NEW ISSUE
BOOK-ENTRY-ONLY

OFFICIAL STATEMENT
June 9, 2025

RATINGS:
Moody's: "Baa2"
S&P: "A-"/"AA" (AG Insured)
(See "RATINGS", "BOND INSURANCE", and "BOND INSURANCE RISK FACTORS" herein.)

In the opinion of Bond Counsel, interest on the Certificates (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

CITY OF MISSION, TEXAS
(a Political Subdivision and Municipal Corporation of the State of Texas Located in Hidalgo County)

$9,900,000
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: June 1, 2025 (Interest accrues from the Delivery Date) **Due: February 15, as shown on page ii**

The $9,900,000 City of Mission, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") are being issued pursuant to the laws of the State of Texas, including Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council of the City of Mission, Texas (the "City") on June 9, 2025 (see "THE CERTIFICATES - Authority for Issuance" herein).

The Certificates constitute direct and general Certificates of the City payable from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law (see "THE CERTIFICATES - Security and Source of Payment" and "- Tax Rate Limitations" herein). Additionally, the Certificates also are secured with a pledge of the Net Revenues from the operation of the City's Waterworks and Sewer System (not to exceed $1,000) (see "THE CERTIFICATES – Security and Source of Payment", –"Limited Pledge of Waterworks and Sewer System Revenues"). Interest on the Certificates will accrue from the Delivery Date (defined below) and will be payable on August 15 and February 15 of each year, commencing February 15, 2026, 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 Certificates 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 UMB Bank, N.A. Austin, Texas, as 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.)

Proceeds from the sale of the Certificates will be used for (i) street and road improvements, (ii) drainage improvements, (iii) utility system improvements, (iv) park and recreational facility, and (v) cost of professional services incurred in connection therewith. (see "THE CERTIFICATES – Purpose").

SEE MATURITY SCHEDULE ON PAGE II

ASSURED GUARANTY® The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.**

The Certificates are offered when, as and if issued and accepted by the initial purchaser (the "Underwriters"), subject to the approval of legality by the Attorney General of the State of Texas and the Perez Law Firm, PLLC, McAllen, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Jackson Walker LLP, San Antonio, Texas. The Certificates are expected to be available for initial delivery through the services of DTC on or about July 1, 2025 (the "Delivery Date").

SAMCO CAPITAL **HILLTOPSECURITIES**

STATED MATURITY SCHEDULE
CUSIP Base Number: 605128

$9,900,000
CITY OF MISSION, TEXAS
Combination Tax and Revenue Certificates of Obligation, Series 2025

Stated Maturity (February 15)	Principal Amount	Interest Rate	Initial Price or Yield [(1)]	CUSIP Suffix [(2)]
2026	450,000	5.000%	3.180%	VQ7
2027	305,000	5.000%	3.220%	VR5
2028	320,000	5.000%	3.280%	VS3
2029	340,000	5.000%	3.340%	VT1
2030	355,000	5.000%	3.440%	VU8
2031	375,000	5.000%	3.520%	VV6
2032	390,000	5.000%	3.620%	VW4
2033	415,000	5.000%	3.720%	VX2
2034	435,000	5.000%	3.840%	VY0
2035	455,000	5.000%	4.020%	VZ7
2036	480,000	5.000%	4.150% [(3)]	WA1
2037	505,000	5.000%	4.260% [(3)]	WB9
2038	530,000	5.000%	4.390% [(3)]	WC7
2039	555,000	5.000%	4.490% [(3)]	WD5
2040	585,000	5.000%	4.600% [(3)]	WE3
2041	615,000	5.000%	4.710% [(3)]	WF0
***	***	***	***	***
2044	715,000	5.000%	5.000%	WJ2
2045	750,000	5.000%	5.050%	WK9

$ 1,325,000 5.000% Term Certificate Due February 15, 2043 Priced to Yield 4.940% [(1)] [(3)] CUSIP [(2)] Suffix: WH6

(Interest to accrue from the Delivery Date)

The City reserves the right, at its sole option, to redeem Certificates having stated maturities on or after February 15, 2036 in whole or in part thereof, in principal amounts of $5,000 or any integral multiple thereof on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES – Optional Redemption.") Additionally, the Certificates maturing on February 15, 2043 are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts described herein under "THE CERTIFICATES – Mandatory Sinking Fund Redemption".

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(1) Yield represents the initial offering yield to the public which has been established by the Underwriters for offers to the public and which may by subsequently changed by the Underwriters and is the sole responsibility of the Underwriters.

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Certificates. None of the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

(3) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2035, the first optional redemption date for such Certificates at a redemption price of par, plus accrued interest to the redemption date.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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

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

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

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

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE 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 SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, THE FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM OR ANY POTENTIAL BOND INSURER OR ITS MUNICIPAL BOND GUARANTY POLICY AS DESCRIBED HEREIN UNDER THE CAPTIONS "BOND INSURANCE" AND "BOND INSURANCE RISK FACTORS."

Assured Guaranty Inc. (“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”.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The City	The City of Mission (the "City") is a political subdivision and municipal corporation of the State located in Hidalgo County, Texas. The City covers approximately 22 square miles and is located near the Texas-Mexico Border. (See Appendix B – "General Information Regarding the City of Mission and Hidalgo County, Texas").
The Certificates	The Certificates are being issued as $9,900,000 Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") and will be dated June 1, 2025. The Certificates will be issued as serial Certificates maturing February 15 in the years 2026 through 2045 and as "Term Certificates" Maturing on February 15, 2043 (see "THE CERTIFICATES – General Description"). Interest on the Certificates will accrue from the Delivery Date (detailed below) and will be paid semiannually on February 15 and August 15, commencing February 15, 2026, until maturity or prior redemption.
Use of Proceeds	Proceeds from the sale of the Certificates will be used for (i) street and road improvements, (ii) drainage improvements, (iii) utility system improvements, (iv) park and recreational facility, and (v) cost of professional services incurred in connection therewith.
Paying Agent/Registrar	The initial Paying Agent/Registrar is UMB Bank, N.A. Austin, Texas, (see "REGISTRATION, TRANSFER AND EXCHANGE – Initial Paying Agent/Registrar" herein). Initially, the City intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK ENTRY-ONLY SYSTEM" herein.)
Authorization and Security	The Certificates will constitute direct Certificates of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, as amended, and an ordinance adopted by the City Council. The Certificates are payable from a continuing and direct annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Certificates. Additionally, the Certificates also are secured with a pledge of the Net Revenues from the operation of the City's Waterworks and Sewer System (not to exceed $1,000), as provided in the ordinance authorizing the Certificates.
Optional Redemption	The City reserves the right, at its sole option, to redeem Certificates having stated maturities on or after February 15, 2036, in whole or in part thereof, in principal amounts of $5,000 or any integral multiple thereof on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES – Optional Redemption" herein.)
Mandatory Redemption	The Term Certificates are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts described herein under "THE CERTIFICATES – Mandatory Sinking Fund Redemption".
Tax Exemption	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.
Bond Insurance	The scheduled payment of principal of 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.** (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

Ratings	S&P Global Ratings, Inc. ("S&P") is expected to assign its municipal bond insured rating of "AA" to the Certificates with the understanding that upon issuance and delivery of the Certificates, the Policy insuring the timely payment of the principal and interest on the Certificates will be issued by AG. S&P has also assigned an underlying rating of "A-" (Negative Outlook) to the Certificates and Moody's has assigned an underlying rating of "Baa2" to the Certificates. (See "RATINGS", "BOND INSURANCE" and BOND INSURANCE RISK FACTORS" herein.)
Payment Record	The City has never defaulted on the payment of its bonded indebtedness.
Future Bond Issues	In close proximity with the Certificates, the Mission Economic Development Corporation is issuing its $10,315,000* Sales and Use Tax Revenue Refunding Bonds, Series 2025 (the "Sales Tax Bonds"). This Official Statement describes only the Certificates. Investors interested in purchasing the Sales Tax Bonds should review the respective offering document produced in relation thereto.
Delivery Date	When issued, anticipated on or about July 1, 2025.

*Preliminary, subject to change.

CITY ADMINISTRATION

ELECTED OFFICIALS

Mayor	Length of Service	Term Expires	Occupation
Norie Gonzalez Garza	18 Years	May 2026	Realtor

City Council	Length of Service	Term Expires	Occupation
Ruben Plata Mayor Pro-Tem /Council Member	18 Years	May 2028	Banker
Jessica Ortega Council Member	11 Years	May 2026	Educator
Marissa Ortega Gerlach Council Member	7 Years	May 2026	Business Owner
Jose Alberto Vela Council Member	6 Years	May 2028	Pharmacist

APPOINTED OFFICIALS

Name	Position	Length of Service
Mike R. Perez	City Manager	37 Years in Position 1 Years with the City
Vidal Roman	Finance Director	4 Years in Position 1 Years with the City
JP Terrazas, P.E., CPM	Assistant City Manager	3 Years in Position 11 Years with the City
Andy Garcia	Assistant City Manager	1.5 Years in Position 1.5 Years with the City
Anna Carillo	City Secretary	14 Years in Position 20 Years with the City

CONSULTANTS AND ADVISORS

Bond Counsel .... Perez Law Firm, PLLC
McAllen, Texas

Certified Public Accountants .... Carr, Riggs & Ingram, LLC
McAllen, Texas

Financial Advisor .... Estrada Hinojosa
Edinburg, Texas

For additional information regarding the City, please contact:

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The Cover Page, Table of Contents, Appendices and Schedule attached hereto are part of the Official Statement

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OFFICIAL STATEMENT
relating to

CITY OF MISSION, TEXAS
(Hidalgo County)

$9,900,000 Combination Tax and Revenue Certificates of Obligation, Series 2025

INTRODUCTORY STATEMENT

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

There follows in this Official Statement a description of the Certificates and certain information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City and, during the offering period, from the Financial Advisor, upon payment of reasonable copying, handling, and delivery charges. Certain capitalized terms used in the Official Statement have meanings assigned to them in the ordinance authorizing issuance of the Certificates (the "Certificate Ordinance"), except as otherwise indicated herein.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board, via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES

General Description

The Certificates will be dated June 1, 2025, and will be issued in fully-registered form, in denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Certificates will accrue from the Delivery Date (as defined on the front cover herof) and interest will be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2026, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Certificates will mature on the dates and in the amounts as set forth on page ii hereof.

Principal and interest on the Certificates will be paid by UMB Bank, N.A. Austin, Texas, (the "Paying Agent/Registrar"). Subject to the requirements associated with the use of the Book-Entry-Only System, interest will be paid by check dated as of the interest payment date and mailed first class, postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners (the "Owners") appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense, of such Owner. Principal will be paid to the Owners at maturity or redemption upon presentation and surrender of the Certificates to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorize to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The City will initially use the Book-Entry Only System of The Depository Trust Company ("DTC") New York, New York in regard to the issuance, payment and transfer of the Certificates. Such system will affect the timing and method of payment of the Certificates (see "BOOK-ENTRY ONLY SYSTEM" herein).

Purpose

Proceeds from the sale of the Certificates will be used for (i) street and road improvements, (ii) drainage improvements, (iii) utility system improvements, (iv) park and recreational facility, and (v) cost of professional services incurred in connection therewith.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance adopted by the City Council.

Legality

The Certificates are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the legal opinion of the Perez Law Firm, PLLC, McAllen, Texas, Bond Counsel (see "LEGAL MATTERS" herein).

Security and Source of Payment

Tax Pledge. . . The Certificates constitute direct Certificates of the City payable from a continuing and direct annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "THE CERTIFICATES - Tax Rate Limitations" below).

Limited Pledge of Waterworks and Sewer System Revenues . . . The Certificates are additionally secured by a limited pledged of Net Revenues from the City's Waterworks and Sewer System in an amount not to exceed $1,000 as set forth in the Certificates Ordinance.

Tax Rate Limitations

Article XI, Section 5 of the Constitution of the State of Texas provides that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness may not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate the constitutional restriction or the Texas Attorney General's administrative policy. See "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations."

Optional Redemption

The City reserves the right, at its sole option, to redeem Certificates having stated maturities on or after February 15, 2036 in whole or in part thereof, in principal amounts of $5,000 or any integral multiple thereof on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption

The Certificates maturing on February 15, 2043 (the "Term Certificates") are also subject to mandatory sinking fund redemption by lot or other customary random method prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

Term Certificates
Maturing February 15, 2043

Redemption Date	Principal Amount
February 15, 2042	$645,000
February 15, 2043*	680,000

____
*Stated Maturity

The principal amount of Term Certificates of a stated maturity 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 of the same maturity which, at least 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 set forth above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption For The Certificates

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 the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY

PRESUMED TO HAVE BEEN DULY GIVEN AND, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN (AND NOT RESCINDED) AND FUNDS TO PAY THE REDEMPTION PRICE OF SAID CERTIFICATES HAVING BEEN PROVIDED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC Redemption and Notice Provisions

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, 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 Direct 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 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 account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption 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 persons for whom DTC Participants, or beneficial owners of the selection of portions of the Certificates for redemption.

Defeasance

The Ordinances provide for the defeasance of the Certificates when payment of the principal of and premium, if any, on Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that "Defeasance Securities" means (1) direct, noncallable Certificates of the United States of America, including Certificates that are unconditionally guaranteed by the United States of America, (2) noncallable Certificates of an agency or instrumentality of the United States of America, including Certificates that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (3) noncallable Certificates of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (4) any other then authorized securities or Certificates under applicable state law that may be used to defease Certificates such as the Certificates. The City has additionally reserved the right to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. 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

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing such Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of such Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify such Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under such Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding respective Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

Record Date

The record date ("Record Date") for determining the person to whom the interest is payable on the Certificates on any interest payment date means the last business day of the month next preceding the date that each interest payment is 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 from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Certificates

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable by the registered owner of the uncalled balance of a Certificate.

Sources and Uses of Certificate Proceeds

The following table shows the estimated sources and uses of the proceeds of the Certificates:

Sources:	
Par Amount	$ 9,900,000.00
Net Premium	377,391.10
Total Sources of Funds	$ 10,277,391.10
Uses:	
Project Fund	$ 10,000,000.00
Costs of Issuance (1)	205,647.24
Underwriters' Discount	71,743.86
Total Uses of Funds	$ 10,277,391.10

(1) Includes Bond Insurance.

BOOK-ENTRY-ONLY SYSTEM

This section 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 Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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 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 industries. 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 Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for 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 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, 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 Paying Agent/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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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).

All 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 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. Payments on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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 depository is not obtained, Certificates are required to be printed and delivered.

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

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 Book-Entry-Only form, 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, payment or notices that are to be given to Registered Owners under the Ordinance will be given only to DTC.

ENFORCEMENT OF REMEDIES

Default and Remedies

The Ordinance establishes specific events of default as: (1) failure to pay interest, principal or premium, if any, on the Certificates or the (2) failure to perform or observe duly or punctually any other covenant, condition or agreement contained in the Certificates or in the Ordinances and to be performed by the City. In addition to all the rights and remedies provided by the laws of the State of Texas, the City has covenanted and agreed that in the event the City (a) defaults in the payment of principal of or interest on any of the Certificates when due, or (b) fails to make the payments required by the Ordinance for the benefit of the Certificates, or (c) defaults in the observance or performance of any other of the covenants, conditions or Certificates set forth in the Ordinance, the following remedies shall be available as stated in the Ordinance: The registered owner or owners of any of the Certificates shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring officers of the City, to observe and perform any covenant, obligation or condition prescribed in this Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such power or right or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The issuance of a writ of mandamus may be sought 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 remedy 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 owners of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of the Certificates may not be able to bring such a suit against the City for breach of the Certificates, as the case may be, or the Ordinance's covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. 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 owners of the Certificates 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 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.

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 March 31, 2025:

- The policyholders' surplus of AG was approximately $3,522 million.
- The contingency reserve of AG was approximately $1,421 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,416 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 the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025).

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 Bonds 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 RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. 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 bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by AG (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the Certificates of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond 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 of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Certificates insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See description of "RATINGS" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City or Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

REGISTRATION, TRANSFER AND EXCHANGE

Initial Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A. Austin, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar for the Certificates. If a Paying Agent/Registrar is replaced by the City, such Paying Agent/Registrar, promptly upon the appointment of its successor, is required to deliver the registration records to the successor Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City shall promptly cause a written notice of such change to be sent to each registered owner of the Certificates affected by the change, by United States mail, first class postage prepaid, which notice shall give the address for the new Paying Agent/Registrar.

Future Registration

In the event the use of the "Book-Entry-Only System" for the Certificates should be discontinued, printed certificates evidencing the Certificates will be delivered to the Registered Owners of the Certificates affected thereby and thereafter such Certificates may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed security certificates 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. The Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new Registered Owner at the Registered Owner's request, risk and expense. To the extent possible, new security certificates issued in an exchange or transfer of Certificates will be delivered to the

Registered Owner or assignee of the 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 owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New security certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 of principal amount for any one maturity or any integral multiple thereof and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Mutilated, Destroyed, Lost, or Stolen Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal 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 satisfying to them 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 indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

Payment Record

The City has never defaulted on the payment of its bonded indebtedness.

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.

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 Hidalgo County 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 property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of 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.

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 to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended. Section 11.35 of the Property Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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 Certificates of such taxing units. See "AD VALOREM PROPERTY TAXATION" – City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

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

"AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

Public Hearing and Maintenance and Operation Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article XI, Section 5 of the Constitution of the State of Texas provides that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness may not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collection. The issuance of the Certificates does not violate the constitutional restriction or the Texas Attorney General's administrative policy.

City and Taxpayer Remedies

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

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

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

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. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. 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. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

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

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

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

City Application of Property Tax Code

The City does grant a local option exemption of the market value of all residence homesteads.

The City does not grant a local option exemption of the market value of the residence homestead of persons 65 years of age or older.

The City does grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

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

The City does not tax Freeport Property.

The City does not tax Goods-in-Transit.

The City has not adopted a tax abatement policy with respect to certain areas within the City.

The City does participate in a TIRZ. On September 24, 2001, the City approved a Tax Increment Reinvestment Zone (the "Reinvestment Zone") under Chapter 311 of the Tax Code and on December 10, 2001 approved an enlargement to that Reinvestment Zone. The Reinvestment Zone became effective on January 1, 2002. The total area included in the Reinvestment Zone is approximately 7,295.63 acres. Accordingly, the tax revenue from the incremental value of these approximately 7,406 acres and improvements thereon, is not available to the City to use for the repayment of bonds. Only the value of the acreage for the 2001 base tax year is available for levy to pay the Certificates. Tax revenues generated from the incremental value in the zone are allocable to expenditures within the Zone, including the payment of debt service on the bonds issued solely to make improvements in the Zone.

INVESTMENTS

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

Legal Investments

Under Texas law (Texas Public Funds Investment Act; Chapter 2256, Texas Government Code, as amended), the City is authorized to invest in the following:

(1) Certificates, including letters of credit, of the United States or its agencies and instrumentalities,

(2) direct Certificates of the State of Texas or its agencies and instrumentalities;

(3) collateralized mortgage Certificates directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other Certificates, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including Certificates that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) Certificates of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent,

(6) bonds issued, assumed or guaranteed by the State of Israel;

(7) certificates of deposit and share certificates, respectively, meeting the requirements of the Texas Public Funds Investment Act (a) that are issued, by or through an institution that has its main office or a branch office in Texas and are guaranteed, respectively, or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by Certificates described in clauses (1) through (6) above, or in any other manner and amount provided by law for City deposits; or (b) that are invested by the City through (i) a broker whose services are legally procured by the City that has its main office or a branch office in this state and is selected from a list of qualified brokers reviewed, revised and adopted at least annually by the City to undertake investment transactions with the entity, or (ii) a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code); and (c) the selected broker or the depository institution selected by the City (i) arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (ii) the City appoints (A) a qualified depository, or (B) a qualified custodian which may include: (I) a state or national bank (II) that is designated by the State Comptroller as a state depository; (III) has it main office or a branch office in this state; and (IV) has a capital stock and permanent surplus of $5 million or more; or (is has its main office or a branch office in this state;

or (V) the Texas Treasury Safekeeping Trust Company; a Federal Reserve Bank or a branch of a Federal Reserve Bank; or federal home loan bank.

(8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and Certificates described in clause (1) above which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party custodian selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or through a financial institution doing business in the State;

(9) bankers' acceptances with the remaining term of 270 days or fewer from the date of issuance, which will be, in accordance with their terms, liquidated in full at maturity; are eligible collateral for borrowing from a Federal Reserve Bank, if the short-term Certificates of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency;

(10) commercial paper with the remaining term of 270 days or less from the date of issuance that is rated at least A-1 or P-1 or the equivalent by at least (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank,

(11) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share,

(12) no-load mutual fund registered with the United States Securities and Exchange Commission that: have an average weighted maturity of less than two years, invest exclusively in Certificates described in the preceding clauses and clause, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent;

(13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent and bonds issued, assumed or guaranteed by the State of Israel;

(14) If specifically authorized in the Order or Resolution authorizing the issuance of bonds or other policies, bond proceeds may be invested in guaranteed investment contracts ("GICs") that have a defined termination date and are secured by Certificates of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds under such contract, other than as prohibited as described under "Prohibited Investments". For GICs to be eligible as an authorized investment, (1) GICs must be specifically authorized by the governing body of the City in the order, ordinance, or resolution authorizing the issuance of bonds; (2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received; (3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received; (4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and (5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(15) The City may enter into securities lending programs if (a) the value of the securities loaned under the program, including the accrued interest thereon, are fully collateralized; a loan made under the program allows for termination at any time; and a loan made under the program is either secured by (i) Certificates that are described in clauses (1) through (6) and clause (13) above, (ii) pledged irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (iii) cash invested in Certificates described in clauses (1) through (6) and clauses (10), (11) and (12) above, or an authorized investment pool; (b) securities held as collateral under a loan are pledged to the City or a third party designated by the City; (c) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (d) the agreement to lend securities has a term of one year or less.

Prohibited Investments

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

Investments Through An Investment Pool

The City may invest its funds and funds under its control through an eligible investment pool if the board of trustees of the City by rule, order or resolution, as appropriate, authorizes investment in the particular pool. To be eligible, an investment pool must invest the funds it receives from the City in authorized investments permitted by the Act, including mutual funds and must furnish to the City's investment officer or other authorized representative of the City an offering circular or other similar disclosure instrument that contains, at a minimum, the following information: the types of investments in which money is allowed to be invested; the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool; the maximum stated maturity date any investment security within the portfolio has; the objectives of the pool; the size of the pool; the names of the members of the advisory board of the pool and the dates their terms expire; the custodian bank that will safe keep the pool's assets; whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation; whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment; the name and address of the independent auditor of the pool; the requirements to be satisfied for a City to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the City to invest funds in and withdraw funds from the pool; and the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

In order to maintain eligibility to receive funds from and invest funds on behalf of the City, an investment pool must disclose to the City's investment officer in its offering circular or other disclosure report, and, on its internet site if it operates an internet site, the information required to be disclosed under the previous paragraph hereof; and also furnish to the investment officer or other authorized representative of the City: investment transaction confirmations; and a monthly report that contains, at a minimum, the following information: (A) the types and percentage breakdown of securities in which the pool is invested; (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool; (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year; (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation; (E) the size of the pool; (F) the number of participants in the pool; (G) the custodian bank that is safekeeping the assets of the pool; (H) a listing of daily transaction activity of the City participating in the pool; (I) the yield and expense ratio of the pool (yield, and how yield is calculated, must be reported to pool investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds,); (J) the portfolio managers of the pool; and (K) any changes or addenda to the offering circular; (k) an annual audited financial statement of the investment pool in which the City has funds; (L); if the pool in its advertising offers fee breakpoints based on fund balances invested, to include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

The City may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

A public funds investment pool created to function as a money market mutual fund must: mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005; must have an advisory board composed: (A) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool managed by a state agency; or (B) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment owned by the City and the maximum average dollar-weighted maturity allowed for pooled fund groups and methods to monitor the market price of investments acquired with public funds and the liquidation of such investments consistent with the requirement that investments not retaining a minimum rating do not qualify as an authorized investment and should be liquidated;. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Additional Provisions

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no load mutual funds in the aggregate to no more than

15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

See Appendix A – Table 12 for description of the City's current investments.

PENSION PLANS AND DEFERRED COMPENSATION PLANS

All qualified employees of the City are members of the Texas Municipal Retirement System. Covered employees of the City contribute 7% of gross covered salary. The City's contribution is determined annually by actuarial study as a percent of gross covered payroll. For the calendar year 2025, the rate was 8.77%. For additional information, refer to the notes to the Combined Financial Statements for the year ended September 30, 2023, in Appendix C herein.

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, the Perez Law Firm, PLLC, McAllen, Texas, Bond Counsel, will render its respective opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"),
(1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as a tax preference item, the interest on which would be included as an alternative minimum tax of individuals or corporations under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix D-- Form of Bond Counsel's Opinion.

In rendering its opinions, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificates, (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinions of Bond Counsel are conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinions represent its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the owners of the Certificates may have no right to participate in such procedure. No additional interest will be paid by the City upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the maturity amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments made thereon. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year. Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue 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 Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt Certificates.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt Certificates, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

LITIGATION

Various lawsuits pending against the City involve claims relating to general liability, automotive liability, workers' compensation, civil rights actions, and various contractual matters. In the opinion of the City's management, the outcome of the pending litigation will not have a material adverse effect on the City's financial position or operations.

Federal Investigation Relating to Lease Purchase Agreement

On March 25, 2021, the City entered into a tax-exempt lease purchase agreement (the "LPA") with Performance Services, Inc. ("PSI") with respect to the financing of the acquisition and installation of water meters and led lighting throughout the City for energy savings. The amount of the LPA totaled $17,247,078.49. In 2021, the Federal Bureau of Investigation (the "FBI") issued a subpoena to the City requesting information relating to the procurement and approval of the LPA with PSI. The City complied with providing the requested information. The City is unaware of the existence or status of any FBI investigation relating to this matter.

CYBERSECURITY EVENT

On February 28, 2025, the City's entire computer network suffered a cybersecurity incident such that the City's entire server and back up servers were encrypted by ransomware (the "Cybersecurity Event"). The City has resolved the Cybersecurity Event and approximately ninety-five percent of the information lost has been recovered. The City carried cybersecurity insurance at the time of the Cybersecurity Event. The Cybersecurity Event did not have a material adverse impact on the City's finances. See "CONTINUING DISCLOSURE OF INFORMATION-compliance with prior undertakings". In response to the Cybersecurity Event, the City has (1) engaged a 24/7 cybersecurity monitoring service, (2) partnered with the University of Texas Rio Grande Valley and the Alamo Regional Security Operation Centers for best practices and cybersecurity assessments, (3) established immutable back-up solutions, (4) migrated local applications to the Cloud, (5) provided for ongoing employee cybersecurity training, and (6) improved network segregation and security posture with new, robust firewalls.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Securities Act of 1933 (the "Act"), as amended, in reliance upon exemptions provided in such Act. The Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they 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 or qualification provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at 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.

LEGAL MATTERS

The delivery of the Certificates is subject to the approval of the Attorney General of Texas to the effect that the Certificates are valid and legally binding Certificates 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 that the Certificates are additionally secured by a limited pledge on the Net Revenue from the City's Waterworks and Sewer System in an amount not to exceed 1,000, and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix D. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by the Jackson Walker LLP, San Antonio, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Certificates.

Bond Counsel was engaged by, and only represents, the City. 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. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions "THE CERTIFICATES", "REGISTRATION, TRANSFER AND EXCHANGE" (except under the sub-caption "Payment Record"), "TAX MATTERS", "REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "LEGAL MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the sub-caption "Compliance With Prior Undertakings") and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and sub-captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance.

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 expressly 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 from the transaction.

RATINGS

S&P Global Ratings, Inc. ("S&P") is expected to assign its municipal bond insured rating of "AA" to the Certificates with the understanding that upon issuance and delivery of the Certificates, the Policy insuring the timely payment of the principal and interest on the Certificates will be issued by AG. S&P has also assigned an underlying rating of "A-" (Negative Outlook) to the Certificates and Moody's has assigned an underlying rating of "Baa2" to the Certificates. An explanation of the significance of such ratings may be obtained from the rating agency. The rating of the Certificates by Moody's and S&P reflects only the views of said companies at the time the rating is given, and the City makes no representations as to the appropriateness of the ratings. There is no assurance that ratings will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by either rating agency if, in the judgment of said company, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Certificates.

AUTHENTICITY OF FINANCIAL INFORMATION

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

USE OF INFORMATION IN 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 does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at a price equal to the initial public offering price set forth on the inside front cover of this official statement, less an underwriting discount of $71,743.86. The Underwriters' Certificates are subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing the Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

SAMCO Capital Markets Inc., as 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.

FINANCIAL ADVISOR

Estrada Hinojosa (the "Financial Advisor") is employed as Financial Advisor to the City. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Certificates are based on the amount of Certificates actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Certificates.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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 thereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the 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 material events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Appendix A of this Official Statement under Tables 1 through 7 and 9 through 12. The City will update and provide this information within six months after the end of each fiscal year in and after 2025. The City will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2025.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes 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.

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

Notice of Occurrence of Certain Events

The City also will provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or 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) Certificates calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrar or change of name of the 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 a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Certificates nor the Ordinance make any provision for liquidity enhancement, credit enhancement, or require the funding of debt service reserves.

For these purposes, (a) any event described in clause (12) of 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 the 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.

Notice of Failure to Timely File

The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

Availability of Information

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 the Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Certificates in the primary offering of the Certificates. If the City so amends the provisions of either of the agreements described above, it shall include with any financial information or operating data next provided in accordance with such agreement an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Compliance with Prior Undertakings

For fiscal year ending September 30, 2024 ("FYE 2024), and because of the impact on availability to data caused by a cybersecurity event, the City did not file its annual financial operating information or its unaudited financial statements by the required date of March 31, 2025. See "CYBERSECURITY EVENT" herein. On April 9, 2025 the City filed a notice of material event citing the failure to file such information by the required date. On June 4, 2025, the City filed its FYE 2024 annual financial operating information and its unaudited financial statements with the MSRB via EMMA.

The City entered into a lease purchase agreement on March 25, 2021 in the amount of $17,247,078.49. The City did not timely file a material event disclosure relating to the entering into of this financial obligation as required by the Rule. On June 4, 2025, the City filed a material event notice regarding this financial obligation with the MSRB via EMMA. The City has instituted new internal procedures to ensure timely filing of future required financial disclosures.

MISCELLANEOUS

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the re-offering of the Certificates by the Underwriters.

This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

ATTEST:

/s/ Anna Carillo	*/s/ Norie Gonzalez Garza*
City Secretary	Mayor
City of Mission, Texas	City of Mission, Texas

APPENDIX A

FINANCIAL INFORMATION REGARDING
THE CITY OF MISSION, TEXAS

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Table 1 - Valuation, Exemptions, and Debt Certificates

2024 Market Valuation Established by Hidalgo County Appraisal District		$ 8,080,107,045
Less Exemptions/Reductions at 100% Market Value:		
Productivity Loss	$ 128,488,827	
Homestead Cap	322,915,252	
Charitable Exemption	-	
Disabled	3,540,000	
Disabled Veterans Exemptions	121,563,197	
Exempt Property	517,427,144	
House Bill 366 Exemption	264,017	
Freeport	100,269,440	
Historical	-	
Low Income Housing	11,404,569	
Leased Vehicle Expense	-	
Abatements	-	
Solar Exemption	1,373,188	
Pollution Control	6,727,200	
Over 65	56,826,271	$ 1,270,799,105
2024 Net Taxable Assessed Valuation		$ 6,809,307,940

General Obligation Debt Payable from Ad Valorem Taxes as of July 1, 2025

General Obligation Refunding Bonds, Series 2016	$ 2,130,000	
Combination Tax and Revenue Certificates of Obligation, Series 2016	8,530,000	
Combination Tax and Revenue Certificates of Obligation, Series 2018	7,985,000	
General Obligation Refunding Bonds, Series 2021	2,025,000	
Combination Tax and Revenue Certificates of Obligation, Series 2021	16,785,000	
The Certificates	9,900,000	
		$ 47,355,000
Gross Funded Debt Payable From Ad Valorem Taxes		$ 47,355,000
Interest and Sinking Fund (as of 9/30/2024)		$ 1,835,773 [1]
Ratio Funded Debt to Taxable Assessed Valuation	0.70%	

2025 Estimated Population -	88,251
Per Capita Taxable Assessed Valuation -	$ 77,158
Per Capita Funded Debt -	$ 537

Source: Hidalgo County Appraisal District.

[1] Unaudited

Table 2 - Assessed Valuation by Category

	Taxable Appraised Value for the Fiscal Year Ending September 30,					
	2025		2024		2023	
Category	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single-Family	$ 5,232,443,343	64.76%	$ 4,856,770,577	64.10%	$ 4,331,478,336	69.29%
Real, Residential, Multi-Family	309,890,136	3.84%	290,706,100	3.84%	245,837,206	3.93%
Real, Vacant Lots/Tracts	194,684,326	2.41%	145,232,641	1.92%	147,043,492	2.35%
Real, Acreage (Land Only)	132,049,776	1.63%	127,871,365	1.69%	126,733,262	2.03%
Real, Farm and Ranch Improvements	44,837,513	0.55%	44,138,003	0.58%	41,324,378	0.66%
Rural Land (non qualified)	-	0.00%	-	0.00%	-	0.00%
Real, Commercial/Industrial	930,847,315	11.52%	892,230,047	11.78%	860,998,607	13.77%
Real, Oil and Gas	-	0.00%	-	0.00%	-	0.00%
Tangible Non-Business Vehicles	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	73,810,088	0.91%	69,465,598	0.92%	66,696,143	1.07%
Tangible Personal, Commercial/Industrial	552,200,817	6.83%	576,701,929	7.61%	358,126,926	5.73%
Tangible Personal, Mobile Homes	29,052,578	0.36%	28,524,080	0.38%	23,369,486	0.37%
Tangible Personal, Other	-	0.00%	-	0.00%	-	0.00%
Real Property, Inventory	11,991,042	0.15%	19,111,105	0.25%	17,997,447	0.29%
Exempt Property	538,021,421	6.66%	494,261,985	6.52%	-	0.00%
Special Inventory	30,278,690	0.37%	31,485,602	0.42%	31,458,749	0.50%
Total Appraised Value Before Exemptions	$ 8,080,107,045	100.00%	$ 7,576,499,032	100.00%	$ 6,251,064,032	100.00%
Less: Total Exemptions/Reductions	(1,270,799,105)		(1,196,522,766)		(540,253,946)	
Net Taxable Assessed Valuation	$ 6,809,307,940		$ 6,379,976,266		$ 5,710,810,086	

	2022		2021	
Category	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single-Family	$ 3,617,918,465	57.88%	$ 3,251,873,385	59.99%
Real, Residential, Multi-Family	224,652,276	3.59%	208,278,651	3.84%
Real, Vacant Lots/Tracts	159,698,095	2.55%	132,937,925	2.45%
Real, Acreage (Land Only)	125,778,054	2.01%	129,283,054	2.38%
Real, Farm and Ranch Improvements	36,585,900	0.59%	35,784,177	0.66%
Rural Land (non qualified)	-	0.00%	-	0.00%
Real, Commercial/Industrial	820,972,281	13.13%	826,696,439	15.25%
Real, Oil and Gas	-	0.00%	-	0.00%
Tangible Non-Business Vehicles	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	63,449,846	1.02%	64,657,384	1.19%
Tangible Personal, Commercial/Industrial	306,784,152	4.91%	299,214,597	5.52%
Tangible Personal, Mobile Homes	22,757,491	0.36%	19,005,463	0.35%
Tangible Personal, Other	-	0.00%	-	0.00%
Real Property, Inventory	17,994,361	0.29%	25,673,610	0.47%
Special Inventory	-	0.00%	21,751,241	0.40%
Exempt Property	24,549,025	0.39%	-	0.00%
Total Appraised Value Before Exemptions	$ 5,421,139,946	86.72%	$ 5,015,155,926	92.51%
Less: Total Exemptions/Reductions	(345,029,939)		(317,927,462)	
Net Taxable Assessed Valuation	$ 5,076,110,007		$ 4,697,228,464	

Source: Hidalgo County Appraisal District.

Table 3: Valuation and Funded Debt History

Fiscal Year Ended 9/30	Net Taxable Assessed Valuation	Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Net Taxable Assessed Valuation
2016	$ 3,844,000,756	$ 26,645,000	0.69%
2017	4,079,416,450	39,860,083	0.98%
2018	4,134,332,814	36,235,000	0.88%
2019	4,224,845,048	44,043,316	1.04%
2020	4,458,407,349	39,897,445	0.89%
2021	4,697,228,464	54,015,000	1.15%
2022	5,076,110,007	50,310,000	0.99%
2023	5,710,810,086	46,315,000	0.81%
2024	6,379,976,266	42,025,000	0.66%
2025	6,809,307,940	47,355,000 (1)	0.70%

(1) Includes the Certificates.

Table 4 - Tax Rate, Levy and Collection History

Fiscal Year Ended 30-Sep	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy ($000)	% Current Collections	% Total Collections
2016	$ 0.49880	$ 0.40000	$ 0.09880	$ 19,097,947	96.69%	102.01%
2017	0.49620	0.44040	0.05580	20,242,064	95.79%	100.52%
2018	0.48620	0.40580	0.08040	20,101,126	96.62%	101.51%
2019	0.48620	0.40660	0.07960	20,411,954	96.79%	101.59%
2020	0.52120	0.43030	0.09090	22,947,927	96.17%	100.95%
2021	0.52990	0.44170	0.08820	24,033,922	98.29%	102.65%
2022	0.52990	0.43590	0.09400	26,794,828	98.94%	101.61%
2023	0.52990	0.45570	0.07420	29,020,007	97.50%	97.50%
2024 (1)	0.52760	0.44950	0.07810	32,462,336	97.94%	97.94%
2025 (1)	0.55800	0.48230	0.07570	36,096,141	In Process of Collection	

Source: The City's 2023 Comprehensive Annual Financial Report, the Hidalgo Appraisal District and the City.

(1) Unaudited.

Table 5 - Ten Largest Taxpayers

Name of Taxpayer	Nature of Property	2024 Net Assessed Valuation	% of Total Net Assessed Valuation
Madero Grid LLC	Electric Utility	$ 66,012,830	0.97%
Ignacio Grid LLC	Electric Utility	66,012,830	0.97%
AEP Texas Inc	Electric Utility	48,768,860	0.72%
Shary Retail LTD	Retailer	44,510,178	0.65%
Royal Technologies Corp	Manufacturer	38,618,796	0.57%
Stanley Black and Decker	Manufacturer	37,766,660	0.55%
Fronterra Generation LTD	Utility	31,255,460	0.46%
San Pedro VV LLC	Apartment Complex	23,190,195	0.34%
Plantation Mission LLC	Apartment Complex	17,345,710	0.25%
Bert Ogden Chevrolet	Auto Dealer	16,849,922	0.25%

Source: The Hidalgo County Appraisal District

Table 6 – Estimated Overlapping Debt

Taxing Body	Gross Amount	As of	% Overlap	$ Overlap
Hidalgo County	$379,475,000	5/31/2025	11.29%	$42,842,728
Hidalgo County Drainage District #1	249,590,000	5/31/2025	11.72%	29,251,948
Hidalgo ISD	22,098,000	5/31/2025	0.14%	30,937
La Joya ISD	152,817,680	5/31/2025	15.49%	23,671,459
Mission CISD	82,128,000	5/31/2025	70.97%	58,286,242
Sharyland ISD	70,250,000	5/31/2025	57.04%	40,070,600
South Texas College	85,419,693	5/31/2025	10.63%	9,080,113
Total Net Overlapping Debt				$203,234,026
City of Mission (1)	**47,355,000**	**5/31/2025**	**100%**	**47,355,000**
Total Direct and Overlapping Debt				**250,589,026**

Ratio Direct and Overlapping Debt to 2024/25 Net Taxable Assessed Valuation	3.68%
Ratio Direct and Overlapping Debt to 2024/25 Market Valuation	2.52%
Per Capita Direct and Overlapping Debt	$ 2,840

Source: The Texas Municipal Advisory Council

(1) Includes the Certificates.

Table 7 - Estimated Interest and Sinking Fund Projection

Estimated Debt Service Requirements, Fiscal Year Ended 9-30-25		$ 4,363,581 [1]
Interest and Sinking Fund, Fiscal Year Ended 9-30-24	$ 1,835,773 [2]	
Interest and Sinking Fund Tax Levy @ 95% Collection	4,896,914	
Investment Income	-	
Budgeted Transfers - Estimated	1,950,000	8,682,687
Estimated Balance, Fiscal Year Ended 9-30-25		$ 4,319,106

[1] Figure includes the Certificates and excludes self-supporting debt.
[2] Unaudited.

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Table 8 - Ad Valorem Tax Debt Service Requirements

FYE 9/30	Existing Debt Service Principal	Existing Debt Service Interest	Existing Debt Service Total	The Certificates Principal	The Certificates Interest	The Certificates Total	Total Debt Service Principal	Total Debt Service Interest	Total Debt Service Total	Less: Self-Supporting Debt Service	Net Outstanding Debt Service	% of Principal Paydown
2025	$ 4,570,000	$ 1,743,581	$ 6,313,581	$ -	$ -	$ -	$ 4,570,000	$ 1,743,581	$ 6,313,581	$ (1,950,000)	$ 4,363,581	
2026	4,435,000	1,521,300	5,956,300	450,000	544,250	994,250	4,885,000	2,065,550	6,950,550	(1,950,000)	5,000,550	
2027	4,125,000	1,310,425	5,435,425	305,000	464,875	769,875	4,430,000	1,775,300	6,205,300	(1,950,000)	4,255,300	
2028	3,990,000	1,111,650	5,101,650	320,000	449,250	769,250	4,310,000	1,560,900	5,870,900	(1,950,000)	3,920,900	
2029	3,885,000	927,688	4,812,688	340,000	432,750	772,750	4,225,000	1,360,438	5,585,438	(1,950,000)	3,635,438	43.18%
2030	3,615,000	759,675	4,374,675	355,000	415,375	770,375	3,970,000	1,175,050	5,145,050	(1,950,000)	3,195,050	
2031	3,785,000	590,100	4,375,100	375,000	397,125	772,125	4,160,000	987,225	5,147,225	(1,950,000)	3,197,225	
2032	2,315,000	457,050	2,772,050	390,000	378,000	768,000	2,705,000	835,050	3,540,050	-	3,540,050	
2033	2,270,000	365,350	2,635,350	415,000	357,875	772,875	2,685,000	723,225	3,408,225	-	3,408,225	
2034	1,150,000	296,950	1,446,950	435,000	336,625	771,625	1,585,000	633,575	2,218,575	-	2,218,575	72.27%
2035	1,200,000	249,950	1,449,950	455,000	314,375	769,375	1,655,000	564,325	2,219,325	-	2,219,325	
2036	1,245,000	201,050	1,446,050	480,000	291,000	771,000	1,725,000	492,050	2,217,050	-	2,217,050	
2037	1,295,000	150,250	1,445,250	505,000	266,375	771,375	1,800,000	416,625	2,216,625	-	2,216,625	
2038	1,340,000	104,250	1,444,250	530,000	240,500	770,500	1,870,000	344,750	2,214,750	-	2,214,750	
2039	1,385,000	63,375	1,448,375	555,000	213,375	768,375	1,940,000	276,750	2,216,750	-	2,216,750	89.58%
2040	1,420,000	21,300	1,441,300	585,000	184,875	769,875	2,005,000	206,175	2,211,175	-	2,211,175	
2041	-	-	-	615,000	154,875	769,875	615,000	154,875	769,875	-	769,875	
2042	-	-	-	645,000	123,375	768,375	645,000	123,375	768,375	-	768,375	
2043	-	-	-	680,000	90,250	770,250	680,000	90,250	770,250	-	770,250	
2044	-	-	-	715,000	55,375	770,375	715,000	55,375	770,375	-	770,375	98.56%
2045	-	-	-	750,000	18,750	768,750	750,000	18,750	768,750	-	768,750	100.00%
Totals	42,025,000	9,873,944	51,898,944	9,900,000	5,729,250	15,629,250	51,925,000	15,603,194	67,528,194	(13,650,000)	53,878,194	

Source: Municipal Advisory Council of Texas

Table 9 – Other Obligations [(1)]

Year Ending September 30	Principal	Interest	Total
2025	3,815,152	901,745	4,716,897
2026	3,508,773	676,100	4,184,873
2027	3,152,462	527,168	3,679,630
2028	1,548,301	318,980	1,867,281
Thereafter	7,385,074	1,001,535	8,386,608
	$ 19,409,762	$ 3,425,528	$ 22,835,290

Source: City of Mission

(1) The figures above include debt service payable on a 2021 lease purchase agreement entered into by the City with respect to the financing of the acquisition and installation of water meters and LED lighting throughout the City for energy savings. The original amount of the lease purchase agreement was $17,247,078.49. In 2024, the City paid approximately $9,000,000 of the outstanding amount of the lease purchase agreement utilizing unspent proceeds of the lease purchase agreement.

Table 10 - General Fund Revenues and Expenditures

	Fiscal Years Ended September 30,				
	2024 [1]	2023	2022	2021	2020
Revenues					
Taxes	$ 48,184,314	$ 44,556,387	$ 40,275,108	$ 36,730,127	$ 34,634,613
Licenses and Permits	1,098,845	1,159,316	1,215,475	1,066,542	738,605
Intergovernmental	2,698,657	2,137,675	2,333,002	1,305,884	1,002,568
Charges for Service	3,325,016	2,060,852	1,327,846	934,800	881,737
Fines and Forfeitures	912,870	810,199	829,586	725,713	585,564
Investment Earnings	130,438	14,719	11,576	11,538	32,945
Rental Revenues	-	-	-	-	-
Miscellaneous	534,272	781,400	528,255	695,165	318,499
Total Revenues	$ 56,884,412	$ 51,520,548	$ 46,520,848	$ 41,469,769	$ 38,194,531
Expenditures					
Current:					
General Government	$ 12,551,728	$ 11,630,870	$ 11,331,758	$ 10,548,194	$ 10,977,147
Public Safety	32,114,117	26,499,137	28,042,403	26,486,135	17,284,019
Highway and Streets	4,233,781	4,447,499	4,265,275	3,992,978	4,096,284
Health and Welfare	1,018,741	881,431	741,243	719,297	639,776
Culture and Recreation	5,300,492	6,157,735	6,056,622	5,838,266	5,070,300
Economic Development	-	-	-	-	-
Debt Service	$1,658,664	1,764,580	1,460,360	1,340,325	661,740
Intergovernmental	-	-	-	-	-
Total Expenditures	$ 56,877,522	$ 51,381,252	$ 51,897,661	$ 48,925,195	$ 38,729,266
Excess (Deficiency) of					
Revenues Over Expenditures	$ 6,889	$ 139,296	$ (5,376,813)	$ (7,455,426)	$ (534,735)
Leases and SBITAs	-	1,785,775	1,460,715	2,902,450	1,667,130
Proceeds from Sale of Assets	-	25,260	(17,863)	45,881	25,794
Operating Transfers In	4,308,791	2,783,707	1,281,876	5,684,744	6,870,488
Operating Transfers Out	(3,791,286)	(807,270)	(1,498,538)	(1,576,961)	(3,210,825)
Total Other Financing Sources (Uses)	$ 517,505	$ 3,787,472	$ 1,226,190	$ 7,056,114	$ 5,352,587
Net Change in Fund Balance	$ 524,394	$ 3,926,768	$ (4,150,623)	$ (399,312)	$ 4,817,852
Fund Balances at Beginning of Year	$ 7,380,509	$ 3,296,093	$ 7,446,716	$ 7,846,028	$ 3,028,176
Prior Period Adjustment	-	157,648	-	-	-
Fund Balance at End of Year	$ 7,904,903	$ 7,380,509	$ 3,296,093	$ 7,446,716	$ 7,846,028

Source: City's Comprehensive Annual Financial Reports and the City.

(1) Unaudited.

Table 11 – Sales Tax Collections

Fiscal Year Ended 30-Sep	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2015	$ 15,129,371	61.42%	0.3242
2016	15,151,373	59.57%	0.2959
2017	14,859,571	54.88%	0.2723
2018	15,091,746	57.67%	0.2804
2019	16,683,096	62.24%	0.3007
2020	16,631,973	55.94%	0.2880
2021	20,329,254	66.24%	0.3389
2022	24,039,025	68.07%	0.3607
2023	25,311,509	87.22%	0.4432
2024	27,978,765	86.19%	0.4385

Source: The Texas Comptroller's Historical Allocation Summary
(1) Unaudited.

Table 12 - Current Investments (as of September 30, 2024) (1)

Tex Pool	$ 2,145,742
Agencies	247,000
	$ 2,392,742

Source: The City.
(1) Unaudited.

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF MISSION AND HIDALGO COUNTY, TEXAS

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF MISSION, TEXAS AND HIDALGO COUNTY, TEXAS

The City

The City of Mission is located in the Lower Rio Grande Valley on the U.S. Highway 83, approximately 7 miles west of downtown McAllen, 66 miles west of Brownsville, 250 miles south of San Antonio, and 158 miles southwest of Corpus Christi. The City derives its name from the tiny La Lomita Mission built in 1845 by the Oblate Order of Catholic Priests. Used as a chapel and way-station for traveling priests, the mission grew and remained active until the Fathers moved into the established town of Mission in 1911.

As part of the Mission/McAllen/Edinburg Metropolitan Statistic Area (the "MSA"), Mission is located right on the Texas-Mexico border, offering international access in minutes. With first rate highways, rail access, and an MSA population of over a million, Mission provides the perfect balance of big city living, small town charm, border accessibility and business savvy.

Demographics

The City of Mission had a 2020 Census of 85,778 a 60.91% increase since 2000.

Below is a comparison of the population trends for the City of Mission and Hidalgo County.

City of Mission Population	Calendar Year Ended	Hidalgo County Population
13,508	1970	209,289
22,653	1980	283,323
28,653	1990	383,545
47,889	2000	569,463
77,058	2010	774,769
85,778	2020	870,781

Economy

The City's economy is diversified by tourist industry, agribusiness, petroleum, and international trade with Mexico. The City is a commercial center for citrus crops with more than 30 industrial plants. The City advertises itself as the "Home of the Grapefruit", with the famed Texas Ruby Red the referenced grapefruit.

The City is the winter home to thousands of "Winter Texans" who travel primarily from the Mid-West and Canada to the Rio Grande Valley. Many drive their Recreational Vehicles ("RVs"), while others rent apartments, condos or homes during their stay in the Mission area. The City has 74 RV parks which house the approximately 22,000 Winter Texans that winter there.

Major Employers

Name	Classification	Employees
Mission Consolidated Independent School District	Education	2,400
Sharyland Independent School District	Education	1,638
Mission Regional Medical Center	General and Surgical Hospital	980
T-Mobile	Telecommunications	830
City of Mission	City Government	725
Wonderful Citrus	Agriculture	700
H.E. Butt Grocery	Retail Grocer	622
Stanley Black and Decker	Manufacturer	400
Wal Mart Supercenter	Discount Center	328
Home Depot	Construction Supplier	180

Source: City's Certified Annual Financial Report for the Fiscal Year Ended September 30, 2023.

Transportation

International Crossings - The City of Mission is currently served by three International Crossings. The Hidalgo International Bridge which is only ten minutes from Mission, the Pharr International Bridge which is around 20 miles from Mission and the Anzalduas International Bridge is immediately south of Mission on Bryan Road.

Highways – Ideally located along the U.S. / Mexican Border, Mission gives access north to the United States via U.S. 83, U.S. 281 and U.S. 77 connecting to Interstate 35 to Interstate 37. Mission is less than ten miles from the U.S. 83/281 interchange and less than 40 miles from the U.S. 83 and 77 interchange. Interstate 37 and 35 are approximately 150 miles away. U.S. 281 is the future I-69.

Three miles to the south, lies the Mexican Border. Directly across the Rio Grande River is Reynosa, Mexico. Monterrey, with a metropolitan area population of 3,864,331 is less than 140 miles to the southwest.

Rail Service – Southern Pacific offers daily freight service to the north. Rio Valley Switching Co., has 49 miles of track from Mission to Harlingen with a spur into the Mission Expressway Business Park.

Education

The Mission Consolidated Independent School District serves Mission and the neighboring town of Alton with an annual budget of more than $200 million and more than 2,000 personnel. The District operates are 14 elementary schools, four junior high schools, tree high schools and an alternative campus.

La Joya Independent School District's 226 square miles covers the surrounding communities of La Joya, Palmview, Penitas, Sullivan City, Los Ebanos, Abram and Cuevitas. The district includes; 22 elementary schools, 8 middle schools, 3 high schools, and 2 early college high schools and one alternative site. The district employs over four thousand employees and has an operating budget of approximately $383 million. La Joya ISD boasts an enrollment of over 24,000 students in grades Pre-K through 12 and is one of the fastest growing school districts.

The Sharyland Independent School District is comprised of parts of Mission and McAllen. It offers a solid base of broad range of extra-curricular activities from sports to academic competition. With over 600 teachers, the District is well-equipped to administer its special programs, such as Help One Student to Succeed (HOSTS), designed to provide reading instruction, health services, the Gifted and Talented Program, and vocational courses.

	Hidalgo County			Texas		
	March 2025	March 2024	March 2023	March 2025	March 2024	March 2023
Civilian Labor Force	402,106	394,808	389,190	15,807,696	15,512,671	15,168,296
Total Employment	378,353	372,530	365,345	15,177,754	14,903,001	14,557,177
Total Unemployment	23,753	22,278	23,845	629,942	609,670	611,119
Percentage Unemployment	5.9%	5.6%	6.1%	4.0%	3.9%	4.0%

Source: Texas Workforce Commission.

APPENDIX C

EXCERPTS FROM THE
CITY OF MISSION
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Mission, Texas Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
And Members of the City Council
City of Mission, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mission, Texas (City), 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, based on our audit and the report of the other auditors, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mission, Texas, as of September 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Mission Redevelopment Authority, which represents 64 percent, -66 percent, and 44 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mission Redevelopment Authority, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit 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. 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 Mission, Texas, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023 the City adopted new accounting guidance, GASB Statement No. 96 Subscription-Based-Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Correction of Error

Net position decreased in governmental activities by $4,171,025, increased in business type activities by $604,385, fund balance increased in general fund by $157,648 and increased in other governmental funds by $947,410 due to various adjustments discussed in Note 3 to the financial statements. Our opinion is not modified with respect to this matter.

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 Mission, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Mission, Texas's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mission, Texas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and budgetary comparison schedules, the capital assets used in the operation of governmental funds section, and the supplemental schedules section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules, the capital assets used in the operation of governmental funds section, and the supplemental schedules section are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

McAllen, Texas
February 27, 2025

Management's Discussion and Analysis

As management of the City of Mission, we offer the readers of the City of Mission's financial statements this narrative overview and analysis of the financial activities of the City of Mission for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the additional information that has been furnished in our letter of transmittal, which can be found on pages 2-6 of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded liabilities and deferred inflows at the close of the most recent fiscal year by $205,918,886 (net position).

- The City's total net position increased by $12,746,847. Governmental activities contributed an increase of $6,113,237 while the Business-type activities contributed an increase of $6,633,610. Total revenues reflect an increase of 11.67% and total expenses reflect an increase of 10.35% compared to prior year.

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $26,706,947, a $7,658,861 decrease in comparison to prior year.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $3,793,789, an increase of $1,709,32 compared to prior year.

Overview of the Financial Statements

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

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

The ***Statement of Net Position -*** presents information on all the City of Mission's assets, deferred outflows, liabilities and deferred inflows with the difference between the four 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 of Mission is improving or deteriorating.

The ***Statement of Activities -*** presents information showing how the government's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City of Mission 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 of Mission include**:** general government; public safety; highways and streets; health and welfare; culture and recreation; and economic development. The business-type activities of the City of Mission include four funds**:** utility (water and sewer); golf course; solid waste and event center.

The government-wide financial statements include not only the City of Mission itself (known as the primary government), but also legally separate component units for which the City of Mission is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 33 to 34 of this report.

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

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

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

The City of Mission maintains twenty-four (24) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Designated Purpose Fund, 2021 CO Fund and Capital Projects Fund, which are considered major funds. Data of two additional funds is incorporated with the General Fund as a result of Governmental Accounting Standards Board (GASB) Statement No. 54. Data from the other seventeen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements starting on page 164 of this report.

The City of Mission 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. The basic governmental fund financial statements can be found on pages 35-38 of this report.

Proprietary Funds - The City of Mission maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mission uses enterprise funds to account for its water and sewer system, golf course operation, solid waste operation and event center operation.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Mission uses an internal **s**ervice fund to account for health insurance premiums, medical claims, and health administrative fees. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system, golf course operations, solid waste operations and event center operations, all of which are considered to be major funds of the City of Mission. Conversely, the internal service fund is a single presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 40-43 of this report.

Fiduciary Funds -Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 44-45 of this report.

Notes to the financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-134 of this report.

Other information -In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Mission's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 135-157 of this report.

The combining statements referred to earlier, in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions. The combining statements and individual fund schedules begin on page 164 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 of Mission, assets and deferred outflows exceeded liabilities and deferred inflows by $205,918,886 at the close of the most recent fiscal year.

The following table summarizes the City's net position at September 30, 2023.

City of Mission
Net Position
September 30, 2023

	Governmental Activities		Business-type Activities		Total	
		Restated		Restated		Restated
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 49,563,394	$ 63,382,387	$ 25,554,124	$ 21,549,102	$ 75,117,518	$ 84,931,489
Capital assets	180,033,611	155,756,652	105,281,143	101,430,206	285,314,754	257,186,858
Total assets	229,597,005	219,139,039	130,835,267	122,979,308	360,432,272	342,118,347
Total deferred outflows of resources	10,354,938	3,381,615	1,813,234	829,819	12,168,172	4,211,434
Long-term liabilities	83,938,498	75,520,818	46,458,335	44,787,858	130,396,833	120,308,676
Other liabilities	21,677,960	13,076,596	12,085,230	10,421,373	33,763,190	23,497,969
Total liabilities	105,616,458	88,597,414	58,543,565	55,209,231	164,160,023	143,806,645
Total deferred inflows of resources	2,181,385	7,882,377	340,150	1,468,720	2,521,535	9,351,097
Net position						
Net investment in capital assets	142,881,465	117,225,105	76,087,683	69,040,679	218,969,148	186,265,784
Restricted	9,786,734	22,297,778	6,522,176	3,304,444	16,308,910	25,602,222
Unrestricted (deficit)	(20,514,099)	(13,482,020)	(8,845,073)	(5,213,947)	(29,359,172)	(18,695,967)
Total net position	$ 132,154,100	$ 126,040,863	$ 73,764,786	$ 67,131,176	$ 205,918,886	$ 193,172,039

By far, the largest portion of the City's net position (108%) is investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City of Mission uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Mission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's overall net position increased $12,746,847 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities -During the current fiscal year, net position for governmental activities increased by $6,113,237 from the prior fiscal year for an ending balance of $132,154,100.

The net position was attributed to an in the acquisition of capital assets with no associated liabilities.

Analysis of Changes in Net Position

The following table summarizes the changes in the City's net position from its activities for the fiscal year ended September 30, 2023.

City of Mission
Changes in Net Position
September 30, 2023

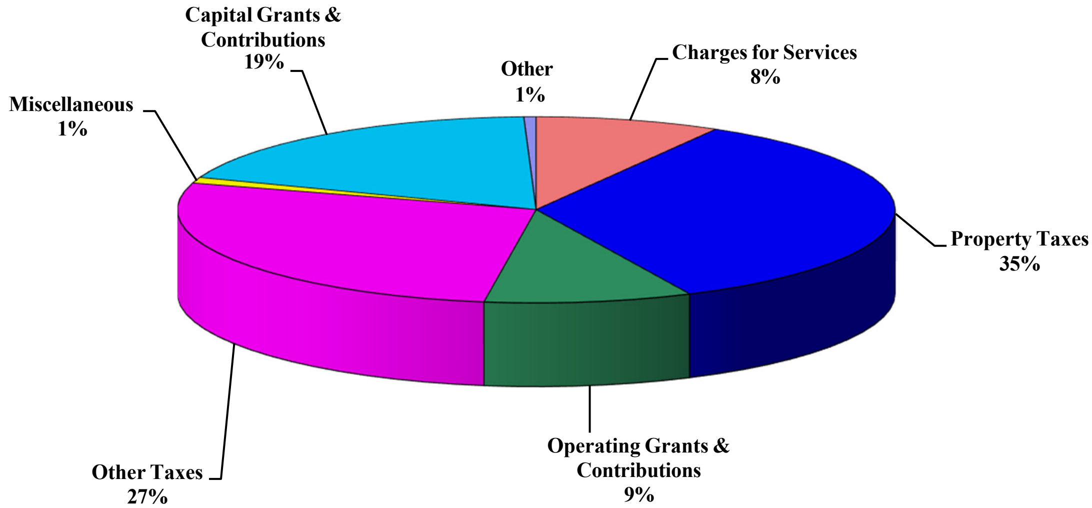
	Governmental Activities		Business-type Activities		Total	
	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022
Revenues:						
Program revenues:						
Charges for services	$ 7,119,324	$ 6,112,013	$ 35,493,215	$ 30,699,276	$ 42,612,539	$ 36,811,289
Operating grants and contributions	7,953,295	15,439,947	-	-	7,953,295	15,439,947
Capital grants and contributions	16,044,436	9,816,309	3,571,859	701,992	19,616,295	10,518,301
General revenues:						
Property taxes	29,501,368	26,446,271	-	-	29,501,368	26,446,271
Other taxes	23,249,421	21,946,111	-	-	23,249,421	21,946,111
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	467,934	418,692	510,133	110,694	978,067	529,386
Miscellaneous	862,634	42,574			862,634	42,574
Total revenues	85,198,412	80,221,917	39,575,207	31,511,962	124,773,619	111,733,879
Expenses:						
General government	20,815,659	19,395,489	-	-	20,815,659	19,395,489
Public safety	30,628,129	27,514,556	-	-	30,628,129	27,514,556
Highways and streets	10,545,882	9,607,528	-	-	10,545,882	9,607,528
Economic development	7,810,396	6,943,985	-	-	7,810,396	6,943,985
Culture and recreation	8,245,837	7,113,707	-	-	8,245,837	7,113,707
Health and welfare	984,397	964,124	-	-	984,397	964,124
Interest on long-term debt	2,615,844	2,326,051	-	-	2,615,844	2,326,051
Utility	-	-	20,916,727	18,789,572	20,916,727	18,789,572
Golf course	-	-	1,463,381	1,547,876	1,463,381	1,547,876
Solid waste	-	-	7,225,713	6,624,083	7,225,713	6,624,083
Event Center	-	-	774,807	689,479	774,807	689,479
Total expenses	81,646,144	73,865,440	30,380,628	27,651,010	112,026,772	101,516,450
Increases(decreases) in net position before transfers	3,552,268	6,356,477	9,194,579	3,860,952	12,746,848	10,217,429
Transfers	2,560,969	1,206,877	(2,560,969)	(1,206,877)	-	-
Changes in net position	6,113,237	7,563,354	6,633,610	2,654,075	12,746,848	10,217,429
Net position - 10/01/22	126,040,863	118,477,509	67,131,176	64,477,101	193,172,039	182,954,609
Net position - 09/30/23	$ 132,154,100	$ 126,040,863	$ 73,764,786	$ 67,131,176	$ 205,918,886	$ 193,172,039

Total revenues generated from governmental activities for this year were $85,198,142 reflecting a $4,976,225 increase compared to last year. The most significant changes occurred in the following areas:

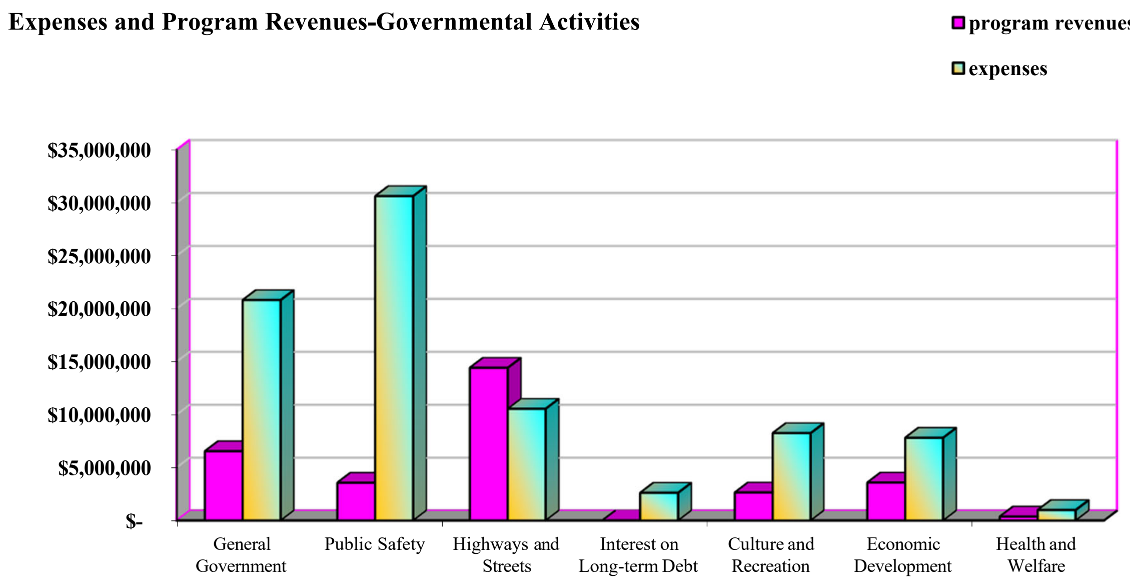
- Charges for services increased by $1,007,311 from prior year due city growth. Therefore, increasing our construction material testing fee and inspection fees, while the operating grants and contributions decreased by $7,486,652 compared to prior year, due to the decrease in activity in the CARES Act Relief program received from Hidalgo County.
- Property taxes increased by $3,055,097 compared to prior year. While in FY 22-23 the overall property tax rate did not increase, the City's maintenance and operation percentage did.

- Capital grants and contributions increased $6,228,127. The increase is related to the completion of major projects the Police/Fire substation and Taylor Road.

Revenues by Source-Governmental Activities



The following graph displays the portion of expenses funded by program revenues. Overall, general tax revenues funded approximately 65% of total expenses for fiscal year 2023.



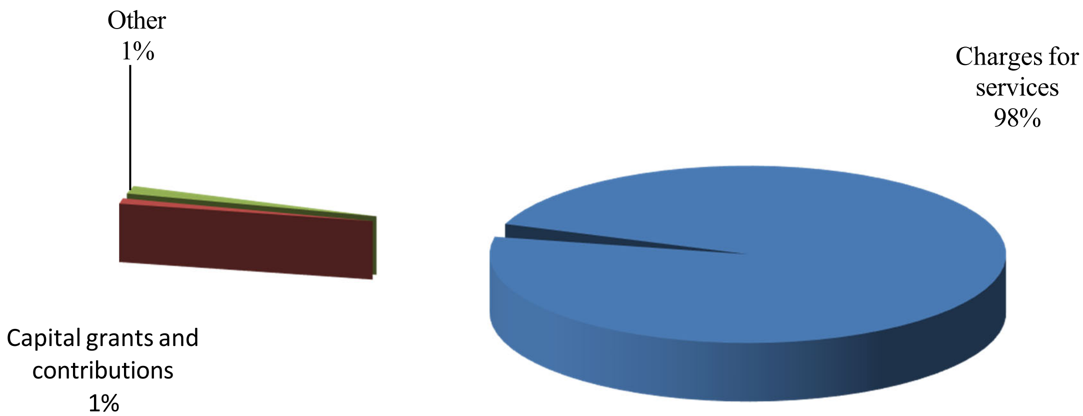
Total expenses from governmental activities for this year were $81,646,144 reflecting a $7,780,704 increase compared to last year. The most significant changes occurred in the following areas:

- General Government Activities increased by $1,420,170. This is also in relation to the CARES Act Relief funding.
- Public Safety increased by $3,113,573. The variance is related to an increase in salary expenditures for Police and Fire Departments and newly created EMS function.

- Culture and recreation increased by $1,132,130. The increase was due to new project improvement.

Business-type Activities- Results of Business-type activities increased the City of Mission's net position by $6,633,610. Revenues increased by $8,063,245 and expenses increased by $2,729,618 in comparison with prior year.

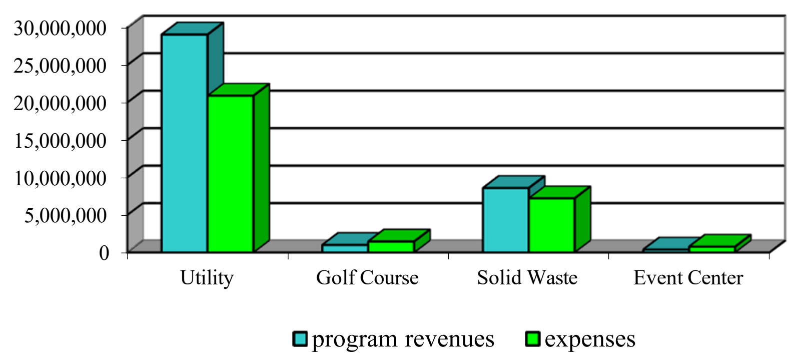
Revenues by Source-Business-type Activities



- Charges for Services increased by 0.16 % in comparison to the prior year due to the increase of rates.

The following graph displays the portion of expenses funded by program revenues.

Expenses and Program Revenues-Business-type Activities



- Expenses for business-type activities of the City totaled $30,380,628 an increase of $2,729,618 compared to prior year. The variance is due to an increase in water treatment purchases and depreciation expense.

Financial Analysis of Government's Funds

As noted earlier, the City of Mission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Mission governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Mission's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to a particular purpose by either the City of Mission, an external party, a group or individual that has been delegated authority to assign resources to be used for particular purposes by the City of Mission City Council.

As of September 30, 2023, the City of Mission's governmental funds reported a combined fund balance of $26,706,947, a decrease of $8,763,918 compared with the prior year.

The General Fund is the main operating fund of the City of Mission. At the end of the current fiscal year, the total fund balance was $7,380,509 an increase of $3,926,768 compared to prior year, with the unassigned portion of the fund balance being $3,793,789. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures.

The Debt Service Fund, a major fund, had a $87,917 decrease in fund balance during the current fiscal year the decrease was due to a reduction of I&S property tax rate.

The other governmental funds had a $1,513,360 decrease in fund balance during the current fiscal year. The overall revenues for other governmental funds decreased by $4,310,723 with the majority of the decrease in intergovernmental revenues, and the overall expenditures for other governmental funds decreased by $4,850,808.

The Designated Purpose Fund, a major fund, had an increase in fund balance of $42,828, which is related to the American Rescue Plan Act. The variance in expenditures is due to completion of major projects the Police/Fire substation and Taylor Road.

The Capital Projects, a new major fund, had a fund balance of $0 which is related to the Taylor Road Phase II construction and functions as an expense reimbursement fund hence no balance.

The 2021 CO Capital Projects Fund, a major capital projects fund, had a fund balance of $9,146,273. It had a decrease of $11,132,226 from prior year related to some drainage completion projects.

Revenues and Transfers-In

The following table presents a summary of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds revenues and transfers-in for the fiscal years ended September 30, 2023 and 2022. Major differences are due to:

- Investment income increased due to due to all accounts being interest bearing.

- Intergovernmental revenues increased to due to capital projects being reimbursed by other agencies from Texas Department of Transportation and Mission Redevelopment Authority.

Revenues & Transfers-In	2023 Amount	% of Total	Restated 2022 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	$ 54,050,011	55.75%	$ 49,502,861	$ 4,547,150	9.19%
Licenses and permits	1,159,316	1.20%	1,215,475	$ (56,159)	-4.62%
Opioid settlement	124,768	0.13%	-	$ 124,768	100.0%
Intergovernmental	30,461,816	31.42%	21,130,521	$ 9,331,295	44.16%
Charges for services	3,108,294	3.21%	2,351,552	$ 756,742	32.18%
Fines and forfeitures	810,199	0.84%	829,586	$ (19,387)	-2.34%
Investment income	531,376	0.55%	168,771	$ 362,605	214.85%
Miscellaneous	2,465,798	2.54%	2,770,065	$ (304,267)	-10.98%
Transfers-in	4,240,978	4.37%	3,430,415	$ 810,563	23.63%
Total	$ 96,952,556	100.00%	$ 81,399,246	$ 15,553,310	19.11%

Expenditures and Transfers-Out

The following table presents a summary of General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds expenditures, transfers-out, and other financing uses for the fiscal years ended September 30, 2023 and 2022. Major differences are due to:

- Capital Projects expenditures increased due to capital projects improvements in 2021 CO for drainage and Taylor Road Phase II construction.
- General government expenditures increased due to additional activity related to ARPA and other grants funding.

Expenditures & Transfers-Out	2023 Amount	Percent of Total	Restated 2022 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
General government	$ 27,334,972	25.38%	$ 20,095,458	$ 7,239,514	36.03%
Public safety	28,376,790	26.34%	30,138,523	(1,761,733)	-5.85%
Highways and streets	5,659,318	5.25%	4,350,062	1,309,256	30.10%
Health and welfare	939,405	0.87%	874,435	64,970	7.43%
Culture and recreation	6,741,616	6.26%	6,428,080	313,536	4.88%
Economic development	7,810,396	7.25%	6,943,985	866,411	12.48%
Capital projects	21,195,535	19.68%	9,996,792	11,198,743	112.02%
Debt service:					
Principal	5,582,426	5.18%	4,962,356	620,070	12.50%
Bond issuance cost	-	0.00%	-	-	100.00%
Interest and fiscal charges	2,402,220	2.23%	2,604,326	(202,106)	-7.76%
Transfers-out	1,680,008	1.56%	2,223,538	(543,530)	-24.44%
Total	$ 107,722,686	100.00%	$ 88,617,555	$ 19,105,131	21.56%

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

At the end of the year, total unrestricted net position amounted to ($8,735,159). The Solid Waste Fund had unrestricted net position of ($806,350). The Solid Waste unrestricted net position decreased by 1,371,815. The Utility Fund and Golf Course Fund ended the year with an unrestricted net position of ($4,329,749) and ($3,551,043), respectively. The Utility Fund unrestricted net position decreased by $2,193,624 and the Golf Course unrestricted net position decreased by $202,376. The Event Center ended the year with an unrestricted net position of ($48,017). The Event Center unrestricted net position increased by $246,650.

The Golf Course Fund borrowed working capital from the General Fund in order to meet its daily operational expenses during the current year. Golf Course operating revenues reflect a decrease of $82,297 from prior year. Expenses decreased by $113,515 in comparison to prior year. Management continues to closely monitor expenses and to promote the Golf Course not only in the surrounding communities but also nationwide through various advertisement sources including Twitter, Facebook, and Google Plus.

The Utility Fund revenues increased by $4,075,901 and expenses increased by $1,859,248 compared to prior year.

The Solid Waste Fund completed its fourth full fiscal year of commercial collections at the end of fiscal year 2023. Revenues increased by $795,562 and expenses increased by $216,679 compared to prior year.

The Event Center revenues increased by $128,221 and expenses increased by $79,176 compared to prior year.

General Fund Budgetary Highlights

During the year, the City Council amends the budget as necessary. Generally, adjustments to the budget relate to requests not considered during the normal budgetary process. Original estimated revenues were increased by $2,369,444 while budgeted appropriations were increased by $2,658,486 during the year.

- The most significant revenue variance, ($1,633,613), is reflected in tax revenue. In particular, the current ad valorem taxes revenues reflected an unfavorable variance of $699,983 and sales tax in the amount of $1,036,335 offset with other revenue sources that were positive.

- Licenses and permits revenues reflect a slight positive variance of $19,816, while Charges for Services showed a positive increase in the amount of $859,367 with most of the revenue generated in inspection fees and the construction material testing fees.

- Miscellaneous revenues reflect a positive variance of $428,878. The variance is related to participation of responding to emergency situations as well as insurance settlements.

- Expenditures came in under budget conservatively due to departments closely monitoring expenditures and staying in line with the budget. The most significant savings are reflected in general government, public safety and cultural and recreation department in the amounts of $2,147,838, $6,310,410 and $1,024,686 respectively. The savings are related to vacancies in personnel throughout the year and monitoring operating expenditures.

Capital Asset and Debt Administration

Capital assets. The City of Mission's capital assets for its governmental and business type activities as of September 30, 2023, amounts to $285,314,754 (net of accumulated depreciation and amortization). Investment in capital assets include: land, buildings and improvements, machinery and equipment, streets, storm drainage, sanitary sewer system, leases and right-to-use subscription assets and water system. The total increase in the City of Mission's investment in capital assets for the current fiscal year was $28,157,910.

Major capital asset events during the current fiscal year included the following:

- Construction in progress in the governmental activities increased by $10,597,669. The projects that contributed to the change in current year include the Taylor Road, Police & Fire Substation No.6 and various drainage projects.

- Building and systems in the business-type activities increased by $4,285,882. This increase is related to the completion of Bentsen Palm Development system and S. Conway Station.

The following table summarizes the City's total capital assets.

City of Mission
Capital Assets
Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022
Land and water rights	$ 41,350,582	$ 41,350,582	$ 7,412,258	$ 7,412,258	$ 48,762,840	$ 48,762,840
Buildings and system	22,939,260	24,009,102	57,808,821	53,522,939	$ 80,748,081	77,532,041
Improvements other than buildings	4,943,617	5,212,667	2,145,609	2,436,999	$ 7,089,226	7,649,666
Machinery and equipment	9,605,321	9,406,858	7,417,394	4,711,117	$ 17,022,715	14,117,975
Lease assets	5,218,366	5,245,224	1,402,225	1,243,138	$ 6,620,591	6,488,362
Right-to-use-subscription asset	541,532	661,934	-	-	$ 541,532	661,934
Infrastructure	46,583,292	46,047,973	-	-	$ 46,583,292	46,047,973
Construction in progress	48,851,641	23,792,602	29,094,836	32,103,451	$ 77,946,477	55,896,053
Total	$ 180,033,611	$ 155,726,942	$ 105,281,144	$ 101,429,902	$ 285,314,754	$ 257,156,844

Additional information on the City of Mission's capital assets can be found in note 11 on pages 82-85 of this report.

Long-term debt - At the end of the current fiscal year, the City of Mission had total outstanding long-term debt of $130,396,834, an increase of $6,181,989 compared to prior year. Additional information on the City of Mission's long-term debt can be found in note 13 on pages 86-103 of this report.

Moody's Investors Service rated the City of Mission's outstanding bonds as "Baa2".

The following table summarizes the City's total long-term debt obligations.

City of Mission
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
		Restated		Restated		Restated
	2023	2022	2023	2022	2023	2022
General obligation debt	$ 52,374,067	$ 56,974,437	$ -	$ -	$ 52,374,067	$ 56,974,437
Revenue bonds	-	-	22,162,440	24,939,835	22,162,440	24,939,835
Lease (as lessee)	4,523,680	4,283,531	1,704,214	1,402,632	6,227,894	5,686,163
Subscriptions	515,942	661,937	-	-	515,942	661,937
PPFA Puchase agreements	1,559,572	1,454,728	19,513,911	21,184,449	21,073,483	22,639,177
Compensated absences	3,615,493	3,318,482	444,351	389,627	4,059,844	3,708,109
City of McAllen-Anzalduas	4,869,357	4,465,133	-	-	4,869,357	4,465,133
Pension related debt	12,415,784	31,183	1,982,694	-	14,398,478	31,183
OPEB related debt	4,064,603	4,300,185	650,725	808,685	4,715,328	5,108,870
Total	83,938,498	$ 75,489,616	$ 46,458,335	48,725,229	130,396,833	$ 124,214,844

Economic Factors and Next Year's Budgets and Rates

- According to the November 2023 issue of the Texas Labor Market Information, the unemployment rate for the City of Mission was 5.3%, decreasing from 6.3% in prior year. The state and national average unemployment rates are 3.5% and 3.5%, respectively.

- Appraised values provided by the Hidalgo County Appraisal District and used in preparing the 2023-2024 Budget were $396.3 million higher than the prior year.

- The 2023-2024 Budget was prepared using an adopted tax rate of $0.5276 per $100 valuation.

- Water and sewer rates unchanged in the 2023-2024 Budget.

- The 2023-2024 general fund operating budget was prepared using $1,203,734 as the estimated unrestricted fund balance at September 30, 2024. The actual unrestricted fund balance for the general fund was $7,273,095. For the upcoming 2023-2024 fiscal year, $4,080,383 is the projected unrestricted fund balance at September 30, 2024. Projected revenues reflect a 10.6% increase and expenditures also reflect an 0.72% decrease compared to FY 2023 original budget.

- The City is currently analyzing its current financial situation and will implement the necessary measures to maintain adequate levels of fund balance in the General fund to mitigate risks, provide a back-up plan for revenue shortfalls, and ensure that appropriate amounts are available for emergencies. The City's Fund Balance Policy requires that the general fund total unrestricted fund balance (includes unassigned, committed, and assigned) will be no less than two (2) months of operating expenditures. At the end of FY 2023, the general fund unrestricted fund balance did not meet this requirement.

Requests for Information

This financial report is designed to provide a general overview of the City of Mission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 1201 East 8th Street, City of Mission, Texas, 78572.

Mike Perez
City Manager

Vidal Roman
Finance Director

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BASIC FINANCIAL STATEMENTS

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CITY OF MISSION, TEXAS **EXHIBIT A-1**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	MEDC	MRA
ASSETS					
Cash and cash equivalents	$ 5,610,753	$ 7,150	$ 5,617,903	$ 939,163	$ 34,031,616
Investments	12,862,987	1,415,433	14,278,420	-	2,629,247
Receivables, net	13,710,135	5,743,090	19,453,225	1,787,720	19,171
Internal balances	1,696,011	(1,696,011)	-	-	-
Due from primary government	-	-	-	3,252,054	3,740,740
Due from component unit	4,737,243	82,198	4,819,441	-	-
Inventory	12,716	477,558	490,274	-	-
Land held for resale	1,267,121	-	1,267,121	3,314,462	-
Lease receivable	-	-	-	50,222	-
Prepaid items	214,392	39,950	254,342	517	97,031
Redevelopment assets	-	-	-	4,915,504	-
Advance of funds receivable	3,305,734	-	3,305,734	-	-
Notes receivable current	2,400	-	2,400	-	-
Long-term receivable	59,863	-	59,863	-	-
Capital assets					
Land, water rights, and construction in progress	90,202,223	36,507,094	126,709,317	2,100,959	-
Leases, net of amortization	5,218,366	1,402,225	6,620,591	12,161	-
Right-to-use subscription assets, net of amortization	541,532	-	541,532	-	-
Other capital assets, net of accumulated depreciation	84,071,490	67,371,824	151,443,314	5,218,348	-
Restricted assets	6,084,039	19,484,756	25,568,795	823,385	-
Total Assets	229,597,005	130,835,267	360,432,272	22,414,495	40,517,805
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to refunding	341,310	211,652	552,962	-	474,796
Deferred outflows related to OPEB	511,897	81,953	593,850	-	-
Deferred outflows related to pensions	9,501,731	1,519,629	11,021,360	-	-
Total Deferred Outflows of Resources	10,354,938	1,813,234	12,168,172	-	474,796
LIABILITIES					
Accounts payable	5,670,594	2,152,734	7,823,328	705,978	5,050
Customer Deposits	-	2,908,060	2,908,060	-	-
Accrued interest payable	366,214	330,411	696,625	46,255	44,453
Other liabilities	695,637	286,721	982,358	-	-
Subdivider deposits	-	2,841,546	2,841,546	-	-
Retainage payable	1,064,083	2,740	1,066,823	221,904	-
Accrued payroll	877,774	202,249	1,080,023	-	-
Due to primary government	-	-	-	72,598	4,746,843
Due to component unit	6,992,794	-	6,992,794	-	-
Unearned revenue	6,010,864	55,035	6,065,899	650	-
Advance of funds payable	-	3,305,734	3,305,734	-	-
Non-current liabilities					
Due in more than one year	75,514,500	41,161,701	116,676,201	7,526,397	37,328,058
Due within one year	8,423,998	5,296,634	13,720,632	704,564	4,070,000
Total Liabilities	105,616,458	58,543,565	164,160,023	9,278,346	46,194,404
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to leases	56,663	-	56,663	50,222	-
Deferred inflows related to pensions	173,084	27,700	200,784	-	-
Deferred inflows related to OPEB	1,951,638	312,450	2,264,088	-	-
Total Deferred Inflows of Resources	2,181,385	340,150	2,521,535	50,222	-
NET POSITION					
Net investment in capital assets	142,881,465	76,087,683	218,969,148	2,594,080	-
Restricted for					
Debt service	1,925,016	5,630,200	7,555,216	1,131,272	3,003,902
Construction	-	891,976	891,976	-	25,417,547
Capital improvements	1,134,789	-	1,134,789	-	-
Federal and other awards	4,101,793	-	4,101,793	-	-
Tourism	549,208	-	549,208	-	-
Municipal court	603,385	-	603,385	-	-
MEDA	1,410,296	-	1,410,296	-	-
Other purposes	62,247	-	62,247	-	-
Unrestricted	(20,514,099)	(8,845,073)	(29,359,172)	9,360,575	(33,623,252)
Total Net Position	$ 132,154,100	$ 73,764,786	$ 205,918,886	$ 13,085,927	$ (5,201,803)

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS **EXHIBIT A-2**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position				
					Primary Government				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	MEDC	MRA
Primary Government									
Governmental activities									
General government	$ 20,815,659	$ 4,921,810	$ 1,620,038	$ -	$ (14,273,811)	$ -	$ (14,273,811)	$ -	$ -
Public safety	30,628,129	100,828	2,404,637	1,060,249	(27,062,415)	-	(27,062,415)	-	-
Highways and streets	10,545,882	1,189,200	185,844	13,040,324	3,869,486	-	3,869,486	-	-
Health and welfare	984,397	358,568	10,847	-	(614,982)	-	(614,982)	-	-
Culture and recreation	8,245,837	548,918	147,544	1,943,863	(5,605,512)	-	(5,605,512)	-	-
Economic development	7,810,396	-	3,584,010	-	(4,226,386)	-	(4,226,386)	-	-
Interest	2,615,844	-	375	-	(2,615,469)	-	(2,615,469)	-	-
Total Governmental Activities	81,646,144	7,119,324	7,953,295	16,044,436	(50,529,089)	-	(50,529,089)	-	-
Business-type activities:									
Utility	20,916,727	25,503,762	-	3,571,859	-	8,158,894	8,158,894	-	-
Golf Course	1,463,381	1,001,514	-	-	-	(461,867)	(461,867)	-	-
Solid Waste	7,225,713	8,601,055	-	-	-	1,375,342	1,375,342	-	-
Event Center	774,807	386,884	-	-	-	(387,923)	(387,923)	-	-
Total Business-type Activities	30,380,628	35,493,215	-	3,571,859	-	8,684,446	8,684,446	-	-
Total Primary Government	$ 112,026,772	$ 42,612,539	$ 7,953,295	$ 19,616,295	(50,529,089)	8,684,446	(41,844,643)	-	-
COMPONENT UNITS:									
Mission Economic Development Corporation	$ 4,108,115	$ 282,164	$ 6,346	$ 2,298,596				(1,521,009)	-
Mission Redevelopment Authority	8,690,981	-	-	-				-	(8,690,981)
Total Component Units	$ 12,799,096	$ 282,164	$ 6,346	$ 2,298,596	-	-	-	(1,521,009)	(8,690,981)
General revenues:									
Property taxes					29,501,368	-	29,501,368	-	-
Sales tax					19,513,665	-	19,513,665	6,504,552	-
Franchise fees					3,017,516	-	3,017,516	-	-
Hotel/motel taxes					664,261	-	664,261	-	-
Alcoholic beverage taxes					53,979	-	53,979	-	-
Shared revenue-tax increment zone					380,591	-	380,591	-	7,611,823
Interest earned					87,343	411,322	498,665	6,197	77,595
Miscellaneous					862,634	98,811	961,445	1,067,538	216,876
Transfers, net					2,560,969	(2,560,969)	-	-	-
Total General Revenues					56,642,326	(2,050,836)	54,591,490	7,578,287	7,906,294
Change in net position					6,113,237	6,633,610	12,746,847	6,057,278	(784,687)
Net Position - Beginning					130,211,888	66,526,791	196,738,679	6,916,308	(4,417,116)
Prior period adjustment					(4,171,025)	604,385	(3,566,640)	112,341	-
Net position - Beginning, as restated					126,040,863	67,131,176	193,172,039	7,028,649	(4,417,116)
Net Position - Ending					$ 132,154,100	$ 73,764,786	$ 205,918,886	$ 13,085,927	$ (5,201,803)

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS **EXHIBIT A-3**

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Designated Purpose Fund	2021 CO Capital Projects Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 1,220,319	$ -	$ -	$ 2,285,296	$ -	$ 2,010,317	$ 5,515,932
Investments	505,489	243,849	-	8,107,142	-	4,001,884	12,858,364
Prepaid items	185,043	-	-	-	-	-	185,043
Receivables:							
Taxes, including interest and penalties	2,004,915	407,417	-	-	-	-	2,412,332
Accounts	1,443,514		20	-	-	405,420	1,848,954
Special assessments	-	-	-	-	-	192,784	192,784
Less: allowance for uncollectibles	(1,774,325)	(154,806)	-	-	-	(19,713)	(1,948,844)
Interest receivable	2,635	42	-	6,998	-	85	9,760
Due from other governments	4,051,559		132,040	-	3,198,089	3,811,406	11,193,094
Due from other funds	13,014,465	1,126,992	575,506	254,821	-	2,620,756	17,592,540
Due from component unit	422,251	-	-	-	4,284,016	-	4,706,267
Long-term receivable	59,863	-	-	-	-	-	59,863
Advance of funds receivable	3,305,734	-	-	-	-	-	3,305,734
Inventories	12,716	-	-	-	-	-	12,716
Land held for resale	-	-	-	-	-	1,267,121	1,267,121
Restricted assets	-	-	6,084,039	-	-	-	6,084,039
Total Assets	$ 24,454,178	$ 1,623,494	$ 6,791,605	$ 10,654,257	$ 7,482,105	$ 14,290,060	$ 65,295,699
LIABILITIES							
Accounts payable	$ 2,111,304	$ -	$ 233,086	$ 1,054,590	$ 1,207,837	$ 478,245	$ 5,085,062
Other liabilities	657,813	-	23,834	-	2,500	11,490	695,637
Retainage payable	-	-	128,427	451,715	436,641	47,300	1,064,083
Accrued payroll and related liabilities	829,179	-	30,704	-	-	17,891	877,774
Accrued interest	-	-	-	-	-	-	-
Due to other funds	8,906,339	-	2,194,918	1,679	4,873,291	619,168	16,595,395
Due to component unit	3,252,054	-	-	-	-	3,740,740	6,992,794
Unearned revenue	287,557	-	4,101,793	-	961,836	659,678	6,010,864
Total Liabilities	16,044,246	-	6,712,762	1,507,984	7,482,105	5,574,512	37,321,609
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - lease	56,663	-	-	-	-	-	56,663
Unavailable revenue-property taxes	972,760	237,720	-	-	-	-	1,210,480
Total Deferred Inflows of Resources	1,029,423	237,720	-	-	-	-	1,267,143
FUND BALANCES							
Nonspendable							
Inventories and prepaid items	257,622	-	-	-	-	-	257,622
Restricted	-	1,385,774	78,843	9,146,273	-	8,715,548	19,326,438
Assigned	3,329,098	-	-	-	-	-	3,329,098
Unassigned	3,793,789	-	-	-	-	-	3,793,789
Total Fund Balances	7,380,509	1,385,774	78,843	9,146,273	-	8,715,548	26,706,947
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 24,454,178	$ 1,623,494	$ 6,791,605	$ 10,654,257	$ 7,482,105	$ 14,290,060	$ 65,295,699

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS **EXHIBIT A-4**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet	$	26,706,947
Amounts reported for governmental activities in the statement of net position		
("SNP") are different because:		
Capital assets used in governmental activities are not reported in the funds.		174,273,713
Lease assets used in governmental activities are not reported in the funds.		5,218,366
Right-to-use subscription assets used in governmental activities are not reported in the funds.		541,532
Property tax receivable unavailable to pay for current period expenditures are deferred in the funds.		1,210,480
The assets and liabilities of the internal service funds are included in governmental activities in the SNP.		277,558
Payables for bond principal which are not due in the current period are not reported in the funds.		(46,315,000)
Payables for leases which are not due in the current period are not reported in the funds.		(6,083,251)
Payables for subscriptions which are not due in the current period are not reported in the funds.		(515,943)
Payables for bond interest which are not due in the current period are not reported in the funds.		(345,599)
Payables for lease interest which are not due in the current period are not reported in the funds.		(8,898)
Payables for subscription interest which are not due in the current period are not reported in the funds.		(11,717)
Payables for long term liability not due in the current period are not reported in the funds.		(4,869,357)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(3,615,493)
Payables for net pension liability which are not due in the current period are not reported in the funds.		(12,415,784)
Payables for net OPEB liability which are not due in the current period are not reported in the funds.		(4,064,603)
Unamortized deferred inflows related to pension are not reported in the funds.		(2,124,722)
Unamortized pension and OPEB unavailable for current period expenditures are deferred in the SNP.		10,013,628
Unamortized pre-paid bond insurance unavailable for current period expenditures are in the SNP.		176,054
Unamortized bond deferred charge on refunding unavailable for current period expenditures are deferred in the SNP.		165,256
Unamortized premium unavailable for current period expenditures are in the SNP.		(6,059,067)
Net position of governmental activities - statement of net position	$	132,154,100

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS **EXHIBIT A-5**

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Designated Purpose Fund	2021 CO Capital Projects Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes and special assessments	$ 44,556,387	$ 3,612,351	$ -	$ -	$ -	$ 5,881,273	$ 54,050,011
Licenses and permits	1,159,316	-	-	-	-	-	1,159,316
Opioid settlement	124,768	-	-	-	-	-	124,768
Intergovernmental	2,137,675	-	14,573,271	-	8,090,547	5,660,323	30,461,816
Charges for services	2,060,852	-	-	-	-	1,047,442	3,108,294
Fines and forfeitures	810,199	-	-	-	-	-	810,199
Interest	14,719	375	42,546	275,252	-	198,484	531,376
Miscellaneous revenue	656,632	1,508,424	-	173,365	-	127,377	2,465,798
Total revenues	51,520,548	5,121,150	14,615,817	448,617	8,090,547	12,914,899	92,711,578
EXPENDITURES							
Current:							
General government	11,630,870	-	13,187,624	-	-	2,516,478	27,334,972
Public safety	26,499,137	-	1,686,893	-	-	190,760	28,376,790
Highways and streets	4,447,499	-	-	-	-	1,211,819	5,659,318
Health and welfare	881,431	-	14,813	-	-	43,161	939,405
Culture and recreation	6,157,735	-	-	-	-	583,881	6,741,616
Economic development	-	-	-	-	-	7,810,396	7,810,396
Capital projects	-	-	-	11,580,843	8,208,750	1,405,942	21,195,535
Debt service:							
Principal	1,532,122	3,995,000	-	-	-	55,304	5,582,426
Interest and fiscal charges	232,458	2,164,067	-	-	-	5,695	2,402,220
Total Expenditures	51,381,252	6,159,067	14,889,330	11,580,843	8,208,750	13,823,436	106,042,678
Excess (Deficiency) of Revenue Over (Under) Expenditures	139,296	(1,037,917)	(273,513)	(11,132,226)	(118,203)	(908,537)	(13,331,100)
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of debt - Leases and SBITAs	1,785,775	-	-	-	-	144	1,785,919
Proceeds from sale of assets	25,260	-	-	-	-	195,033	220,293
Transfers in	2,783,707	950,000	389,079		118,192	-	4,240,978
Transfers out	(807,270)	-	(72,738)	-	-	(800,000)	(1,680,008)
Total Other Financing Sources (Uses)	3,787,472	950,000	316,341	-	118,192	(604,823)	4,567,182
Net change in fund balances	3,926,768	(87,917)	42,828	(11,132,226)	(11)	(1,513,360)	(8,763,918)
Fund balances at beginning of year	3,296,093	1,473,691	36,015	20,278,499	11	9,281,498	34,365,807
Prior period adjustment	157,648	-	-	-	-	947,410	1,105,058
Beginning - as restated	3,453,741	1,473,691	36,015	20,278,499	11	10,228,908	35,470,865
Fund balances at end of year	$ 7,380,509	$ 1,385,774	$ 78,843	$ 9,146,273	$ -	$ 8,715,548	$ 26,706,947

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS **EXHIBIT A-6**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds	$ (8,763,918)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expense in the SOA.	30,215,145
The depreciation of capital assets are used in governmental activities is not reported in the funds.	(9,030,442)
The amortization of lease assets used in governmental activities is not reported in the funds.	(1,514,210)
The amortization of subscription assets used in governmental activities is not reported in the funds.	(234,766)
The gain or loss on sale of capital assets is not reported in the funds.	(112,884)
Donation of capital assets increase net position in the SOA but not reported in the funds.	4,912,579
This is the difference of certain property tax revenues deferred in the funds for this year.	(73,812)
This is the difference of certain grant revenues deferred in the funds for this year.	(13,247,929)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,995,000
Repayment of lease and contractual obligations is an expenditure in the funds but is not an expense in the SOA.	1,333,580
Repayment of subscription and contractual obligations is an expenditure in the funds but is not an expense in the SOA.	253,856
Pension expense for the current period.	594,208
Other post employment benefit expense for the current period.	(219,768)
Long term payable is not an expenditure in the funds but is an expense in the SOA.	(404,224)
Bond issuance costs and bond premiums are reflected as an expenditure in the funds but not in the SOA.	605,370
Other financing sources are reflected in the funds but not in the SOA.	(1,785,919)
Bond pre-paid insurance costs and similar items are amortized in the SOA but not reported in the funds.	(51,556)
(Increase) decrease in accrued interest from beginning of period to end of period.	(366,214)
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	306,152
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(297,011)
Change in net position of governmental activities - statement of activities	$ 6,113,237

The accompanying notes are an integral part of this statement.

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CITY OF MISSION, TEXAS **EXHIBIT A-7**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Fund					Internal Service Funds
	Utility Fund	Golf Course Fund	Solid Waste Fund	Event Center Fund	Total Enterprise Funds	Group Health Employee Plan Fund
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 4,000	$ 650	$ -	$ 2,500	$ 7,150	$ 94,821
Investments	939,387	-	476,046	-	1,415,433	4,623
Restricted noncurrent assets						
Cash and cash equivalents	17,989,872	-	205,582	-	18,195,454	-
Investments	1,289,123	-	-	-	1,289,123	-
Accrued interest and other	179	-	-	-	179	-
Prepaid items	30,835	5,000	-	4,115	39,950	-
Receivables	4,848,557	1,457	1,379,171	19,181	6,248,366	4,455
Less: allowance for uncollectibles	(351,031)	-	(160,410)	-	(511,441)	-
Accrued interest	881	-	4,766	-	5,647	-
Due from other funds	3,036,531	27,955	1,093,791	64,710	4,222,987	600,797
Due from other governments	-	-	-	518	518	-
Due from component unit	82,198	-	-	-	82,198	30,976
Inventories (at cost)	349,509	111,349	-	16,700	477,558	-
Total Current Assets	28,220,041	146,411	2,998,946	107,724	31,473,122	735,672
Noncurrent Assets:						
Capital assets						
Land, water rights, and construction in progress	34,864,175	1,642,919	-	-	36,507,094	-
Other capital assets, net of accumulated depreciation	59,479,101	1,165,464	6,699,893	27,366	67,371,824	-
Leases, net of amortization	1,024,728	257,237	117,443	2,817	1,402,225	-
Right-to-use subscription assets, net	-	-	-	-	-	-
Total Noncurrent Assets	95,368,004	3,065,620	6,817,336	30,183	105,281,143	-
Total Assets	123,588,045	3,212,031	9,816,282	137,907	136,754,265	735,672
Deferred Outflows of Resources						
Deferred outflows on refunding	211,652	-	-	-	211,652	-
Deferred outflows related to other post-employment benefits	48,523	10,746	20,006	2,678	81,953	-
Deferred outflows related to pension	899,752	199,259	370,920	49,698	1,519,629	-
Total Deferred Outflows of Resources	1,159,927	210,005	390,926	52,376	1,813,234	-
LIABILITIES						
Current Liabilities:						
Accounts payable	1,587,018	31,673	505,559	28,484	2,152,734	401,993
Claims payable	-	-	-	-	-	183,537
Accrued payroll	124,602	17,039	52,007	8,601	202,249	-
Compensated absences payable	138,038	8,370	15,700	8,452	170,560	-
Due to other funds	5,731,998	25,578	42,160	9,348	5,809,084	11,867
Unearned revenue	-	15,016	-	40,019	55,035	-
Accrued interest	293,791	463	36,157	-	330,411	-
Other liabilities	73,326	77,449	128,649	7,297	286,721	-
Subdivider deposits	2,841,546	-	-	-	2,841,546	-
Retainage payable	2,740	-	-	-	2,740	-
Customer deposits	2,908,060	-	-	-	2,908,060	-
Current portion of PPFA purchase agreement	967,401	-	757,387	-	1,724,788	-
Current portion of lease payables	279,102	203,420	28,776	2,817	514,115	-
Current portion of OPEB	17,628	3,906	7,271	972	29,777	-
Current portion of long-term debt	2,857,394	-	-	-	2,857,394	-
Total Current Liabilities	17,822,644	382,914	1,573,666	105,990	19,885,214	597,397
Other Non-Current Liabilities:						
Long-term compensated absences	194,832	36,210	34,020	8,729	273,791	-
PPFA purchase agreement	15,338,617	-	2,450,506	-	17,789,123	-
Lease payables	960,309	137,357	89,848	2,592	1,190,106	-
Net other post employment benefit obligations	367,630	81,434	151,615	20,267	620,946	-
Net pension liability	1,173,926	259,978	483,948	64,842	1,982,694	-
Revenue bonds, net of current portion, discount, and deferred amount of refunding	19,305,041	-	-	-	19,305,041	-
Advance of funds payable	-	3,305,734	-	-	3,305,734	-
Total Other Non-Current Liabilities	37,340,355	3,820,713	3,209,937	96,430	44,467,435	-
Total Liabilities	55,162,999	4,203,627	4,783,603	202,420	64,352,649	597,397
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	16,401	3,632	6,761	906	27,700	-
Deferred inflows related to post-employment benefits	184,986	40,977	76,287	10,200	312,450	-
Total Deferred Inflows of Resources	201,387	44,609	83,048	11,106	340,150	-
NET POSITION						
Net investment in capital assets	67,191,159	2,724,843	6,146,907	24,774	76,087,683	-
Restricted for						
Debt service	5,630,200	-	-	-	5,630,200	-
Construction	891,976	-	-	-	891,976	-
Unrestricted	(4,329,749)	(3,551,043)	(806,350)	(48,017)	(8,735,159)	138,275
Total Net Position	$ 69,383,586	$ (826,200)	$ 5,340,557	$ (23,243)	73,874,700	$ 138,275
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds.					(109,914)	
Net Position of Business-type Activities					$ 73,764,786	

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS **EXHIBIT A-8**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities-Enterprise Fund					Internal Service Funds
	Utility Fund	Golf Course Fund	Solid Waste Fund	Event Center Fund	Total Enterprise Funds	Group Health Employee Plan Fund
Operating Revenues						
Charges for services	$ 25,584,619	$ 1,003,057	$ 8,606,284	$ 387,981	$ 35,581,941	$ 7,638,156
Operating Expenses:						
Insurance claim drafts	-	-	-	-	-	5,663,461
Health insurance cost	-	-	-	-	-	1,778,663
Utility administration	908,357	-	-	-	908,357	-
Water distribution	3,270,728	-	-	-	3,270,728	-
Water treatment	2,068,126	-	-	-	2,068,126	-
Wastewater treatment and collection	2,075,713	-	-	-	2,075,713	-
Industrial pretreatment	182,236	-	-	-	182,236	-
Utility collection	637,595	-	-	-	637,595	-
Organizational expenses	882,871	-	-	-	882,871	-
Meter readers	572,108	-	-	-	572,108	-
Northside water treatment plant	3,713,904	-	-	-	3,713,904	-
Depreciation and amortization	5,590,682	347,320	1,173,303	32,438	7,143,743	-
Cost of sales	-	52,460	-	-	52,460	-
Golf course operation	-	1,041,933	-	-	1,041,933	-
Solid waste disposal	-	-	5,838,595	-	5,838,595	
Event center operation	-	-	-	738,264	738,264	-
Total operating expenses	19,902,320	1,441,713	7,011,898	770,702	29,126,633	7,442,124
Operating income (loss)	5,682,299	(438,656)	1,594,386	(382,721)	6,455,308	196,032
Nonoperating Revenues (Expenses)						
Gain (Loss) on disposal of capital assets	9,205	-	(324)	-	8,881	-
Interest earned	401,933	-	9,389	-	411,322	203
Other nonoperating revenue	1,206	-	-	-	1,206	-
Bond interest expense	(939,913)	(10,318)	(190,026)	(26)	(1,140,283)	-
Bond fiscal charges	(3,800)	-	-	-	(3,800)	-
Total Non-operating Revenue (Expenses)	(531,369)	(10,318)	(180,961)	(26)	(722,674)	203
Net Income (Loss) Before Transfers and Capital Contributions	5,150,930	(448,974)	1,413,425	(382,747)	5,732,634	196,235
Transfers In (Out)	(2,723,356)	-	(437,613)	600,000	(2,560,969)	-
Capital contributions	3,571,859	-	-	-	3,571,859	-
Change in Net Position	5,999,433	(448,974)	975,812	217,253	6,743,524	196,235
Net Position - Beginning of Year	63,384,153	(377,226)	4,364,745	(240,496)	67,131,176	(57,960)
Net Position - End of Year	$ 69,383,586	$ (826,200)	$ 5,340,557	$ (23,243)		$ 138,275
Adjustment to reflect the consolidation of internal service fund actitivies related to enterprise funds for the current year					(109,914)	
Change in net position of business-type activities					$ 6,633,610	

The accompanying notes are an integral part of this statement.

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CITY OF MISSION, TEXAS **EXHIBIT A-9**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Enterprise					Internal Service Fund
	Utility Fund	Golf Course Fund	Solid Waste Fund	Event Center Fund	Total	Group Health
Cash Flows from Operating Activities:						
Cash received from customers for sales and services	$ 24,242,937	$ 1,000,365	$ 8,540,197	$ 388,042	$ 34,171,541	$ 7,678,234
Proceed from insurance settlement	1,206	-	-	-	1,206	-
Cash payments to employees for services	(4,433,238)	(486,643)	(1,922,230)	(272,484)	(7,114,595)	(7,602,779)
Cash payments to other suppliers for goods and services	(9,591,368)	(667,968)	(4,080,579)	(458,695)	(14,798,610)	-
Internal activity - payments from/to other funds	2,982,972	30,648	(884,117)	(253,794)	1,875,709	(73,351)
Net Cash Provided (Used) by Operating Activities	13,202,509	(123,598)	1,653,271	(596,931)	14,135,251	2,104
Cash Flows from Non-Capital Financing Activities:						
Proceeds (payments) for advances to other funds	-	234,590	-	-	234,590	-
Transfers from (to) other funds	(2,723,356)	-	(437,613)	600,000	(2,560,969)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(2,723,356)	234,590	(437,613)	600,000	(2,326,379)	-
Cash Flows from Capital and Related Financing Activities:						
Proceed from sale of capital assets	9,205	-	(324)	-	8,881	-
Principal and interest paid	(4,909,354)	(110,991)	(902,918)	(3,069)	(5,926,332)	-
Acquisition or construction of capital assets	(3,343,151)	(40,586)	(4,146,711)	-	(7,530,448)	-
Proceed from issuance of long-term debt	520,269	40,586	92,275	-	653,130	-
Net Cash Provided (Used) for Capital & Related Financing Activities	(7,723,031)	(110,991)	(4,957,678)	(3,069)	(12,794,769)	-
Cash Flows from Investing Activities:						
Purchase from investment securities	(810,460)	-	(244,000)	-	(1,054,460)	(205)
Proceeds from sale and maturities of securities	2,406,000	-	248,000	-	2,654,000	-
Interest on investments	380,236	-	4,980	-	385,216	203
Net Cash Provided (Used) for Investing Activities	1,975,776	-	8,980	-	1,984,756	(2)
Net Increase (Decrease) in Cash and Cash Equivalents	4,731,898	1	(3,733,040)	-	998,859	2,102
Cash and Cash Equivalents at Beginning of Year	13,261,974	649	3,938,622	2,500	17,203,745	92,719
Cash and Cash Equivalents at End of Year	$ 17,993,872	$ 650	$ 205,582	$ 2,500	$ 18,202,604	$ 94,821
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:						
Operating Income (Loss)	$ 5,682,299	$ (438,656)	$ 1,594,386	$ (382,721)	$ 6,455,308	$ 196,032
Adjustments to Reconcile Operating Income to Net Cash Provided by operating activities:						
Depreciation	5,590,682	347,320	1,173,303	32,438	7,143,743	-
Other non-operating revenue	1,206	-	(2,895)	-	(1,689)	-
Change in Assets and Liabilities:						
Decrease (increase) in receivables	(1,769,973)	7,628	(63,192)	(3,557)	(1,829,094)	40,078
Decrease (increase) in inventories	(162,642)	(66,612)	-	1,013	(228,241)	-
Decrease (increase) in prepaid expenses	7,363	(3,000)	-	-	4,363	-
Decrease (increase) in due from other funds	2,793,351	33,744	(381,983)	(64,710)	2,380,402	1,403,597
Decrease (increase) in due from component unit	146,937	-	-	-	146,937	7,449
Decrease (increase) in due from other governments	-	-	-	(188)	(188)	-
Decrease (increase) in TMRS net pension asset	19,486	3,449	8,255	1,127	32,317	-
Decrease (increase) in deferred outflows on refunding	59,189	-	-	-	59,189	-
Decrease (increase) in deferred outflows related to OPEB	23,144	1,937	10,355	1,469	36,905	-
Decrease (increase) in deferred outflows related to pensions	(634,377)	(152,295)	(258,493)	(34,344)	(1,079,509)	-
Increase (decrease) in accrued payroll	575	3,425	3,932	2,630	10,562	-
Increase (decrease) in accounts payable	524,428	(13,875)	(104,870)	(3,412)	402,271	2,394
Increase (decrease) in accrued interest	272	-	-	(2)	270	-
Increase (decrease) in other liabilities	37,793	11,690	27,778	3,684	80,945	-
Decrease (increase) in claims payable	-	-	-	-	-	(163,049)
Increase (decrease) in subdivider deposits	311,277	-	-	-	311,277	-
Increase (decrease) in customer deposits	116,742	-	-	-	116,742	-
Increase (decrease) in due to other funds	42,684	(3,096)	(502,134)	(189,084)	(651,630)	(1,484,397)
Increase (decrease) in unearned revenue	-	(10,320)	-	3,806	(6,514)	-
Increase (decrease) in compensated absences	24,693	8,152	4,699	17,181	54,725	-
Increase (decrease) in net pension liability	1,173,926	259,978	483,948	64,842	1,982,694	-
Increase (decrease) in net OPEB	(102,348)	(953)	(47,689)	(6,972)	(157,962)	-
Increase (decrease) in deferred inflows related to OPEB	1,697	8,540	(1,363)	(404)	8,470	-
Increase (decrease) in deferred inflows related to pensions	(685,895)	(120,654)	(290,766)	(39,727)	(1,137,042)	-
Total adjustments	7,520,210	315,058	58,885	(214,210)	7,679,943	(193,928)
Net cash provided by operating activities	$ 13,202,509	$ (123,598)	$ 1,653,271	$ (596,931)	$ 14,135,251	$ 2,104
Noncash Capital and Related Financing Activities						
Contributed capital assets	$ 3,571,858	$ -	$ -	$ -	$ 3,571,858	$ -
Increase (decrease) in fair value investments	61,460	-	2,895	-	64,355	-
Total Noncash Investing, Capital and Financing Activities	$ 3,633,318	$ -	$ 2,895	$ -	$ 3,636,213	$ -

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS **EXHIBIT A-10**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2023

	Private Purpose Trust Fund
	Speer Library Breyfogle
ASSETS	
Cash and cash equivalents	$ 6,812
Total Assets	$ 6,812
Net Position	
Held in trust for scholarships and books	$ 6,812
Total Net Position	$ 6,812

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS **EXHIBIT A-11**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Private Purpose Trust Fund
	Speer Library Breyfogle
Additions:	
Investment income	$ -
Total Additions	-
Deductions:	
Scholarship Awards	-
Total Deductions	-
Change in Net Position	-
Net Position-Beginning of the Year	6,812
Net Position-End of the Year	$ 6,812

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mission, Texas (the "City"), was incorporated in 1910 under the provisions of the City's Home Rule Charter. The current City Home Rule Charter, which was last amended in 2008, authorizes the following services: public safety, public utilities, public works, planning and zoning, sanitation, recreational and cultural activities, a municipal golf course and general administrative services. Education, health, and welfare are administered by other governmental entities.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and four-member governing council (the "Council"). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

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

The Mission Economic Development Authority (MEDA) was originally organized to provide development activities that could not be carried out by the Mission Economic Development Corporation (MEDC). City of Mission management has operational and fiscal responsibility for this component unit. The Board now consists of 5 members, 4 of whom are Board Members of the MEDC. All Economic Development Activity on behalf of the City was reassigned by city resolution to MEDC. MEDA holds an investment in several lots of land which are available for sale. MEDA is presented as a blended component unit as MEDA's current limited activity exclusively benefits the City. The MEDA does not issue separate financial statements. Their financial statements are included in the City's Annual Comprehensive Financial Report as a special revenue fund for the year ended September 30, 2023.

Discretely Presented Component Units

On September 12, 1994, the Mission Economic Development Corporation (MEDC) was issued a Certificate of Incorporation by the State of Texas as a nonprofit corporation under the Development Corporation Act of 1979 Vernon's Ann Civ. St. Art. 5190.6, as amended by adding

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Sec. 413. The MEDC was organized on behalf of the City for the specific public purpose of the promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare. MEDC is governed by a seven-member board of directors, one of whom is the Mayor of the City of Mission, Texas. The remaining six are appointed by the Mayor and City Council of the City of Mission, Texas. Any director may be removed from office by the City Council for cause or at will. MEDC's primary source of revenues is sales tax revenues generated by the City of Mission. In addition, the City approves the programs and expenditures of

MEDC and must approve amendments to MEDC's bylaws and Articles of Incorporation. MEDC is presented as a governmental fund type and has a September 30 year end.

Separately issued financial reports are available for the MEDC. These reports may be obtained by contacting the following offices.

Mission Economic Development Corporation
1201 E. 8th St.
Mission, Texas 78572

The City authorized the creation of the Mission Redevelopment Authority (the "Authority") by the Resolution No. 1021 passed on November 26, 2001. The Authority was created and organized as a local government corporation pursuant to provisions of Subchapter D of Chapter 431 of the Texas Transportation Code and Chapter 394 of the Texas Local Government Code. The Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of Reinvestment Zone Number One (the "Zone") and neighboring areas; in the preparation and implementation of a project plan and a reinvestment zone financing plan for the zone; in the development of a policy to finance development and redevelopment of residential, educational facilities, commercial and park/open space properties in the Mission area; and in the development and implementation of a redevelopment policy for the Mission area, including the acquisition of land for redevelopment purposes. The Authority may issue bonds with consent of City Council. The Authority is managed by a Board of Directors consisting of seven members. Five of the members are appointed by the Mayor with the approval of City Council. The remaining two positions are designated for participating taxing entities. MRA is presented as a governmental fund type and has a September 30 year end.

Separately issued financial reports are available for the MRA. These reports may be obtained by contacting the following offices.

Mission Redevelopment Authority
901 Business Park Drive Suite 200
Mission, Texas 78572

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 units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges 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 expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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,* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

current period. For this purpose, the government considers revenues to be available if they are collected within 30 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.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, interest revenue and charges for services. Sales taxes collected and held by the intermediary collecting governments at year end on behalf of the City also are accrued. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Government-Wide Financial Statements

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

As discussed earlier, the City has two discretely presented component units. While the MEDC and MRA are considered to be major component units, they are nevertheless shown in separate column in the government-wide financial statements.
As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including all dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund and blended component unit. Separate statements for each fund category—governmental, proprietary, and fiduciary—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 non-major funds. Major

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions of the City are financed. Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Governmental fund types include the general fund, special revenue funds, debt service fund and capital projects funds.

The City reports the following major governmental funds:

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

Designated Purpose Fund is used to account for federal, state and local awarded funds towards operations and infrastructure improvements in the City not accounted for in the General Fund.

Debt Service Funds are used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

2021 CO Capital Projects Fund is used to account for the acquisition and construction of street and drainage improvements, utility system improvements, parks improvements, facilities improvements, land acquisition, and professional services in connection therewith.

Capital Projects Fund account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following proprietary fund types and related major funds:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City reports all of its enterprise funds as major funds.

Utility Fund accounts for the provision of water and sewer services to the residents of the City and some residents outside of the City.

Golf Course Fund accounts for the operations and maintenance of the Shary Municipal Golf Course.

Solid Waste Fund accounts for the provision of garbage and brush collection for the residents of the City.

Event Center Fund accounts for the operations and maintenance of the Mission Events Center.

Internal Service Fund, the Group Health Employee Plan Fund, is used to account for the financing of goods or services provided by one department or agency to other department or agencies of the City, or to other governments, on a cost-reimbursement basis. The Group Health Employee Plan Fund is used to account for health insurance premiums collected from employees and various City departments. Health insurance claims are also reflected in this fund.

The City reports fiduciary fund types, in which the City accounts for assets received and held by the City in the capacity of trustee, agent or custodian. Deductions are made only in accordance with the purpose for which the assets are received and cannot be used to support the City's programs. Within this category of fund types, the private-purpose trust fund is used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types. All resources of the fund, including any earnings or invested resources, may be used to support the organization's activities. There is no requirement that any portion of these resources be preserved as capital.

Fiduciary Fund, the Speer Memorial Library-Breyfogle*,* is a private purpose trust fund. This fund is used to account for resources held in trust to be used for Library Science courses. Such resources are to be used for library staff who have been accepted into a Library Science program and who are taking library science courses from an American Library Association/Masters of Library Science (ALA/MLS) accredited program or institution. All resources of the fund, including any earnings on invested resources, may be used to support these activities.

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 and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

As mandated by the City Charter, budgets are required for all City funds each year. For the year ended September 30, 2023, budgets were not adopted for the Fiduciary Fund, but were adopted for the Internal Service Fund. Budget comparisons to actual expenditures for these funds are not required to be included in the financial statements. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds, except for the Capital Projects Funds. Budgets for the Capital Projects Funds are adopted over the multiple-year term of the projects.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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

Excess of expenditures over appropriations

During the year ended September 30, 2023, two General Fund departments had expenditures which exceeded appropriations by a total of $163,474, as reflected on exhibit B-1.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Net position deficit

A net position deficit exists in the amount of $826,200 for the golf course fund for the year ended September 30, 2023. The negative balance is due to more expenditures than generated revenues in FY 2022-2023.

A net position deficit exists in the amount of $23,243 for the event center fund for the year ended September 30, 2023. The reduction in negative balance is related to the change in management.

A net position deficit exists in the amount of $5,201,803 for the Mission Redevelopment Authority (MRA) component unit for the year ended September 30, 2023. This deficit is due to MRA issuing debt to pay for facilities that were conveyed, or will be conveyed, to the City of Mission, Texas (the "City'') or the State of Texas. MRA anticipates that with the expected development in the area, tax increment revenues will be sufficient to cover operating costs of MRA and to service the outstanding debt.

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 consist of U.S. agency obligations and TexPool investments. U.S. Treasury and agency obligations are reported at fair value. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at amortized cost. The City’s local government investment pools are recorded at amortized cost as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants.*

The City can legally invest in adequately secured investments in accordance with the State’s *Public Funds Investment Act.* With certain restrictions, the City’s Investment Policy allows investments in certificates of deposit, repurchase agreements, joint pools of political subdivisions in the State of Texas, obligations of the U.S. Government and its Agencies or instrumentalities and State obligations.

The Mission Economic Development Corporation (MEDC) is authorized, with certain restrictions, to invest in certificates of deposit, repurchase agreements, joint pools of political subdivisions in the State of Texas, obligations of the U.S. Government and its Agencies or instrumentalities and State obligations. Investments are reported at fair value in the component unit, except for pooled

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments (continued)

investments, which are stated at amortized cost. MEDC's bank accounts are managed by the City and the City's investment policies are followed.

The Mission Redevelopment Authority (MRA) is authorized to invest in any investments that are permitted by state statutes under the *Public Funds Investment Act*. During the year, MRA's investments consisted of U.S. government bonds and certificates of deposits which are valued at fair value.

Receivables and Payables

Included in accounts receivable of the City's Utility fund is an estimated amount for services rendered but not billed as of the close of the year. The receivable was estimated by prorating subsequent cycle billings, based upon meter readings sent to customers.

Property taxes receivable have been prorated between General and Debt Service Fund based upon rates adopted for the year of the levy.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in the Utility fund in excess of 120 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. Advances between funds, reported in the fund financial statements, are offset by a fund balance classification in the applicable governmental funds to indicate that they are not available for appropriation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 a 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.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and repair parts as well as golf shop merchandise. The cost of such inventories is recorded as expenditures/expenses when consumed or sold rather than when purchased.

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.

These balances are equally offset by nonspendable fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of total assets.

Land Held for Resale

The City, through the Mission Economic Development Authority and the Mission Economic Development Corporation, holds commercial real estate lots available for sale within an economically depressed area. These lots will be sold to attract development to further benefit the City.

Redevelopment Assets

Redevelopment assets are recorded at historical cost. Depreciation is not recorded on redevelopment assets because they are expenditures for planning, design and construction of economic development projects, which upon completion will be transferred to the City of Mission or other governmental entities. Governments usually acquire or incur construction or design costs related to the redevelopment property to attract private-sector investment in an economically depressed area. During the construction or planning and design phase, these capital project assets are considered redevelopment assets of these component units.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Restricted Assets (continued)

governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Subdivider deposit accounts – Deposits that are to be refunded upon satisfaction of all obligations due.

Bond debt service accounts – Certain proceeds of long-term debt, as well as certain resources set aside for their repayment.

Capital projects – Includes resources set aside for capital outlays.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The Utility Fund has capitalized interest cost during the construction period of water and wastewater projects. The capitalized interest is recorded as part of the cost of these projects and will be depreciated over the assets' estimated useful life. The amount of interest cost capitalized is net of interest earned on investments acquired with proceeds of related borrowings. Interest expense is not capitalized on capital assets of governmental funds.

Depreciation of capital assets used by proprietary funds is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of general 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 government-wide Statement of Net Position.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Capital Assets (continued)

Capital asset classes	Lives
Buildings	30
Furniture and equipment	5 - 15
Vehicles	3 - 20
Water plant and water tower	20 - 50
Water lines	25
Sewer system	20
Infrastructure	10 - 45

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*, represent a consumption of net assets that applies to 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,* the *deferred outflows related to pensions,* and the *deferred outflows related to OPEB*, 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 exceeds 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 are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

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*, represent an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting as deferred inflows of resources. The *deferred inflows related to pensions and OPEB* are an aggregate of items related to pensions and other post-employment benefits as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions and OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years. The *deferred inflows related to leases* are associated with amounts owed to the City, as lessor, by entities leasing the City's capital assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Deferred Outflows/Inflows of Resources (continued)

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 two sources: leases and property taxes assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported only in the governmental activities column of the government-wide financial statements. Compensated absences vested or accumulated are reported in the governmental funds only if they have matured. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, the vesting method can be used to calculate the liability related to compensated absences for sick leave. The vesting method focuses on vesting sick leave. Vesting rights include vested rights and those rights that will eventually vest. With the exception of police officers and firefighters, discussed below, the City has recognized a liability for the vested part of employee sick leave. Per the City's Personnel Policy Manual, one-half of accumulated sick days up to a maximum of 90 days will vest once an employee either reaches 15 years of service or is eligible for official retirement as defined by the Texas Municipal Retirement System.

Per Texas Local Government Code Section 143.045, Police Officers and Firefighters are allowed to accumulate 15 sick days for 12 months of employment. They are entitled to receive a lump-sum payment of the full amount of accumulated sick leave not to exceed a total of 90 days' pay. There is no requirement on vested time to receive benefit.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Long-Term Obligations (continued)

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.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the pension plan, or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earning on qualified pension plan investments are recognized as component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows or resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Fund Balance Reporting

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. 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. Examples of this classification are prepaid items, inventories, long term portions of receivables, redevelopment assets, and land held for resale. The City has prepaid expenses, inventories, long term portion of receivables, and land held for resale that are considered nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fund Balance Reporting (continued)

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

- Committed: fund balances that can be used only for the specific purpose determined by formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by an adoption of an ordinance, commit fund balance. Once committed, the funds cannot be used for any other purpose unless such constraints are removed or modified by the adoption of another ordinance by City Council.

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Council, or its designee, such as the City Manager. The City's policy dictates that any funds set aside by management as assigned fund balance, must be reported to City Council on the next regular Council meeting. Council has the authority to change or remove the assignment with majority vote.

- Unassigned: fund balance of the general fund that is not constrained for any particular purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Minimum Fund Balance Policy

- The City of Mission determined that it is essential that they maintain adequate levels of fund balance in the General Fund to mitigate risks, provide a back-up plan for revenue shortfalls, and ensure that appropriate amounts are available for emergencies.

- The General Fund Unrestricted Fund Balance will be no less than two (2) months of operating expenditures.

- Should the Unrestricted Fund Balance decline to less than two (2) months of operating expenditures, all one-time revenues will be applied to replenish the targeted minimum balance. The targeted fund balance must be replenished within two years.

- Furthermore, the City's Charter contains a requirement that a provision must be made in the annual budget and in the appropriation ordinance for a contingent appropriation in

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fund Balance Reporting (continued)

an amount no more than three (3) percent of the total budget to be used in case of unforeseen items of expenditure. Unused contingent funds will be used to replenish the targeted minimum unrestricted fund balance.

Order of Expenditures of Funds

- When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds. A detailed classification of fund balances is included in Note 20.

Revenues and Expenditures/Expenses

Program revenues - Amounts reported as *program revenues* include 1) charges for services 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 are levied by October 1 in conformity with the Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 30-day period after the close of the City's fiscal year.

Property taxes are billed and collected by the Hidalgo County Tax Office for the City by contract agreement. Tax collections are transferred directly into the City's bank account. The City is a Home-Rule Charter City with a maximum authorized tax rate for all purposes of $2.50 per $100 valuation. The combined tax rate for the year ended September 30, 2023 (2022 levy), was $0.5299 per $100 valuation. Taxes receivable consists of property taxes of $2,412,332 and sales taxes of $3,318,420.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenues and Expenditures/Expenses (continued)

connection with a proprietary fund's principal ongoing operations. Operating revenues for the enterprise and internal service funds consist of charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Fund Activity

Because the principal users of the internal service activities are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statement. Only the net profit or loss before investment income is allocated to the operating programs benefited. The investment income is combined with other unrestricted income as general revenue in the statement of activities.

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. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. The following are the significant encumbrances at year-end:

General Fund	$	2,219,707
Debt Proceeds Capital Projects		12,737,265
Other Governmental Funds		3,642,078
Total	$	18,599,050

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.

Rounding Adjustments

Throughout this annual comprehensive financial report, dollar amounts are rounded, thereby creating differences between the details and the totals.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Reclassifications

Certain reclassifications were made to prior year balances to conform to current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 27, 2025. See Note 29 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

Current Accounting Standards

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 users, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying existing definitions 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. This Statement was adopted in the current year, resulting in no material effect.

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 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 for 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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Current Accounting Standards (continued)

Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Note 2.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*, enhancing comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Clarification of provisions in in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. Clarification of provisions in Statement No. 96, *Subscription-Based Technology Arrangements*, related to the subscription-based technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. This Statement was adopted in the current year resulting in no material effect.

Future Accounting Standards

In June 2022, 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). The requirements of this Statement are effective for accounting changes and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Future Accounting Standards (continued)

error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Statement No. 101, Compensated Absences, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off of otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not be settled through conversion to defined benefit post-employment benefits should not be included in a liability for compensated absences. The requirement of this Statement is effective for reporting periods beginning after December 15, 2023.

Statement No. 102, Certain Risk Disclosures, the objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The City is evaluating the requirements of GASB No. 102 and the impact on reporting for future years.

Statement No. 103, Financial Reporting Model Improvements, the objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The City is evaluating the requirements of GASB No. 103 and the impact on reporting for future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Future Accounting Standards (continued)

Statement No. 104, Disclosure of Certain Capital Assets, this Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The City is evaluating the requirements of GASB No. 104 and the impact on reporting for future years.

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

NOTE 2 – CHANGE ACCOUNTING PRINCIPLES

City of Mission adopted GASB No. 96, *Subscription-Based Technology Arrangements*, as of October 1, 2022. Due to the implementation of GASB 96, the City, at the government-wide level, calculated and recognized right-to-use subscription assets and liabilities of $661,937. There were no impacts to the beginning net position related to the implementation of GASB 96.

NOTE 3 – PRIOR PERIOD ADJUSTMENT

A. Primary Government

A contribution of land from the general fund to MEDA was not recorded on the books in the MEDA fund in the prior year. As a result, there was an increase in the other governmental funds fund balance as well as land held for sale in the amount of $947,410. There was also a decrease in land and net position in governmental activities. The governmental activities adjustment is reflected within exhibit A-4.

$203,744 in contributions to the Veteran’s Cemetery was not recorded in the prior year. As a result, there was a decrease in land, water rights, and construction in progress as well as a decrease in net position in governmental activities.

Unearned revenue and deferred inflows related to leases were misstated in the prior year due to a timing error related to revenue recognition at the government-wide level. As a result, there was an increase in unearned revenue of $3,894,998, an increase in deferred inflows related to leases of $72,283 and a decrease in net position of $3,967,281 in governmental activities.

NOTE 3 – PRIOR PERIOD ADJUSTMENT *(Continued)*

Expenses related to another fund were overstated in the general fund resulting in an increase in fund balance and due from other funds of $157,648.

The government wide adjustment for the internal service fund was misstated in the prior year, resulting in an increase in net position of $604,385 in business-type activities.

A note payable and related cash escrow account were received by the solid waste fund in the prior year to purchase sanitation vehicles in the amount of $3,937,371. However, this adjustment had no effect on net position.

Lease assets and lease liabilities were overstated by $546,161 in governmental activities, $118,792 in the utility fund and $23,766 in the solid waste fund at time of inception in the prior year. However, this adjustment had no effect on net position.

B. *Component Unit*
Revenue and receivables for MEDC related to the Shary Park Project were not recorded on the books in the prior year. As a result, there was an increase to fund balance/net position in the amount of $112,341.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Primary Government

Deposits – At September 30, 2023, the carrying value of the City's deposits was $29,886,087 and the bank balance was $30,008,892. The entire bank balance was covered by FDIC insurance or was fully collateralized with securities held by the City's agent in the City's name. The type of deposits held at year end was demand accounts.

Investments – The primary objective of the City's investment activity is the preservation of capital in the overall portfolio. Each investment transaction shall be conducted in a manner to avoid capital losses, whether they are from security defaults or erosion of fair value.

The City pools the cash, based on the City's needs, into either deposits in bank accounts, in short-term investments with TexPool, or in longer-term investments in U.S. Government Bonds. However, each fund's balance of cash and investments is maintained in the books of the City.

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

The City's investments are as follows at September 30, 2023:

Investments	
TexPool (reported at amortized cost)	$ 6,870,439
Certificates of deposit (reported at fair value - level 2)	5,065,967
U.S. Government Bonds (reported at fair value - level 2)	3,631,137
Total investments	$ 15,567,543

Quoted market prices are the basis of the fair value for investments. The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income of $273,633.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The City's investment policy limits average maturities of all investments to three years or less. The maximum final stated maturity of any investment shall not exceed five years. Portfolio diversification is employed as a way to control the risk. The City's investment portfolio is required to have sufficient liquidity to meet anticipated cash flow requirements.

The following is the Interest Rate Risk using Specific Identification, as of September 30, 2023:

		Maturity Period		
Investment Type	Reported Amount	3 Months or Less	4-12 Months	Over One Year
TexPool	$ 6,870,439	$ 6,870,439	$ -	$ -
Government bonds	3,631,137	-	2,683,622	947,515
Certificates of Deposits	5,065,967	247,631	3,393,321	1,425,015
Total	$ 15,567,543	$ 7,118,070	$ 6,076,943	$ 2,372,530

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

Credit Risk

Credit risk is the risk that a counterparty will not fulfill its obligations.

The City's investment policy authorizes the following pools:

Public funds investment pools in Texas ("Pools") are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"). Chapter 2258 of the Texas Government Code, in addition to the other provisions of the Act designed to promote liquidity and safety of principal, the Act required Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower that AAA or AAA-m or an equivalent rating by at least one nationally recognized rating services; and 3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Account exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. As permitted by GASB No. 79, *Certain Investment Pools and Pool Participants*, the City's investments in TexPool are stated at cost, which approximates fair value.

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

Credit Risk (continued)

The City's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes that it complied with the requirements of the PFIA and the City's Investment policies.

Statutes authorize the City to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, certain municipal securities, repurchase agreements, and other investments specifically allowed by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code).

Concentrations of Credit Risk

Portfolio diversification is critically important to the City to help mitigate the risk of loss. The following are employed terms of investment instruments, maturity scheduling and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer, as a way to control risk.

As of September 30, 2023, the following was the composition of the City's credit rating by investment:

Investment Type	Rating	Exposure
TexPool	AAAm	44%
Government bonds	AA+	23%
Certificates of Deposits	N/A	33%

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

Custodial Credit Risk

For an investment, custodial credit risk is the risk that the City will not be able to recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to an investment will not fulfill its obligation.

The City's investments are categorized as a level one custodial credit risk, meaning that its investments are insured or registered, or securities held by the City or its' agent in the City's name.

The City is prohibited from investing in the following types of investments:

a. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.

b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.

c. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.

d. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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.

A reconciliation of cash and investments as shown on the Statement of Net Position for the primary government follows:

Cash on hand	$ 11,309
Carrying amount of deposits	29,886,087
Investments	15,567,543
Accrued interest receivable	179
Cash, Investments, and Accrued Interest Receivable	$45,465,118
Cash and cash equivalents	$ 5,617,903
Investments	14,278,420
Restricted assets	25,568,795
Total Cash, Investments, and Restricted Assets on Statement of Net Position	$45,465,118

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

B. Component Units

Mission Economic Development Corporation

Deposits - At September 30, 2023, the carrying value was $1,285,495 and the bank balance of MEDC's deposits was $1,290,379. Deposits include demand accounts and certificate of deposits with an initial maturity of three months or less. At September 30, 2023, all deposits were fully insured or collateralized. See custodial credit risk below.

Investments - During the year, MEDC had investments comprised of certificates of deposit and government bonds.

MEDC 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 allowed 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 part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies; MEDC reports its information to the City of Mission Council.

Additionally, investment practices of MEDC were in accordance with local policies. The MEDC's management believes that it complied with the requirements of the PFIA and its adopted investment policies.

MEDC investments reported at fair value, in restricted assets, are as follows as of September 30, 2023:

Investments	
Certificate of deposit (fair value - level 2)	$ 239,413
Government bonds (fair value - level 2)	237,140
Total investments	$ 476,553

At September 30, 2023, MEDC had deposits collateralized by pledged securities of $1,007,446; all deposits were insured by the FDIC or were fully collateralized.

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

Mission Redevelopment Authority (continued)

A reconciliation of cash as shown on the statement of net position for MEDC is as follows:

Cash on hand	$ 500
Carrying amount of deposits	1,285,495
Investments	476,553
Cash, Investments, and Accrued Interest Receivable	$ 1,762,548
Cash and cash equivalents	$ 939,163
Restricted assets	823,385
Cash and Cash Equivalents and Restricted Assets on Statement of Net Position	$ 1,762,548

Mission Redevelopment Authority

Investment Accounting Policy - The Authority is required by the 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 Authority adhered to the requirements of the Act. Additionally, investment practices of the Authority were in accordance with local policies.

The Act determines the types of investments, which are allowable for the Authority. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Authority policy authorizes all the State allowable investments. No person may invest the Authority funds without express written authority from the Board of Directors. The Authority's management believes that it has complied in all material respects with the requirements of the Act and the Authority's investment policies.

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

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

Mission Redevelopment Authority (continued)

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 Authority'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.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate fair value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. The Authority'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 Authority's agent bank approved pledged securities in an amount sufficient to protect Authority funds on a day-to-day basis during the period of the contract. For the deposit and investment balances noted below, $250,000 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the Authority and held in a third party depository.

Deposits

As of the fiscal year end, the bank balance and carrying value of the Authority's deposits was $30,997,634.

Investments

As of September 30, 2023, the Authority had the following investments and maturities:

			Maturity Period		
Investment Type	Amortized Cost	Fair Value	Less Than One Year	One to Five Years	Over Five Years
Certificate of Deposits	$ 1,000,000	$ 958,330	$ 247,385	$ 710,945	$ -
U.S. Government Bonds	1,690,000	1,670,917	1,670,917	-	-
Total	$ 2,690,000	$ 2,629,247	$ 1,918,302	$ 710,945	$ -

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy identifies the types of allowable investments as governed by the Public Funds Investments Act, to reduce the credit risk associated with the

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

Mission Redevelopment Authority (continued)

investments. At September 30, 2023, the Authority's Money Market Mutual Fund investment rating was A- by Standard & Poor's Rating Service.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority considers the investment in the Money Market Mutual Fund to have maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value. The Authority's investment policy limits money market mutual funds to those with a stable net asset value of $1 per share and those with a weighted average maturity of less than two years.

NOTE 5 – RECEIVABLES

Receivables at September 30, 2023 were as follows:

	Taxes	Accounts	Special Assessments	Due from Other Governments	Allowance for Uncollectible	Accrued Interest Receivable	Net
Governmental Activities							
General	$ 2,004,915	$ 1,441,114	$ -	$ 4,051,559	$ (1,774,325)	$ 2,635	$ 5,725,898
Debt Service	407,417	-	-	-	(154,806)	42	252,653
Designated Purpose	-	20	-	132,040	-	-	132,060
Capital Projects Fund	-	-	-	3,198,089	-	-	3,198,089
2021 CO Capital Projects Fund	-	-	-	-	-	6,998	6,998
Nonmajor Gov't	-	405,420	192,784	3,811,406	(19,713)	85	4,389,982
Internal Service	-	4,455	-	-	-	-	4,455
Total	$ 2,412,332	$ 1,851,009	$ 192,784	$ 11,193,094	$ (1,948,844)	$ 9,760	$ 13,710,135
Business-Type Activities							
Utility	$ -	$ 4,848,557	$ -	$ -	$ (351,031)	$ 881	$ 4,498,407
Golf Course	-	1,457	-	518	-	-	1,975
Solid Waste	-	1,379,171	-	-	(160,410)	4,766	1,223,527
Event Center	-	19,181	-	-	-	-	19,181
Total	$ -	$ 6,248,366	$ -	$ 518	$ (511,441)	$ 5,647	$ 5,743,090

NOTE 5 – RECEIVABLES *(Continued)*

Mission Economic Development Corporation

	Taxes	Accounts-Other	Accrued Interest Receivable	Due from Other Governments	Net
Governmental Activities					
General	$1,106,137	$ 310,231	$ 130	$ 370,662	$1,787,160
Debt Service	-	-	560	-	560
Total	$1,106,137	$ 310,231	$ 690	$ 370,662	$1,787,720

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund receivable and payable balances at September 30, 2023 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	(336,181)
General Fund	Designated Purpose Fund	(2,194,918)
General Fund	Capital Outlay	(1,679)
General Fund	Capital Projects	(4,873,290)
General Fund	Group Health Fund	(11,867)
General Fund	Utility Fund	(5,592,584)
General Fund	Golf Course Fund	(2,423)
General Fund	Event Center Fund	(1,523)
Non-Major Governmental Funds	General Fund	(2,620,756)
Debt Service Fund	General Fund	(1,126,992)
Designated Purpose Fund	General Fund	(575,506)
2021 CO Capital Projects Fund	General Fund	(570)
2021 CO Capital Projects Fund	Non-Major Governmental Funds	(254,251)
Utility Fund	General Fund	(3,033,452)
Utility Fund	Non-Major Governmental Funds	(3,079)
Golf Course Fund	General Fund	(27,955)
Solid Waste Fund	General Fund	(1,093,791)
Event Center Fund	General Fund	(64,710)
Group Health Fund	General Fund	(362,586)
Group Health Fund	Utility Fund	(139,414)
Group Health Fund	Golf Course Fund	(23,155)
Group Health Fund	Solid Waste Fund	(42,160)
Group Health Fund	Event Center Fund	(7,825)
Group Health Fund	Non-Major Governmental Funds	(25,657)
Total		(22,416,324)

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (*Continued*)

The remaining balances resulted from a routine lag between the dates that transactions are recorded in the accounting system and payments made between the funds. All amounts are scheduled to be repaid within one year.

B. Due to/from the primary government and component units at September 30, 2023 were as follows:

Receivable Entity	Payable Entity	Amount
Primary Gov't General Fund	Component Unit - MEDC (non-profit)	(41,621)
Primary Gov't General Fund	Component Unit - MRA (non-profit)	(380,630)
Primary Gov't Utility Fund	Component Unit - MRA (non-profit)	(82,198)
Primary Gov't Non Govermental	Component Unit - MRA (non-profit)	(4,284,016)
Primary Gov't Non Govermental	Component Unit - MEDC (non-profit)	(30,976)
Component Unit - MRA	Primary Gov't Non Governmental	(3,740,740)
Component Unit - MEDC	Primary Gov't General Fund	(3,252,054)
Total		(11,812,235)

C. Interfund Transfers:

	Transfers In							
	General Fund	Debt Service Fund	Designated Purpose fund	Utility Fund	Solid Waste Fund	Event Center	Capital Projects	Total
Transfers Out								
General Fund	$ -	$ -	$ 389,078	$ -	$ -	$ 300,000	$ 118,192	$ 807,270
Debt Service Fund	-	-	-	-	-	-	-	-
Designated Purpose Fund	-	-	-	60,351	12,387	-	-	72,738
Non-Major	-	500,000	-	-	-	300,000	-	800,000
Utility Fund	2,783,707	-	-	-	-	-	-	2,783,707
Solid Waste Fund	-	450,000	-	-	-	-	-	450,000
Total Transfers Out	$ 2,783,707	$ 950,000	$ 389,078	$ 60,351	$ 12,387	$ 600,000	$ 118,192	$ 4,913,715

Transfers from the Utility Fund to the General Fund were to supplement the General Fund for administrative services provided to the Enterprise Fund. Fourteen departments of the General Fund provide operational assistance to the Utility Fund on a routine basis.

NOTE 7 – LAND HELD FOR RESALE

The City through its blended component unit, Mission Economic Development Authority, holds commercial real estate lots available for sale within an economically depressed area. At September 30, 2023, the remaining properties are stated at a cost of $1,267,121, which is less than their estimated fair value. These lots will continue to be sold to attract development to further benefit the City.

The Mission Economic Development Corporation holds commercial real estate lots available for sale within an economically depressed area. At September 30, 2023, the remaining properties are stated at a cost of $3,314,462, which is less than their Net realizable value. These lots will continue to be sold to attract development to further benefit the City.

NOTE 8 – REDEVELOPMENT ASSETS

Mission Redevelopment Authority

During the fiscal year, the Authority recorded redevelopment expenditures as follows:

Event Center	$ 500,000
Inspiration Rd./Military Parkway Loop	776,861
Police/ Fire Department Substation	4,534,226
South Conway Lift Station	4,020
Bentsen Palm Dev Sanitary Sewer Line	1,433,606
Tierra Dorada Sanitary Sewer	184,076
Total Redevelopment Expenditures	$ 7,432,789

The reimbursements represent payments to the City of Mission for redevelopment projects managed by the City. This amount does not include professional services, administrative services, and debt service expenses incurred by the Authority.

Mission Economic Development Corporation

During the fiscal year, the MEDC recorded redevelopment expenditures as follows:

Water and Sewer Improvements	$ 3,450,922
Streets	1,435,832
Right-of-Way	28,750
Total Revelopment Assets	$ 4,915,504

Retainage payable is not related to capital assets but rather for redevelopment assets.

NOTE 9 – LONG-TERM RECEIVABLES

Long-term receivables in the governmental activities of the City of Mission consists of the following:

Housing Rehabilitation Receivable - Promissory note receivable for housing assistance provided under the Community Development Block Grant (CDBG) program to an ineligible recipient. The principal amount is payable in equal monthly installments of $200 on the ninth day of each month, beginning November 9, 2007, and continuing until the principal has been paid in full. The final maturity date is January 9, 2026.

September 30, 2023	Housing Rehab
Notes receivable current	$ 2,400
Long term receivables	3,200
Total notes receivable	$ 5,600

NOTE 10 – RESTRICTED ASSETS

A. Primary Government

Business-Type Activities:

The waterworks and sewer system revenue bond indentures require that during the period over which the bonds are outstanding, the City maintain certain separate accounts and funds to account for (1) the proceeds from the issuance of the revenue bonds (2) the debt service deposits made from revenues and (3) extensions and improvement deposits made from revenues. These restricted assets can be used only in accordance with the revenue bond indenture. Similar requirements exist for the debt service of the Public Property Financing Contractual Obligations.

The City also holds certain deposits from subdividers for future utility improvements, and the amount of retainage of certain construction contracts.

NOTE 10 – RESTRICTED ASSETS *(Continued)*

Restricted assets included in the Utility Fund as of September 30, 2023 consist of:

	Cash and Cash Equivalents	Investments	Accrued Interest	Total
Revenue bond reserve fund	$ 610,979	$ 338,561	$ 43	$ 949,583
Bond interest and sinking	1,370,839	404,892	-	1,775,731
Cash with fiscal agent	11,319,373	-	-	11,319,373
Subdivides deposits	1,266,303	171,144	-	1,437,447
Capital recovery fund	517,449	374,526	136	892,111
Operations reserve	2,904,929	-	-	2,904,929
Total	$ 17,989,872	$ 1,289,123	$ 179	$ 19,279,174

The Solid Waste Fund has $205,582 in cash with a fiscal agent for a Public Property Financing Contractual Obligation.

B. Component Units

Restricted assets held by Mission Economic Development Corporation at September 30, 2023 consisted of the following:

	Cash and Cash Equivalents	Investments	Total
Debt service fund	$ 346,832	$ 476,553	$ 823,385
Total	$ 346,832	$ 476,553	$ 823,385

NOTE 11 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

	Restated Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 41,350,582	$ -	$ -	$ 41,350,582
Construction in progress	23,792,602	25,059,039	-	48,851,641
Capital assets, not being depreciated	65,143,184	25,059,039	-	90,202,223
Capital assets, being depreciated				
Buildings	38,042,146	-	-	38,042,146
Improvements other than buildings	21,516,221	715,171	-	22,231,392
Machinery and equipment	33,428,427	2,577,090	(561,297)	35,444,220
Infrastructure	126,797,537	5,143,507	-	131,941,044
Capital assets, being depreciated	219,784,331	8,435,768	(561,297)	227,658,802
Less accumulated depreciation for				
Buildings	(14,003,044)	(1,099,842)	-	(15,102,886)
Improvements other than buildings	(16,303,554)	(984,221)	-	(17,287,775)
Machinery and equipment	(24,021,569)	(2,338,191)	520,861	(25,838,899)
Infrastructure	(80,749,564)	(4,608,188)	-	(85,357,752)
Total accumulated depreciation	(135,077,731)	(9,030,442)	520,861	(143,587,312)
Total capital assets, being depreciated, net	84,706,600	(594,674)	(40,436)	84,071,490
Capital assets, being amortized, net				
Lease assets	7,507,592	1,518,560	(253,723)	8,772,429
Subscription assets	661,937	114,358	-	776,295
Less accumulated amortization	(2,262,368)	(1,748,976)	222,518	(3,788,826)
Total capital assets, being amortized, net	5,907,161	(116,058)	(31,205)	5,759,898
Governmental activities capital assets, net	$ 155,756,945	$ 24,348,307	$ (71,641)	$ 180,033,611

NOTE 11 – CAPITAL ASSETS *(Continued)*

	Restated Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Land	$ 3,541,694	$ -	$ -	$ 3,541,694
Water rights	3,870,564	-	-	3,870,564
Construction in progress	32,103,451	2,604,936	(5,613,551)	29,094,836
Total capital assets, not being depreciated	39,515,709	2,604,936	(5,613,551)	36,507,094
Capital assets, being depreciated				
Buildings and system	148,532,390	9,185,410	-	157,717,800
Improvements other than buildings	6,711,549	-	-	6,711,549
Furniture and equipment	16,919,876	4,165,097	(120,582)	20,964,391
Total capital assets, being depreciated	172,163,815	13,350,507	(120,582)	185,393,740
Less accumulated depreciation for				
Buildings and system	(95,009,451)	(4,899,528)	-	(99,908,979)
Improvements other than buildings	(4,274,550)	(291,390)	-	(4,565,940)
Furniture and equipment	(12,208,759)	(1,458,820)	120,582	(13,546,997)
Total accumulated depreciation	(111,492,760)	(6,649,738)	120,582	(118,021,916)
Total capital assets, being depreciated, net	60,671,055	6,700,769	-	67,371,824
Capital assets, being amortized, net				
Lease assets	2,311,444	653,092	-	2,964,536
Less accumulated amortization	(1,068,306)	(494,005)	-	(1,562,311)
Total Capital assets, being amortized, net	1,243,138	159,087	-	1,402,225
Business-type activities capital assets, net	$ 101,429,902	$ 9,464,792	$ (5,613,551)	$ 105,281,143

NOTE 11 – CAPITAL ASSETS *(Continued)*

Depreciation expense was charged to functions/programs of the primary government as follows:

For the year ending September 30, 2023

Governmental Activities	Depreciation	Amortization
General government	$ 1,031,996	$ 384,168
Public safety	1,488,507	1,038,717
Highways and streets, including depreciation of general infrastructure a	4,906,651	222,018
Health and welfare	19,917	39,989
Culture and recreation	1,583,371	64,084
Total depreciation and amortization expense - Governmental activities	$ 9,030,442	$ 1,748,976

Business-Type Activities		
Utility	$ 5,276,703	$ 313,979
Golf course	191,513	155,807
Solid waste	1,154,483	18,820
Event Center	27,039	5,399
Total depreciation and amortization expense - Business activities	$ 6,649,738	$ 494,005

As of September 30, 2023, interest cost in the amount of $31,331 was capitalized during the construction period of water and wastewater projects in the Utility Fund out of a total amount of $328,415 of interest costs capitalized over time by the City.

NOTE 11 – CAPITAL ASSETS *(Continued)*

Mission Economic Development Corporation

Capital asset activity for the year ended September 30, 2023 for MEDC, was as follows:

	Balance at 9/30/2022	Increases	Decreases	Balance at 9/30/2023
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 2,100,959	$ -	$ -	$ 2,100,959
Capital assets, not being depreciated	2,100,959	-	-	2,100,959
Capital assets, being depreciated				
Machinery and equipment	1,275,892	6,194	-	1,282,086
Building	6,368,101	-	-	6,368,101
Capital assets, being depreciated	7,643,993	6,194	-	7,650,187
Less accumulated depreciation for				
Machinery and equipment	(1,109,424)	(61,611)	-	(1,171,035)
Building	(1,014,404)	(246,400)	-	(1,260,804)
Total accumulated depreciation net	(2,123,828)	(308,011)	-	(2,431,839)
Total capital assets being depreciated, net	5,520,165	(301,817)	-	5,218,348
Capital assets, being amortized				
Lease assets	28,345	528	-	28,873
Less accumulated amortization	(8,236)	(8,476)	-	(16,712)
Total capital assets, being amortized, net	20,109	(7,948)	-	12,161
Governmental activities capital assets, net	$ 7,641,233	$ (309,765)	$ -	$ 7,331,468

Depreciation & amortization expense charged to governmental activities totaled $316,487 for the year ended September 30, 2023.

NOTE 12 – DISAGGREGATION OF OTHER LIABILITIES

At September 30, 2023, the City had the following other liabilities:

Payable To	Governmental Activities	Business-type Activities	Total
Due to state	$ 112,738	$ 108,083	$ 220,821
Due to other governmental agencies	2,575	-	2,575
Wages and deductions	453,270	115,749	569,019
Court deposit/refunds	8,778	-	8,778
Due to others	118,276	62,889	181,165
Total	$ 695,637	$ 286,721	$ 982,358

NOTE 13 – LONG-TERM DEBT

A. Primary Government

Certificates of Obligation

The City issues Certificates of Obligation to finance construction projects.

Certificates of Obligation payable at September 30, 2023 are comprised of the following:

<u>Governmental activities:</u>

$17,610,000 Combination Tax & Limited Pledge Revenue Certificates of Obligation Series 2016, payable in annual installments ranging from $875,000 to $1,575,000 through February 15, 2031, interest at 2.00% to 5.00%.	$ 10,875,000
$11,690,000 Combination Tax & Revenue Certificates of Obligation Series 2018, payable in annual installments ranging from $470,000 to $1,165,000 through February 15, 2033, interest at 4.00% to 5.00%.	9,165,000
$18,965,000 Combination Tax & Revenue Certificates of Obligation Series 2021, Payable in annual installments ranging from $200,000 to $1,420,000 through February 15, 2040, interest at 3.00% to 5.00%.	18,460,000
	$ 38,500,000

NOTE 13 – LONG-TERM DEBT *(Continued)*

Certificates of obligation debt service requirements to maturity are as follows:

	Governmental Activities		
Year ending September30,	Principal	Interest	Total
2024	$ 2,495,000	$ 1,633,600	$ 4,128,600
2025	2,705,000	1,503,600	4,208,600
2026	2,830,000	1,365,225	4,195,225
2027	3,045,000	1,218,350	4,263,350
2028	3,320,000	1,059,225	4,379,225
2029-2033	15,070,000	3,047,938	18,117,938
2034-2038	6,230,000	1,002,450	7,232,450
2039-2043	2,805,000	84,675	2,889,675
Total	$ 38,500,000	$ 10,915,063	$ 49,415,063

General Obligation

The City has issued General Obligation Bonds, the proceeds of which have been used to advance refund various prior year outstanding long term debt obligations.

General Obligations payable at September 30, 2023 are comprised of the following:

$2,285,000 Texas General Obligation Refunding Bonds, Series 2014, payable in annual installments ranging from $165,000 to $240,000 through February 15, 2025, interest at 2.63%.	$ 475,000
$8,085,000 Texas General Obligation Refunding Bonds, Series 2016, payable in annual installments ranging from $165,000 to $1,210,000 through February 15, 2029, interest at 2.00% to 5.00%.	4,195,000
$4,955,0000 Texas General Obligation Refunding Bonds, Series 2021, payable in annual installments ranging from $130,000 to $1,195,000 through February 15, 2032, interest at 3.50% to 5.00%.	3,145,000
	$ 7,815,000

NOTE 13 – LONG-TERM DEBT *(Continued)*

General Obligation (continued)

General Obligation debt service requirements to maturity are as follows:

	Governmental Activities		
Year ending September 30,	Principal	Interest	Total
2024	$ 1,795,000	$ 325,852	$ 2,120,852
2025	1,865,000	239,981	2,104,981
2026	1,605,000	156,075	1,761,075
2027	1,080,000	92,075	1,172,075
2028	670,000	52,425	722,425
2029-2033	800,000	51,925	851,925
Total	$ 7,815,000	$ 918,333	$ 8,733,333

Revenue Bonds

The City has pledged future waterworks and sewer system net revenues, to repay $34,245,000 plus interest in Junior Lien revenue bonds issued in 2009, 2014, 2015 and 2016. Proceeds from the bonds provided financing for all or a portion of the City's contractual obligations for design, construction, professional services, legal, fiscal, issuance and engineering costs of certain water and wastewater system improvements and refunding on old issues, i.e. EDAP project and wastewater plant expansion. The bonds are payable solely from waterworks and sewer system net revenues and are payable through 2044. Annual principal and interest payments on the bonds are expected to require less than 34 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $24,972,051. Principal and interest paid from the current year and total waterworks and sewer system net revenues were $3,163,712 and $11,273,109, respectively.

NOTE 13 – LONG-TERM DEBT *(Continued)*

Revenue Bonds (continued)

Revenue bonds payable at September 30, 2023 are comprised of the following:

Business-type activities

Utility Fund:

\$7,780,000 2009 Waterworks and Sewer System Junior Lien Revenue Taxable Serial Bonds payable in annual installments ranging from \$275,000 to \$465,000 from December 30, 2009 through February 15, 2029; noninterest bearing.	$ 2,725,000
\$10,370,000 2014 Waterworks and Sewer System Junior Lien Refunding Bonds payable in annual installments ranging from \$675,000 to \$1,100,000 from February 15, 2015 through February 15, 2026; interest at 2.00% to 5.00%.	3,150,000
\$16,140,000 2015 Waterworks and Sewer System Junior Lien Refunding Bonds payable in annual installments ranging from \$490,000 to \$730,000 from February 15, 2017 through February 15, 2044; interest at 0.29% to 2.11%.	12,685,000
\$8,260,000 2016 Waterworks and Sewer System Junior Lien Revenue Taxable Serial Bonds payable in annual installments ranging from \$250,000 to \$1,075,000 from February 15, 2017 through February 15, 2027; interest at 2.00% to 4.00%.	3,170,000
	$ 21,730,000

Revenue bonds debt service requirements to maturity are as follows:

	Business-type Activities		
Year ending September 30,	Principal	Interest	Total
2024	$ 2,720,000	$ 450,571	$ 3,170,571
2025	2,800,000	368,258	3,168,258
2026	2,885,000	284,327	3,169,327
2027	1,830,000	224,824	2,054,824
2028	995,000	200,169	1,195,169
2029-2033	3,250,000	860,676	4,110,676
2034-2038	3,095,000	587,037	3,682,037
2039-2043	3,425,000	258,487	3,683,487
2044-2048	730,000	7,702	737,702
Total	$ 21,730,000	$ 3,242,051	$ 24,972,051

In 2010, the City closed on a commitment from the Drinking Water State Revolving Fund (DWSRF) administered by the Texas Water Development Board which authorized the issuance of \$8,825,000 in revenue bonds. These bonds titled Waterworks and Sewer System Junior Lien

NOTE 13 – LONG-TERM DEBT *(Continued)*

Revenue Bonds (continued)

Revenue Bonds Taxable Series 2009 were used for projects to make water system improvements. The DWSRF funding mechanism allowed the City to issue as many bond coupons in installments as needed to fund the authorized projects. At the completion of the authorized project, the total amount of coupons issued by the City was $7,780,000.

On August 16, 2016, the City issued General Obligation Refunding Series 2016 in the amount of $8,085,000 to advance refund a portion of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2005A; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007; Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009; General Obligation Refunding Bonds, Series 2009. Bond proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of old debt resulting in an economic gain of $920,000. Deferred loss on refunding at September 30, 2023 totaled $173,338.

The City received funding from the Economically Distressed Areas Program (EDAP). Requirements of the EDAP program include a prohibition on the use of revenues from an asset constructed with EDAP funding for purposes other than utility purposes. Management believes that it is generally compliant with applicable statutory requirements of the EDAP program.

Arbitrage Compliance

The City of Mission is subject to federal arbitrage regulations and, as of September 30, 2023, the City was in compliance with all arbitrage rebate and yield restriction reporting requirements. In addition the City had no accrued liabilities in regards to arbitrage rebate or yield restrictions. The City adheres to its adopted written procedures to monitor post-issuance compliance of the federal tax laws applicable to the Bonds as requested by the Internal Revenue Service.

NOTE 13 – LONG-TERM DEBT *(Continued)*

Leases

Leases - Lessee

The City has entered into lease agreements. Leases at September 30, 2023 are comprised of the following:

<u>Governmental activities:</u>

City of Mission, TX entered into a lease as Lessee for the use of multifunction printers ranging from 36-60 months. City of Mission, TX is required to make monthly fixed payments ranging from $92.02-$4,540.15. The lease has an interest rate ranging from 0.4080%-0.5550%.	$	92,887
City of Mission, TX entered into a 37 month lease as Lessee for the use of Pitney Bowes - SendPro P Series. City of Mission, TX is required to make monthly fixed payments of $622.67. The lease has an interest rate of 0.4080%.		8,695
City of Mission, TX entered into a lease as Lessee for the use of fire trucks ranging from 72-121 months. City of Mission, TX is required to make annual fixed payments ranging from $75,599.72-$83,544.03. The lease has an interest rate ranging from		748,939
City of Mission, TX entered into a 108 month lease as Lessee for the use of radios. City of Mission, TX is required to make annual fixed payments of $279,570.04. The lease has an interest rate of 2.871%.		1,042,395
City of Mission, TX entered into a 60 month lease as Lessee for the use of a motor grader. City of Mission, TX is required to make monthly fixed payments of $3,875.22. The lease has an interest rate of 3.82%.		117,726
City of Mission, TX entered into a 46 month lease as Lessee for the use of sweeper vehicles. City of Mission, TX is required to make monthly fixed payments $14,541.96. The lease has an interest rate of 3.582%.		408,621
City of Mission, TX entered into a lease as Lessee for the use of vehicles ranging from 36-61 months. City of Mission, TX is required to make monthly fixed payments ranging from $381.23-$,258.88. The lease has an interest rate ranging of 7.496%.		2,104,417
	$	4,523,680

NOTE 13 – LONG-TERM DEBT *(Continued)*

Leases - Lessee (continued)

The future principal and interest lease payments as of September 30, 2023 are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 1,568,784	$ 230,440	$ 1,799,224
2025	924,358	162,942	1,087,300
2026	770,384	97,363	867,747
2027	649,569	59,879	709,448
2028	240,279	18,622	258,901
2029-2034	370,306	27,136	397,442
Total	$ 4,523,680	$ 596,382	$ 5,120,062

Business-type activities:

City of Mission, TX entered into a lease as Lessee for the use of multifunction printers ranging from 36-60 months. City of Mission, TX is required to make monthly fixed payments ranging from $92.02-$4,540.15. The lease has an interest rate ranging from 0.4080%-0.5550%.	$ 13,567
City of Mission, TX entered into a 37 month lease as Lessee for the use of Toshiba - Monochrome MFP. City of Mission, TX is required to make monthly fixed payments of $597.37. The lease has an interest rate of 0.4080%.	7,747
City of Mission, TX entered into a lease as Lessee for the use of golf carts ranging from 29-40 months. City of Mission, TX is required to make monthly fixed payments ranging from $540.05-$5,484.51. The lease has an interest rate ranging from 2.6159%-3.2961%.	164,041
City of Mission, TX entered into a 40 month lease as Lessee for the use of vactor vehicles. City of Mission, TX is required to make monthly fixed payments of $11,593.75. The lease has an interest rate ranging from 3.582%.	541,460
City of Mission, TX entered into a 61 month lease as Lessee for the use of vehicles. City of Mission, TX is required to make monthly fixed payments ranging from $392.45-$1,836.96. The lease has an interest rate of 7.496%.	839,744
City of Mission, TX entered into a 60 month lease as Lessee for the use of mower equipment. City of Mission, TX is required to make monthly fixed payments ranging from $647.45-$2,518.31. The lease has an interest rate ranging from 2.75%-4.55%.	137,655
	$ 1,704,214

NOTE 13 – LONG-TERM DEBT *(Continued)*

Leases - Lessee (continued)

The future principal and interest lease payments as of September 30, 2023 are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 514,116	$ 86,422	$ 600,538
2025	705,662	64,391	770,053
2026	223,045	35,090	258,135
2027	178,438	20,527	198,965
2028	82,953	2,183	85,136
Total	$ 1,704,214	$ 208,613	$ 1,912,827

Leases – Lessor

Governmental activities:

The City has entered into lease agreements. Leases at September 30, 2023 are comprised of the following:

The lessor receivable in the amount of $56,663 is part of the long term receivable balance.

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30:

Year ending September 30,	Principal	Interest	Total
2024	$ 16,055	$ 351	$ 16,406
2025	16,498	236	16,734
2026	16,952	117	17,069
2027	7,158	13	7,171
Total	$ 56,663	$ 717	$ 57,380

NOTE 13 – LONG-TERM DEBT *(Continued)*

Subscription Liabilities

Governmental Activities:

The City has entered into subscription arrangements. Subscriptions at September 30, 2023 are comprised of the following:

City of Mission entered into a 32 month subscription arrangement for the use of Debtbook Software. City of Mission, TX is required to make fixed yearly payments of $15,000. The subscription arrangement has an interest rate of 3.9447%.	$ 14,431
City of Mission entered into a 48 month subscription arrangement for the use of OpenGov Software. City of Mission, TX is required to make fixed yearly payments of $41,381. The subscription arrangement has an interest rate of 3.992%.	78,057
City of Mission entered into a 24 month subscription arrangement for the use of Legal Westlaw Proflex. City of Mission, TX is required to make fixed monthly payments of $401. The subscription arrangement has an interest rate of 3.18%.	7,272
City of Mission entered into a 33 month subscription arrangement for the use of Oculus. City of Mission, TX is required to make fixed yearly payments of $24,500. The subscription arrangement has an interest rate of 3.9447%.	23,570
City of Mission entered into a 26 month subscription arrangement for the use of Microsoft Office 365. City of Mission, TX is required to make fixed yearly payments of $21,023. The subscription arrangement has an interest rate of 3.834%.	20,246
City of Mission entered into a 35 month subscription arrangement for the use of Tyler Software. City of Mission, TX is required to make fixed yearly payments of $136,939. The subscription arrangement has an interest rate of 3.9447%.	258,485

NOTE 13 – LONG-TERM DEBT *(Continued)*

Subscription Liabilities (Continued)

City of Mission entered into a 60 month subscription arrangement for the use of Revize Software. City of Mission, TX is required to make fixed yearly payments of $2,900. The subscription arrangement has an interest rate of 3.07%.	13,662
City of Mission entered into a 31 month subscription arrangement for the use of Thomson Reuters CLEAR Proflex. City of Mission, TX is required to make monthly fixed payments ranging from $943-$1,040. The subscription arrangement has an interest rate of 3.9447%.	19,711
City of Mission entered into a 60 month subscription arrangement for the use of DocuWare Cloud. City of Mission, TX is required to make monthly fixed payments of $1,535. The subscription arrangement has an interest rate of 3.496%.	80,508
	$ 515,942

The future principal and interest subscription payments as of September 30, 2023 are as follows:

Year ending September 30,	Principal	Interest
2024	$ 223,197	$ 16,118
2025	199,181	10,689
2026	59,527	3,174
2027	20,423	897
2028	13,614	199
Total	$ 515,942	$ 31,077

NOTE 13 – LONG-TERM DEBT *(Continued)*

PPFA Purchase Agreements

The City has entered into PPFA Purchase Agreements. PPFA Purchase Agreements at September 30, 2023 are comprised of the following:

<u>Governmental activities:</u>

City of Mission, TX entered into a equipment finance agreement for the purchasse of fire trucks ranging from 110-121 months. City of Mission TX is required to make annual fixed payments ranging from $77,878-$98,988. The equipment finance agreement has an interest rate ranging from 2.92%-4.31%.	$ 1,400,072
City of Mission, TX entered into a equipment finance agreement for the purchase of a backhoe fire trucks for 36 months. City of Mission TX is required to make annual fixed payment of $59,406. The equipment finance agreement has an interest rate 5.76%.	159,500
	$ 1,559,572

The future principal and interest PPFA Purchase Agreement payments as of September 30, 2023 are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 179,948	$ 56,323	$ 236,271
2025	187,210	49,062	236,272
2026	194,785	41,486	236,271
2027	143,283	33,582	176,865
2028	148,110	28,756	176,866
2029-2033	706,236	43,520	749,756
Total	$ 1,559,572	$ 252,729	$ 1,812,301

NOTE 13 – LONG-TERM DEBT *(Continued)*

PPFA Purchase Agreements (Continued)

Business activities:

City of Mission, TX entered into a equipment finance agreement for the purchase of solid waste trucks for 48 months. City of Mission TX is required to make annual fixed payment of $880,122. The equipment finance agreement has an interest rate 3.826%.	$ 3,207,893
City of Mission, TX entered into a equipment finance agreement for the purchase of water meters and LED lighting for 180 months. City of Mission TX is required to make annual fixed payment of $1,423,806. The equipment finance agreement has an interest rate 2.799%.	16,306,018
	$ 19,513,911

The future principal and interest PPFA Purchase Agreement payments as of September 30, 2023 are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 1,724,788	$ 579,139	$ 2,303,927
2025	1,780,843	523,084	2,303,927
2026	1,838,766	465,162	2,303,928
2027	1,898,617	405,311	2,303,928
2028	1,080,344	343,465	1,423,809
2029-2033	5,872,588	1,246,443	7,119,031
2034-2038	5,317,965	377,260	5,695,225
Total	$ 19,513,911	$ 3,939,864	$ 23,453,775

NOTE 13 – LONG-TERM DEBT *(Continued)*

Changes in Long-Term Liabilities

	Restated Beginning Balance	Additional Obligations and Net Increases	Retirements and Net Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
Certificates of obligation	$ 40,440,000	$ -	$ 1,940,000	$ 38,500,000	$ 2,495,000
General obligations	9,870,000	-	2,055,000	7,815,000	1,795,000
Plus bond premium	6,664,437	-	605,370	6,059,067	605,370
Total bonds payable	56,974,437	-	4,600,370	52,374,067	4,895,370
Leases	4,283,531	1,519,063	1,278,914	4,523,680	1,568,784
Subscriptions	661,937	107,861	253,856	515,942	223,197
PPFA purchase agreements	1,454,728	159,500	54,656	1,559,572	179,948
Compensated absences	3,318,482	2,292,088	1,995,077	3,615,493	1,370,706
Net pension liability	31,183	12,384,601	-	12,415,784	-
Net other post employment benefit obliations	4,300,185	-	235,582	4,064,603	185,993
Anzalduas bridge payable	4,465,133	404,224	-	4,869,357	-
Governmental activities, total long-term liabilities	$ 75,489,616	$ 16,867,337	$ 8,418,455	$ 83,938,498	$ 8,423,998
Business-type Activities					
Bonds payable					
Revenue bonds	$ 24,370,000	$ -	$ 2,640,000	$ 21,730,000	$ 2,720,000
Plus bond premium	569,835	-	137,395	432,440	137,394
Total bonds payable	24,939,835	-	2,777,395	22,162,440	2,857,394
Leases	1,402,632	653,129	351,547	1,704,214	514,115
PPFA Purchase Agreements	21,184,449	-	1,670,538	19,513,911	1,724,788
Compensated absences	389,627	383,263	328,539	444,351	170,560
Net pension liability	-	1,982,694	-	1,982,694	-
Net other post employment benefit obliations	808,686	-	157,961	650,725	29,777
Business-type activities long-term liabilities	$ 48,725,229	$ 3,019,086	$ 5,285,980	$ 46,458,335	$ 5,296,634

As of September 30, 2023, the City does not have any direct borrowings.

NOTE 13 – LONG-TERM DEBT *(Continued)*

Generally, the general and special revenue funds liquidate the portion of compensated absences and pension liabilities that pertain to their own fund.

B. Component Units

Mission Economic Development Corporation (MEDC)

Sales tax revenue notes payable at September 30, 2023 for the MEDC is comprised of the following:

$6,000,000 - Sales and Use Tax Revenue Note, Series 2016-A due in semi-annual installments of $300,000 including interest at 2.85% payable to Frost Bank. Note matures August 1, 2036. Note is collateralized by sales tax revenues collected.	$ 3,439,409
$7,919,131 - Sales and Use Tax Revenue Note, due in annual installments of $395,957, including interest at 4.82% payable to BBVA Compass Bank. Note matures on February 15, 2038. Note is collateralized by sales tax revenues collected.	4,779,349
	$ 8,218,758

The annual requirements to retire the sales tax revenue note payable including interest are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 695,957	$ 320,479	$ 1,016,436
2025	695,957	292,453	988,410
2026	695,957	264,699	960,656
2027	695,957	236,945	932,902
2028	695,957	209,369	905,326
2029-2033	3,479,783	629,730	4,109,513
2034-2038	1,259,190	62,294	1,321,484
Total	8,218,758	2,015,969	10,234,727
Current portion	(695,957)	(320,479)	(1,016,436)
Due in more than one year	$ 7,522,801	$ 1,695,490	$ 9,218,291

NOTE 13 – LONG-TERM DEBT *(Continued)*

Leases - Lessee

The MEDC has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 Leases and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

MEDC has a lease agreement with Kyocera Document Solutions Southwest, LLC. for multifunction printers with a fixed monthly payment of $1,309. The lease has an interest rate of 0.408% which is the stated rate in the lease agreement. The lease liability as of September 30, 2023 is $12,203.

The future principal and interest lease payments as of September 30, 2023 are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 8,607	$ 34	$ 8,641
2025	3,596	4	3,600
Total	12,203	38	12,241
Current portion	(8,607)	(34)	(8,641)
Total Payments	$ 3,596	$ 4	$ 3,600

Leases – Lessor

MEDC entered into a 36 month lease as a Lessor for the use of office space. The lease is required to make monthly fixed payments of $1,800. The lease has an interest rate of 3.113%. MEDC recognized lease revenue of $11,728. The lessor receivable as of September 30, 2023 is $50,222.

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30, 2023:

Year ending September 30,	Principal	Interest	Total
2024	$ 20,325	$ 1,275	$ 21,600
2025	20,967	633	21,600
2026	8,930	70	9,000
Total	$ 50,222	$ 1,978	$ 52,200

NOTE 13 – LONG-TERM DEBT *(Continued)*

The following is a summary of changes in long-term debt obligations for MEDC:

	September 30, 2022	Additional Obligations and Net Increases	Retirements and Net Decreases	September 30, 2023	Due Within One Year
Bonds and notes:					
Sales tax refunding bond	$ 640,000	$ -	$ 640,000	$ -	$ -
Sales tax revenue note - LSNB	941,688	-	941,688	-	-
Sales tax revenue note - Frost	3,739,409	-	300,000	3,439,409	300,000
Sales tax revenue note - BBVA	6,335,305	-	1,555,956	4,779,349	395,957
Total bonds and notes	11,656,402	-	3,437,644	8,218,758	695,957
Other Liabilities:					
Lease Liabilities	20,085	528	8,410	12,203	8,607
Total other liabilities	20,085	528	8,410	12,203	8,607
Total long-term debt obligations	$ 11,676,487	$ 528	$ 3,446,054	$ 8,230,962	$ 704,564

As of September 30, 2023, MEDC does not have any direct borrowings.

The above listed refunding bond issue is to be repaid from the one-half cent sales tax levied under the Section 4B.

Mission Redevelopment Authority (MRA)

Revenue Bonds Payable

The Mission Redevelopment Authority periodically issues bonds to pay for the costs incurred within the Tax Increment Reinvestment Zone (TIRZ) for infrastructure improvements. These bonds will be repaid from property taxes collected on property within TIRZ.

Bonds payable at September 30, 2023 for the MRA were comprised of the following:

NOTE 13 – LONG-TERM DEBT *(Continued)*

Revenue Bonds Payable (Continued)

\$7,455,000 in Tax Increment Contract Revenue Bonds Series 2013. The interest rates on the bonds range from 2.00% - 4.00%. Interest is payable each March 1st and September 1st; principal is payable each September 1st. The bonds mature serially September 1st beginning 2015 and ending 2030.	\$ 3,580,000
\$16,990,000 in Tax Increment Contract Revenue Bonds Series 2017. The interest rates on the bonds range from 2.00% - 4.00%. Interest is payable each March 1st and September 1st; principal is payable each September 1st. The bonds mature serially September 1st beginning 2017 and ending 2030.	8,790,000
\$28,590,000 in Tax Increment Contract Revenue Bonds Series 2023. The interest rate on the bonds is fixed at 5.50%. Interest is payable each March 1st and September 1st; principal is payable each September 1st. The bonds mature serially September 1st beginning 2017 and ending 2030.	28,590,000
	\$ 40,960,000

The debt service requirements on the bonds outstanding were as follows:

Year ending September 30,	Principal	Interest	Total
2024	\$ 4,070,000	\$ 1,904,241	\$ 5,974,241
2025	4,245,000	1,868,069	6,113,069
2026	4,800,000	1,704,769	6,504,769
2027	5,520,000	1,464,694	6,984,694
2028	6,455,000	1,174,469	7,629,469
Thereafter	15,870,000	1,293,350	17,163,350
Total	\$ 40,960,000	\$ 9,409,592	\$ 50,369,592

NOTE 13 – LONG-TERM DEBT *(Continued)*

The following is a summary of changes in long-term obligations for MRA:

	Balance at 9/30/2022	New Issuance	Matured	Balance at 9/30/2023	Current	More than 1 Year
Tax increment contract revenue bond series 201	$ 4,020,000	$ -	$ (440,000)	$ 3,580,000	$ 455,000	$ 3,125,000
Tax increment contract revenue bond series 201	10,500,000	-	(1,710,000)	8,790,000	1,745,000	7,045,000
Tax increment contract revenue bond series 202	-	28,590,000	-	28,590,000	1,870,000	26,720,000
Less issuance discount	(66,511)	-	8,314	(58,197)	-	(58,197)
Plus issuance premiums	567,148	-	(70,893)	496,255	-	496,255
Total contract revenue bonds	15,020,637	28,590,000	(2,212,579)	41,398,058	4,070,000	37,328,058
State infrastructure bank loan	257,102	-	(257,102)	-	-	-
Accrued Interest	42,578	44,453	(42,578)	44,453	-	44,453
Loss on Refunding	(542,624)	-	67,828	(474,796)	-	(474,796)
Total MRA long-term obligations	$ 14,777,693	$ 28,634,453	$ (2,444,431)	$ 40,967,715	$ 4,070,000	$ 36,897,715

Optional Redemption for Tax Increment Contract Revenue Bonds

The Authority reserves the right, at its option, to redeem bonds prior to their scheduled maturities, in whole or from time to time, in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed from redemption. This optional redemption applies to bonds maturing on or after September 1, 2024, or September 1, 2028 for Series 2013, and Series 2017 bonds, respectively.

Scheduled Mandatory Redemption for Tax Increment Contract Revenue Bonds

The Series 2013 Term bonds due September 1, 2030 are subjected to mandatory sinking fund redemption in part, prior to their stated maturity at the redemption prices of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules.

The Series 2017 Term bonds due September 1, 2030 are subjected to mandatory sinking fund redemption in part, prior to their stated maturity at the redemption prices of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules.

NOTE 14 – INTERFUND ADVANCES

The Golf Course experienced a slight increase in revenues during the year due to an increase in post pandemic outdoor activities, which has continued to grow. The City reviews all costs during budget preparation City administration is looking at possible long term planning to reduce the advances being incurred. Golf Course administration continues to find positive solutions to increase revenues and minimize operating losses. The advance payable increased by $234,591 compared to prior years balance. At September 30, 2023 the balance of the advance in the amount of $3,305,734 is reflected as long-term advance receivable in the General Fund; and long-term advance payable in the Golf Course Fund.

NOTE 15 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

At the government-wide financial statements, deferred outflows include deferred charges on refunding of the bonds.

At the fund level financial statements, the City has the following Deferred Inflows of Resources:

	General Fund	Debt Service Fund
Lease revenue unavailable	$ 56,663	$ -
Delinquent property taxes, unavailable	972,760	237,720
Total deferred inflows of resources	$ 1,029,423	$ 237,720

At the government-wide financial statements, the City reports cumulative deferred charges on refunding as deferred outflows of resources in the amount of $552,962 which is net of cumulative amortization of $110,745.

Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are presented on notes 17 and 18, respectively.

NOTE 16 – UNEARNED REVENUES

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The following summarizes unearned revenues in governmental activities:

Park dedication fees	$	605,033
Capital projects -Taylor road expansion		961,836
Grants		4,156,438
Other		287,557
Total unearned revenue	$	6,010,864

Unearned revenues of $15,016 in the Golf Course Fund, an enterprise fund, represent collections of annual membership dues that will be recognized as revenue in the next fiscal year.

Unearned revenues of $40,019 in the Event Center Fund, an enterprise fund, represents collections of prepaid rental fees of the Event Center that will be recognized as revenue in the next fiscal year.

NOTE 17 – PENSION PLANS

Plan Descriptions

The City participates in two defined benefit pension plans. All eligible employees of the City are required to participate in the Texas Municipal Retirement System (TMRS). In addition, the City contributes to the Texas Emergency Services Retirement System (TESRS), which provides benefits to the City's volunteer emergency services personnel. A brief description of each of the pension plans follows:

1. The City of Mission participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual financial report (AFR) that can be obtained at www.tmrs.com.

2. The Texas Emergency Services Retirement System (TESRS) is a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension, disability and death benefits for emergency services personnel who serve without significant

NOTE 17 – PENSION PLANS *(Continued)*

monetary remuneration. The nine member Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System. The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org.

Benefits Provided

TMRS

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. Employees can retire at age 60 and above with 5 or more years of service, or with 20 years of service regardless of age. The contribution rate for employees is 6% and the matching percentage for the City is 200%. The City has also adopted 100% updated service credit (USC) on a repeating basis and annuity increases (AI) on a repeating basis, at 70% of the change in the CPI. Employees are vested after 5 years of service.

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

TESRS

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit

NOTE 17 – PENSION PLANS *(Continued)*

provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Employees covered by benefit terms

As of most recent measurement date of the net pension liability, membership data for the pension plans are as follows:

	TMRS	TESRS
Inactive employees or beneficiaries currently receiving benefits	264	-
Inactive employees entitled to but not yet receiving benefits	402	-
Active employees	732	8
Total participants	1,398	8

Contributions:

TMRS

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 Mission were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Mission were 8.53% and 8.90% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were $3,505,624 and were equal to the required contributions.

NOTE 17 – PENSION PLANS *(Continued)*

TESRS

Under TESRS, contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is $36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2020, the Part Two contributions were established by the board to be 0% of the Part One contributions beginning September 1, 2019. Based on the August 31, 2020 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. Such arrangement funds retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) fund before merging into the S.B. 411. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System. For the City of Mission, the total additional deposit was $1,728 for the fiscal year ending September 30, 2023.

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. The City's total contributions to TESRS for the year ending September 30, 2023 totaled $3,456.

NOTE 17 – PENSION PLANS *(Continued)*

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2022 for TMRS and August 31, 2022 for TESRS, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions

Schedule of Actuarial Assumptions	TMRS	TESRS
Valuation Date	12/31/2022	8/31/2022
Actuarial Cost Method	Entry Age Normal	N/A
Amortization Method	Level Percentage of Payroll, Closed	N/A
Remaining Amortization Period	23 Years	N/A
Asset Valuation Method	10 Year smooth market, 12% soft corridor	N/A
Inflation	2.50%	0.03
Salary Increases	3.50% to 11.50% including inflation	N/A
Investment Rate of Return	6.75%	7.50% net of pension plan investment expense,
Retirement Age	Experienced-based table of rates that are specific to the City's plan of Benefits	N/A
Mortality Assumption	Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.	PubS-2010 (public safety) below-median income mortality table, projected for mortality improvement generationally using projection scale MP-2019.

TMRS

For TMRS, actuarial assumptions used in the December 31, 2022 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018, first used in the December 31, 2019 valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2020 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

NOTE 17 – PENSION PLANS *(Continued)*

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	6.68%
Real Return	12.00%	7.22%
Real Estate	12.00%	6.85%
Absolute Return	5.00%	5.32%
Private Equity	10.00%	10.00%
Total	100.00%	

TESRS

For TESRS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (3.0%). In addition, the final 7.5% assumption reflected a reduction of 0.25% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Equities		
Large cap domestic	20%	5.83%
Small cap domestic	10%	5.94%
Developed International	15%	6.15%
Emerging markets	5%	7.25%
Global Infrastructure	5%	6.41%
Real estate	10%	4.48%
Multi asset income	5%	3.84%
Fixed income	30%	1.99%
Cash	0%	0%
Total	100%	

NOTE 17 – PENSION PLANS *(Continued)*

Discount Rate

TMRS

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.

TESRS

The discount rate used to measure the total pension liability was 7.50%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. 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.

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

The following presents the City's net pension liability for the TMRS pension and the City's proportionate share of the net pension liability for the TESRS pension, calculated using the discount rate, as well as what the City's net pension liability and proportionate share of the net pension liability allocated would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	5.75%	6.75%	7.75%
City's Net Pension Liability/(Asset) -TMRS	$ 32,717,057	$ 14,366,877	$ (789,320)

NOTE 17 – PENSION PLANS *(Continued)*

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	6.50%	7.50%	8.50%
City's Proportionate Share of the Net Pension Liability/(Asset) -TESRS	$ 46,986	$ 31,600	$ 16,158

Changes in the Net Pension Liability – TMRS

Changes in the City's net pension liability for the TMRS pension for the fiscal year ended September 30, 2023 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balance at 12/30/2021	$ 119,950,694	$ 120,154,857	$ (204,164)
Changes for the year			
Service cost	5,307,753	-	5,307,753
Interest	7,959,663	-	7,959,663
Change in benefit terms	(2,358,068)	-	(2,358,068)
Difference between expected and actual experience	683,025	-	683,025
Change of assumption	-	-	-
Contributions - Employer	-	3,430,049	(3,430,049)
Contributions - Employee	-	2,352,032	(2,352,032)
Net investment income	-	(8,775,421)	8,775,421
Benefit payments, including refunds of employee contributions		(4,651,129)	4,651,129
Administrative Expense	(4,651,129)	(75,898)	(4,575,232)
Other Charges	-	90,569	(90,569)
Net changes	6,941,244	(7,629,798)	14,571,041
Balance at 12/31/2022	$ 126,891,938	$ 112,525,059	$ 14,366,877

The City does not have a current portion for TMRS in the current year because the amount of benefit payments exceeds the pension liability in the current year.

NOTE 17 – PENSION PLANS *(Continued)*

City Proportion of Net Pension Liability – TESRS *(continued)*

The City's proportionate share of the net pension liability of the TESRS at September 30, 2023 is $31,600, and the proportion percentage of the aggregate net pension liability allocated to the City is 0.073%, slight change from prior year measurement date where the allocation percentage was 0.076% The City's proportion of the net pension liability was based on actual required contributions of each of the participating departments for the plan's fiscal year. The City does not have a current portion for TESRS in the current year because the amount of benefit payments exceeds the pension liability in the current year.

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' Fiduciary Net Position is available in a separately-issued financial report. The TMRS financial report may be obtained on the Internet at www.tmrs.com. The TESRS financial report may be obtained on the Internet at www.tesrs.org.

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 of $2,612,556 for the TMRS pension plan and $7,477 for the TESRS pension plan for a total pension expense of $2,620,033.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TMRS		TESRS		Total	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 622,926	$ 200,723	$ 461	$ -	$ 623,387	$ 200,723
Changes in actuarial assumption	107,655	-	-	61	107,655	61
Net differences between projected and actual investments earnings	7,780,060	-	9,454	-	7,789,514	-
Contributions subsequent to the measurement date	2,500,804	-	-	-	2,500,804	-
Total	$ 11,011,445	$ 200,723	$ 9,916	$ 61	$ 11,021,360	$ 200,784

Deferred outflows of resources related to pension of $2,500,803 resulting from contributions made after the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability/asset in the subsequent fiscal period.

NOTE 17 – PENSION PLANS *(Continued)*

The remaining deferred outflows and (inflows) of resources related to pensions will be amortized and recognized in pension expense as follows:

Year End September 30,	TMRS	TESRS
2024	$ 545,769	$ 2,479
2025	2,027,881	2,574
2026	2,212,567	4,479
2027	3,518,279	323
2028	5,422	-
Total	$ 8,309,918	$ 9,855

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions:

The City participates in two other post-employment benefit plans which include post-retirement health care benefits and supplemental death benefits. A brief description of each of the other post-employment benefit plans follows:

1. City of Mission, Texas Healthcare Plan (THP) is a single-employer defined benefit healthcare plan administered by the City of Mission. The plan covers health insurance benefits. Eligible City retirees and their dependents may continue health care coverage through the City for up to 12 months after retirement from the City. The City pays 100% of the employee's premiums for retirees who complete 25 years of service. Employees who do not meet the 25 years of service are required to pay for coverage for themselves at 100% after retirement. All employees pay 100% of the dependent coverage. The City does not issue separate audited financial statements for the postemployment benefit plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No 75 to pay related benefits.

2. The City also participates in a single-employer, defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the 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 employees' annual salary (calculated based on the employees' actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other post-employment benefit," or OPEB, and is a fixed amount of $7,500. As the

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS *(Continued)*

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.

The City offers supplemental death benefits to:

	Plan Year 2023	Plan Year 2022
Active employees	Yes	Yes
Retirees	Yes	Yes

Employees Covered by Benefit Terms

The most recent measurement dates for THP and SDBF were September 30, 2023 and December 31, 2022, respectively. As of the most recent measurement date, measurement of participation in the plans were as follows:

	THP	SDBF
Inactive employees or beneficiaries currently receiving benefits	8	205
Inactive employees entitled to but not yet receiving benefits	-	70
Active employees	739	732
Total	747	1,007

Total OPEB Liability

The City's total OPEB liability of $3,339,901 for THP was measured as of September 30, 2023. The City's total OPEB liability of $1,375,440 for SDBF was measured as of December 31, 2022. The total OPEB liability for each plan was determined by an actuarial valuation as of their respective measurement date. Total OPEB liability for both plans was $4,715,328 at September 30, 2023.

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS *(Continued)*

Actuarial Assumptions and Other Inputs

THP

The Total OPEB liability in the September 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Schedule of Actuarial Assumptions	
Measurement Date	September 30, 2023
Actuarial Valuation Date	September 30, 2022
Inflation	2.5%
Salary Increases	3.00%
Discount Rate	4.77%
Prior Year Discount Rate	2.25%
Health Care Cost Trend Rates:	Based on SOA 'Health Care Costs--From Birth to Death' study published in 2013

The discount rate was based on an average of the September 30, 2023 S&P Municipal Bond 20-Year High Grade Rate Index and the Fidelity General Obligation AA 20-Year Yield.
Mortality rates for active employees were based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2019 for males or females, as appropriate.

Mortality rates for retirees were based on the RPH-2014 Healthy Annuitant Mortality Table, Generational with Projection Scale MP-2019 for males or females, as appropriate.

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS *(Continued)*

SDBF

The Total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Schedule of Actuarial Assumptions	
Measurement Date	December 31, 2022
Actuarial Valuation Date	December 31, 2022
Inflation	2.5%
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 TexasMortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS *(Continued)*

Changes in the total OPEB Liability

Changes in the total OPEB liability were as follows:

	THP	SDBF	Total
Balance at 09/30/2022	$ 3,080,462	$ 2,028,410	$ 5,108,872
Changes for the year			
Service cost	190,473	148,962	339,435
Interest	154,019	38,477	192,496
Difference between expected and actual experience	-	(41,940)	(41,940)
Changes in assumptions/inputs	-	(774,962)	(774,962)
Change in benefit terms	-	-	-
Benefit payments	(85,053)	(23,520)	(108,573)
Administrative expense	-	-	-
Net Changes	259,439	(652,983)	(393,544)
Balance at 9/30/2023	$ 3,339,901	$ 1,375,427	$ 4,715,328

Sensitivity of the total OPEB Liability to changes in the discount rate

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Total OPEB liability (THP)	$ 3,685,008	$ 3,339,901	$ 3,030,236
Total OPEB liability (SDBF)	1,670,804	1,375,427	1,147,242
Total OPEB liability	$ 5,355,812	$ 4,715,328	$ 4,177,478

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Total OPEB Liability (THP)	$ 2,933,478	$ 3,339,901	$ 3,819,247

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS *(Continued)*

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

For the year ended September 30, 2023, the City recognized OPEB expense of $136,381 for SDBF. At September 30, 2023, the City recognized OPEB expense related to THP of $79,389. This was due to a change in the benefit plan. The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	SDBF		THP		Total	
	Deferred Outflows of Resources	Deferred Inflow of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	$ 58,294	$ 185,447	$ 131,175	$ 862,931	$ 189,469	$ 1,048,378
Changes in actuarial assumptions or inputs	358,603	698,436	-	517,274	358,603	1,215,710
Net differences between projected and actual investment earnings	-	-	-	-	-	-
Employer amounts for OPEB subsequent to measurement date	45,778	-	-	-	45,778	-
Total	$ 462,675	$ 883,883	$ 131,175	$ 1,380,205	$ 593,850	$ 2,264,088

Deferred outflows of resources related to OPEB of $45,778 resulting from contributions made after the measurement date of the net OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period.

The remaining deferred outflows (inflows) of resources related to pensions will be amortized and recognized in OPEB expense as follows:

Year ending September 30,	THP	SDBF
2024	$ (265,103)	$ (51,058)
2025	(265,103)	(53,285)
2026	(265,103)	(65,087)
2027	(226,855)	(74,726)
2028	(226,866)	(96,340)
Thereafter	-	(126,490)
	$ (1,249,030)	$ (466,986)

NOTE 19 – OUTSTANDING COMMITMENTS

A. Primary Government

At September 30, 2023, the City had several active construction projects. The projects include renovation of parks and improvements of infrastructure.

Project	Total Contract Amount	Spent to Date	Remaining Commitment
Taylor rd US 83 Exp to N Dove	$ 5,898,447	$ 5,536,490	$ 361,957
Inspiration Rd/Military Loop	5,104,358	4,853,433	250,925
Conway Sewer Improvements	829,658	655,208	174,450
Shary Rd Sewer Improvements	60,900	49,650	11,250
Bryan Rd Reconstruction	137,000	130,000	7,000
NWWTP 4.5MGD Expansion Project	1,808,100	1,751,933	56,167
NE EDAP 4.5mi to 7mi Sewer proj	597,000	523,932	73,068
City Hall Roof Replacement	969,000	530,304	438,696
S Conway Lift Station Improvements	2,858,676	2,834,676	24,000
Tulip Drainage Improvements	2,132,780	2,124,899	7,881
Leandro Drainage Improvements	117,288	87,966	29,322
Esperanza Drainage Improvements	6,952,509	6,533,087	419,422
Gabriel Drainage Improvements	2,278,559	2,092,669	185,890
Glasscock Drainage Improvements	4,123,604	1,038,251	3,085,353
Stewart A Drainage Improvements	3,528,752	2,827,922	700,830
Lions Park	10,354,542	792,606	9,561,936
Mission Tennis Center	131,294	124,954	6,340
Madero International Bridge #2	3,301,991	1,251,752	2,050,239
Police & Fire Substation #6	6,612,780	6,336,949	275,831
HCRMA 365 Tollway	1,556,234	1,556,140	94
Tierra Dorada	367,925	277,440	90,485
Taylor Road Improvements	6,218,136	2,395,881	3,822,255
Smart Meter Improvements	16,756,287	8,321,719	8,434,568
Total	$ 82,695,820	$ 52,627,861	$ 30,067,959

The City has entered into several Advance Funding Agreements (AFA's) with the Texas Department of Transportation to fund various road widening and improvement projects within the City limits. These AFA's commit state or federal resources to the projects and require participation of the City in the cost of the projects. The City has signed engineering contracts in relation to these AFA's and the commitments under such contracts are reflected in the commitment summary noted above.

NOTE 19 – OUTSTANDING COMMITMENTS *(Continued)*

B. Component Unit

Mission Economic Development Corporation

MEDC has published notices of intent and its Board of Directors has committed funds for the following projects:

Incentives	Committed	Expended to Date	Remaining Commitment
Wonderful Citrus	$ 3,000,000	$ 2,400,000	$ 600,000
Cantu Bungalows	500,000	250,000	250,000
IHOP Incentive	338,000	67,600	270,400
RODCO	165,000	-	165,000
Brand Geniuz	55,000	35,000	20,000
Bettcher Manufacturing	74,000	-	74,000
Scooters	100,000	-	100,000
Harbor Freight	150,000	-	150,000
Olive Garden	125,000	-	125,000
New Quest	1,750,000	-	1,750,000
MMC Equity	125,000	-	125,000
Shops at 495	250,000	-	250,000
Other Infrastructure Projects	252,325	112,500	139,825
Total	$ 6,884,325	$ 2,865,100	$ 4,019,225

Mission Redevelopment Authority

The Authority has outstanding commitments to the City for various redevelopment projects. Typically, the City contracts and pays engineers and contractors directly for these redevelopment projects. MRA, in turn, reimburses the City for such expenditures. For the year ended September 30, 2023, the Authority has the following outstanding commitments to the City:

Project	Committed	Expended to Date	Remaining Commitment
Military and Inspiration Expansion Phase II	3,728,854	3,479,278	249,576
PD/Fire Substation	7,231,271	7,134,602	96,669
Tierra Dorada Sanitary Sewer Improvements	1,962,375	267,683	1,694,692
Sanitary Sewer Regional Master Plan	110,000	-	110,000
Mission Event Center	500,000	-	500,000
Dragonfly	718,772	-	718,772
Mayberry Expansion	96,486	-	96,486
Los Milagros Subdivision	12,574,934	-	12,574,934
Total	$ 26,922,692	$ 10,881,563	$ 16,041,129

NOTE 19 – OUTSTANDING COMMITMENTS *(Continued)*

In addition to the outstanding commitments above for redevelopment projects, the Authority is committed to the City for annual payments in the amount of $500,000 for debt service of Certificate of Obligation Bond Series 2016 which was used for the construction of the Mission Event Center. The length of this commitment is until the debt is fully paid or the end of the TIRZ.

NOTE 20 – FUND BALANCES

At September 30, 2023, the City of Mission has classified its fund balances with the following hierarchy:

Assigned – The City Council has assigned resources for the purpose of meeting subsequent year's budget appropriation of fund balance. In addition, resources have been assigned for the purpose of payment of certain capital asset replacements needed, and for funds to be used for various programs to be conducted by the Boy's and Girl's Club.

Restricted– The City Council has assigned resources for the purpose of meeting subsequent year's budget appropriation of fund balance. In addition, resources have been assigned for the purpose of repayment of debt, capital improvements and for a specific purpose as enabled by legislation, external parties or constitutional provisions.

Unassigned – Unassigned fund balance has no constraints on its use.

NOTE 20 – FUND BALANCES (*Continued*)

	General Fund	Debt Service Fund	Designated Purpose Fund	2021 Capital Projects Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund balances							
Nonspendable							
Long term receivable	$ 59,863	$ -	$ -	$ -	$ -	$ -	$ 59,863
Inventory	12,716	-	-	-	-	-	12,716
Prepaid	185,043	-	-	-	-	-	185,043
Restricted							
Capital improvements	-	-	78,843	9,146,273	-	4,324,839	13,549,955
Debt Service	-	1,385,774	-	-	-	-	1,385,774
Municipal courts							
Technology	-	-	-	-	-	251,491	251,491
Building security	-	-	-	-	-	180,979	180,979
Juvenile case manager	-	-	-	-	-	170,915	170,915
PD asset sharing	-	-	-	-	-	630,784	630,784
Drainage improvements	-	-	-	-	-	410,790	410,790
Scholarships and books	-	-	-	-	-	27,477	27,477
Tourism	-	-	-	-	-	549,208	549,208
Perpetual care	-	-	-	-	-	18,967	18,967
Records preservation	-	-	-	-	-	12,248	12,248
PEG	-	-	-	-	-	723,998	723,998
Economic development	-	-	-	-	-	1,410,296	1,410,296
Tax increment	-	-	-	-	-	3,556	3,556
Assigned							
Asset replacement	19,429	-	-	-	-	-	19,429
Boys and Girls Club	1,089,962	-	-	-	-	-	1,089,962
Rollover appropriations	2,219,707	-	-	-	-	-	2,219,707
Unassigned	3,793,789	-	-	-	-	-	3,793,789
Total fund balances	$ 7,380,509	$ 1,385,774	$ 78,843	$ 9,146,273	$ -	$ 8,715,548	$ 26,706,947

NOTE 21 – NET POSITION

Net position is composed of three categories: net investments in capital assets, restricted and unrestricted.

	Governmental Activities	Business-type Activities	Component Units MEDC	Component Units MRA
Net investment in capital assets:				
Capital assets, net of accumulated depreciation	$ 174,273,711	$ 103,878,917	$ 7,331,468	$ -
Leases and subscriptions, net of accumulated amortization	5,759,900	1,402,225	-	-
Less related liabilities	(52,914,197)	(40,635,020)	(4,737,388)	-
Less unamortized bond premium	-	(295,046)	-	-
Plus deferred charge on refunding	341,310	211,652	-	-
Plus unexpended debt proceeds (capital projects)	15,420,741	11,524,955	-	-
Net investment in capital assets	142,881,465	76,087,683	2,594,080	-
Restricted net position consists of the following:				
Debt Service	1,925,016	5,630,200	1,131,272	3,003,902
Construction	-	891,976	-	25,417,547
Capital Improvements	1,134,789	-	-	-
Federal and other awards	4,101,793	-	-	-
Tourism	549,208	-	-	-
Municipal Court	603,385	-	-	-
MEDA	1,410,296	-	-	-
Other purposes	62,247	-	-	-
Restricted net position	9,786,734	6,522,176	1,131,272	28,421,449
Unrestricted net position (deficit)	(20,514,099)	(8,845,073)	9,360,575	(33,623,252)
Total net position	$ 132,154,100	$ 73,764,786	$ 13,085,927	$ (5,201,803)

NOTE 22 – CONTINGENT LIABILITIES

A. Litigation

The City is currently a defendant in various lawsuits. Although the City plans to contest the suits, it is the opinion of management and its outside attorneys that the possible outcome of the lawsuits and an estimate of the loss, if any, cannot presently be determined.

B. Federally Assisted Grant Programs

The City participates in several Federal and State assisted grant programs. Although the City grant programs have been audited in accordance with the provisions of the Single Audit Act, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 23 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; cyber security attacks; and natural disasters. The City of Mission has insurance coverage through the Texas Municipal League Intergovernmental Risk Pool for claims in excess of the deductible. There have been no reductions in insurance coverage from the previous year; no negative statements or jury awards have exceeded insurance coverage in any of the past three years. Under this pool the City of Mission provides the following coverages:

Liability Declarations of Coverage

General Liability			
Limites of Liability	$	1,000,000	Each Occurrence
Sudden Events Involving Pollution	$	1,000,000	Each Occurrence
	$	2,000,000	Annual Aggregate
Deductible	$	-	Each Occurrence
Law Enforcement Liability			
Limits of Liability	$	2,000,000	Each Occurrence
	$	4,000,000	Annual Aggregate
Deductible	$	5,000	Each Occurrence
Errors & Omissions Liability			
Limits of Liability	$	2,000,000	Each Wrongful Act
	$	4,000,000	Annual Aggregate
Deductible	$	10,000	Each Wrongful Act

NOTE 23 – RISK MANAGEMENT *(Continued)*

Automobile Declarations of Coverage

Automobile Liability			
Limites of Liability	$	1,000,000	Each Occurrence
Medical Payments Limit	$	25,000	Each Person
Deductible	$	-	Each Occurrence
Automobile Physical Damage			
Limits of Liability	Depending on Current Value of Vehicle		Each Occurrence
Deductible	$	5,000	Each Vehicle
	$	10,000	Each Occurrence

Property Declarations of Coverage

Coverages Elected:
Real and Personal Property, Boiler and Machinery,
Mobile Equipment

Real and Personal Property		
Limit:	$	167,848,623
Flood and Earthquake		
Flood Limit	$	5,000,000
Earthquake Limit	$	10,000,000
Occurrence Deductible	$	25,000
	Or 1% of Building Value, whichever is greater.	
Boilder and Machinery		
Peraccident Limit:	$	6,075,000
Valuation Basis:	Replacement Cost	
Deductible:	$	1,000
Mobile Equipment		
Limit:	$	5,573,689
Valuation Basis:	Replacement Cost	
Deductible:	$	500

NOTE 23 – RISK MANAGEMENT *(Continued)*

Cyber Liability and Data Breach Response Declarations of Coverage

Tower I Aggregate Limit of Liability	**Aggregate Limit**	**Retention**
Information Security and Privacy and Website Media Content Liability Aggregate Limit	$ 2,000,000	$ -

Tower II Aggregate Limit of Liability & Coverage	**Aggregate Limit**	**Retention**
Aggregate Limit: All Damages, Expenses, Loss and		
Costs Regulatory Defense and Penalties Aggregate Sublimit	$ 75,000	$ 5,000
PCI Fines, Expenses and Costs Aggregate Sublimit	$ 25,000	$ 5,000
Cyber Extortion Aggregate Sublimit	$ 50,000	$ 5,000
First Party Data Protection Aggregate Sublimit	$ 50,000	$ 5,000
First Part Network Business Iterruption Aggregate Sublimit	$ 50,000	$ 5,000
eCrime Fraudulent Instruction Aggregate Sublimit	$ 50,000	$ 5,000
eCrime Electronic Crime Aggregate Sublimit	$ 50,000	$ 5,000
eCrime Telecommunications Fraud Aggregate Sublimit	$ 50,000	$ 5,000

Tower III Maximun Notified Individuals Aggregate Limit of Coverage	**Aggregate Limit**	**Retention**
Notified Individuals Aggregate Limit	$ 25,000	$ -

Tower IV Aggregate Limit of Coverage	**Aggregate Limit**	**Retention**
Breach Responses: Legal Services, Computer Expert Services, Public Relations & Crisis Management Expenses Aggregate Limit	$ 75,000	$ -

The City established a limited risk management program for workers' compensation and health insurance in a previous year. Effective December 1, 1996, the City became fully insured for workers compensation insurance through a conventional policy. The City's health insurance program is self-funded.

Health insurance premiums are paid into the Internal Service Fund by all other funds and are available to pay health claims and administrative costs of the program including costs associated with wellness programs. Inter-fund premiums are based primarily on claims experience and are reported as quasi-external transactions.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Health liabilities include an amount for claims that have been incurred but not reported (IBNRs).

NOTE 23 – RISK MANAGEMENT *(Continued)*

Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs and other economic and social factors.

The following is a reconciliation of the claims liability:

	2023	2022
Unpaid claims, beginning of fiscal year	$ 346,585	$ 590,761
Incurred claims and adjustments	5,663,461	5,949,885
Claims payments	(5,838,685)	(6,194,061)
Unpaid claims (IBNRs), end of fiscal year	$ 171,361	$ 346,585

NOTE 24 – COMPONENT UNIT TRANSACTIONS

The City's economic development activities via City Council Resolution delegated all economic development activities to MEDC.

City of Mission provides personnel services to carry out the daily operating activities of MEDC. MEDC does not reimburse the City of Mission for the services provided as well as accounting and overhead costs.

During the fiscal year ended September 30, 2023, the Mission Redevelopment Authority reimbursed the City of Mission a total of $6,396,962 related to various project costs, of which $4,366,214 was payable at September 30, 2023. Additionally, the MRA incurred a total of $380,591 related to administrative costs paid to the City of Mission, of which $380,591 was payable at September 30, 2023.

NOTE 25 – CONDUIT DEBT OBLIGATIONS

Mission Economic Development Corporation (the "Issuer") pursuant to Texas Civil Statutes Article 5190.6 (the "Act"), and the Industrial Revenue Bond Program (the "Rules"), Title 10 Texas Administrative Code Chapter 180, promulgated by the Office of the Governor, Economic Development and Tourism Division (the "Division") has issued Industrial Development Bonds to finance various projects in the State of Texas.

To further economic development in the City, Mission Economic Development Corporation has issued Industrial Development Bonds to provide capital financing to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City of Mission, Texas, the State of Texas, nor any political corporation, subdivision nor agency of the State of Texas is obligated in any manner to pay the principal of, premium, if

NOTE 25 – CONDUIT DEBT OBLIGATIONS *(Continued)*

any, interest on, or the purchase price of the bonds, and neither the faith and credit nor the taxing power of the State of Texas, Mission, Texas or any other political corporation, subdivision, or agency thereof, is pledged to the payment of the principal of, premium, if any, interest on, or the purchase price of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2023, there were ten series of Industrial Development Bonds outstanding. There was one issuance in the current fiscal year. The aggregate principal amount payable for the ten series issued prior to October 1, 2023 was $692.39 million. Issuance dates for the ten series range from May 2007 to July 2023 and interest rates range from 2.9% to 10.88%. Maturity dates range from December 2025 to May 2050.

In connection with the process which ultimately may lead to the issuance of conduit debt, MEDC charges an application fee of $2,500 per application of which $1,250 is paid to the financial advisor for local access fees. During the year ended September 30, 2023, there were three applications submitted, one of which was completed.

Upon issuance of conduit debt, an issuance fee is assessed based on the terms of the agreements. For the year ending September 30, 2023, MEDC received $160,000 of which $80,000 was paid to local advisor for local access fees.

After conduit debt has been issued, MEDC charges an annual fee based upon the original par value of the bonds which ranges from 2 basis points to 5 basis points depending on the type of project and the rating of the bonds being issued. For the year ended September 30, 2023, MEDC received $251,698 of which $125,849 was paid to the advisor for local access fees.

NOTE 26 – COMPLIANCE WITH REVENUE BOND COVENANTS

A. Certain Required Annual Disclosure

The bond covenants of the Utility Fund revenues bonds require that on an annual basis the City of Mission make available certain disclosures related to the operation of the Utility Fund. A separate report containing these required disclosures is available at City Hall.

B. Revenue Bond Coverage

Per the Revenue Bond debt covenants, the City’s Utility Fund is required to maintain a 125% coverage over the average annual debt service requirement (first lien bonds) and 110% times the maximum annual debt service requirements (junior lien bonds). For the fiscal year ended September 30, 2023 the City’s Utility Fund met these coverage requirements.

NOTE 27 – TAX INCREMENT REINVESTMENT ZONE

On September 24, 2001, the City established a Tax Increment Reinvestment Zone Number One (TIRZ) pursuant to Chapter 311 of the Texas Tax Code. The zone was formed to facilitate the provision of public works or improvements. A portion of the real property ad valorem taxes levied by participating taxing entities is set aside for this purpose beginning with taxes levied after January 1, 2002 tax levies. The amount set aside out of the annually adopted tax levy, is based upon the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2001. The City of Mission and Hidalgo County are the only taxing entities participating in the Increment Zone. The City accounts for TIRZ as a Special Revenue Fund.

Effective October 1, 2008 the City elected to transfer only the amounts of the tax increment which has been collected for the Tax Increment Reinvestment Zone 1. Hidalgo County also elected, to transfer to the Zone only the amount of the tax increment actually collected each year. For the current year, the amounts transferred were $4,027,812 and $3,584,010 from the City and County, respectively.

NOTE 28 – INTEREST IN INTERNATIONAL TOLL BRIDGE

Pursuant to the Hidalgo-Mission-McAllen Interlocal Government Agreement, dated April 1, 2003 (“2003 Agreement”), the City of McAllen, Texas and the City of Mission, Texas own and operate the Anzalduas International Crossing ("Anzalduas Bridge") linking United States, south of the City of Mission, Texas and the westernmost part of the city of Reynosa, Tamaulipas, Mexico. According to that agreement, the ownership interest of the City of McAllen and the City of Mission is 66 2/3% and 33 1/3%, respectively.

The agreement also provides that complete management and control of the Anzalduas Bridge, with the exception of fixing rates and charges for services and the issuance of debt, which is reserved by the Board of Commissioners of McAllen, shall be vested in a Board of Trustees consisting of five (5) voting-members, two of which are appointed from the existing members of the Hidalgo Bridge Board by McAllen, with the Mayors of the cities of McAllen, Hidalgo and Mission serving as ex-officio Board members. The Mayor of Granjeno also serves as an ex-officio non-voting member of the Board. In addition, the budget is subject to final approval by the Board of Commissioners of McAllen.

The agreements also provide that these cities as well as the City of Hidalgo will share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 44%; City of Mission, 23%; and the City of Hidalgo, 33%. Per separate interlocal agreement, the City of Mission will share 6% of its portion of the unallocated balance of surplus net revenues with the City of Granjeno, Texas.

In order to finance the construction of the Anzalduas Bridge, the City of McAllen issued $39,160,000 in revenue bonds during fiscal year ending 2007 in two separate series, $26,000,000 Series 2007A and $13,160,000 Series B. The Bonds are secured by a pledge of net revenues of the McAllen International Toll Bridge (“Hidalgo Bridge”), located in Hidalgo, Texas and the Anzalduas

NOTE 28 – INTEREST IN INTERNATIONAL TOLL BRIDGE (*Continued*)

Bridge. According to the 2003 Agreement, both the City of McAllen and the City of Hidalgo are responsible for the Series 2007A bonds from each city's respective share of net revenues of the Hidalgo Bridge. The City of McAllen is responsible for Series 2007B bonds from its share of net revenues of the Hidalgo Bridge as well as the City of Mission from its share of net revenues of the Anzalduas Bridge. Commencement of operations was December 15, 2009.

Per the agreement, the City of Mission was not required to make any capital contributions to obtain its ownership interest; therefore no dollar amount is reflected in these financial statements as representing its ownership interest.

However, until sufficient excess revenues as defined in the Interlocal Agreement are available, the debt service costs related to Series 2007B Bonds as noted above are being advanced to Anzalduas Bridge Fund from the City of McAllen's General Fund, including an allocated amount being advanced on behalf of the City of Mission by the City of McAllen. As of September 30, 2023, the amount advanced since the inception for the City of Mission is $4,869,357 and is reflected as part of non-current liabilities due in more than one year in the Statement of Net Position. See also Note 13.

NOTE 29 – SUBSEQUENT EVENTS

For the purposes of reporting subsequent events, management has considered events occurring up to February 27, 2025, the date the report was available to be issued.

On February 12, 2024, the City entered into an agreement with D&M to lease two Elgin RegenX 1 truck mounted regenerative air sweepers and one RegenX regenerative air street sweeper at a cost of $974,510.

On February 12, 2024, the City Council authorized the execution of a reimbursement agreement between the City of Mission and Mission Redevelopment Authority (MRA) for the Walsh Road Expansion Project in the amount of $1,764,369.

On February 26, 2024, Tierra Dorada Lift Stations were awarded to RDH Site and Concrete in the amount of $2,334,368.

On May 13, 2024, a new lease for four 2024 Tahoes and one Dodge Durango were approved in the total amount of $435,376.

On September 23, 2024, the City Council ratified the lease of ten 2025 Chevy Tahoes 2WD 4DR PPV in the amount of $1,009,815 and approved the lease of five 2025 Ram 1500 2WD Crew Cab SSV in the amount of $276,253 for units budgeted in the 2025 Fiscal Year via Buyboard Contract # 652.21.

NOTE 29 – SUBSEQUENT EVENTS (*Continued*)

On October 28, 2024, Resolution # 1928 was approved to use unspent lease proceeds of $8,980,922 to prepay the 2021 Lease Purchase Agreement for the purpose of reducing its annual payments and all other costs associated with the transaction.

On October 28, 2024, the City paid Performance Services, Inc. $550,000 for arbitrage liabilities.

On November 12, 2024, the purchase of a Type 1 Siddons-Martin ambulance in the amount of $401,470 was approved.

On November 21, 2024, a reimbursement agreement was approved between the City of Mission and Mission Redevelopment Authority (MRA) for the sanitary sewer improvements from Shary Road to Bryan Road in an amount not to exceed $2,887,500.

On December 16, 2024, the transfer of Designated Purpose Funds derived from the American Rescue Plan Act (ARPA) in the amount of $1,588,754 for revenue loss as allowable by the U.S. Department of Treasury was approved.

On December 16, 2024, ratification of an award for $320,000 to Westwood Professional Services for the Spikes and Jupiter Climate Resilient Flood Risk Reduction Project program development, grant administration, civil engineering, and project management services.

On February 20, 2025, the City of Mission loaned MEDC $5,000,000 towards the purchase of the Cimarron Country Club.

Mission Economic Development Corporation

On June 26, 2024, the MEDC Board approved a professional services agreement between the Mission Economic Development Corporation and The Retail Coach, LLC for the amount of $46,250 starting on October 1, 2024, for one year for retail analysis services.

On July 24, 2024, the MEDC Board approved the conveyance of 800 Perkins Ave and 802 Perkins Avenue, acquired in the amount of $135,086.57, and the reconveyance of properties to the City of Mission and established a resolution to use eminent domain to acquire properties located at 808 Perkins, 809 Perkins, 801 Perkins, and 1 Perkins Ave as a part of the Leo Pena Placita Park Improvement Project.

On August 28, 2024, the MEDC Board authorized the MEDC CEO to execute a professional services agreement with ARES Services, Inc., for legislative consulting services in the amount of $108,000 for a 1-year term beginning in September 2024.

On August 28, 2024, the MEDC Board authorized the MEDC CEO to move forward with a Letter of Intent for Project Tiny, for an incentive in an amount not to exceed $120,000 to be paid in one installment, and was subsequently approved as a Performance Agreement on September 25, 2024.

NOTE 29 – SUBSEQUENT EVENTS (*Continued*)

On September 25, 2024, the MEDC Board approved a professional services agreement with IT Umbrella Group for technology assistance services for the MEDC staff and CEED facility in the amount of $48,000 annually for a 1-year term beginning in October 2024.

On September 25, 2024, the MEDC Board authorized a land acquisition for 1407 E. Expressway 83 in the amount of $3,138,487.02 occurring on February 7, 2025.

On September 25, 2024, the MEDC Board authorized the MEDC CEO to move forward with a Letter of Intent for Project Noodles, for an incentive in an amount of $80,000 and a loan in the amount of $200,000 and was subsequently approved as a Performance Agreement on October 30, 2024, however, the project incentive has not been paid.

On November 13, 2024, the MEDC Board authorized a Memorandum of Understanding between the Mission EDC and the City of Mission for facility maintenance services in the total amount of $50,000 for services to be performed up until September 30, 2025.

On November 13, 2024, the MEDC Board approved the renewal option related to the Cooperation Agreement between the Mission EDC and UTRGV in the amount of $80,700 beginning on April 1, 2024, for a 1-year term.

On December 11, 2024, the MEDC Board authorized a Corporate Authorization Resolution from Lone Star National Bank to establish a Certificate of Deposit in the amount of $250,000.

On January 2, 2025, the MEDC Board approved a vehicle purchase for Mission EDC daily business not to exceed $92,000.

On February 20, 2025, MEDC closed on the purchase of the Cimarron Country Club for $5,000,000.

Mission Redevelopment Authority

On August 29, 2024, the MRA approved Change Order #1 related to Anzalduas Industrial Park Phase I Subdivision to increase the capacity of a waterline in the amount of $41,497.35.

On September 24, 2024, the MRA approved a Fourth Amendment to the Agreement for Administrative Services between the City of Mission and Mission Redevelopment Authority/TIRZ #1 for a period not to exceed six months beginning October 1, 2024, in the amount of $11,300 per month or $67,800 over the agreement period.

On November 12, 2024, the MRA approved a Reimbursement Agreement between the City of Mission and Mission Redevelopment Authority related to the Sanitary Sewer Improvements from Shary Road to Bryan Road in the amount of $2,887,500.00.

NOTE 29 – SUBSEQUENT EVENTS (*Continued*)

On January 23, 2025, the MRA approved a Reimbursement Agreement between the City of Mission and Mission Redevelopment Authority related to the Taylor Road Phase II project in the amount of $1,500,000.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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PEREZ LAW FIRM, PLLC
208 Lindberg Avenue
McAllen, Texas 78501
956-782-2700 Telephone
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July 1, 2025

CITY OF MISSION, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025
IN THE ORIGINAL PRINCIPAL AMOUNT OF $9,900,000

We have acted as "Bond Counsel" to the City of Mission, Texas (the "City") in connection with the issuance of the City of Mission, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 described above (the "Certificates"), dated June 1, 2025, for the purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City, the sufficiency of the ad valorem tax revenues or Net Revenues (defined below) for the payment of Certificates, or the disclosure thereof in connection with the sale of the Certificates. We have relied solely on information and certifications furnished to us by the City with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates that contains certified copies of certain proceedings of the City Council of the City (the "Council"); an ordinance of the Council authorizing the Certificates adopted on June 9, 2025 (the "Ordinance"); the approving opinion of the Attorney General of the State of Texas; and customary certificates of officers, agents, and representatives of the City (including a "Tax Exemption Certificate") and other public officials; and other documents relating to the issuance of the Certificates. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "IRS") as we have deemed relevant. We have also examined executed Certificate No. I-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The City is a validly existing political subdivision of the State of Texas with power to adopt the Ordinance, perform its agreements therein, and issue the Certificates.

2. The Certificates have been authorized, sold, and delivered in accordance with law.

3. The Certificates constitute valid and legally binding obligations of the City enforceable in accordance with their terms except as the enforceability thereof may be limited by sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.

4. Ad valorem taxes, within the limit prescribed by law, upon all taxable property within the City, necessary to pay the interest on and principal of the Certificates, have been pledged irrevocably for such purpose. Certain revenues, in an amount not to exceed $1,000, derived from the City's waterworks and sewer system have also been pledged on a subordinate basis to pay the principal of and interest on the Certificates, as described in the Ordinance.

5. Interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Code, and the Bonds will not be treated as "private activity bonds" within the meaning of section 141 of the Code. Interest on the Bonds will not be included as an alternative minimum tax preference item.

In rendering these opinions, we have relied upon representations and certifications of the City, the City's financial advisor, and the initial purchaser of the Certificates with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the City with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Certificates for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the City fails to comply with the foregoing covenants, interest on the Certificates could become includable in gross income retroactively to the date of issuance of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as 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, ownership, or disposition of the Certificates.

We call your attention to the fact that the ownership of obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization, investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The IRS has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the IRS will commence an audit of the Certificates. If such an audit is commenced, under current procedures, the IRS would treat the City as the taxpayer, and owners of the Certificates would have no right to participate in the audit process. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas, which are 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 hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the IRS; rather, such opinions represent our legal judgment based on our review of existing law and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Certificates or the marketability of the Certificates.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that 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 our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

PEREZ LAW FIRM, PLLC

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY®

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

Financial Advisory Services
Provided By

ESTRADA HINOJOSA
INVESTMENT BANKERS