	(3,699)	(108)	(974)	(3,023)	(4,447)	(2,477)	(2,739)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,478)</b>
Covered payroll	\$ 1,042,064	\$ 871,064	\$ 773,308	\$ 707,407	\$ 535,757	\$ 515,284	\$ 532,179	\$ 540,569	\$ 522,733
Contributions as a percentage of covered payroll	3.34%	0.80%	0.48%	0.02%	0.18%	0.59%	0.84%	0.46%	0.52%

***GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.***

**City of Primera, Texas**  
**Notes to Schedule of Contributions**  
**For Agent Multiple Employer Pension Plan –**  
**Texas Municipal Retirement System**

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table based on rates that are specific to the City’s plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:** There were no benefit changes during the year.

***GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.***

**City of Primera, Texas**

**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Texas Municipal Retirement System – Supplemental Death Benefits Fund**

For the Plan Year ended December 31,	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 3,593	\$ 3,998	\$ 2,679	\$ 1,491	\$ 1,838	\$ 1,563
Interest (on the total OPEB liability)	881	849	892	892	793	730
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(5,455)	(720)	(838)	(994)	(140)	-
Change of assumptions	(17,498)	1,752	6,794	6,477	(2,143)	2,264
Benefit payments, including refunds of employee contributions	(263)	(235)	(74)	(115)	(53)	(52)
<b>Net Change in Total OPEB Liability</b>	<b>(18,742)</b>	<b>5,644</b>	<b>9,453</b>	<b>7,751</b>	<b>295</b>	<b>4,505</b>
<b>Total OPEB Liability - Beginning</b>	<b>46,214</b>	<b>40,570</b>	<b>31,117</b>	<b>23,366</b>	<b>23,071</b>	<b>18,566</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 27,472</b>	<b>\$ 46,214</b>	<b>\$ 40,570</b>	<b>\$ 31,117</b>	<b>\$ 23,366</b>	<b>\$ 23,071</b>
<b>Covered Employee Payroll</b>	<b>\$ 876,437</b>	<b>\$ 783,961</b>	<b>\$ 744,050</b>	<b>\$ 573,498</b>	<b>\$ 525,115</b>	<b>\$ 521,163</b>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>3.13%</b>	<b>5.89%</b>	<b>5.45%</b>	<b>5.43%</b>	<b>4.45%</b>	<b>4.43%</b>

Notes to Schedule:

- (1) Schedule is intended to show 10 years. Additional years will be presented as the information becomes available.
- (2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
- (3) Due to the SDBF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.



# OTHER SUPPLEMENTARY INFORMATION





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City of Primera, Texas  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

September 30, 2023

	Special Revenue Funds							Total Non Major Governmental Funds
	TxCDBG Grant GLO-DR 5527	TPWD Grant 50-00458	Tech Fee Fund	TxCDBG Grant 7216389	TxDOT Grant 0921-06-311	TxCDBG Grant 7219340	Rio Bravo Cir. & Rio Panoco Ave.	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,692	\$ 1,664	\$ -	\$ 937	\$ -	\$ 264	\$ -	\$ 4,557
Cash and cash equivalents - restricted	-	-	15,386	-	-	-	-	15,386
Receivables, net								
Other	-	-	-	-	-	-	4,476	4,476
Due from other funds	-	-	31,890	15	-	12,855	4,904	49,664
<b>Total assets</b>	<b>\$ 1,692</b>	<b>\$ 1,664</b>	<b>\$ 47,276</b>	<b>\$ 952</b>	<b>\$ -</b>	<b>\$ 13,119</b>	<b>\$ 9,380</b>	<b>\$ 74,083</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,380	\$ 9,380
Due to other funds	1,692	-	36,901	952	-	15	-	39,560
<b>Total liabilities</b>	<b>1,692</b>	<b>-</b>	<b>36,901</b>	<b>952</b>	<b>-</b>	<b>15</b>	<b>9,380</b>	<b>48,940</b>
<b>FUND BALANCE (DEFICIT)</b>								
Restricted for:								
Municipal court technology	-	-	10,375	-	-	-	-	10,375
Federal grant fund projects	-	1,664	-	-	-	13,104	-	14,768
<b>Total fund balance (deficit)</b>	<b>-</b>	<b>1,664</b>	<b>10,375</b>	<b>-</b>	<b>-</b>	<b>13,104</b>	<b>-</b>	<b>25,143</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,692</b>	<b>\$ 1,664</b>	<b>\$ 47,276</b>	<b>\$ 952</b>	<b>\$ -</b>	<b>\$ 13,119</b>	<b>\$ 9,380</b>	<b>\$ 74,083</b>

City of Primera, Texas

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

For the year ended September 30, 2023

	Special Revenue Funds							Total Non Major Governmental Funds
	TxCDBG Grant GLO-DR 5527	TPWD Grant 50-00458	Tech Fee Fund	TxCDBG Grant 7216389	TxDOT Grant 0921-06-311	TxCDBG Grant 7219340	Rio Bravo Cir. & Rio Panoco Ave.	
<b>Revenues</b>								
Fines and forfeits	\$ -	\$ -	\$ 4,460	\$ -	\$ -	\$ -	\$ -	\$ 4,460
Intergovernmental	-	-	-	-	-	-	141,147	141,147
Interest income	-	-	9	-	-	-	-	9
<b>Total revenues</b>	-	-	4,469	-	-	-	141,147	145,616
<b>Expenditures</b>								
Current								
Public works	-	-	3,379	-	-	-	-	3,379
Capital outlay	-	-	-	-	18,363	-	164,505	182,868
<b>Total expenditures</b>	-	-	3,379	-	18,363	-	164,505	186,247
Excess (deficiency) of revenues over (under) expenditures	-	-	1,090	-	(18,363)	-	(23,358)	(40,631)
Other financing sources (uses)								
Transfers in	-	-	-	-	18,363	-	23,358	41,721
<b>Total other financing sources (uses)</b>	-	-	-	-	18,363	-	23,358	41,721
Net change in fund balance	-	-	1,090	-	-	-	-	1,090
Fund balance (deficit), beginning of year	-	1,664	9,285	-	-	13,104	-	24,053
<b>Fund balance (deficit), end of year</b>	\$ -	\$ 1,664	\$ 10,375	\$ -	\$ -	\$ 13,104	\$ -	\$ 25,143

City of Primera, Texas  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,469,958	\$ 1,785,840
Investments	258,233	256,595
Receivables, net		
Property taxes, net of allowance	62,380	68,836
Trash and brush service	39,977	30,821
Other	120,690	111,155
Due from other funds	709,627	1,658,016
Due from component unit	46,139	25,021
<b>Total assets</b>	<b>\$ 3,707,004</b>	<b>\$ 3,936,284</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 365,221	\$ 511,718
Due to other funds	437,823	479,260
Due to component unit	-	9,523
Unearned revenue	276,844	361,578
<b>Total liabilities</b>	<b>1,079,888</b>	<b>1,362,079</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	57,135	63,027
<b>Total deferred inflows of resources</b>	<b>57,135</b>	<b>63,027</b>
<b>FUND BALANCE</b>		
Unassigned	2,569,981	2,511,178
<b>Total fund balance</b>	<b>2,569,981</b>	<b>2,511,178</b>
Total liabilities, deferred inflows of resources and fund balance	<b>\$ 3,707,004</b>	<b>\$ 3,936,284</b>

**GENERAL FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Property taxes	\$ 982,113	\$ 926,587
Charges for services	219,509	163,734
Licenses and permits	115,632	130,814
Fines and forfeits	58,076	54,395
Franchise fees	143,933	142,387
Intergovernmental	231,501	974,911
Sales tax	204,023	168,683
Trash and brush	461,707	463,356
Other revenues	72,295	111,434
Interest income	3,142	3,675
<b>Total revenues</b>	<b>2,491,931</b>	<b>3,139,976</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	560,769	633,584
Public safety	683,712	671,858
Public works	762,537	719,086
Health and welfare	71,485	-
Capital outlay	312,904	740,316
<b>Total expenditures</b>	<b>2,391,407</b>	<b>2,764,844</b>
Excess (deficiency) of revenues over (under) expenditures	<b>100,524</b>	375,132
<b>Other financing sources (uses)</b>		
Gain from sale of assets	-	3,500
Transfers out	(41,721)	(118,052)
<b>Total other financing sources (uses)</b>	<b>(41,721)</b>	<b>(114,552)</b>
Net change in fund balance	<b>58,803</b>	260,580
Fund balance, beginning of year	<b>2,511,178</b>	2,250,598
Fund balance, end of year	<b>\$ 2,569,981</b>	<b>\$ 2,511,178</b>

City of Primera, Texas  
**DEBT SERVICE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	2022
<b>ASSETS</b>		
Cash and cash equivalents - restricted	\$ 60,152	\$ 12,295
Receivables, net		
Property taxes, net of allowance	14,209	15,451
Prepaid expenditures	-	32,063
Due from other funds	394,249	390,124
<b>Total assets</b>	<b>\$ 468,610</b>	<b>\$ 449,933</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 635
Due to other funds	351,426	351,426
<b>Total liabilities</b>	<b>351,426</b>	<b>352,061</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	13,011	15,451
<b>Total deferred inflows of resources</b>	<b>13,011</b>	<b>15,451</b>
<b>FUND BALANCE</b>		
Restricted for:		
Debt service	104,173	82,421
<b>Total fund balance</b>	<b>104,173</b>	<b>82,421</b>
 Total liabilities, deferred inflows of resources and fund balance	 <b>\$ 468,610</b>	 <b>\$ 449,933</b>

**DEBT SERVICE FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	2022
Revenues		
Property taxes	\$ 227,919	\$ 203,080
Interest income	137	30
Total revenues	<b>228,056</b>	203,110
Expenditures		
Current		
General government	7,179	6,977
Debt service		
Principal	135,000	130,000
Interest	64,125	68,675
Total expenditures	<b>206,304</b>	205,652
Excess (deficiency) of revenues over (under) expenditures	<b>21,752</b>	(2,542)
Other financing sources (uses)		
Transfers in	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	<b>21,752</b>	(2,542)
Fund balance, beginning of year	<b>82,421</b>	84,963
Fund balance, end of year	<b>\$ 104,173</b>	\$ 82,421

City of Primera, Texas  
**TX CDBG GRANT 7219340**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 264	\$ 264
Due from other funds	12,855	12,855
Total assets	<b>\$ 13,119</b>	<b>\$ 13,119</b>
<b>LIABILITIES</b>		
Due to other funds	\$ 15	\$ 15
Total liabilities	<b>15</b>	<b>15</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	-	-
Total deferred inflows of resources	-	-
<b>FUND BALANCE</b>		
Restricted for:		
Capital projects	13,104	13,104
Total fund balance	<b>13,104</b>	<b>13,104</b>
Total liabilities and fund balance	<b>\$ 13,119</b>	<b>\$ 13,119</b>



**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	2022
Revenues		
Property taxes	\$ -	\$ -
Total revenues	-	-
Expenditures		
Current		
General government	-	-
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-
Other financing sources (uses)		
Transfers in	-	12,857
Total other financing sources (uses)	-	12,857
Net change in fund balance	-	12,857
Fund balance, beginning of year	<b>13,104</b>	247
Fund balance, end of year	<b>\$ 13,104</b>	\$ 13,104

City of Primera, Texas  
**TXCDBG GRANT GLO-DR 5527**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,692	\$ 1,692
Total assets	<b>\$ 1,692</b>	<b>\$ 1,692</b>
<b>LIABILITIES</b>		
Due to other funds	\$ 1,692	\$ 1,692
Total liabilities	<b>1,692</b>	<b>1,692</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	-	-
Total deferred inflows of resources	-	-
<b>FUND BALANCE</b>		
Unassigned	-	-
Total fund balance (deficit)	-	-
Total liabilities and fund balance	<b>\$ 1,692</b>	<b>\$ 1,692</b>

City of Primera, Texas  
**TXCDBG GRANT GLO-DR 5527**  
**SPECIAL REVENUE FUND**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Revenues		
Property taxes	\$ -	\$ -
Total revenues	-	-
Expenditures		
Current		
General government	-	-
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-
Other financing sources (uses)		
Transfers in	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	-	-
Fund balance (deficit), beginning of year	-	-
Fund balance (deficit), end of year	\$ -	\$ -

City of Primera, Texas  
**TPWD GRANT 50-00458 FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,664	\$ 1,664
Total assets	\$ 1,664	\$ 1,664
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	-	-
Total deferred inflows of resources	-	-
<b>FUND BALANCE</b>		
Restricted for:		
Federal Grant Fund Projects	1,664	1,664
Total fund balance (deficit)	1,664	1,664
Total liabilities and fund balance	\$ 1,664	\$ 1,664

City of Primera, Texas

**TPWD GRANT 50-00458 FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	2022
Revenues		
Property taxes	\$ -	\$ -
Total revenues	-	-
Expenditures		
Current		
General government	-	-
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-
Other financing sources (uses)		
Transfers in	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	-	-
Fund balance (deficit), beginning of year	<b>1,664</b>	1,664
Fund balance (deficit), end of year	<b>\$ 1,664</b>	\$ 1,664

City of Primera, Texas  
**TECHNOLOGY FEE FUND**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	2022
<b>ASSETS</b>		
Cash and cash equivalents - restricted	\$ 15,386	\$ 12,036
Due from other funds	31,890	33,301
Total assets	<b>\$ 47,276</b>	<b>\$ 45,337</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 763
Due to other funds	36,901	35,289
Total liabilities	<b>36,901</b>	<b>36,052</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	-	-
Total deferred inflows of resources	-	-
<b>FUND BALANCE</b>		
Restricted for:		
Municipal court technology	10,375	9,285
Total fund balance	<b>10,375</b>	<b>9,285</b>
Total liabilities and fund balance	<b>\$ 47,276</b>	<b>\$ 45,337</b>

City of Primera, Texas

**TECHNOLOGY FEE FUND  
SPECIAL REVENUE FUND**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Revenues		
Fines and forfeits	\$ 4,460	\$ 4,150
Interest income	9	9
Total revenues	<b>4,469</b>	4,159
Expenditures		
Current		
Public works	<b>3,379</b>	4,012
Total expenditures	<b>3,379</b>	4,012
Excess (deficiency) of revenues over (under) expenditures	<b>1,090</b>	147
Other financing sources (uses)		
Transfers in	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	<b>1,090</b>	147
Fund balance, beginning of year	<b>9,285</b>	9,138
Fund balance, end of year	<b>\$ 10,375</b>	\$ 9,285

City of Primera, Texas  
**TX CDBG GRANT 7216389**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 937	\$ 937
Due from other funds	15	15
Total assets	\$ 952	\$ 952
<b>LIABILITIES</b>		
Due to other funds	\$ 952	\$ 952
Total liabilities	952	952
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	-	-
Total deferred inflows of resources	-	-
<b>FUND BALANCE</b>		
Unassigned	-	-
Total fund balance (deficit)	-	-
Total liabilities and fund balance	\$ 952	\$ 952



City of Primera, Texas  
**TX CDBG GRANT 7216389**  
**SPECIAL REVENUE FUND**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Revenues		
Property taxes	\$ -	\$ -
Total revenues	-	-
Expenditures		
Current		
General government	-	-
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-
Other financing sources (uses)		
Transfers in	-	-
Total other financing sources (uses)	-	-
Net change in fund balance	-	-
Fund balance (deficit), beginning of year	-	-
Fund balance (deficit), end of year	\$ -	\$ -

City of Primera, Texas  
**TXDOT GRANT 0921-06-311**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Total assets	\$ -	\$ -
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	-	-
Total deferred inflows of resources	-	-
<b>FUND BALANCE</b>		
Unassigned	-	-
Total fund balance	-	-
Total liabilities and fund balance	\$ -	\$ -

City of Primera, Texas  
**TXDOT GRANT 0921-06-311**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Revenues		
Property taxes	\$ -	\$ -
Total revenues	-	-
Expenditures		
Current		
Capital outlay	<b>18,363</b>	105,195
Total expenditures	<b>18,363</b>	105,195
Excess (deficiency) of revenues over (under) expenditures	<b>(18,363)</b>	(105,195)
Other financing sources (uses)		
Transfers in	<b>18,363</b>	105,195
Total other financing sources (uses)	<b>18,363</b>	105,195
Net change in fund balance	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	\$ -	\$ -

City of Primera, Texas  
**RIO BRAVO CIR. & RIO PANOCO AVE.**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	2022
<b>ASSETS</b>		
Receivables, net		
Other	\$ 4,476	\$ 16,134
Due from other funds	4,904	-
Total assets	\$ 9,380	\$ 16,134
<b>LIABILITIES</b>		
Accounts payable	\$ 9,380	\$ 16,134
Total liabilities	9,380	16,134
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	-	-
Total deferred inflows of resources	-	-
<b>FUND BALANCE</b>		
Restricted for:		
Federal grant fund projects	-	-
Total fund balance	-	-
Total liabilities		
and fund balance	\$ 9,380	\$ 16,134

City of Primera, Texas  
**RIO BRAVO CIR. & RIO PANOCO AVE.**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	2022
Revenues		
Intergovernmental	\$ 141,147	\$ 16,134
Total revenues	<b>141,147</b>	16,134
Expenditures		
Current		
Capital outlay	<b>164,505</b>	16,134
Total expenditures	<b>164,505</b>	16,134
Excess (deficiency) of revenues over (under) expenditures	<b>(23,358)</b>	-
Other financing sources (uses)		
Transfers in	<b>23,358</b>	-
Total other financing sources (uses)	<b>23,358</b>	-
Net change in fund balance	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	\$ -	\$ -

City of Primera, Texas  
**WATER AND SEWER FUND**  
**ENTERPRISE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current assets		
Cash and cash equivalents	\$ 1,065,742	\$ 2,378,350
Investments	272,693	269,509
Receivables		
Services receivable	191,048	148,768
Due from other funds	-	49,055
<b>Total current assets</b>	<b>1,529,483</b>	<b>2,845,682</b>
Noncurrent assets		
Cash and cash equivalents - restricted	6,560,772	783,742
Net pension asset	18,443	99,795
Capital Assets		
Nondepreciable assets		
Land and water rights	526,079	29,932
Construction in progress	256,993	91,132
Depreciable assets		
Buildings	103,930	103,930
Vehicles	496,062	449,703
Machinery and equipment	320,298	253,930
Infrastructure	13,868,542	13,810,163
Accumulated depreciation	(6,222,204)	(5,762,862)
<b>Total capital assets</b>	<b>9,349,700</b>	<b>8,975,928</b>
<b>Total noncurrent assets</b>	<b>15,928,915</b>	<b>9,859,465</b>
<b>Total assets</b>	<b>17,458,398</b>	<b>12,705,147</b>
Deferred outflows of resources		
Pension related	29,480	5,779
OPEB related	2,998	5,295
<b>Total deferred outflows of resources</b>	<b>32,478</b>	<b>11,074</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 17,490,876</b>	<b>\$ 12,716,221</b>

City of Primera, Texas  
**WATER AND SEWER FUND**  
**ENTERPRISE FUND**  
**COMPARATIVE BALANCE SHEETS - Continued**

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
Current liabilities		
Accounts payable	\$ 182,216	\$ 74,808
Due to other funds	324,731	1,274,732
Current portion - noncurrent liabilities	95,680	69,087
Unearned revenues - principal forgiveness	75,000	-
Unearned revenues - grants	87,000	87,000
Total current liabilities	<b>764,627</b>	1,505,627
Payable from restricted assets		
Customer deposits	143,099	138,674
Total payable from restricted assets	<b>143,099</b>	138,674
Noncurrent liabilities		
Bonds payable, net of current portion	6,078,320	171,000
OPEB liability	8,242	21,129
Financing agreement payable, net of current portion	323,158	323,158
Compensated absences, net of current portion	1,402	2,116
Total noncurrent liabilities	<b>6,411,122</b>	517,403
Total liabilities	<b>7,318,848</b>	2,161,704
Deferred inflows of resources		
Pension related	6,604	32,784
OPEB related	6,419	1,266
Total deferred inflows of resources	<b>13,023</b>	34,050
Net Position		
Net investment in capital assets	8,908,475	8,412,683
Restricted	507,839	783,742
Unrestricted	742,691	1,324,042
Total net position	<b>10,159,005</b>	10,520,467
Total liabilities, deferred inflows of resources and net position	<b>\$ 17,490,876</b>	\$ 12,716,221

City of Primera, Texas

**WATER AND SEWER FUND  
ENTERPRISE FUND**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN NET POSITION**

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Operating revenues		
Water use charges	\$ 837,758	\$ 719,421
Sewer use charges	667,976	549,846
Meter and tap fees, late charges	37,024	27,703
Renter deposits	4,050	-
Total operating revenues	<b>1,546,808</b>	1,296,970
Operating expenses		
Contractual services	419,017	454,866
Office expenses	23,387	34,525
Supplies	42,868	26,641
Equipment rental	16,913	8,353
Travel	172	838
Utilities and telephone	10,588	13,605
Gas and parts expense	7,225	17,244
Salary - water	184,641	150,471
Salary - sewer	184,637	150,294
Insurance	71,238	66,372
Payroll tax, TMRS & OPEB expense	63,580	3,883
Professional fees	430,981	63,257
Miscellaneous	39,191	28,178
Sewer - expenses	34,968	79,994
Depreciation	459,342	441,751
Total operating expenses	<b>1,988,748</b>	1,540,272
Operating income	<b>(441,940)</b>	(243,302)
Nonoperating revenues (expenses)		
Other revenues	26,616	19,350
Interest earned	66,199	2,832
Interest expense	(12,337)	(13,874)
Total nonoperating revenues (expenses)	<b>80,478</b>	8,308
Net gain (loss) before transfers and capital contributions	<b>(361,462)</b>	(234,994)
Transfers and capital contributions		
Transfers out	-	-
Total transfers and capital contributions	-	-
CHANGE IN NET POSITION	<b>(361,462)</b>	(234,994)
Net position, beginning of year	<b>10,520,467</b>	10,755,461
Net position, end of year	<b>\$ 10,159,005</b>	\$ 10,520,467



City of Primera, Texas  
**WATER AND SEWER FUND**  
**ENTERPRISE FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Cash flows from operating activities		
Cash received from customers	\$ 1,504,528	\$ 1,288,413
Cash paid to suppliers	(989,140)	(757,669)
Cash paid to employees	(407,538)	(319,714)
Net cash provided by (used in) operating activities	<b>107,850</b>	<b>211,030</b>
Cash flows from (to) noncapital financing activities		
(Increase) decrease in due from other funds	49,055	(49,055)
Increase (decrease) in due to other funds	(950,001)	1,033,597
Net cash provided by (used in) noncapital financing activities	<b>(900,946)</b>	<b>984,542</b>
Cash flows from (to) capital and related financing activities		
Equipment purchases	(833,114)	(104,592)
Customer deposits	4,425	8,000
Proceeds from long-term debt issuance	6,000,000	-
Proceeds from escrow issuance	75,000	-
Principal paid on long-term debt	(66,087)	(62,550)
Interest paid	(12,337)	(13,874)
Other nonoperating income	26,616	19,350
Net cash provided by (used in) capital and related financing activities	<b>5,194,503</b>	<b>(153,666)</b>
Cash flows from investing activities		
Interest income received	66,199	2,832
(Purchases) dispositions of investments	(3,184)	(807)
Net cash provided by (used in) investing activities	<b>63,015</b>	<b>2,025</b>
Net increase (decrease) in cash and cash equivalents	<b>4,464,422</b>	<b>1,043,931</b>
Cash and cash equivalents, beginning of year	<b>3,162,092</b>	<b>2,118,161</b>
Cash and cash equivalents, end of year	<b>\$ 7,626,514</b>	<b>\$ 3,162,092</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (441,940)	\$ (243,302)
Adjustments to reconcile operating loss from operations to net cash from operating activities:		
Depreciation	459,342	441,751
Decrease in water and sewer receivable	(42,280)	(8,557)
Decrease in net pension asset	81,352	(19,538)
Increase in deferred outflows related to pensions	(23,701)	(3,691)
Decrease in deferred outflows related to OPEB	2,297	239
Decrease in accounts payable and accrued expenses	107,408	36,204
Decrease in deferred inflows related to pensions	(26,180)	5,154
Increase in deferred inflows related to OPEB	5,153	12
Increase in OPEB liability	(12,887)	2,580
Increase in compensated absences	(714)	178
Total adjustments	<b>549,790</b>	<b>454,332</b>
Net cash provided by (used in) operating activities	<b>\$ 107,850</b>	<b>\$ 211,030</b>
Supplemental schedule of noncash activities		
Capital contributions	\$ -	\$ -

City of Primera, Texas  
**ECONOMIC DEVELOPMENT CORPORATION**  
**COMPONENT UNIT**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2023</b>	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 683,830	\$ 658,332
Investments	78,622	78,222
Due from primary government	43,022	9,513
Total assets	<b>\$ 805,474</b>	<b>\$ 746,067</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 10,524	\$ 1,630
Due to primary government	89,161	25,011
Total liabilities	<b>99,685</b>	<b>26,641</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		
Property taxes (net)	-	-
Total deferred inflows of resources	-	-
<b>FUND BALANCE</b>		
Unassigned	705,789	719,426
Total fund balance	<b>705,789</b>	<b>719,426</b>
Total liabilities and fund balance	<b>\$ 805,474</b>	<b>\$ 746,067</b>

City of Primera, Texas

**RECONCILIATION OF THE BALANCE SHEET OF THE  
ECONOMIC DEVELOPMENT CORPORATION TO THE  
STATEMENT OF NET POSITION**

*September 30, 2023*

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Fund balance for component unit	\$ 705,789
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Amounts reported in the statement of net position  
are different because:

Capital assets are not financial resources and therefore are not reported in the fund.	58,607
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Net position of component unit	\$ 764,396
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City of Primera, Texas

**ECONOMIC DEVELOPMENT CORPORATION**  
**COMPONENT UNIT**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND BALANCE**

<i>For the years ended September 30,</i>	<b>2023</b>	2022
Revenues		
Sales tax	\$ 122,414	\$ 112,536
Other revenues	5,250	-
Interest income	584	444
<b>Total revenues</b>	<b>128,248</b>	112,980
Expenditures		
Current		
General government	141,885	35,783
<b>Total expenditures</b>	<b>141,885</b>	35,783
Excess (deficiency) of revenues over (under) expenditures	<b>(13,637)</b>	77,197
Other financing sources (uses)		
Proceeds from sale of asset	-	223,980
<b>Total other financing sources (uses)</b>	<b>-</b>	223,980
Net change in fund balance	<b>(13,637)</b>	301,177
Fund balance, beginning of year	<b>719,426</b>	418,249
Fund balance, end of year	<b>\$ 705,789</b>	\$ 719,426

City of Primera, Texas

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE OF THE ECONOMIC DEVELOPMENT  
CORPORATION  
TO THE STATEMENT OF ACTIVITIES**

*For the year ended September 30, 2023*

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Net change in fund balance - component unit	\$ (13,637)
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Amounts reported in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$57,085 exceeded depreciation (\$5,255) in the current period.

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	51,830
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Change in net position - component unit	\$ 38,193
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## COMPLIANCE SECTION



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Primera, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Primera, Texas’ basic financial statements and have issued our report thereon dated July 12, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Primera, Texas’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Primera, Texas’ internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Primera, Texas’ internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Primera, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Harlingen, Texas  
July 12, 2024

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**City of Primera, Texas**  
**Schedule of Findings and Responses**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
* Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
* Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

**City of Primera, Texas  
Schedule of Findings and Responses**

**Section II – Findings Relating to the Financial Statement Audit as Required to Be  
Reported in Accordance with Generally Accepted Government Auditing Standards**

None identified in the current year.

**City of Primera, Texas  
Schedule of Findings and Responses  
Summary Schedule of Prior Audit Findings**

**DESCRIPTION**

**STATUS OF PRIOR YEAR FINDINGS**

**Reference Number: (2022-001)**

**Interfund Balances**

The City's interfund discrepancies were resolved during the fiscal year.

**Reference Number: (2022-002)**

**Pledged Collateral for EDC Bank Accounts**

Management resolved the issue on December 2022. The City and EDC were properly collateralized during the fiscal year.

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**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

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April 3, 2025

Norton Rose Fulbright US LLP  
98 San Jacinto Boulevard, Suite 1100  
Austin, Texas 78701-4255  
United States

Tel +1 512 474 5201  
Fax +1 512 536 4598  
nortonrosefulbright.com

## FINAL

IN REGARD to the authorization and issuance of the “City of Primera, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025” (the *Certificates*), dated March 1, 2025 in the aggregate principal amount of \$5,000,000. We have reviewed the legality and validity of the issuance thereof by the City Commission of the City of Primera, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of April 15 in each of the years 2028 through 2034, April 15, 2036, April 15, 2038, April 15, 2040, April 15, 2042, April 15, 2045, April 15, 2046, April 15, 2048, April 15, 2050, April 15, 2052 and April 15, 2055, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer’s combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Commission of the Issuer in connection with the issuance of the Certificates, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the

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202219386.4

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**Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF PRIMERA, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025”**

conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of the currently outstanding Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, or Additional Limited Pledge Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Subordinate Lien Obligations that are payable in part from and secured by a lien on and pledge of a subordinate and inferior amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Subordinate Lien Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with

**Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF PRIMERA, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025”**

subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS 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 our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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**APPENDIX E**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By \_\_\_\_\_  
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)





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