OFFICIAL STATEMENT
DATED: SEPTEMBER 16, 2025

NEW ISSUE: BOOK-ENTRY-ONLY

S&P RATING INSURED "AA"
S&P UNDERLYING RATING: "BBB-"
(SEE "BOND INSURANCE" & "RATINGS" HEREIN)

In the opinion of Jackson Walker LLP, Bond Counsel to the City (as defined below), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See "TAX MATTERS" herein.

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

$3,405,000
CITY OF LA FERIA, TEXAS
(Cameron County)
CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: September 1, 2025 **Due: February 15, as shown on inside cover**
Interest accrues from the Delivery Date (defined herein)

PAYMENT TERMS… Interest on the $3,405,000 City of La Feria, Texas (the "City"), Certificates of Obligation, Series 2025 (the "Certificates"), will accrue from their delivery date to the underwriter listed below (the "Underwriter") and will be payable February 15 and August 15 of each year, commencing on February 15, 2026. The Certificates will be issued only in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Certificates will be payable to the registered owners (the "Owners") at maturity or prior redemption upon presentation at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially UMB Bank, N.A., Austin, Texas. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interests in the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

PURPOSE… Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (i) drainage improvements and (ii) professional services pursuant to Subchapter C of Chapter 271, Texas Local Government Code, as amended. See "THE CERTIFICATES – Sources and Uses of Funds" herein.

REDEMPTION… The Certificates maturing on and after February 15, 2036 are subject to optional redemption in whole or in part on February 15, 2035, or on any date thereafter at a redemption price equal to the principal amount thereof plus accrued interest as more fully described herein. The Certificates maturing on February 15 in the years 2038 and 2040 are also subject to mandatory sinking fund redemption. See "THE CERTIFICATES – Optional Redemption" and "Mandatory Redemption" herein.

SECURITY AND SOURCE OF PAYMENT… The Certificates will constitute direct obligations of the City, payable from ad valorem taxes levied against all taxable property in the City within the limits prescribed by law, and a limited subordinate pledge of certain revenues derived from the operation of the City's combined utility system (the "System") as provided in the ordinance authorizing the Certificates (the "Ordinance"). See "THE CERTIFICATES – Security for Payment" herein.

MUNICIPAL BOND INSURANCE . . . The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company ("BAM"). BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P").

See MATURITY SCHEDULE on the Inside Cover Page

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 Jackson Walker LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas.*

DELIVERY… *The Certificates are expected to be available for delivery to the Underwriter through DTC on or about October 2, 2025.*

ESTRADA HINOJOSA

MATURITY SCHEDULE

$3,405,000
City of La Feria, Texas
Certificates of Obligation, Series 2025

Maturity (February 15)	Principal Amount ($)	Interest Rate (%)	Initial Yield (%)[a]	CUSIP[b]
2026	175,000	5.000	2.770	502894DQ8
2027	165,000	5.000	2.680	502894DR6
2028	170,000	5.000	2.760	502894DS4
2029	180,000	5.000	2.790	502894DT2
2030	190,000	5.000	2.890	502894DU9
2031	200,000	5.000	3.030	502894DV7
2032	210,000	5.000	3.190	502894DW5
2033	220,000	5.000	3.340	502894DX3
2034	230,000	5.000	3.430	502894DY1
2035	245,000	5.000	3.590	502894DZ8
2036	255,000	5.000	3.800 [c]	502894EA2

$555,000 5.000% Term Certificates due February 15, 2038, Priced to Yield 4.030%, CUSIP: 502894EB0 [a] [b] [c]

$610,000 5.000% Term Certificates due February 15, 2040, Priced to Yield 4.260%, CUSIP: 502894EC8 [a] [b] [c]

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[a] The initial yields and prices are established by, and are the sole responsibility of the Underwriter and may subsequently be changed.

[b] CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Certificates. Neither the City, the Financial Advisor, nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

[c] Yield shown is yield to first call date, February 15, 2035.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2036, in whole or in part, 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 of redemption (See "THE CERTIFICATES – Optional Redemption).

MANDATORY SINKING FUND REDEMPTION . . .The Certificates maturing on February 15 in the years 2038 and 2040 are also subject to mandatory sinking fund redemption (See "THE CERTIFICATES – Mandatory Redemption").

CITY OFFICIALS, STAFF AND CONSULTANTS

CITY COMMISSION

Mayor	Olga H. Maldonado
Mayor Pro-Tem	Julian Guevara, Jr.
Commissioner	Maricela Zuniga
Commissioner	Michael Martinez
Commissioner	Donato Garcia
Commissioner	Esmeralda Lozano

ADMINISTRATIVE OFFICERS

Frank Rios	City Manager
Amanda Morales	City Secretary
Luis Castillo	Finance Director
Rebecca S. Hayward	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Jackson Walker LLP, Houston, Texas	Bond Counsel
Carr, Riggs & Ingram, LLC, Harlingen, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Financial Advisor

For additional information regarding the City, please contact:

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Southlake, TX 76092
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jlawrence@govcapsecurities.com

USE OF INFORMATION IN OFFICIAL STATEMENT

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

Any information and expressions of opinion herein contained 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 herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES ARE EXEMPTED 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 JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE 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 agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

None of the City, the Financial Advisor or the Underwriter make any representation as to the accuracy, completeness or adequacy of the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E – Specimen Municipal Bond Insurance Policy".

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS, WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS" HEREIN.

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

TABLE OF CONTENTS

MATURITY SCHEDULE i
CITY OFFICIALS, STAFF AND CONSULTANTS ii
USE OF INFORMATION IN OFFICIAL STATEMENT iii
SUMMARY STATEMENT 1
INTRODUCTORY STATEMENT 3
THE CERTIFICATES 3
- Description of the Certificates 3
- Authority for Issuance of the Certificates 3
- Tax Rate Limitation 4
- Optional Redemption 4
- Mandatory Redemption 4
- Notice of Redemption 4
- Defeasance 5
- Book-Entry-Only System 6
- Paying Agent/Registrar 8
- Transfer, Exchange and Registration 9
- Record Date 9
- Mutilated, Destroyed, Lost and Stolen Certificates 10
- Owners' Remedies 10
- Amendments 11
- Sources and Uses of Funds 12

BOND INSURANCE 12
BOND INSURANCE RISKS 14
- Bond Insurance Risk Factors 14
- Claims-Paying Ability and Financial Strength of Municipal Bond Insurers 14

AD VALOREM PROPERTY TAXATION 15
- Legislative Session 15
- Valuation of Taxable Property 15
- State Mandated Homestead Exemptions 16
- Local Option Homestead Exemptions 16
- Local Option Freeze for the Elderly and Disabled 16
- Personal Property 16
- Freeport and Goods-In-Transit Exemptions 16
- Other Exempt Property 17
- Tax Increment Reinvestment Zones 17
- Tax Abatement Agreements 17
- Chapter 380 Agreements 17
- Temporary Exemption For Qualified Property Damaged By A Disaster 17
- Public Hearing and Maintenance and Operation Tax Rate Limitations 18
- Debt Tax Rate Limitations 19
- Issuer and Taxpayer Remedies 20
- Levy and Collection of Taxes 20
- City's Rights in the Event of Tax Delinquencies 20
- City Application of Property Tax Code 21

RETIREMENT PLAN & OTHER POST-EMPLOYMENT BENEFITS 22
INVESTMENT POLICIES 22
- Accounting Principles Generally Accepted in the United States 22
- Legal Investments 22
- Investment Policies 23
- Additional Provisions 24

RATINGS 25
PENDING LITIGATION 25
LEGAL MATTERS 25
TAX MATTERS 26
- Qualified Tax-Exempt Obligations for Financial Institutions 27

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS 28
REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE 28
CONTINUING DISCLOSURE OF INFORMATION 28
- Annual Reports 29
- Material Event Notices 29
- Limitations and Amendments 31
- Compliance with Prior Undertakings 31

OTHER INFORMATION 31
- Cybersecurity 31
- Audit Finding 32
- Weather Events 32
- Financial Advisor 32
- Underwriting 32
- Forward-Looking Statements 33
- Concluding Statement 33

Financial Information Regarding the City of La Feria, Texas ..... APPENDIX A
General Information Regarding the City of La Feria, Texas ..... APPENDIX B
Form of Opinion of Bond Counsel ..... APPENDIX C
Audited Financial Statements for the Fiscal Year Ended September 30, 2024 ..... APPENDIX D
Specimen Municipal Bond Insurance Policy ..... APPENDIX E

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement, including the schedules and appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement including the Appendices hereto.

The Issuer	The City of La Feria, Texas (the "City") located in Cameron County, Texas, is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. For information regarding the City, see Appendices A and B.
The Certificates	The Certificates are issued as $3,405,000 Certificates of Obligation, Series 2025, dated as of September 1, 2025, maturing on the dates and in the amounts set forth on the inside front cover of this Official Statement. Interest on the Certificates will accrue from their date of delivery and will be paid semiannually on February 15 and August 15, commencing February 15, 2026, until maturity or prior redemption.
Purpose of Certificates	Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (i) drainage improvements and (ii) professional services pursuant to Subchapter C of Chapter 271, Texas Local Government Code, as amended. See "THE CERTIFICATES – Sources and Uses of Funds" herein.
Authorization and Security	The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, and an ordinance adopted by the City Commission of the City (the "City Commission") on September 16, 2025 (the "Ordinance"). The Certificates are payable from ad valorem taxes to be levied, within the limits prescribed by law, on all taxable property within the City and a limited subordinate pledge of certain revenues derived from the operation of the City's combined utility system (the "System") as provided in the Ordinance.
Optional Redemption	The Certificates maturing on and after February 15, 2036, are subject to optional redemption in whole or in part on February 15, 2035, or on any date thereafter at a price of par plus accrued interest as more fully described herein. See "THE CERTIFICATES – Optional Redemption" herein.
Mandatory Redemption	The Certificates maturing on February 15 in the years 2038 and 2040 are also subject to mandatory sinking fund redemption as more fully described herein. See "THE CERTIFICATES – Mandatory Redemption" herein.
Tax-Exemption	In the opinion of Bond Counsel, 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 certain corporations. See "TAX MATTERS" herein.
Qualified Tax-Exempt Obligations	The City has designated the Certificates as "qualified tax-exempt obligations". (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein.)

Ratings	The Certificates have been assigned an insured rating of "AA/Stable" by S&P Global Ratings, a division of Standard and Poor's Financial Services LLC ("S&P") based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. The Certificates have also been assigned an underlying rating of "BBB-" by S&P without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from S&P. See "RATINGS" herein.
Book-Entry-Only System	The Certificates are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry only system described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the purchasers thereof. Principal of, premium if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.
Payment Record	The City has never defaulted on the payment of its bonded indebtedness.

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OFFICIAL STATEMENT
RELATING TO

$3,405,000
CITY OF LA FERIA, TEXAS
(Cameron County)
Certificates of Obligation, Series 2025

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the appendices hereto, provides certain information regarding the issuance by the City of La Feria, Texas (the "City") of its $3,405,000 Certificates of Obligation, Series 2025 (the "Certificates").

The Certificates were authorized to be issued, sold and delivered by an ordinance adopted by the City's governing body (the "City Commission"), and such ordinance is referred to herein as the "Ordinance." Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Ordinance, except as otherwise indicated herein.

The City is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the laws of the State. For information regarding the City, see Appendices A and B of this Official Statement.

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

THE CERTIFICATES

Description of the Certificates

The Certificates are dated September 1, 2025 (the "Dated Date") and mature on February 15 in each of the years and in the amounts shown on page i hereof. Interest on the Certificates will accrue from the date of their initial delivery (the "Delivery Date" anticipated to be October 2, 2025) to the initial purchaser thereof (the "Underwriter"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year commencing February 15, 2026, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

Authority for Issuance of the Certificates

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

Security and Source of Payment of the Certificates

The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, and the Ordinance. The Certificates are payable from ad valorem taxes to be levied, within the limits prescribed by law, on all taxable property within the City and a limited subordinate pledge of certain revenues derived from the operation of the City's combined utility system (the "System") as provided in the Ordinance.

Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

Optional Redemption

The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2036, in whole or in part, 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 of redemption.

Mandatory Redemption

The Certificates maturing on February 15 in each of the years 2038 and 2040 (the "Term Certificates"), are subject to mandatory sinking fund redemption prior to their stated maturity and shall be redeemed in part at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years set forth below:

Term Certificates Stated to Mature on February 15, 2038		**Term Certificates Stated to Mature on February 15, 2040**	
Year	Principal Amount	Year	Principal Amount
2037	$270,000	2039	$295,000
2038**	$285,000	2040**	$315,000

** Stated maturity.

The particular Term Certificates to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary random selection method, on or before January 1 of each year in which Term Certificates are to be mandatorily redeemed. The principal amount of Term Certificates to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Certificates that have been optionally redeemed and which have not been made the basis for a previous reduction.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to 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. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES

SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificates subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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 relating to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemptions 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 the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption (see "THE CERTIFICATES - Book-Entry-Only System" herein).

Defeasance

The Ordinance provides that the City may discharge its obligations to the Registered Owners of any or all of the Certificates to pay the principal of and interest thereon in any manner permitted by law, including by depositing with the Paying Agent/Registrar or with the Comptroller of Public Accounts of the State of Texas either: (a) cash in an amount equal to the principal amount of such Certificates plus interest thereon to the date of maturity or redemption; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of

refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Certificates are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the Ordinance. Upon such deposit, such Certificates shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities will be maintained at any particular rating category.

Upon defeasance, 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.

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 DTC 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 believes the source of such information to be reliable, but takes 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 (the "SEC"), 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 stated maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the

Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the SEC. 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 such purchases 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 or 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 interest 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 the Certificates, except in the event that use of the book-entry system described herein 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 nominee effect no 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security 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 relating to the Certificates 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 such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

So long as Cede & Co. is the registered owner of the Certificates, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

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

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

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is UMB Bank, N.A., Austin, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of such Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation and surrender at the principal office of the Paying Agent/Registrar. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (see " THE CERTIFICATES – Record Date" herein), and such interest shall be paid (i) by check sent by United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday or day when 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 when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal and interest on the Certificates will be made as described in "THE CERTIFICATES - Book-Entry-Only System" herein.

Transfer, Exchange and Registration

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

Record Date

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

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 (the "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 shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of

each registered owner of a Certificate 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.

Mutilated, Destroyed, Lost and 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 substitution for any Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the Paying Agent/Registrar evidence satisfactory to the Paying Agent/Registrar to the effect that such Certificate has been destroyed, stolen or lost and authenticity of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. 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.

Owners' Remedies

The Ordinance does not provide for the appointment of a trustee to represent the interests of the Certificate holders upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due or perform other material terms and covenants contained in the Ordinance. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On 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, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. 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. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary

function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

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

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States 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 holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity, and general principles of equity that permit the exercise of judicial discretion.

Amendments

The Ordinance shall constitute a contract with the registered owners from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in the Ordinance. The City may, without the consent of or notice to any registered owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the consent of registered owners who own in the aggregate 51% of the principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all registered owners of Outstanding Certificates, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest

on the Certificates, (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by registered owners for consent to any such amendment, addition, or rescission.

Sources and Uses of Funds

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

Sources	
Principal Amount of Certificates	$3,405,000.00
Original Issue Premium	262,459.60
Total Sources of Funds	$3,667,459.60
Uses	
Deposit to Project Fund	$3,500,000.00
Costs of Issuance (including bond insurance premium)	123,843.28
Underwriter's Discount	43,616.32
Total Uses of Funds	$3,667,459.60

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). 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 Appendix E to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: https://bambonds.com/.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of

the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates 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 Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $482.1 million, $246.4 million and $235.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at https://bambonds.com/, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at https://bambonds.com/insights/#video. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at https://bambonds.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Certificates, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Certificates, whether at the initial offering or otherwise.

BOND INSURANCE RISKS

Bond Insurance Risk Factors

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

Payment of principal of and interest on the Certificates will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES – Owners' Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Certificate holders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from ad valorem taxes levied, within the limits prescribed by law, as further described in "THE CERTIFICATES – Security and Source of Payment of the Certificates". In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If the Policy is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) of the Certificates (see "RATINGS").

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

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P and Fitch Ratings (collectively, the "Rating Agencies") have, in the past, downgraded and/or placed on negative watch the claims- paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. 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 any such bond insurer, particularly over the life of the Certificates.

AD VALOREM PROPERTY TAXATION

Legislative Session

The regular session of the 89th Texas Legislature (together with any special sessions, the "2025 Legislative Session") convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions.

During the 2025 Legislative Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures for issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 2025 Legislative Session and cannot make any representations regarding the full impact of the legislation approved during the 2025 Legislative Session at this time. Further, the City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

Valuation of Taxable Property

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

Effective January 1, 2024, an appraisal district may only increase the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 1, 2026 (unless extended by the Texas Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2025 tax year, the Maximum Property Value was increased to $5,160,000.

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 – Issuer and Taxpayer Remedies" herein.

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exception that was granted in tax year 2022 through December 31, 2027.

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. House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the “production of income” from the current $2,500 to $125,000. This legislation is effective September 1, 2025, but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election.

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. Beginning with the 2026 tax year, all intangible personal property is exempt from taxation.

Tax Increment Reinvestment Zones

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

Chapter 380 Agreements

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

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. The Texas Legislature amended Section 11.35, Tax Code, to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

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.

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

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

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

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2024 foregone revenue amount, and 2024 foregone revenue amount divided by the current total value.

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

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

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such

rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

Issuer and Taxpayer Remedies

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

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of 1.2 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 minimum eligibility amount was set at $61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the 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.

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 grants an exemption to the market value of the residence homestead of persons 65 years of age or older and disabled veterans.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

The City does not tax nonbusiness personal property; and the City collects its own taxes.

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

The City does not tax freeport property.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy but has no current tax abatements.

In 2007, the City of La Feria established a tax increment reinvestment zone (TIRZ) consisting of 759.66 acres through an inter-local agreement with Cameron County, in connection with the proposed development of residential homes. A portion of the real property ad valorem taxes levied by both participating taxing entities has been set aside for capital improvement projects beginning with taxes levied after January 1, 2008. The amount set aside for the TIRZ is based upon the incremental increase in the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2007. The City contributes 100% of property tax revenue portion generated from the TIRZ; while Cameron County agreed to contribute 50% of the property tax revenue generated from the TIRZ through August 31, 2036. In 2013, the TIRZ reimbursed the developer for $290,000 worth of public improvements for a new 70-unit single family subdivision within the TIRZ; however, since then, there has been almost no development activity within the TIRZ. As of September 30, 2024, the TIRZ fund balance was at $609,529. The City cannot predict when the property within the TIRZ will be developed, if ever.

RETIREMENT PLAN & OTHER POST-EMPLOYMENT BENEFITS

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System, an agent multi-employer public employee retirement system. For a discussion of the Retirement Plan, see "APPENDIX D - Audited Financial Statements for the Fiscal Year Ended September 30, 2024."

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City's contributions to the SDBF for the year ended September 30, 2024 were $10,452, and were equal to the required contributions. For a discussion of other post-employment benefits, see "APPENDIX D - Audited Financial Statements for the Fiscal Year Ended September 30, 2024."

INVESTMENT POLICIES

Accounting Principles Generally Accepted in the United States

The City policy is to adhere to accounting principles generally accepted in the United States (see "APPENDIX D - Audited Financial Statements for the Fiscal Year Ended September 30, 2024").

Legal Investments

Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (i) that are issued by or through an institution that has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements

that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (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 stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

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

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

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. 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 City's investment officers 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 City Commission.

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and recording any changes made to either its investment policy or investment strategy; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and City Commission; (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 repurchase 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 "TABLE 6 – CURRENT INVESTMENTS" in Appendix A for additional information regarding the City's investments.

RATINGS

The Certificates have been assigned an insured rating of "AA/Stable" by S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLC ("S&P") based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. The Certificates have also been assigned an underlying rating of "BBB-" by S&P without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from S&P. The ratings reflect only the view of S&P and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates. Neither the Underwriter nor the City has undertaken any responsibility to bring to the attention of the Registered Owners of the Certificates any proposed revision or withdrawal of the ratings of the Certificates or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Certificates. BAM's financial strength is rated "AA/Stable" by S&P.

PENDING LITIGATION

~~T~~here is no material litigation currently pending or to its knowledge, threatened, against the City.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Certificates are valid and binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel to the effect that (i) the Certificates issued in compliance with the provisions of the Ordinance are valid and legally binding obligations of the City and (ii) the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions (see "TAX MATTERS"). Though it may represent the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Certificates, and the opinion of Bond Counsel will make no statement as to such matters, or any other information that may have been relied on by anyone in making the decision to purchase the Certificates. The applicable legal opinion may be printed on or attached to the definitive Certificates.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "THE CERTIFICATES" (exclusive of the subcaptions "Tax Rate Limitation" and "Sources and Uses of Funds"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the captions "REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE," "LEGAL MATTERS" (exclusive of the last two sentences of the first paragraph thereof) and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" fairly summarizes the procedures and documents referred to therein and is correct as to matters of law. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy, completeness, or fairness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy, completeness, or fairness of any of the information contained herein.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

In the opinion of Jackson Walker LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. The proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

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

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

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

Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

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

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City expects that the Certificates have been designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such**

obligations might fail to satisfy the $10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such Certificates are eligible investments for sinking funds and other public funds. 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 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.

REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE

No registration statement relating to the Certificates has been filed with the United States Securities and Exchange Commission under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any other jurisdiction in which the Certificates may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration and 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 in such other jurisdictions.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, 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"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system to make such continuing disclosure available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Annual Reports

The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in Tables 1-5 in Appendix A attached to this Official Statement. The City will update and provide this information in Tables 1-5 in Appendix A within twelve (12) months after the end of each fiscal year and audited financial statements within twelve (12) months after the end of each fiscal year when and if available. If the audit of such financial statements is not complete within such time frame after any such fiscal year end, then the City shall file unaudited financial statements within such time period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, updated information included in Tables 1-5 in Appendix A and audited financial statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

Material Event Notices

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

Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement (other than the Policy), or liquidity enhancement. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. The term "financial obligation" used in clauses (15) and (16) of the immediately preceding paragraph means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee or either (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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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 and beneficial owners of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City's 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 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 of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of its 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 Certificates in the primary offering of the Certificates. If the City amends its agreement, it must include with the next financial information and opening data provided in accordance with its agreement described above under "Annual Reports", an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided. The City may also amend or repeal the provisions of its 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 Certificates in the primary offering of the Certificates.

Compliance with Prior Undertakings

The City has not previously entered into a continuing disclosure agreement pursuant to the Rule.

OTHER INFORMATION

Cybersecurity

The City's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the City continually assesses and monitors its cybersecurity risks, the City has been (and maybe in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the City takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the City has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions

or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City's operations and/or financial condition.

Audit Finding

The FY 2024 Audit identified that the Waterworks and Sewer System Board of Directors, established under Chapter 13 of the City Code of Ordinances to supervise administration of the system, has not held any meetings since September 29, 2020. This lapse is attributed to a lack of oversight by the board, creating a risk that the Waterworks and Sewer System could engage in activities or agreements without proper approval. The Auditor recommended the board to establish and maintain a regular meeting schedule, ensure discussions are documented, and make those records publicly available. The City agreed with this finding and has outlined a corrective action plan beginning on page 110 of the 2024 Audit.

Weather Events

The City is located in the southern coastal region of Texas. Land located in this area is susceptible to high winds, tornadoes, hurricanes and flood conditions. If a future weather event significantly damages all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the City tax rate. Under certain conditions, Texas law allows a city to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the City or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

Financial Advisor

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the City for certain information concerning the City and the Certificates. The fee of the Financial Advisor for services with respect to the Certificates is contingent upon the issuance and sale 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.

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

Underwriting

The Underwriter has agreed to purchase the Certificates from the City for $3,623,843.28 (being the principal amount of the Certificates, plus a premium of $262,459.60, less an Underwriter's discount of $43,616.32).

Effective August 2, 2024, Texas State Bankshares, Inc., the registered bank holding company for Texas Regional Bank (collectively, "TRB"), completed its acquisition of Dallas-based investment banking group Estrada Hinojosa & Company, Inc. ("Estrada Hinojosa"). Estrada Hinojosa operates under TRB Capital Markets, LLC, a wholly-owned subsidiary of TRB, using the assumed name of "Estrada Hinojosa."

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

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligations 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 included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Concluding Statement

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

In the Ordinance, the City Commission of the City approved the Official Statement and said instrument was authorized for use and distribution by the Underwriter for the purpose of offering the Certificates.

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APPENDIX A

FINANCIAL INFORMATION REGARDING THE CITY OF LA FERIA, TEXAS

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FINANCIAL INFORMATION REGARDING THE CITY

ASSESSED VALUATION **TABLE 1**

2024-25 Total Value of Taxable Property		$672,319,820
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 8,719,308	
Disabled and Deceased Veterans' Exemptions	686,410	
Productivity Value Loss	7,522,080	
Homestead 10% Cap Adjustment[(b)]	103,469,539	
Abatement	0	
Total Exempt Property	62,753,006	
Other	6,526	183,156,869
2024-25 Net Taxable Assessed Valuation (100% of Actual)[(a)]		$489,162,951

[(a)] *See "AD VALOREM PROPERTY TAXATION - City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*

[(b)] *Total includes CB Cap.*

Source: Cameron Appraisal District

PRINCIPAL TAXPAYERS **TABLE 2**

Name	Type of Business	2024 Net Taxable Assessed Valuation	% of Total 2024 Assessed Valuation[(a)]
Linetec Services LLC	Equipment	$10,409,888	2.13%
JWTC Homes Ltd.	Residential Homes	9,687,871	1.98%
Best Block LLC	Equipment	6,090,461	1.25%
La Feria Partners LLC	Vacant Lots	5,122,940	1.05%
Parker Heights Construction 2	Individual Residence	4,879,644	1.00%
AEP Texas Inc.	Electric Utility	4,347,450	0.89%
Kenwood MHC LLC	Mobile Homes/Parks	4,029,240	0.82%
Maria S. Camarillo	Residential Homes	3,089,246	0.63%
Albany Homes I LP	Individual Residence	3,022,379	0.62%
Moriah Palms Development	Home Builder	2,563,998	0.52%
Total		$53,243,517	10.89%

[(a)] Based on the 2024-25 Net Taxable Assessed Valuation of $489,162,951. The 2024 Top Ten Taxpayers in the City currently account for approximately 10.89% of the City's tax base. Adverse developments in economic conditions could adversely impact the businesses that own such properties in the City and the tax values in the City, resulting in less local tax revenue. Economic and market forces, such as a downturn in the economy, or legislative changes impacting school funding or property taxation, for example, can also affect assessed values, particularly as these forces might trigger an increase in foreclosures or in delinquent tax payments or in the number of requests submitted to the assessment appeals board for a reduction in assessed value of taxable property in the City.

Source: Cameron Appraisal District

PROPERTY TAX RATES AND COLLECTIONS[(a)] **TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Collection % Current	Collection % Total[(b)]	Fiscal Year Ended
2020	$255,514,848	$0.7600	100.76%	100.76%	9-30-21
2021	275,716,014	0.7600	99.31%	99.31%	9-30-22
2022	292,643,550	0.7600	95.00%	99.18%	9-30-23
2023	396,302,358	0.7600	95.00%	95.00%	9-30-24
2024	489,162,951	0.7400	In process		9-30-25

[(a)] *See "AD VALOREM PROPERTY TAXATION - The City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures. Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.*

[(b)] *Excludes interest and penalties.*

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Cameron Appraisal District, and the City's 2023 Annual Financial Statements.

TAX RATE DISTRIBUTION **TABLE 4**

	2024-25	2023-24	2022-23	2021-22	2020-21
Maintenance & Operations	$0.4900	$0.4500	$0.3950	$0.3000	$0.2905
I & S Fund	0.2500	0.3100	0.3650	0.4600	0.4695
TOTAL	$0.7400	$0.7600	$0.7600	$0.7600	$0.7600

Source: Cameron Appraisal District

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GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS TABLE 5

Fiscal Year 30-Sept	Existing Debt Service	Principal	Interest	Total Debt Service
2025	$ 1,251,963.33	$ -	$ -	$ 1,251,963.33
2026	1,284,276.23	175,000	143,647.92	1,602,924.15
2027	1,283,155.73	165,000	157,375.00	1,605,530.73
2028	1,080,811.48	170,000	149,000.00	1,399,811.48
2029	922,777.37	180,000	140,250.00	1,243,027.37
2030	925,579.62	190,000	131,000.00	1,246,579.62
2031	928,200.51	200,000	121,250.00	1,249,450.51
2032	923,834.58	210,000	111,000.00	1,244,834.58
2033	703,453.16	220,000	100,250.00	1,023,703.16
2034	703,366.80	230,000	89,000.00	1,022,366.80
2035	701,620.80	245,000	77,125.00	1,023,745.80
2036	21,300.89	255,000	64,625.00	340,925.89
2037	20,694.95	270,000	51,500.00	342,194.95
2038	21,082.59	285,000	37,625.00	343,707.59
2039	21,435.23	295,000	23,125.00	339,560.23
2040	21,756.72	315,000	7,875.00	344,631.72
2041	21,052.88	-	-	21,052.88
2042	20,352.88	-	-	20,352.88
Total	**$10,856,715.75**	**$3,405,000**	**$1,404,647.92**	**$15,666,363.67**

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT

As of September 1, 2025, the City does not have any authorized but unissued bonds.

OTHER OBLIGATIONS

The City entered into a 10 year financing agreement on November 14, 2018, with payments due annually beginning with the first payment due on November 1, 2019, for the acquisition of a fire truck. The firetruck has a ten-year estimated useful life and is valued at $240,000. The fire truck was placed in service in December of 2018. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the fire truck being financed, and is payable from general fund revenues. Payments are due annually, with the first two payments of $15,000 and the remaining payments for $26,433.26. Final payment is due on November 1, 2028, at which time the title of the fire truck passes to the government and becomes property of the government. The balance at September 30, 2024 was $116,874.

The City entered into a 10 year financing agreement on November 10, 2020, with payments due annually beginning with the first payment due on January 13, 2022, for the acquisition of a street sweeper. The street sweeper has a ten-year estimated useful life and is valued at $279,266. The street sweeper was placed in service in June of 2021. This purchase financing agreement qualifies as a financing agreement for

accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the street sweeper being financed, and is payable from general fund revenues. Payments are due annually, with the first two payments of $20,000 and the remaining payments for $46,396.30. Final payment is due on January 13, 2029, at which time the title of street sweeper passes to the government and becomes property of the government. The balance at September 30, 2024 was $214,360.

The City entered into a 5 year financing agreement on August 10, 2021, with payments due annually beginning with the first payment due on November 1, 2022, for the acquisition of three Ford explorer vehicles. The police vehicles has a seven-year estimated useful life and is valued at $194,857. The police vehicles have not been placed in service in as of September 30, 2022. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the vehicles being financed, and is payable from general fund revenues. Payments are due annually with 5 annual payments of $42,749.31. Final payment is due on November 1, 2026, at which time the title of the police vehicles passes to the government and becomes property of the government. The balance at September 30, 2024 was $120,935.

The City entered into a 4 year financing agreement on December 22, 2021, with payments due annually beginning with the first payment due on December 22, 2022, for the acquisition of a fire truck. The fire truck has a four-year estimated useful life and is valued at $39,750. The fire truck was placed in service in December of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the fire truck being financed, and is payable from general fund revenues. Payments are due annually with 4 annual payments of $10,811.97. Final payment is due on December 22, 2025, at which time the title of fire truck passes to the government and becomes property of the government.

Note payable to Government Capital Corporation dated August 10, 2021, original principal amount of $1,518,750 at an interest rate of 3.576% payable in seven annual installments of $92,913 (including interest) with the first payment due on August 10, 2022 and a final payment due at maturity on August 10, 2046. The note is payable from EDC revenues and was issued to finance the costs of improvements to certain streets and roads, water and sewer utilities, drainage, site improvements and related improvements within the City. The balance at September 30, 2024 was $1,398,764.

The City entered into a 10 year financing agreement on December 22, 2021, with payments due annually beginning with the first payment due on November 1, 2023, for the acquisition of an Autocar Xpeditor truck. The truck has a 1-year estimated useful life and is valued at $460,561 and has an interest rate of 3.2%. The truck was placed in service in December of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the truck being financed, and is payable from general fund revenues. Payments are due annually with 10 annual payments of $54,558. Final payment is due on November 1, 2032, at which time the title of street sweeper passes to the government and becomes property of the government. The balance at September 30, 2024 was $610,397.

The City entered into a 5 year financing agreement on February 3, 2023, with payments due annually beginning with the first payment due on February 3, 2024, for the acquisition of a brush truck. The truck has a 5-year estimated useful life and is valued at $221,087 and has an interest rate of 5.4%. The truck was placed in service in February of 2023. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum

financing agreement payments as of the inception date. The financing agreement is secured by the truck being financed, and is payable from general fund revenues. Payments are due annually with 5 annual payments of $51,583. Final payment is due on February 3, 2028, at which time the title of brush truck passes to the government and becomes property of the government. The balance at September 30, 2024 was $181,367.

Lease Obligations

The City has entered into lease agreements to obtain the right-to-use phone system equipment. The total annual payments for the assets that the City paid for the fiscal year ended September 30, 2024 was $16,320. The interest rate of the leases is 3%. The leases have a maturity date of 2026. Monthly payment amounts are $1,360 for the assets.

Subscription-Based Information Technology Arrangements

The City has two software arrangements that require recognition under GASBC Section S:80, Subscription- Based Information Technology Arrangements (SBITAs). The City now recognizes a subscription liability and an intangible right-to-use subscription asset for the accounting software in Finance and dispatch software in Public Safety.

The accounting software arrangement is a three-year agreement, initiated in fiscal year 2023 with an annual payment of $49,992. The City has used a 3% discount rate for this arrangement based on the federal funds rate at the time of the agreement. The City has an option to extend this arrangement for 12 additional months and for 12 months thereafter. There is no option to purchase the software. There are no residual value guarantees in the agreement.

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF LA FERIA, TEXAS

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The City of La Feria is located eight miles west of Harlingen on U.S. Highway 83 and serves as a commercial center for a highly cultivated agricultural area in the center of the Lower Rio Grande Valley. The area is served by the U.S. interstate highway system, with Expressway 83 (east and west along the Rio Grande Valley) connecting with U.S. 77 (north and south along the eastern area of the Valley) and U.S. 281 (north and south along the western area of the valley). The Harlingen International Airport tis located 10 miles east of the City. La Feria is a city in Cameron County, Texas, United States. Its population was 6,817 at the time of the 2020 census.

The City is governed by a City Commission (the "Commission") consisting of a mayor and five commissioners, all elected at large. The Commission appoints a City Manager who is the chief administrative and executive officer of the City. On November 7, 1989, the City adopted a Home Rule Charter.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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Jackson Walker LLP

October 2, 2025

City of La Feria, Texas Certificates of Obligation, Series 2025

Ladies and Gentlemen:

We have acted as bond counsel to the City of La Feria, Texas (the "City") in connection with the issuance of $3,405,000 aggregate principal amount of Obligations designated as "City of La Feria, Texas Certificates of Obligation, Series 2025" (the "Obligations"). The Obligations are authorized by an ordinance adopted by the City Commission of the City (the "City Commission") on September 16, 2025 (the "Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

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

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

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

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

1. The Obligations constitute the valid and binding obligations of the City.

2. The City Commission has power and is obligated to levy an annual ad valorem tax, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Obligations.

3. The Obligations are also secured by a limited subordinate pledge of certain revenues derived from operations of the City's combined utility system.

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

Faithfully yours,

JACKSON WALKER LLP

APPENDIX D

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

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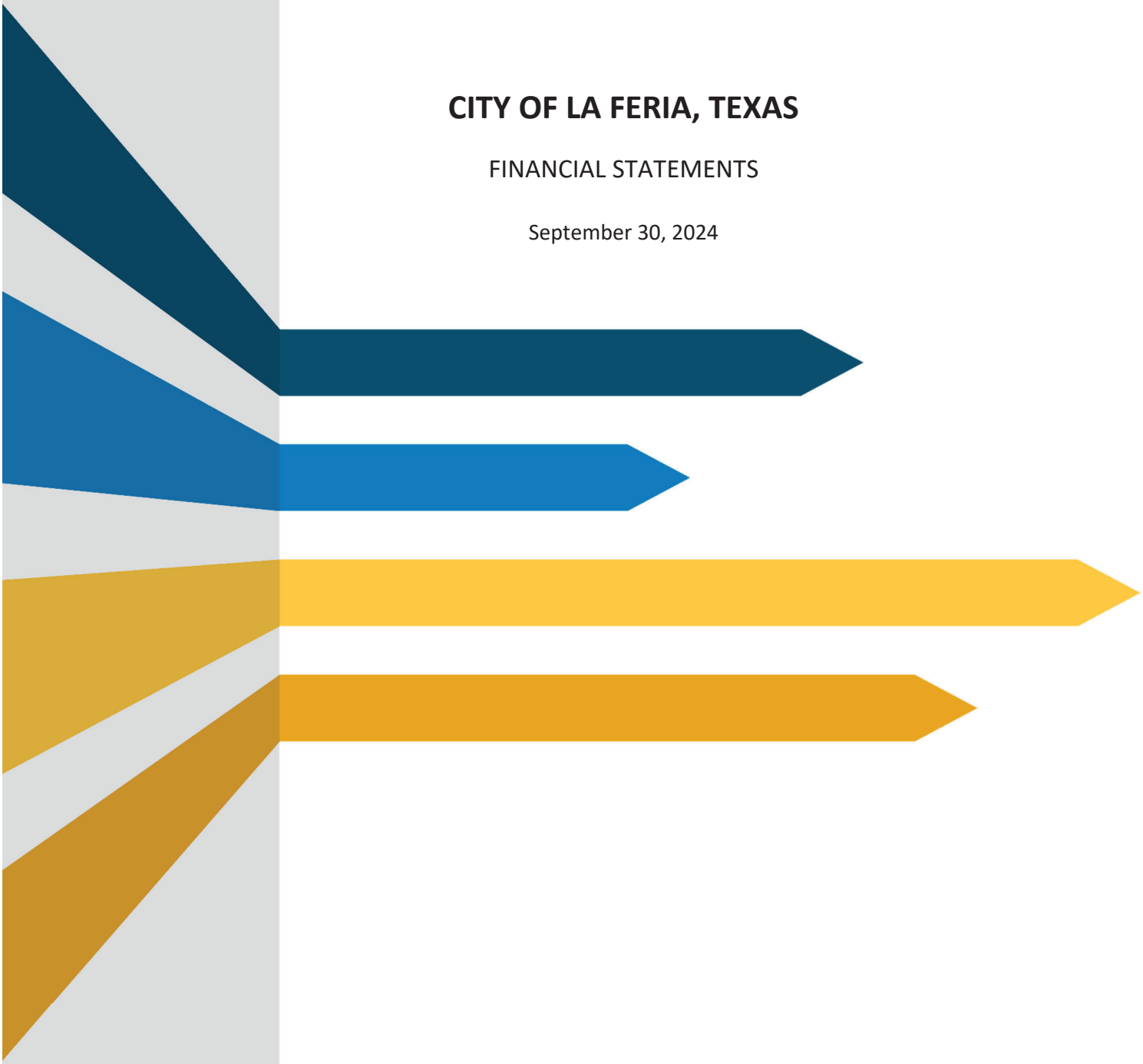
CITY OF LA FERIA, TEXAS

FINANCIAL STATEMENTS

September 30, 2024



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City of La Feria, Texas
Table of Contents
September 30, 2024

Page No.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 9

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements
- Statement of Net Position 25
- Statement of Activities 26

Fund Financial Statements

Governmental Fund Financial Statements

- Balance Sheet – Governmental Funds 28
- Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position 29
- Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 30
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities 31

Proprietary Funds Financial Statements

- Statement of Net Position – Proprietary Funds 32
- Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds 33
- Statement of Cash Flows – Proprietary Funds 35

Discretely Presented Component Units Financial Statements

- Combining Statement of Net Position 36
- Combining Statement of Activities 38

- Notes to Financial Statements 41

City of La Feria, Texas
Table of Contents
September 30, 2024

	Page No.
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	93
Notes to Required Supplementary Information	94
Schedule of Changes in Net Pension Liability and Related Ratios for Agent Multiple Employer Pension Plan – Texas Municipal Retirement System	95
Schedule of Contributions for Agent Multiple Employer Pension Plan – Texas Municipal Retirement System	96
Notes to Schedule of Contributions for Agent Multiple Employer Pension Plan – Texas Municipal Retirement System	97
Schedule of Changes in Total OPEB Liability and Related Ratios	98
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	99
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	101
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	103
Schedule of Findings and Responses	107
Corrective Action Plan	110
Summary Schedule of Prior Year Audit Findings	111
Exit Conference	112

FINANCIAL SECTION

CARR, RIGGS & INGRAM, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Commission
City of La Feria, 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 La Feria, Texas (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of La Feria, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, Texas, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2024 the City adopted a new accounting guidance, GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinion is not modified with respect to this matter.

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Correction of an Error

As described in Note 2 to the financial statements, the City record various error corrections affecting prior periods. 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, pension system supplementary information, and other post-employment benefit supplementary information on pages 9-22 and 93-98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Feria, Texas' basic financial statements. The nonmajor governmental funds combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The nonmajor governmental funds combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2025 on our consideration of the City of La Feria, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of La Feria, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of La Feria, Texas internal control over financial reporting and compliance.

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

Harlingen, Texas
July 22, 2025

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As management of the City of La Feria, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of La Feria for the fiscal year ended September 30, 2024.

Financial Highlights

- The assets and deferred outflows of the City's primary government exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $23,049,730 (net position). Of this amount, $3,603,736 is unrestricted net position.
- The assets and deferred outflows of the City's discretely presented component units exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $36,666,289 (net position). Unrestricted net position of $3,876,282 is the result of the IDC having unrestricted net position of $3,451,090, and unrestricted net position of $425,192 in the Water and Sewer System.
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $5,291,239, an increase of $1,145,894 from the prior year.
- At the end of the current fiscal year, the fund balance for the general fund had a balance of $2,168,695, an increase of $608,121, primarily due to an increase in grant funding recognized during the year as well significant fund transfers in.
- The City's total long-term debt (excluding component unit debt) decreased by $1,556,689 (10.3%) during the current fiscal year as a result of annual payments made during the current fiscal year.

Overview of the Financial Statements

The Annual Financial Report is composed of primarily the Financial Section. The Financial Section of this Annual Financial Report consists of four parts: (1) *management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information, and (4) other supplementary information,* which is an optional section that presents additional information such as *combining non-major fund financial statements*.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include the Waste Disposal Fund and Economic Development Corporation.

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable: Industrial Development Corporation and the Waterworks and Sewer System.

The government-wide financial statements begin on page 25 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains two major and six non-major governmental funds. Information for the General Fund and Debt Service Fund, all of which are considered to be major funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Data from the non-major governmental funds are combined into a single, aggregated presentation.

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

The City's governmental fund financial statements begin on page 28 of this report.

Proprietary Funds

The City maintains two proprietary funds, the Waste Disposal Fund and Economic Development Corporation, which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's Waste Disposal fund accounts for its collection of waste and the pick-up of brush and the Economic Development Corporation accounts for economic development activities of the corporation. There are no internal service funds being used by the City at this time.

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 Waste Disposal Fund and Economic Development Corporation. The EDC is considered a blended component unit and presented as a propriety fund within the City.

The basic proprietary fund financial statements begin on page 32 of this report.

Discretely Presented Component Units

Discretely presented component units are legally separate from the City. The component units are intended to operate on a self-supporting basis through user charges or the collection of sales tax. The units are discretely presented because the City has a voting majority, imposition of will, financial benefit and financial accountability over the units, and a board that is composed primarily of members other than City commissioners. The units also maintain a September 30 fiscal year end. There are two discretely presented component units, the La Feria Industrial Development Corporation and the La Feria Waterworks and Sewer System.

The discretely presented component unit's financial statements begin on page 36 of this report.

Notes to the Financial Statements

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

The notes to the financial statements begin on page 41 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to provide pension and other post employment benefits to its employees. The City also presents a schedule of revenues, expenditures, and changes in fund balances – Budget and Actual for the general fund.

Required supplementary information begins on page 93 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

Non-major governmental funds combining statements begin on page 100 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by $23,049,730 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
								As Restated
	9/30/2024	9/30/2023	**9/30/2024**	9/30/2023	**9/30/2024**	9/30/2023	**9/30/2024**	9/30/2023
Current and other assets	**$ 6,905,301**	$ 5,313,930	**$ 2,687,558**	$ 2,681,406	**$ 9,592,859**	$ 7,995,336	**$ 4,372,889**	$ 4,332,931
Non current assets	**701,914**	1,281,914	**29,238**	33,077	**731,152**	1,314,991	**510,577**	652,105
Capital assets	**25,934,485**	26,942,887	**1,264,568**	1,072,080	**27,199,053**	28,014,967	**41,608,312**	41,668,715
Total assets	**33,541,700**	33,538,731	**3,981,364**	3,786,563	**37,523,064**	37,325,294	**46,491,778**	46,653,751
Deferred outflows of resources	**437,051**	697,408	**51,193**	44,192	**488,244**	741,600	**148,571**	204,680
Long-term liabilities outstanding	**11,390,496**	12,848,157	**2,189,267**	2,244,101	**13,579,763**	15,092,258	**6,468,022**	7,139,887
Other liabilities	**1,010,072**	880,625	**285,809**	292,277	**1,295,881**	1,172,902	**3,369,544**	2,459,029
Total liabilities	**12,400,568**	13,728,782	**2,475,076**	2,536,378	**14,875,644**	16,265,160	**9,837,566**	9,598,916
Deferred inflows of resources	**76,924**	82,381	**9,010**	5,220	**85,934**	87,601	**136,494**	174,187
Net position								
Net investment in capital assets	**16,118,176**	15,988,443	**190,830**	(205,970)	**16,309,006**	15,782,473	**32,790,007**	33,216,442
Restricted	**3,136,988**	2,706,083	**-**	-	**3,136,988**	2,706,083	**-**	-
Unrestricted	**2,246,095**	1,730,450	**1,357,641**	1,495,127	**3,603,736**	3,225,577	**3,876,282**	3,868,886
Total net position	**$ 21,501,259**	$ 20,424,976	**$ 1,548,471**	$ 1,289,157	**$ 23,049,730**	$ 21,714,133	**$ 36,666,289**	$ 37,085,328

71% percent of the City's net position reflects its investment in capital assets (e.g., land buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments 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.

An additional portion of the City's net position, $3,136,988 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $2,246,095, may be used to meet the government's ongoing obligations to citizens and creditors.

The unrestricted net position for governmental activities increased by $515,645 during the current fiscal year due to an increase in tax collections as well as amounts pending reimbursement from the component units to the City. The discretely presented component units' net position decreased by $419,039 during the current fiscal year which can be attributed to amounts pending reimbursement from the component units to the City.

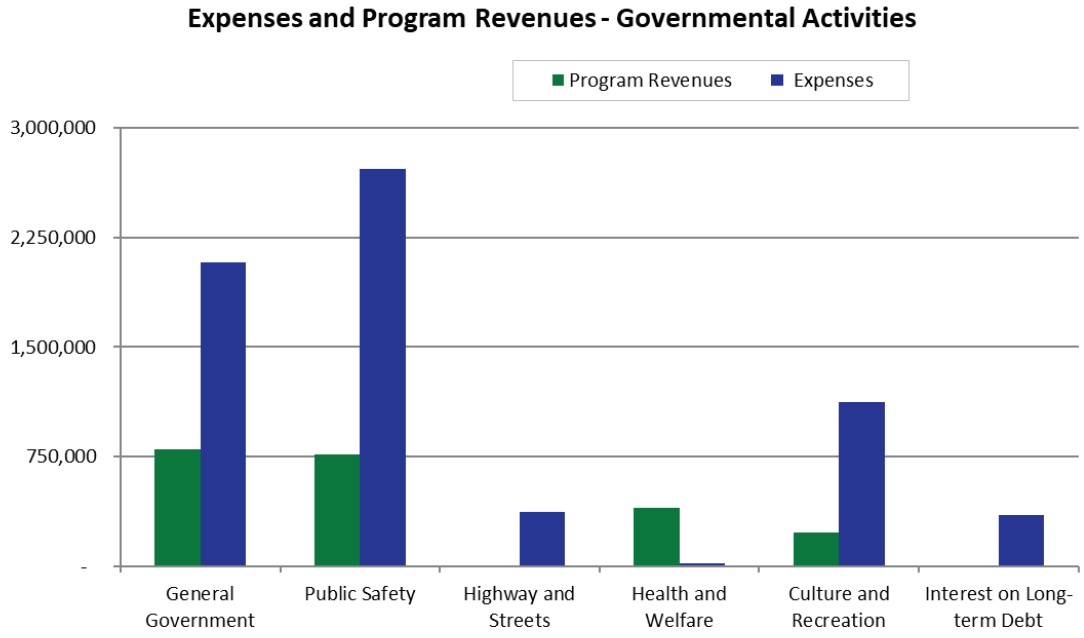
Governmental Activities

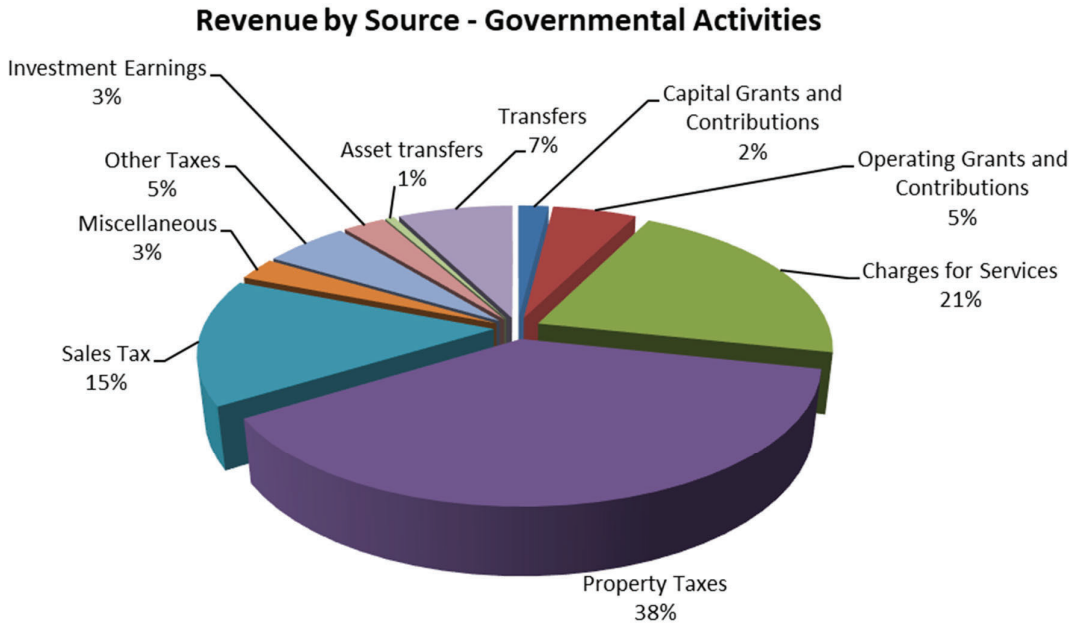
Governmental activities increased the City's net position by $1,076,283. The key element of this increase is primarily attributed to an increase in property and sales taxes collected during the year due to an increase in property values and new developments during the year.

Net investment in capital assets increased by $129,733 due to various road projects and equipment purchases during the year; restricted net position increased $430,905 primarily due to the property tax collections for debt service exceeding debt payments and unrestricted net position increased by $515,645 is primarily due to an increase in tax collections as well as amounts pending reimbursement from the component units to the City.

	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
		As Restated		As Restated				As Restated
	9/30/2024	9/30/2023	**9/30/2024**	9/30/2023	**9/30/2024**	9/30/2023	**9/30/2024**	9/30/2023
Revenues:								
Program revenues								
Charges for services	**$ 1,617,140**	$ 1,478,381	**$ 1,487,840**	$ 1,345,973	**$ 3,104,980**	$ 2,824,354	**$ 3,455,638**	$ 3,376,642
Operating grants and contributions	**425,057**	984,153	**44,562**	44,522	**469,619**	1,028,675	-	-
Capital grants and contributions	**152,199**	393,003	-	-	**152,199**	393,003	-	245,996
General revenues								
Property tax	**2,935,065**	2,147,148	-	-	**2,935,065**	2,147,148	-	-
Other taxes	**1,563,831**	1,474,239	**568,340**	516,413	**2,132,171**	1,990,652	**568,335**	516,413
Other	**417,276**	686,903	**99,765**	81,051	**517,041**	767,954	**241,245**	984,882
Total revenues	**7,110,568**	7,163,827	**2,200,507**	1,987,959	**9,311,075**	9,151,786	**4,265,218**	5,123,933
Expenses								
General government	**2,078,958**	2,067,021	-	-	**2,078,958**	2,067,021	-	-
Public safety	**2,718,404**	2,891,824	-	-	**2,718,404**	2,891,824	-	-
Highways/streets	**370,744**	390,429	-	-	**370,744**	390,429	-	-
Health and welfare	**20,032**	17,847	-	-	**20,032**	17,847	-	-
Culture and recreation	**1,126,199**	916,276	-	-	**1,126,199**	916,276	-	-
Interest on long-term debt	**349,550**	393,316	**86,394**	52,934	**435,944**	446,250	-	-
Other	-	301,875	-	-	-	301,875	-	-
Sanitation	-	-	**980,832**	823,979	**980,832**	823,979	-	-
Economic development	-	-	**244,365**	260,833	**244,365**	260,833	-	-
Waterworks system	-	-	-	-	-	-	**4,270,130**	4,196,775
IDC	-	-	-	-	-	-	**414,127**	653,573
Total program expenses	**6,663,887**	6,978,588	**1,311,591**	1,137,746	**7,975,478**	8,116,334	**4,684,257**	4,850,348
Increase/(decrease) in net assets before transfers	**446,681**	185,239	**888,916**	850,213	**1,335,597**	1,035,452	**(419,039)**	273,585
Asset transfers	**47,798**	3,118,667	**(47,798)**	(737,173)	-	2,381,494	-	(2,381,494)
Transfers	**581,804**	732,499	**(581,804)**	(732,499)	-	-	-	-
Increase (decrease) in net position	**1,076,283**	4,036,405	**259,314**	(619,459)	**1,335,597**	3,416,946	**(419,039)**	(2,107,909)
Net position - beginning	**20,424,976**	16,388,571	**1,289,157**	1,908,616	**21,714,133**	18,297,187	**37,085,328**	39,193,237
Net position - ending	**$ 21,501,259**	$ 20,424,976	**$ 1,548,471**	$ 1,289,157	**$ 23,049,730**	$ 21,714,133	**$ 36,666,289**	$ 37,085,328

An overview of the City's governmental expenses and revenue are presented in the charts below.





Business-Type Activities

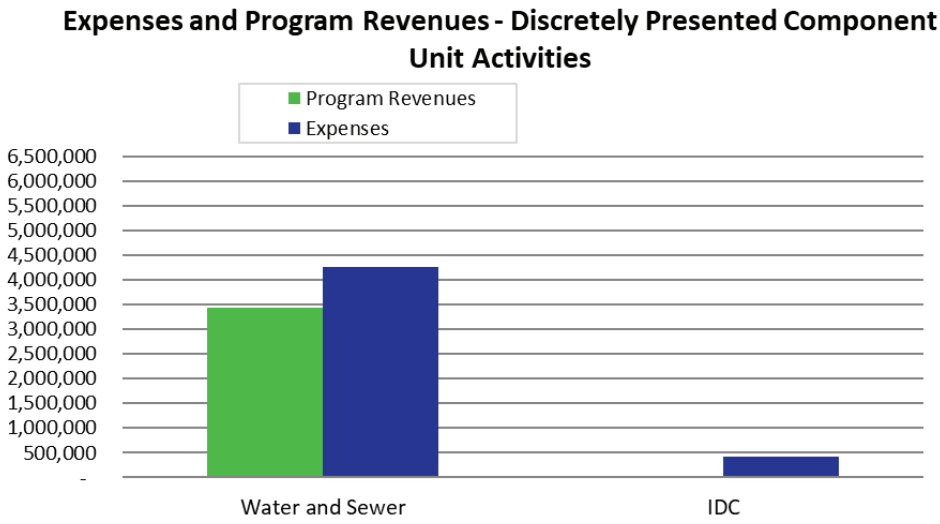
Business-type activities consist of operating expenses of $1,311,591, asset transfers out totaling $47,798, transfers-out totaling $581,804, and revenues of $2,200,507 resulting in an increase in net position of $259,314.

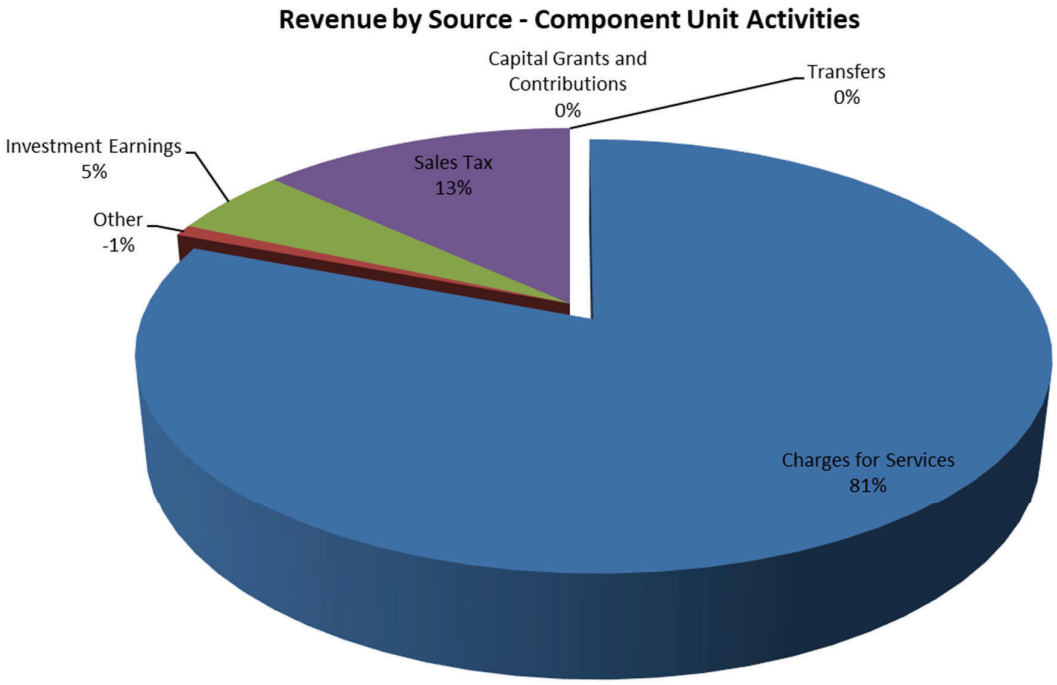
Discretely Presented Component Units

Component unit's activities decreased their net position by $(419,039), accounting for approximately 1.42% decrease in net position. Key elements of this decrease are as follows:

- The Waterworks and Sewer System's net position decreased by $(788,927). The key factor in this decrease is mainly attributed to a decrease in capital grants and contribution revenue that is associated with the capital activity of the Texas Water Development Board loan forgiveness projects.
- The La Feria Industrial Development Corporation's net position increased by $369,888 during the current fiscal year and is attributed to an increase in sales tax collections and investment income.

The overall total revenues and expenses for component units is relatively consistent with prior years. An overview of the component units' expenses and program revenues and revenues by source are presented in the following charts:





FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

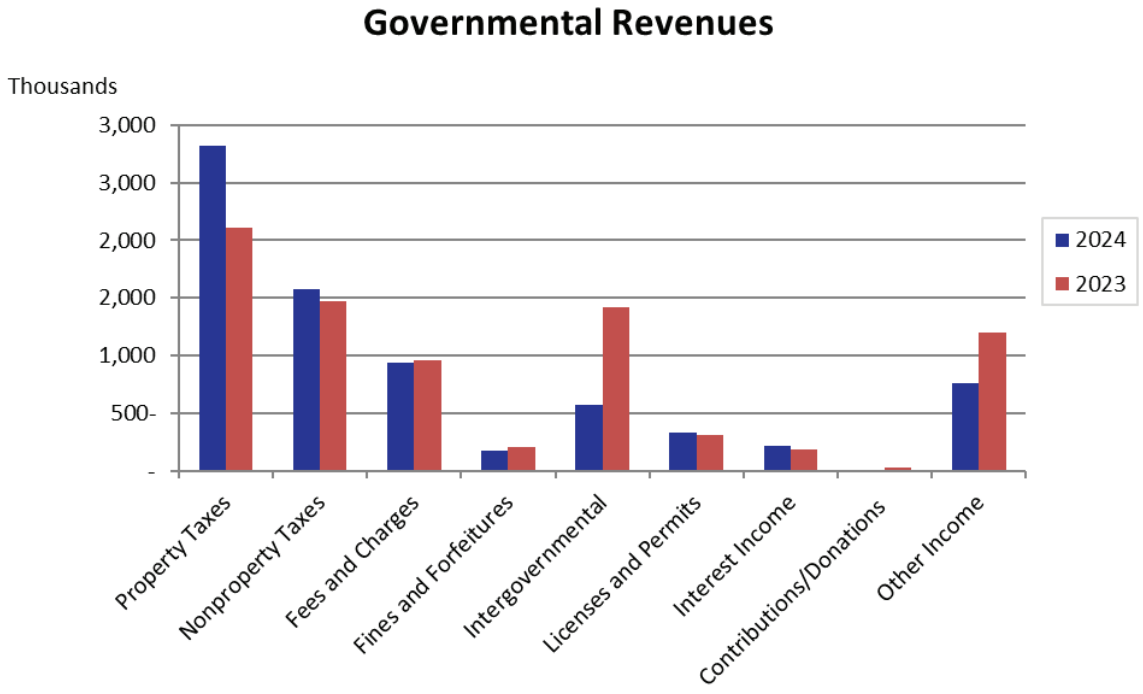
The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund revenues for the years ended September 30, 2024 and 2023.

Revenues: General, Special Revenue,
Debt Service and Capital Projects Funds

	2024 Amount	Percent of 2023 Total	As Restated 2023 Amount	Percent of 2023 Total	Increase (Decrease) Over 2023	Percent of Increase (Decrease)
Revenues						
Property taxes	$ 2,816,367	38.08%	$ 2,113,966	28.11%	$ 702,401	33.23%
Non-property taxes	1,580,947	21.37%	1,474,239	19.60%	106,708	7.24%
Fees and charges	938,682	12.69%	959,392	12.76%	(20,710)	-2.16%
Fines and forfeitures	171,272	2.32%	207,161	2.75%	(35,889)	-17.32%
Intergovernmental	568,016	7.68%	1,418,261	18.86%	(850,245)	-59.95%
Licenses and permits	334,079	4.52%	311,828	4.15%	22,251	7.14%
Interest income	214,391	2.90%	186,226	2.48%	28,165	15.12%
Contributions and donations	9,240	0.12%	27,830	0.37%	(18,590)	-66.80%
Miscellaneous income	763,884	10.33%	821,586	10.92%	(57,702)	-7.02%
	$ 7,396,878	100.01%	$ 7,520,489	100.00%	$ (123,611)	-1.64%

Revenues from governmental funds decreased by $123,611 or 1.64% compared to the prior year. Key elements of this change shown above are as follows:

- Intergovernmental revenues decreased by $850,245 or 59.95% when compared to last year due to the City having recognized less ARPA funding during the year as the ARPA funding winds down.
- Property taxes increased by $702,401 or 33.23% due to an increase in property values and developments during the year.



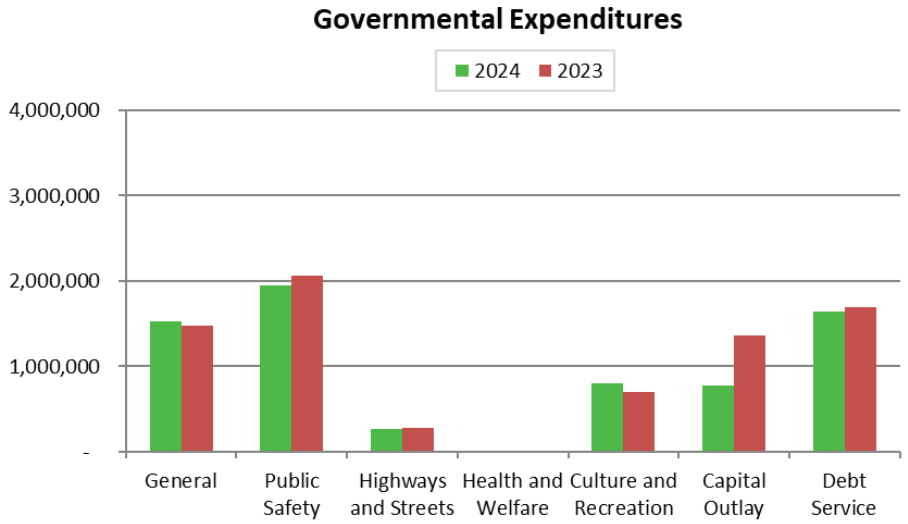
The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund expenditures for the years ended September 30, 2024 and 2023.

Expenses: General, Special Revenue,
Debt Service and Capital Projects Funds

	2024 Amount	Percent of 2024 Total	2023 Amount	Percent of 2023 Total	Increase (Decrease) Over 2023	Percent of Increase (Decrease)
Expenditures						
General	$ 1,522,344	21.87%	$ 1,478,624	19.51%	$ 43,720	2.96%
Public safety	1,946,990	27.97%	2,065,048	27.25%	(118,058)	-5.72%
Highways and streets	261,751	3.76%	271,848	3.59%	(10,097)	-3.71%
Health and welfare	14,260	0.20%	12,767	0.17%	1,493	11.69%
Culture and recreation	801,692	11.52%	698,321	9.21%	103,371	14.80%
Capital outlay	773,817	11.12%	1,362,862	17.98%	(589,045)	-43.22%
Debt service	1,640,553	23.57%	1,688,738	22.28%	(48,185)	-2.85%
	$ 6,961,407	100.01%	$ 7,578,208	99.99%	$ (616,801)	-8.14%

Governmental funds incurred expenditures of $6,961,407, approximately 8.14% less expenditures for the City of La Feria, Texas compared to last year. Key elements of this change are as follows:

- Capital outlay expenditures decreased by $589,045 or 43.22% due to the City having more park renovations in the prior year.
- Public safety expenditures decreased by $118,058 or 5.72% as the City uses more voluntary firefighters than in the prior year.
- Culture and recreation expenditures increased by $103,371 or 14.80% due to the City having their July 4th Festival, Fiesta De La Feria, and Christmas Festivals during the year.



Governmental Fund Balances

The General Fund's fund balance increased by $608,121 in fiscal year 2023-2024 largely due to an increase in property values in the current year, as well as a decrease in capital outlay expenditures.

The Debt Service Fund's fund balance increased by $396,223 in fiscal year 2023-2024 due primarily to an increase in property values in the current year.

Enterprise Funds – Business-Type Activities, Enterprise.

The City's business-type activities include the collection of waste (garbage and brush) and economic development activities via the City's Economic Development Corporation (EDC).

Operating revenue from these activities was consistent with the prior year with an increase of $137,237 in the waste disposal fund and $56,597 in the EDC during 2024.

Operating expenses in the business-type activities increased by $156,853 or 19.04% for the waste disposal fund and decreased by $16,468 or 6.31% for the EDC. This was primarily due to additional expenditures needed to keep up with the expansion of the City.

Component Units Funds – Waterworks and Sewer System & Industrial Development Corp.

The City's Component Units' activities' revenues and transfers in decreased by $916,852 compared to the prior year, a 17.89% decrease. This is primarily due to a reduction in charges for services and less asset transfers compared to the prior year.

Component Units' activities' expenses and transfers out decreased by a net amount of $2,605,722, or 36.03%. This is primarily due to a decrease in asst transfers compared to the prior year.

General Fund Budgetary Highlights

The original adopted budget had projected no net change in fund balance. However, there were multiple budget amendments approved during the year which resulted in a fund balance increase of $64,456. The final actual change in fund balance was an increase in fund balance of $608,121.

Revenues

- Revenues were $166,906 lower than budgeted. The primary driver for this was a decrease in grant funding received/recognized during the year. The City also saw a decrease in property tax collections when compared to the budget however these were offset by an increase in franchise fee and sales tax collections.

Expenditures

- Health and welfare were $3,260 higher than budgeted due to additional training seminars during the year.
- Culture and Recreation were $71,627 higher than budgeted due to an increase in sports supplies purchased during the year as well as the Fiesta De La Feria and July 4th events in 2024.
- Debt service was $53,488 higher than budgeted due to additional principal and interest paid on the City's equipment note financing during the year.
- Overall, expenditures did not exceed budgeted amounts.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to $27,199,053 (net of accumulated depreciation and amortization). This investment in capital assets includes land, right-to-use lease assets, subscription assets, buildings and systems, improvements, and machinery and equipment as well as construction in progress. The total decrease in the City's investments in capital assets for the current fiscal year was $815,914 or approximately 2.91%.

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

- Purchase of police vehicles and equipment
- Renovations at Veterans Park and Scott Sloan Park
- Renovations at the Public Works Warehouse
- Trash cans and duty flat containers
- Replacement of water meters
- Ongoing street improvements

City of La Feria's Capital Assets
(Net of depreciation and amortization)

	Governmental Activities		Business-type Activities		Total	
	9/30/2024	9/30/2023	**9/30/2024**	9/30/2023	**9/30/2024**	9/30/2023
Land	**$ 1,364,363**	$ 1,364,363	**$ 46,000**	$ 46,000	**$ 1,410,363**	$ 1,410,363
Building and systems	**10,446,096**	19,667,400	**290,177**	306,602	**10,736,273**	19,974,002
Improvements and other than buildings	**3,736,460**	3,785,978	**-**	-	**3,736,460**	3,785,978
Machinery and equipment	**9,924,224**	1,946,549	**789,391**	630,478	**10,713,615**	2,577,027
Right-to-use lease asset	**141,047**	34,745	**-**	-	**141,047**	34,745
Subscription asset	**32,232**	65,889	**-**	-	**32,232**	65,889
Construction in progress	**290,063**	77,963	**139,000**	89,000	**429,063**	166,963
	$ 25,934,485	$ 26,942,887	**$ 1,264,568**	$ 1,072,080	**$ 27,199,053**	$ 28,014,967

The governmental activities construction in progress pertain to the City's ongoing Clarifier project whereas the business-type construction in progress pertain to ongoing drainage improvements.

Additional information on the City's capital assets can be found in Note 3 beginning on page 65 of this report.

Long-Term Debt

At year end, the City had a number of debt issues outstanding. These issues include $10,315,000 of (limited) revenue certificates of obligation bonds, and $1,420,000 of water and wastewater revenue bonds. The City's total long-term debt, including component unit debt, had a net decrease of $2,252,822 during this fiscal year. Additional information on the City's long-term debt begins in Note 3 on page 67 of this report.

Economic Factors and Next Year's Budgets and Rates

- The occupancy rate of the government's central business district is estimated to have an increase to 95%.
- Sales tax increased by 10.2% compared to prior year's increase of 2.9%. The sales tax revenue is expected to increase by 2.5% for the next fiscal year.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2024-2025 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 115 E. Commercial Avenue, La Feria, Texas 78559.

FINANCIAL STATEMENTS

MAJOR FUNDS

The General Fund: The 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.

Debt Service Fund: The Debt Service Fund accounts for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs. An ad valorem tax rate and levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it becomes due and provide the interest and sinking fund reserve.

BUSINESS-TYPE FUNDS

Proprietary Fund: The Waste Disposal Fund was established to account for the activities of the City owned residential and commercial garbage collection system.

Proprietary Fund: The Economic Development Corporation (EDC) is a nonprofit 4B corporation and was established to promote, assist, and enhance economic activities in the City of La Feria, Texas. The Corporation is a blended component unit due to its governance structure and is presented as a proprietary fund.

DISCRETELY PRESENTED COMPONENT UNITS

Component Unit: The Waterworks and Sewer System Fund was established to account for the City's water and sewer system respectively.

Component Unit: The Industrial Development Corporation (IDC) is a nonprofit 4A corporation and was established to promote, assist, and enhance economic activities in the City of La Feria, Texas.

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City of La Feria, Texas
Statement of Net Position

September 30, 2024

	Primary Government			
	Governmental Activities	Business - type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 1,457,839	$ 10,870	$ 1,468,709	$ 17,772
Investments	2,198,416	1,900,715	4,099,131	2,700,918
Receivables (net of allowance for uncollectible)	714,351	188,529	902,880	369,004
Internal balances	4,730	(4,730)	-	-
Due from primary government	-	-	-	199,597
Due from component units	2,284,994	585,991	2,870,985	-
Inventories	26,038	4,087	30,125	28,388
Prepaid assets	22,645	-	22,645	-
Restricted assets:				
Cash and cash equivalents	1,288	-	1,288	-
Investments	-	-	-	986,290
Notes receivable, current	195,000	2,096	197,096	68,455
Lease receivable, current	-	-	-	2,465
Notes receivable, noncurrent	701,914	29,238	731,152	394,086
Lease receivable, noncurrent	-	-	-	116,491
Capital assets not being depreciated:				
Land	1,364,363	46,000	1,410,363	1,964,197
Easements	-	-	-	117,758
Certificate of convenience and necessity	-	-	-	115,978
Construction in progress	290,063	139,000	429,063	1,474,338
Capital, right-to-use, and subscription assets being depreciated (net of accumulated depreciation and amortization)				
Buildings and systems	10,446,096	290,177	10,736,273	845,748
Improvements other than buildings	3,736,460	-	3,736,460	-
Machinery and equipment	9,924,224	789,391	10,713,615	470,989
Infrastructure	-	-	-	36,557,743
Right-to-use lease asset	141,047	-	141,047	61,561
Subscription asset	32,232	-	32,232	-
Total assets	33,541,700	3,981,364	37,523,064	46,491,778
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to net pension liability	417,614	48,916	466,530	141,964
Deferred outflows related to total OPEB liability	19,437	2,277	21,714	6,607
Total deferred outflows of resources	437,051	51,193	488,244	148,571
LIABILITIES				
Accounts payable and other current liabilities	180,793	78,253	259,046	210,326
Due to primary government	-	-	-	2,870,985
Due to component units	36,233	163,364	199,597	-
Unearned revenue	793,046	44,192	837,238	-
Liabilities payable from restricted assets	-	-	-	288,233
Noncurrent liabilities:				
Net pension liability	1,392,208	163,070	1,555,278	473,268
Total OPEB liability	125,069	14,649	139,718	42,516
Due within one year	1,152,446	204,700	1,357,146	610,061
Due in more than one year, net	8,720,773	1,806,848	10,527,621	5,342,177
Total liabilities	12,400,568	2,475,076	14,875,644	9,837,566
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to leases	-	-	-	110,344
Deferred inflows related to net pension liability	36,474	4,272	40,746	12,399
Deferred inflows related to total OPEB liability	40,450	4,738	45,188	13,751
Total deferred inflows of resources	76,924	9,010	85,934	136,494
NET POSITION				
Net investment in capital assets	16,118,176	190,830	16,309,006	32,790,007
Restricted for:				
Debt service	2,526,171	-	2,526,171	-
Capital projects funds	1,288	-	1,288	-
Tax increment reinvestment zone	609,529	-	609,529	-
Unrestricted	2,246,095	1,357,641	3,603,736	3,876,282
Total net position	$ 21,501,259	$ 1,548,471	$ 23,049,730	$ 36,666,289

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

City of La Feria, Texas
Statement of Activities

For the year ended September 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	2,078,958	406,524	394,104	-
Public safety	2,718,404	734,381	29,048	-
Highways and streets	370,744	-	-	-
Health and welfare	20,032	396,258	-	-
Culture and recreation	1,126,199	79,977	1,905	152,199
Interest on long term debt	349,550	-	-	-
Total governmental activities	6,663,887	1,617,140	425,057	152,199
Business - type activities:				
Sanitation services	980,832	1,444,890	-	-
Economic Development	244,365	42,950	44,562	-
Interest expense	86,394	-	-	-
Total business-type activities	1,311,591	1,487,840	44,562	-
Total primary government	7,975,478	3,104,980	469,619	152,199
Component Units:				
Waterworks and Sewer Systems	4,270,130	3,432,938	-	-
Industrial Development Corporation	414,127	22,700	-	-
Total component units	$ 4,684,257	$ 3,455,638	$ -	$ -

General revenues and transfers:	
Taxes:	
Property taxes, levied for general purposes	
Property taxes, levied for debt service	
Sales taxes	
Franchise and other taxes	
Unrestricted investment earnings	
Gain on sale of asset	
Miscellaneous	
Other nonoperating revenue (expense)	
Asset transfers	
Transfers to/(from)	
Total general revenues and transfers	
Change in net position	
Net position--beginning	
Accounting changes and error corrections (See Note 2)	
Net position--beginning, restated	
Net position--ending	

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business - type Activities	Total	Component Units
$ (1,278,330)	$ -	$ (1,278,330)	$ -
(1,954,975)	-	(1,954,975)	-
(370,744)	-	(370,744)	-
376,226	-	376,226	-
(892,118)	-	(892,118)	-
(349,550)	-	(349,550)	-
(4,469,491)	-	(4,469,491)	-
-	464,058	464,058	-
-	(156,853)	(156,853)	-
-	(86,394)	(86,394)	-
-	220,811	220,811	-
(4,469,491)	220,811	(4,248,680)	-
-	-	-	(837,192)
-	-	-	(391,427)
-	-	-	(1,228,619)
1,730,364	-	1,730,364	-
1,204,701	-	1,204,701	-
1,136,673	568,340	1,705,013	568,335
427,158	-	427,158	-
214,391	99,765	314,156	218,613
-	-	-	4,050
202,885	-	202,885	-
-	-	-	18,582
47,798	(47,798)	-	-
581,804	(581,804)	-	-
5,545,774	38,503	5,584,277	809,580
1,076,283	259,314	1,335,597	(419,039)
20,424,976	1,289,157	21,714,133	37,158,825
-	-	-	(73,497)
20,424,976	1,289,157	21,714,133	37,085,328
$ 21,501,259	$ 1,548,471	$ 23,049,730	$ 36,666,289

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

City of La Feria, Texas
Balance Sheet
Governmental Funds

September 30, 2024

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,320,634	$ 3,165	$ 134,040	$ 1,457,839
Investments	102,167	2,096,249	-	2,198,416
Receivables (net of allowance for uncollectibles)				
Property taxes	109,418	144,243	149,005	402,666
Nonproperty taxes	83,928	-	-	83,928
Service	96,465	-	-	96,465
Intergovernmental receivable	54,985	-	-	54,985
Other	-	-	76,307	76,307
Due from other funds	566,343	416,136	523,466	1,505,945
Due from component units	2,248,066	36,928	-	2,284,994
Inventories	26,038	-	-	26,038
Prepaid items	22,645	-	-	22,645
Restricted assets				
Cash and cash equivalents	-	-	1,288	1,288
Total assets	$ 4,630,689	$ 2,696,721	$ 884,106	$ 8,211,516
LIABILITIES				
Accounts payable	$ 81,498	$ -	$ 35,993	$ 117,491
Accrued liabilities	21,983	-	-	21,983
Unearned revenue	793,046	-	-	793,046
Due to other funds	1,398,480	-	102,735	1,501,215
Due to component units	-	36,233	-	36,233
Total liabilities	2,295,007	36,233	138,728	2,469,968
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	100,433	134,317	149,005	383,755
Other	66,554	-	-	66,554
Total deferred inflows of resources	166,987	134,317	149,005	450,309
FUND BALANCES				
Nonspendable fund balances:				
Inventories	26,038	-	-	26,038
Prepaid items	22,645	-	-	22,645
Restricted fund balances:				
Retirement of long-term debt	-	2,526,171	-	2,526,171
Tax increment reinvestment zone	-	-	609,529	609,529
Capital projects	-	-	1,288	1,288
Assigned	-	-	4,591	4,591
Unassigned	2,120,012	-	(19,035)	2,100,977
Total fund balance (deficit)	2,168,695	2,526,171	596,373	5,291,239
Total liabilities, deferred inflows of resources and fund balance	$ 4,630,689	$ 2,696,721	$ 884,106	$ 8,211,516

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

City of La Feria, Texas
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position

September 30, 2024

Fund balance -- total governmental funds	$ 5,291,239
Amounts reported for governmental activities in the statement of activities are different because:	
Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	25,934,485
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are therefore not reported in the funds:	
Unavailable revenue - property taxes	383,755
Unavailable revenue - other	66,554
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities consist of:	
Bonds payable	(9,204,000)
Note and financing agreement payable	(472,720)
Lease liability	(140,876)
Compensated absences	(55,623)
Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(41,319)
Certain long-term notes receivable due from the component units are not due and receivable in the current period and, therefore, are not reported in the funds. Including the notes receivable in the statement of net position increases net position.	896,914
Recognition of the City's net pension liability required by GASB 68, deferred resource inflows related to pensions, and deferred resource outflows related to pensions result in a decrease in net position.	(1,011,068)
Recognition of the City's net OPEB liability required by GASB 75, deferred resource inflows related to OPEB, and deferred resource outflows related to OPEB result in a decrease in net position.	(146,082)
Net position of governmental activities	$ 21,501,259

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

City of La Feria, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds

For the year ended September 30, 2024

	General Fund	Debt Service Fund	Previously Major Fund Certificates of Obligation Series 2015 Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	$ 1,481,309	$ 1,158,585	$ -	$ 176,473	$ 2,816,367
Sales	1,136,673	-	-	-	1,136,673
Franchise	418,770	-	-	-	418,770
Other	8,388	-	-	17,116	25,504
Licenses and permits	334,079	-	-	-	334,079
Intergovernmental	568,016	-	-	-	568,016
Fees and charges	905,802	-	-	32,880	938,682
Fines	171,272	-	-	-	171,272
Interest income	83,916	130,475	-	-	214,391
Contributions and donations	9,240	-	-	-	9,240
Other	273,388	496,625	-	(6,129)	763,884
Total revenues	5,390,853	1,785,685	-	220,340	7,396,878
Expenditures					
Current					
General government	1,495,068	27,276	-	-	1,522,344
Public safety	1,946,990	-	-	-	1,946,990
Highways and streets	261,751	-	-	-	261,751
Health and welfare	14,260	-	-	-	14,260
Culture and recreation	722,902	-	-	78,790	801,692
Debt service					
Principal retirement	155,754	1,111,000	-	-	1,266,754
Interest and fiscal agent fees	24,126	349,673	-	-	373,799
Capital outlay	773,817	-	-	-	773,817
Total expenditures	5,394,668	1,487,949	-	78,790	6,961,407
Excess (deficiency) of revenues over (under) expenditures	(3,815)	297,736	-	141,550	435,471
Other financing sources (uses)					
Transfers in	483,317	98,487	-	-	581,804
Proceeds from ROU leases	128,619	-	-	-	128,619
Total other financing sources (uses)	611,936	98,487	-	-	710,423
Net change in fund balances	608,121	396,223	-	141,550	1,145,894
Fund balances, beginning	1,560,574	2,129,948	1,288	453,535	4,145,345
Change from major to nonmajor fund (See Note 2)	-	-	(1,288)	1,288	-
Fund balances, ending	$ 2,168,695	$ 2,526,171	$ 1,288	$ 595,085	$ 5,291,239

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

City of La Feria, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds to the Statement of Activities

For the year ended September 30, 2024

Net change in fund balances -- total governmental funds	$ 1,145,894
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciation and amortization are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay was exceeded by depreciation expense.	(1,056,200)
Transfers for purposes of government-wide financial reporting include items not reported as transfers in the fund financial statements. Specifically, the movement of capital assets between governmental funds and the enterprise funds and component units are not reported as a transfer in the fund financial statements, but are reported as expenses in the government-wide statement of activities. This is the amount of capital assets moved to the component units.	47,798
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are accounted for as revenue in the statement of activities. Other revenues which were accounted for as revenue in prior years on the statement of activities but for which resources were not available until the current year are revenues in the funds but not in the statement of activities.	
Unavailable revenues - property taxes	99,075
Unavailable revenues - other	(385)
Compensated absences in the statement of activities did not require the use of current financial resources, and therefore are not expenditures in governmental funds. The compensated absences increased in the current year.	5,267
Changes in the net pension liability and deferred outflows of resources and deferred inflows of resources related to the pension plan results in an increase or decrease to the pension expense reported in the statement of activities. For fiscal year 2024 the effect of these adjustments resulted in a increase in the pension expense reported in the statement of activities.	50,176
Changes in the total OPEB liability and deferred outflows of resources and deferred inflows of resources related to OPEB plans results in an increase or decrease to the OPEB expense reported in the statement of activities. For fiscal year 2024 the effect of these adjustments resulted in a decrease in the OPEB expense reported in the statement of activities.	9,183
Repayment of non-current liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond principal	1,111,000
Financing agreement principal	107,962
Lease liability principal	23,524
Subscription liability principal	24,268
Other adjustments to report the governmental activities on the full accrual basis of accounting include accounting for the following:	
Note receivable repayment from component unit is accounted for as proceeds in governmental funds but is simply a decrease in the receivable in governmental activities	(385,000)
Recognition of current year accrued interest is not recorded in the governmental funds, but in the statement of activities they are recognized as interest expense.	22,340
Debt issuance (financing agreements) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(128,619)
Change in net position of governmental activities	$ 1,076,283

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

City of La Feria, Texas
Proprietary Funds
Statement of Net Position

September 30, 2024

	Enterprise Funds		
	Waste Disposal Fund	Economic Development Corporation	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 10,870	$ 10,870
Investments	-	1,900,715	1,900,715
Receivables, net	143,820	2,745	146,565
Inventory	4,087	-	4,087
Nonproperty taxes	-	41,964	41,964
Notes receivable, current portion	-	2,096	2,096
Due from other funds	119,904	353,513	473,417
Due from component units	585,991	-	585,991
Total current assets	853,802	2,311,903	3,165,705
Noncurrent assets:			
Notes receivable	-	29,238	29,238
Capital assets			
Land	-	46,000	46,000
Construction in progress	-	139,000	139,000
Buildings	-	441,922	441,922
Machinery and equipment	2,783,454	-	2,783,454
Less accumulated depreciation	(1,994,063)	(151,745)	(2,145,808)
Total capital assets (net of accumulated depreciation)	789,391	475,177	1,264,568
Total assets	1,643,193	2,816,318	4,459,511
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to net pension liability	48,916	-	48,916
Deferred outflows related to total OPEB liability	2,277	-	2,277
Total deferred outflows of resources	51,193	-	51,193
Total assets and deferred outflow of resources	$ 1,694,386	$ 2,816,318	$ 4,510,704
LIABILITIES			
Current liabilities			
Accounts payable	$ 31,600	$ 46,653	$ 78,253
Compensated absences	2,387	-	2,387
Due to other funds	320,047	158,100	478,147
Due to component units	163,364	-	163,364
Current portion of long-term debt	158,121	44,192	202,313
Total current liabilities	675,519	248,945	924,464
Noncurrent liabilities			
Unearned revenues	-	44,192	44,192
Due in more than one year	452,276	1,354,572	1,806,848
Net pension liability	163,070	-	163,070
Total OPEB liability	14,649	-	14,649
Total noncurrent liabilities	629,995	1,398,764	2,028,759
Total liabilities	1,305,514	1,647,709	2,953,223
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to net pension liability	4,272	-	4,272
Deferred inflows related to total OPEB liability	4,738	-	4,738
Total deferred inflows of resources	9,010	-	9,010
NET POSITION			
Net investment in capital assets	178,994	11,836	190,830
Unrestricted	200,868	1,156,773	1,357,641
Total net position	379,862	1,168,609	1,548,471
Total liabilities, deferred inflows of resources and net position	$ 1,694,386	$ 2,816,318	$ 4,510,704

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

City of La Feria, Texas
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position

For the year ended September 30, 2024

	Enterprise Funds		
	Waste Disposal Fund	Economic Development Corporation	Total
Operating revenues			
Nonproperty taxes	$ -	$ 568,340	$ 568,340
Operating grants and contributions	-	44,562	44,562
Charges for services	1,444,890	42,950	1,487,840
Total operating revenues	1,444,890	655,852	2,100,742
Operating expenses			
Personnel services	353,207	-	353,207
Contractual services	381,489	209,658	591,147
Materials, supplies and repairs	66,489	8,713	75,202
Heat, light and power	54,711	-	54,711
Depreciation	115,533	16,425	131,958
Other	9,403	9,569	18,972
Total operating expenses	980,832	244,365	1,225,197
Operating income	464,058	411,487	875,545
Nonoperating revenues (expenses)			
Interest income	-	99,765	99,765
Interest expense	(34,889)	(51,505)	(86,394)
Total nonoperating revenues (expenses)	(34,889)	48,260	13,371
Income before transfers	429,169	459,747	888,916
Asset transfers	-	(47,798)	(47,798)
Transfers out	(400,000)	(181,804)	(581,804)
	(400,000)	(229,602)	(629,602)
Change in net position	29,169	230,145	259,314
Net position--beginning	350,693	938,464	1,289,157
Total net position, end of year	$ 379,862	$ 1,168,609	$ 1,548,471

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

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City of La Feria, Texas
Proprietary Funds
Statement of Cash Flows

For the year ended September 30, 2024

	Enterprise Funds		
	Waste Disposal Fund	Economic Development Corporation	Total
Cash flows from operating activities			
Receipts from customers and users	$ 1,421,347	$ 608,537	$ 2,029,884
Payments to suppliers	(544,951)	(243,110)	(788,061)
Payments to employees	(292,782)	-	(292,782)
Net cash provided by (used in) operating activities	583,614	365,427	949,041
Cash flows from (to) noncapital financing activities			
(Increase) decrease in due from other funds	-	81,120	81,120
Increase (decrease) in due to other funds	168,308	15,680	183,988
Transfers out to other funds and component units	(400,000)	(181,804)	(581,804)
Net cash provided by (used in) noncapital financing activities	(231,692)	(85,004)	(316,696)
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(77,476)	(41,409)	(118,885)
Net cash provided by (used in) capital and related financing activities	(77,476)	(41,409)	(118,885)
Cash flows from investing activities			
Interest income received	-	99,765	99,765
Payments received from notes receivable	-	1,743	1,743
Purchase of capital assets	(274,446)	(97,798)	(372,244)
Dispositions of investments	-	(247,747)	(247,747)
Net cash provided by (used in) by investing activities	(274,446)	(244,037)	(518,483)
Net increase (decrease) in cash and cash equivalents	-	(5,023)	(5,023)
Cash and cash equivalents, beginning of year	-	15,893	15,893
Cash and cash equivalents, end of year	$ -	$ 10,870	$ 10,870
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 464,058	$ 411,487	$ 875,545
Adjustments to reconcile net income from operations to net cash from operating activities			
Depreciation expense	115,533	16,425	131,958
Interest expense	(34,889)	(51,505)	(86,394)
Effect of increases and decreases in current assets and liabilities			
Decrease (increase) in receivables, net	(23,543)	(3,122)	(26,665)
Decrease (increase) in inventory	225	-	225
Increase (decrease) in deferred inflows related to net pension liability	2,901	-	2,901
Increase (decrease) in deferred inflows related to total OPEB liability	889	-	889
Increase (decrease) in accounts payable	2,030	36,335	38,365
Increase (decrease) in accrued payroll	(640)	-	(640)
Increase (decrease) in compensated absences	2,387	-	2,387
Increase (decrease) in unearned revenue	-	(44,193)	(44,193)
Increase (decrease) in net pension liability	54,565	-	54,565
Increase (decrease) in total OPEB liability	7,099	-	7,099
Decrease (increase) in deferred outlfows related to net pension liability	(6,285)	-	(6,285)
Decrease (increase) in deferred outlfows related to total OPEB liability	(716)	-	(716)
Total adjustments	119,556	(46,060)	73,496
Net cash provided by (used in) operating activities	$ 583,614	$ 365,427	$ 949,041

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

City of La Feria, Texas
Discretely Presented Component Units
Combining Statement of Net Position

September 30, 2024

	Waterworks and Sewer System	La Feria Industrial Development Corporation	Totals
ASSETS			
Cash and cash equivalents	$ 475	$ 17,297	$ 17,772
Investments	-	2,700,918	2,700,918
Receivables, net			
Service	327,198	-	327,198
Other	(391)	233	(158)
Intergovernmental	-	41,964	41,964
Current portion of note receivable	-	68,455	68,455
Current portion of lease receivable	-	2,465	2,465
Due from primary government	199,597	-	199,597
Inventories	28,388	-	28,388
Asset held for sale			
Restricted assets:			
Investments	765,112	221,178	986,290
Total current assets	1,320,379	3,052,510	4,372,889
Non-current assets			
Note receivable	-	394,086	394,086
Lease receivable	-	116,491	116,491
CAPITAL ASSETS			
Depreciable			
Buildings	-	1,277,128	1,277,128
Machinery and equipment	1,943,415	38,699	1,982,114
Infrastructure	55,961,159	-	55,961,159
Right-to-use lease assets	66,906	-	66,906
Subscription assets	66,325	2,406	68,731
	58,037,805	1,318,233	59,356,038
Less accumulated depreciation and amortization	(20,958,877)	(461,120)	(21,419,997)
	37,078,928	857,113	37,936,041
Nondepreciable			
Land	357,079	1,607,118	1,964,197
Easements	117,758	-	117,758
Certificate of Convenience and Necessity	115,978	-	115,978
Construction in progress	1,474,338	-	1,474,338
	2,065,153	1,607,118	3,672,271
Total capital and right-to-use lease assets (net of accumulated depreciation and amortization)	39,144,081	2,464,231	41,608,312
Total noncurrent assets	39,144,081	2,974,808	42,118,889
Total assets	40,464,460	6,027,318	46,491,778
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to net pension liability	141,964	-	141,964
Deferred outflows related to total OPEB liability	6,607	-	6,607
Total deferred outflows of resources	148,571	-	148,571
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 40,613,031	$ 6,027,318	$ 46,640,349

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

City of La Feria, Texas
Discretely Presented Component Units
Combining Statement of Net Position – Continued

September 30, 2024

	Waterworks and Sewer System	La Feria Industrial Development Corporation	Totals
LIABILITIES			
Current liabilities			
Accounts payable	$ 195,274	$ 1,653	$ 196,927
Accrued expenses and other liabilities	13,399	-	13,399
Lease liability	13,457	-	13,457
Due to primary government	2,859,390	11,595	2,870,985
Compensated absences	4,918	-	4,918
Note payable, current portion	70,152	71,534	141,686
Due to primary government, current portion	195,000	-	195,000
Current portion of revenue bonds payable	255,000	-	255,000
Total current liabilities	3,606,590	84,782	3,691,372
Current liabilities payable from restricted assets			
Customer deposits payable			
Meter deposits	288,233	-	288,233
Total current liabilities payable from restricted assets	288,233	-	288,233
Noncurrent liabilities			
Net pension liability	473,268	-	473,268
Total OPEB liability	42,516	-	42,516
Lease liability	42,949	-	42,949
Due to primary government, net of current portion	701,973	-	701,973
Notes payable, net of current portion	1,415,901	2,261,354	3,677,255
Revenue bonds payable, net of current portion	920,000	-	920,000
Total noncurrent liabilities	3,596,607	2,261,354	5,857,961
Total liabilities	7,491,430	2,346,136	9,837,566
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	-	110,344	110,344
Deferred inflows related to net pension liability	12,399	-	12,399
Deferred inflows related to total OPEB liability	13,751	-	13,751
Total deferred inflows of resources	26,150	110,344	136,494
NET POSITION			
Net investment in capital assets	32,670,259	119,748	32,790,007
Unrestricted	425,192	3,451,090	3,876,282
Total net position	33,095,451	3,570,838	36,666,289
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 40,613,031	$ 6,027,318	$ 46,640,349

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

City of La Feria, Texas
Discretely Presented Component Units
Combining Statement of Activities

For the year ended September 30, 2024

		Program revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units				
Waterworks and Sewer System	$ 4,270,130	$ 3,432,938	$ -	$ -
Industrial Development Corporation	414,127	22,700	-	-
Total component units	$ 4,684,257	$ 3,455,638	$ -	$ -

General revenues:	
Taxes	
Sales taxes	
Unrestricted investment earnings	
Gain on disposal of asset	
Other nonoperating revenue	
Total general revenues	
Change in net position	
Net position--beginning	
Accounting changes and error corrections (See Note 2)	
Net position--beginning of year, restated	
Net position--ending	

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

Component units Net (Expense) revenue change in Net Position		
Waterworks and Sewer System	La Feria Industrial Development Corporation	Totals
$ (837,192)	$ -	$ (837,192)
-	(391,427)	(391,427)
(837,192)	(391,427)	(1,228,619)
-	568,335	568,335
48,265	170,348	218,613
-	4,050	4,050
-	18,582	18,582
48,265	761,315	809,580
(788,927)	369,888	(419,039)
33,992,946	3,165,879	37,158,825
(108,568)	35,071	(73,497)
33,884,378	3,200,950	37,085,328
$ 33,095,451	$ 3,570,838	$ 36,666,289

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

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NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of La Feria, Texas (the "City") was incorporated on March 22, 1915, under the provisions of the laws for the State of Texas. The home rule charter was adopted on November 7, 1989 and amended on May 12, 2007. The City operates under a City Commission - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water and wastewater). 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, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units

Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City's Economic Development Corporation is a blended component unit. The La Feria Economic Development Corporation (the "Corporation") is a Section 4B non-profit industrial development corporation governed by a seven-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote economic development within the City. The City has a voting majority, imposition of will, financial benefit and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end.

Discretely Presented Component Units

Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

The City of La Feria Waterworks and Sewer System (the "System") is governed by a five-member board appointed by the City. The System is intended to operate on a self-supporting basis through user water and sewer charges. The City appoints the Board, has imposition of will, and financial accountability over the System. The System also maintains a September 30 fiscal year end.

The La Feria Industrial Development Corporation (the "Corporation") is a Section 4A non-profit industrial development corporation governed by a five-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote industrial development within the City. The City appoints the Board, has imposition of will, and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Complete financial statements of the individual component units can be obtained directly from their administrative offices as indicated.

Waterworks and Sewer System
115 East Commercial Avenue
La Feria, Texas 78559

La Feria Industrial Development Corporation
115 East Commercial Avenue
La Feria, Texas 78559

La Feria Economic Development Corporation
115 East Commercial Avenue
La Feria, Texas 78559

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 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. Business-type activities rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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. The City and its component units did not have fiduciary funds for this fiscal year. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions under financing agreements are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (normally within 90 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

Government-Wide Financial Statements

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

As discussed earlier, the City has two discretely presented component units. These component units are shown in a separate column in the government-wide financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs. An ad valorem tax rate and levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it becomes due and provide the interest and sinking fund reserve.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the waste disposal fund are charges to customers for sales and services. Principal operating revenues of the EDC include lease and rental fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The principal operating revenues of the Waterworks and Sewer System are charges to customers for sales and services. The Waterworks and Sewer System also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Principal operating revenues of the IDC include lease and rental fees.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for General, Special Revenue, and Debt Service funds (with the exception of capital projects funds, which adopt project based budgets) and lapse at fiscal year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

a) City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
b) City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1.
c) Public hearings are conducted at City Hall to obtain taxpayer comments.
d) Prior to October 1, the budget is adopted by the City Commission.
e) Revisions that alter total expenditures of any fund must be approved by the City Commission. The legal level of budgetary control (the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts) is at the fund level, with the City manager being authorized to transfer budgeted amounts between functional categories within a fund (ex: general government, public safety, highways and streets, and culture and recreation) without prior City Commission approval. The final annual amended appropriated budgets are used in this report.
f) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
g) Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds were adopted on a basis consistent with GAAP.
h) Appropriations lapse at the end of each fiscal year.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

Excess of expenditures over appropriations

At September 30, 2024, expenditures exceeded total budgeted appropriations for the following functions:

- Health and welfare were $3,260 higher than budgeted due to additional training seminars during the year.
- Culture and Recreation were $71,627 higher than budgeted due to an increase in sports supplies purchased during the year as well as the Fiesta De La Feria event returning in 2024.
- Debt service was $90,734 higher than budgeted due to additional principal and interest paid on the City's equipment note financing during the year.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all demand deposits and short-term investments (inclusive of restricted assets) with maturity dates within ninety days of the date initially acquired.

Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). The State Treasurer's Investment Pool meets all of the specified criteria in GASBC Section I50: Investments to qualify to elect to measure their investments at amortized cost. Accordingly, the value of the City's position in the pool is equal to the value of the pooled shares.

Investment Accounting Policy

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

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

The Act determines the types of investments, which are allowable for the City. 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 City policy authorizes all the State allowable investments.

The City's management believes that it has complied in all material respects with the requirements of the act and the City's investment policies.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for credit losses.

Property taxes are levied as of October 1, on property values assessed as of January 1 of the same year. The tax levy are billed and considered past due February 1, at which time the applicable property is subject to lien, and penalties and interest are assessed.

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

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

Lease Receivables - The City's lease receivables are measured at the present value of lease payments expected to be received during the least term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Interfund Activities and Transactions

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

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when 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 funds are netted as part of the reconciliation to the government-wide presentation.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) basis. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

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

Restricted Assets

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Capital Assets

The capital assets, which include property, plant, equipment, leased assets, right-to-use assets, right-to-use subscription assets and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. No interest was capitalized by the City during the fiscal year ended September 30, 2024.

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

Assets	Years
Building and system	25 to 50 years
Improvements other than buildings	3 to 10 years
Machinery and equipment	5 to 10 years
Infrastructure	5 to 25 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Deferred Outflows and Inflows of Resources

The City has two (2) items that qualify for reporting as deferred outflows of resources, the *deferred amount on refunding* and the *deferred outflows related to pensions*, both reported in the government-wide and proprietary funds statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions 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*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting as deferred inflows of resources. The *deferred inflows 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 inflows related to pensions* will be recognized as a reduction to pension 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.

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

Compensated Absences

The vacation allowance for eligible employees is based upon length of service according to the following schedule:

Length of Service	Vacation Allowed
After 1 year	5 days
After 2 years	10 days
After 5 years	12 days
After 10 years	15 days
After 20 years	20 days

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Compensated Absences (Continued)

Sick leave accumulates at the rate of 5 days per year and may not be accumulated from year to year. In addition, upon termination from the City, employees will not be entitled to be paid for any unused sick leave, therefore, a liability for these amounts is not recorded.

Vacation time may not be accrued for more than that allowed in a one-year period. Compensatory time (i.e., overtime for work performed beyond normal working hours) must be used within 30 workdays of being accrued. As a result, although unused vacation and compensatory time is payable to the employee upon termination, the accumulated amount at September 30, 2024 was recognized as accrued when earned during the one-year period in the government-wide and proprietary fund financial statements. Last year's liability was recognized for $62,928, this year's liability due within a year is $62,928 including the portions allocated to the component units. This amount is included under non-current liabilities, due within one year.

Long-Term Obligations

In the government-wide financial statement, and proprietary fund type 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, as well as insurance costs on issuance, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

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

Leases

Lease contracts that provide the City with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.*

Other Postemployment Benefits (OPEB)

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit has been determined using the flow of economic resources measurement focus and full accrual basis of accounting.

This includes for purposes of measuring the total OPEB liability, deferred outflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the applicable OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's total OPEB liability related to the TMRS Supplemental Death Benefit is obtained from TMRS through a report prepared by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Categories and Classification of Fund Balance

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Fund Balance (Continued)

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

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Fund Balance (Continued)

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

Committed fund balance is established, modified and/or rescinded by the City Commission in the form of a resolution. City Commission action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

This policy delegates to the City Manager the authority to assign unrestricted fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

As of and during the year ended September 30, 2024, the City had assigned fund balance which was for the forfeiture fund.

Net Position

The City’s Net Position is classified as follows:

Net investment in capital assets: consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Restricted net position: consists of net position that is subject to a legally enforceable restriction on their use.

Unrestricted: consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Revenues and Expenditures/Expenses

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

Property taxes – Property taxes attach as an enforceable lien on real property and are levied as of January 1st. Property taxes are levied as of October 1. The county appraisal district certifies the tax roll by July 25th. This tax roll is used by the City to adopt a tax rate by September 1st or soon thereafter. The tax bills are mailed on October 1 or soon thereafter and are due and payable upon receipt. The billings become delinquent as of February 1 of the following calendar year and penalties and interest may be assessed by the City.

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

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. There were no significant encumbrances at year-end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, pension liabilities, and OPEB liabilities.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be used, July 22, 2025. See Note 13 for relevant disclosure(s). No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In fiscal year 2024, the City implemented the following statements:

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 error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. See Note 2 for implementation of the Statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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

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

GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB 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. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreci-ation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. 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 the above statements and the impact on reporting.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE AND ERROR CORRECTION

The City implemented GASB No. 100, *Accounting Changes and Error Corrections*, as of October 1, 2023. The City discovered during the current year that accumulated depreciation was overstated for assets that were disposed in the prior year, but the accumulated depreciation was not removed. In addition, the City discovered that a customer had overpaid on its utility bills in prior years; as a result, the City is in the process of reimbursing the customer. In addition, it was discovered that net position previously identified as restricted was, in fact, unrestricted.

The following table summarizes the changes to the City's net position as a result of error corrections.

La Feria Industrial Development Corporation	Net investment in capital assets	Restricted	Unrestricted	Total
Net position, September 30, 2023 as previously reported	$ 38,833	$ 55,123	$ 3,071,923	$ 3,165,879
Adjustment for accumulated depreciation	35,071	-	-	35,071
Reclassification of restricted assets	-	(55,123)	55,123	-
Net position, September 30, 3023, restated	$ 73,904	$ -	$ 3,127,046	$ 3,200,950

La Feria Waterworks and Sewer System	Net investment in capital assets	Unrestricted	Total
Net position, September 30, 2023 as previously reported	$ 33,142,538	$ 850,408	$ 33,992,946
Adjustment for customer overpayment of utility bills	-	(108,568)	(108,568)
Net position, September 30, 3023, restated	$ 33,142,538	$ 741,840	$ 33,884,378

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE AND ERROR CORRECTION (Continued)

The City's fiscal year 2024 financial statements incorporate a change within the financial reporting entity. GASB Statement No, 100, *Accounting Changes and Error Corrections*, requires disclosure of their nature and effect on amounts reported in the financial statements.

The Certificates of Obligation Series 2015 Fund, a Capital Projects Fund, accounts for various capital improvements with the use of proceeds from the issuance of Certificates of Obligation Series 2015. This was presented as a major fund in a separate column in the City's 2023 governmental fund financial statements. However, in fiscal year 2024, this fund no longer met the quantitative thresholds that require major fund presentation. The City consequently reclassified the fund as nonmajor and presented it in the aggregate nonmajor fund column.

The following table summarizes the restatements and adjustments to the City's beginning net position and fund balance as a result of the change within the financial reporting entity:

	Governmental	
	Certificates of Obligation Series 2015 Fund	Nonmajor
9/30/2023 fund balance as previously reported	$ 1,288	$ -
Change from major to nonmajor presentation	(1,288)	1,288
9/30/2023 fund balance as restated and adjusted	**$ -**	$ 1,288

NOTE 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At September 30, 2024, the carrying amount of the City and its component unit's cash deposits, (cash, certificates of deposit and interest-bearing savings accounts) was $1,487,769. The City's cash deposits during the year ended September 30, 2024, were covered by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank. In addition, the City and its component units held $6,800,049 in cash equivalents and investments in Texas CLASS external investment pools.

Restricted cash in the amount of $1,288 represents bond proceeds from the City's Certificates of Obligation Series 2015 Fund. The proceeds of the Certificates are restricted for constructing various capital improvements in and around the City.

Discretely Presented Component Units Cash Deposits

The component units' unrestricted cash totaled $17,772 at September 30, 2024.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Restricted amounts for meter deposits and debt service reserve funds were $765,112 and were held in investments in Texas CLASS external investment pools.

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

a. ***Name of Bank: Texas National Bank.***

b. ***Amount of bond and/or market value of securities pledged (including FDIC coverage)*** as of the date of the highest *combined balance on deposit were $1,339,354 and occurred during the month of October 2023. The combined deposit balances on that day were $1,242,960.

The City's cash deposits were properly secured by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank in accordance with Texas Law.

- Combined balances include all of the City of La Feria and component unit cash accounts on deposit at Texas National Bank.

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

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

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy is silent as to maximum investment maturities allowed.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2024, the investments in the Texas CLASS external investment pool was rated AAAm by Moody's Investor Service and Standards and Poor's.

Concentration of Credit Risk

The Investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act. The City's portfolio only consisted of amounts in the public funds investment pools, discussed below.

Public Funds Investment Pools

Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), is an investment pool (local government investment pool) for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Texas CLASS reports its financial statements in accordance with Financial Accounting Standard Boards (FASB) and follows ASC 820 "Fair Value Measurement and Disclosure Requirements" in reporting its investments. For pricing and redeeming shares, Texas CLASS maintains a stable net asset value (NAV) of $1 per share using the fair value method.

For financial reporting purposes the City's governmental activities reported amounts for investment pools of $2,198,416 as investments on the statement of net position. Discretely presented component units reported $2,922,096 as unrestricted investments and $765,112 of restricted investments on the Statement of Net Position as of September 30, 2024. There were no unfunded commitments as of September 30, 2024, and amounts reported in the investment pool had a daily redemption frequency and do not require prior notice for redemption.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable

Property Tax Receivable

Taxes are levied each October 1st and become delinquent on February 1st of the following year. Liens for unpaid taxes go into effect on July 1st of the year the taxes become delinquent. The City may not have a tax rate higher than $2.50 per $100 of assessed valuation. Statutes require that all assessments be made on 100% of fair value.

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Gross property taxes receivable	$ 166,951	$ 183,877	$ 149,005	$ 499,833
Less allowance for doubtful accounts	(57,533)	(39,634)	-	(97,167)
Net property taxes receivable	$ 109,418	$ 144,243	$ 149,005	$ 402,666

Service Receivables

Service receivables consist of uncollected amounts billed to customers for water, sewer and other services.

At September 30, 2024, the City reflected service receivables of the following:

Primary Government (net)	
Waste disposal services	$ 143,820
General fund service receivables	96,465
Total	$ 240,285

Component Units Activities (net)	
Water services	$ 193,518
Sewer services	133,680
Total	$ 327,198

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable (Continued)

Governmental Activities

Receivables for governmental activities at September 30, 2024, consisted of the following:

	General	Debt Service Fund	Nonmajor Funds	Total
Receivables				
Property taxes	$ 166,951	$ 183,877	$ 149,005	$ 499,833
Other taxes	83,928	-	-	83,928
Accounts	96,465	-	-	96,465
Intergovernmental	54,985	-	-	54,985
Other	-	-	76,307	76,307
Less allowance for uncollectibles	(60,630)	(39,634)	-	(100,264)
Net total receivables	$ 341,699	$ 144,243	$ 225,312	$ 711,254

Component Units

In an effort to stimulate economic growth in the business community, the La Feria Industrial Development Corporation (LFIDC) offers loans to various businesses. One of these programs is the Revolving Loan Fund Program funded by USDA. The Revolving Loan Program was established to assist small businesses to access low interest loans to help with the expansion of a current business or to start a new business in the City of La Feria.

The following is a summary of notes receivable payable to the IDC at September 30, 2024:

Revolving loan program	
Aaron's Brakes	$ 5,182
STCHD Bearfield	24,043
RLF #1 to STEM	18,299
Other receivables	
TAS Air Conditioning	115,129
Texas State Alarm	299,888
Total	462,541
Less current portion of notes receivable	(68,455)
Total, net of current portion	$ 394,086

The following is a summary of notes receivable payable to the EDC at September 30, 2024:

EDC STCHD note receivable	$ 31,334
Less current portion of note receivable	(2,096)
Total, net of current portion	$ 29,238

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable (Continued)

Restricted Assets

Governmental Funds

Certificate of Obligation Series 2015 Fund	$	1,288
Total	$	1,288

Discretely Presented Component Units

Discretely Presented Component Units - Enterprise Funds		
Debt service reserve	$	538,320
IRP investments		221,178
Meter deposits		226,792
Total	$	986,290

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital assets activity for the year ended September 30, 2024 was as follows:

Primary Government

	Beginning Balance October 1, 2023	Additions	Deletions	Transfers and Reclassifications	Ending Balance September 30, 2024
Governmental Activities					
Capital assets, not being depreciated					
Land	$ 1,364,363	$ -	$ -	$ -	$ 1,364,363
Construction in progress	77,963	212,100	-	-	290,063
Total capital assets, not being depreciated	1,442,326	212,100	-	-	1,654,426
Capital, right-to-use, and subscription assets, being depreciated/amortized					
Buildings and systems	28,299,446	73,594	-	(12,014,490)	16,358,550
Improvements other than buildings	18,307,255	179,361	-	(69,181)	18,417,435
Machinery and equipment	7,323,200	180,143	-	12,131,469	19,634,812
Right-to-use lease assets	61,643	128,619	-	-	190,262
Subscription assets	119,787	-	-	-	119,787
Total capital, right-to-use, and subscription assets, being depreciated/amortized	54,111,331	561,717	-	47,798	54,720,846
Less accumulated depreciation/amortization for					
Buildings and systems	(8,632,046)	(528,548)	-	3,248,140	(5,912,454)
Improvements other than buildings	(14,521,277)	(299,692)	-	139,994	(14,680,975)
Machinery and equipment	(5,376,651)	(945,803)	-	(3,388,134)	(9,710,588)
Right-to-use lease assets	(26,898)	(22,317)	-	-	(49,215)
Subscription assets	(53,898)	(33,657)	-	-	(87,555)
Total accumulated depreciation/amortization	(28,610,770)	(1,830,017)	-	-	(30,440,787)
Total capital, right-to-use, and subscription assets, being depreciated/amortized, net	25,500,561	(1,268,300)	-	47,798	24,280,059
Governmental activities capital assets, net	$ 26,942,887	$ (1,056,200)	$ -	$ 47,798	$ 25,934,485
Business-type Activities					
Capital assets, not being depreciated					
Land	$ 46,000	$ -	$ -	$ -	$ 46,000
Construction in progress	89,000	50,000	-	-	139,000
Total capital assets, not being depreciated	135,000	50,000	-	-	185,000
Capital assets, being depreciated					
Buildings	441,922	47,798	-	33,511	523,231
Machinery and equipment	2,509,008	274,446	-	(81,309)	2,702,145
Total capital assets, being depreciated	2,950,930	322,244	-	(47,798)	3,225,376
Less accumulated depreciation for					
Buildings	(135,318)	(16,427)	-	-	(151,745)
Machinery and equipment	(1,878,532)	(115,531)	-	-	(1,994,063)
Total accumulated depreciation	(2,013,850)	(131,958)	-	-	(2,145,808)
Total capital assets being depreciated, net	937,080	190,286	-	(47,798)	1,079,568
Business-type activities capital assets, net	$ 1,072,080	$ 240,286	$ -	$ (47,798)	$ 1,264,568

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

Governmental Activities	
General government	$ 619,331
Public safety	771,414
Highways and streets	108,993
Health and welfare	5,772
Culture and recreation	324,507
Total depreciation and amortization expenses - governmental activities	$ 1,830,017
Business-type activities	
Waste disposal fund	$ 115,533
Economic Development	16,425
Total depreciation expenses - business-type activities	$ 131,958

Discretely Presented Component Units

	Beginning Balance October 1, 2023	Additions	Deletions	Transfers and Reclassifications	Ending Balance September 30, 2024
Waterworks and Sewer System					
Capital assets, not being depreciated					
Land	$ 357,079	$ -	$ -	$ -	$ 357,079
Easement	117,758	-	-	-	117,758
CCN	115,978	-	-	-	115,978
Construction in progress	409,502	1,064,836	-	-	1,474,338
Total capital assets, not being depreciated	1,000,317	1,064,836	-	-	2,065,153
Capital, right-to-use, and subscription assets, being depreciated/amortized					
Machinery and equipment	4,087,454	36,351	-	(2,180,390)	1,943,415
Infrastructure	53,502,357	278,412	-	2,180,390	55,961,159
Right-to-use lease assets	8,161	58,745	-	-	66,906
Subscription assets	66,325	-	-	-	66,325
Total capital, right-to-use, and subscription assets, being depreciated/amortized	57,664,297	373,508	-	-	58,037,805
Less accumulated depreciation/amortization for					
Machinery and equipment	(2,565,967)	(32,663)	-	1,114,839	(1,483,791)
Infrastructure	(16,868,721)	(1,419,856)	-	(1,114,839)	(19,403,416)
Right-to-use lease assets	(3,564)	(1,781)	-	-	(5,345)
Subscription assets	(44,217)	(22,108)	-	-	(66,325)
Total accumulated depreciation/amortization	(19,482,469)	(1,476,408)	-	-	(20,958,877)
Total capital assets, being depreciated, net	38,181,828	(1,102,900)	-	-	37,078,928
Waterworks and Sewer System activities capital assets, net	$ 39,182,145	$ (38,064)	$ -	$ -	$ 39,144,081

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	As Restated Beginning Balance October 1, 2023	Additions	Deletions	Transfers and Reclassifications	Ending Balance September 30, 2024
Industrial Development Corporation					
Capital assets, not being depreciated					
Land	$ 1,652,000	$ 123,090	$ (167,972)	$ -	$ 1,607,118
Construction in progress	44,964	-	-	(44,964)	-
Total capital assets, not being depreciated	1,696,964	123,090	(167,972)	(44,964)	1,607,118
Capital and subscription assets, being depreciated/amortized					
Buildings and improvements	1,173,665	58,499	-	44,964	1,277,128
Furniture, fixtures and equipment	38,699	-	-	-	38,699
Subscription assets	2,406	-	-	-	2,406
Total capital and subscription assets, being depreciated/amortized	1,214,770	58,499	-	44,964	1,318,233
Less accumulated depreciation/amortization for					
Buildings and improvements	(397,678)	(33,702)	-	-	(431,380)
Furniture, fixtures and equipment	(25,882)	(1,452)	-	-	(27,334)
Subscription assets	(1,604)	(802)	-	-	(2,406)
Total accumulated depreciation/amortization	(425,164)	(35,956)	-	-	(461,120)
Total capital and subscription assets, being depreciated/amortized, net	789,606	22,543	-	44,964	857,113
Industrial Development Corporation activities capital assets, net	$ 2,486,570	$ 145,633	$ (167,972)	$ -	$ 2,464,231

Long-Term Debt and Liabilities

General Government Bank Notes and Long-Term Notes Payable

Long-term notes payable at September 30, 2024 consist of the following:

City of La Feria

General Government Financing Agreement

The City entered into a 10 year financing agreement on November 14, 2018, with payments due annually beginning with the first payment due on November 1, 2019, for the acquisition of a fire truck. The fire truck has a ten-year estimated useful life and is valued at $240,000. The fire truck was placed in service in December of 2018. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the fire truck being financed, and is payable from general fund revenues. Payments are due annually, with the first two payments of $15,000 and the remaining payments for $26,433.26. Final payment is due on November 1, 2028, at which time the title of the fire truck passes to the government and becomes property of the government. The balance at September 30, 2024 was $116,874.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

General Government Financing Agreement (Continued)

The City entered into a 10 year financing agreement on November 10, 2020, with payments due annually beginning with the first payment due on January 13, 2022, for the acquisition of a street sweeper. The street sweeper has a ten-year estimated useful life and is valued at $279,266. The street sweeper was placed in service in June of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the street sweeper being financed, and is payable from general fund revenues. Payments are due annually, with the first two payments of $20,000 and the remaining payments for $46,396.30. Final payment is due on January 13, 2029, at which time the title of street sweeper passes to the government and becomes property of the government. The balance at September 30, 2024 was $214,360.

The City entered into a 5 year financing agreement on August 10, 2021, with payments due annually beginning with the first payment due on November 1, 2022, for the acquisition of three Ford explorer vehicles. The police vehicles has a seven-year estimated useful life and is valued at $194,857. The police vehicles have not been placed in service in as of September 30, 2022. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the vehicles being financed, and is payable from general fund revenues. Payments are due annually with 5 annual payments of $42,749.31. Final payment is due on November 1, 2026, at which time the title of the police vehicles passes to the government and becomes property of the government. The balance at September 30, 2024 was $120,935.

The City entered into a 4 year financing agreement on December 22, 2021, with payments due annually beginning with the first payment due on December 22, 2022, for the acquisition of a fire truck. The fire truck has a four-year estimated useful life and is valued at $39,750. The fire truck was placed in service in December of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the fire truck being financed, and is payable from general fund revenues. Payments are due annually with 4 annual payments of $10,811.97. Final payment is due on December 22, 2025, at which time the title of fire truck passes to the government and becomes property of the government. The balance at September 30, 2024 was $20,551.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

The annual financing agreement requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities
2025	$ 126,391
2026	126,391
2027	115,579
2028	72,830
2029	72,829
Total minimum payments	514,020
Less amount representing interest	(41,299)
Present value of minimum payments	$ 472,721

Enterprise Fund

La Feria Economic Development Corporation, Inc., (EDC)

Note payable to *Government Capital Corporation* dated August 10, 2021, original principal amount of $1,518,750 at an interest rate of 3.576% payable in seven annual installments of $92,913 (including interest) with the first payment due on August 10, 2022 and a final payment due at maturity on August 10, 2046. The note is payable from EDC revenues and was issued to finance the costs of improvements to certain streets and roads, water and sewer utilities, drainage, site improvements and related improvements within the City. The balance at September 30, 2024 was $1,398,764.

Waste Disposal Fund

The City entered into a 10 year financing agreement on December 22, 2021, with payments due annually beginning with the first payment due on November 1, 2023, for the acquisition of an Autocar Xpeditor truck. The truck has a 10-year estimated useful life and is valued at $460,561 and has an interest rate of 3.2%. The truck was placed in service in December of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the truck being financed, and is payable from general fund revenues. Payments are due annually with 10 annual payments of $54,558. Final payment is due on November 1, 2032, at which time the title of street sweeper passes to the government and becomes property of the government. The balance at September 30, 2024 was $610,397.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

The City entered into a 5 year financing agreement on February 3, 2023, with payments due annually beginning with the first payment due on February 3, 2024, for the acquisition of a brush truck. The truck has a 5-year estimated useful life and is valued at $221,087 and has an interest rate of 5.4%. The truck was placed in service in February of 2023. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the truck being financed, and is payable from general fund revenues. Payments are due annually with 5 annual payments of $51,583. Final payment is due on February 3, 2028, at which time the title of brush truck passes to the government and becomes property of the government. The balance at September 30, 2024 was $181,367.

Discretely Presented Component Units

La Feria Industrial Development Corporation, Inc., (IDC)

At year-end, the IDC had one long-term debt outstanding. The long-term debt was incurred for the purchase of land for industrial development. The following table shows the loan description, original value, acquisition date, and year-end principal balance.

	Original Loan	Rate	Loan Date	Balance at September 30, 2024	Current Term Portion	Long-Term Portion
Government Capital	$ 2,500,000	3.58%	Aug-21	$ 2,332,888	$ 71,534	$ 2,261,354
				$ 2,332,888	$ 71,534	$ 2,261,354

La Feria Waterworks & Sewer System

At year-end, the Waterworks had one long-term debt outstanding. The long-term debt was incurred for the replacement of water meters. The following table shows the loan description, original value, acquisition date, and year-end principal balance.

	Original Loan	Rate	Loan Date	Balance at September 30, 2024	Current Term Portion	Long-Term Portion
Government Capital	$ 1,486,053	5.05%	Jul-23	$ 1,486,053	$ 70,152	$ 1,415,901
				$ 1,486,053	$ 70,152	$ 1,415,901

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Certificates of Obligation Bonds

Certificates of obligation bonds have only been issued for governmental activities.

- Proceeds from the Series 2011 were used for street improvements, the expansion to city hall, public works equipment, the fire department expansion, and the development of two dome/shelter facilities.
- Proceeds from the Series 2012A were used for the expansion of the library.
- Proceeds from the Series 2015 were used for a variety of capital projects throughout the City.

Certificates of obligation bonds are direct obligations and pledge the full faith credit of the City. These bonds are generally issued as 7-year serial bonds with non-equal amounts of principal maturing each year.

On December 6, 2011, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 at a fixed rate of 3.9% in the amount of $5,005,000 to finance the City's match of the funding needed for capital projects and further capital street improvements throughout the City. The City of La Feria Waterworks and Sewer System (the "System") was allocated $670,000 of this amount to complete capital projects and meet certain local match grant requirements. The System agreed to pay its portion of debt services to the City as required annually until the bonds mature in 2032.

On December 22, 2011, the City of La Feria issued General Obligation Refunding Bonds, Series 2011 at a fixed rate of 3.4% in the amount of $7,970,000 and a maturity date of May 15, 2028. The proceeds were used to refund the total outstanding principal balances of three prior bond series listed below which had interest rates ranging from 3.85% to 5.85%:

- The City of La Feria, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2000, (principal balance totaling $255,000),
- City of La Feria, Texas Utility System Revenue Bonds, Series 2004, (principal balance totaling $4,450,000), and
- City of La Feria, Texas Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2008, (principal balance totaling $3,060,000).

Accrued interest payments of $115,110 and issuance costs of $89,890 were also paid with part of the refunding bond proceeds. The refunding bonds were issued to restructure the City's debt service and associated tax rates in the coming years, and resulted in an economic net present value savings of $399,256 (3.57%) and a gross savings of $403,118. At September 30, 2024, the balance of the defeased debt still outstanding was $970,000.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

An inter-local agreement was signed by the City of La Feria, Texas (the "City") and the City of La Feria Waterworks and Sewer System (the "System") whereby the City agreed to refund the City of La Feria, Texas Utility System Revenue Bonds, Series 2004. In order to take advantage of lower interest rates the City refunded the bonds in the City's name and ultimately removed the long-term debt from the books of the System. However, the System is still responsible for their portion of the debt service payments related to the 2004 refunded bonds. The inter-local agreement provides for the System to make annual payments to the City for its portion of debt service related to these refunded bonds until 2027.

The City commission passed Resolution 2011-46 on November 1, authorizing the interlocal cooperative agreement between the City and the System for the two certificate issues mentioned above.

On February 24, 2015, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 at a fixed rate of 3.210% in the amount of $6,330,000 to finance the City's various ongoing capital projects. The bonds have principal and interest payments due every year on August 15 and February 15, with full maturity on February 15, 2035.

The following schedule reflects the remaining requirements for the System's portion of the GO Refunding, Series 2011 and CO Series 2011:

Year Ending September 30,	Due to Primary Government - GO Refunding Series 2011			Due to Primary Government - CO Series 2011			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2025	$ 150,000	$ 18,360	$ 168,360	$ 45,000	$ 15,795	$ 60,795	$ 229,155
2026	195,000	13,260	208,260	45,000	14,040	59,040	267,300
2027	146,973	6,630	153,603	50,000	12,285	62,285	215,888
2028	-	-	-	50,000	10,335	60,335	60,335
2029-2032	-	-	-	215,000	21,255	236,255	236,255
Total	$ 491,973	$ 38,250	$ 530,223	$ 405,000	$ 73,710	$ 478,710	$ 1,008,933

Certificates of obligation bonds currently outstanding as of September 30, 2024 are as follows:

Purpose	Interest Rates	Amount
Certificates of obligation bonds		
Governmental activities	3.210 - 4.00%	$ 9,204,000

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Revenue Bonds issued by Component Units

The City also issues bonds where the City allows the Waterworks and Sewer System (System), to pledge income derived from the acquired or constructed assets to pay debt service. The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the System is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least equal to the annual debt service requirements.

The System, for the purpose of financing partially the improvements and extensions to the combined waterworks and sanitary sewer system, has revenue bonds, 2004-A, and 2009 at a 4.4% average interest rate with a maturity date of September 15, 2032. The bonds are secured by a lien on and pledge of the net revenues of the System.

The principal balance outstanding on these bonds at September 30, 2024 was $1,175,000. City of La Feria, Texas Utility System Revenue Bonds, Series 2004 in the amount of $4,450,000 were retired with proceeds from the City of La Feria, Texas GO Refunding Series 2011.

Revenue bonds currently outstanding consist of the following:

Purpose	Interest Rates	Amount
Water/sewer infrastructure		
Waterworks & Sewer System	0.00% - 5.26%	$ 1,175,000

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Changes in Long-Term Debt

During the year ended September 30, 2024, the following changes occurred:

	Beginning Balance 10/1/2023	Increase	Decrease	Ending Balance 9/30/2024	Due Within One Year
Governmental Activities					
Certificate of Obligation Bonds					
Combination Tax and Limited Pledge Revenue Certificates of Obligation - Series 2011	$ 3,220,000	$ -	$ (300,000)	$ 2,920,000	$ 320,000
General Obligation Refunding Bonds - Series 2011	2,025,000	-	(560,000)	1,465,000	370,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation - Series 2012A	290,000	-	(11,000)	279,000	11,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation - Series 2015	4,780,000	-	(240,000)	4,540,000	245,000
	10,315,000	-	(1,111,000)	9,204,000	946,000
Net pension liability	1,712,386	-	(320,179)	1,392,207	-
Total OPEB liability	119,150	5,919	-	125,069	-
Lease liability	35,781	128,619	(23,524)	140,876	39,489
Subscription liability	24,268	-	(24,268)	-	-
Financing agreement	580,683	-	(107,962)	472,721	111,334
Compensated absences	60,890	-	(5,267)	55,623	55,623
Total governmental activities	12,848,158	134,538	(1,592,200)	11,390,496	1,152,446
Business-type Activities					
Notes payable	2,121,821	-	(112,660)	2,009,161	158,121
Forgivable loans	88,385		(44,193)	44,192	44,192
Net pension liability	108,505	-	54,565	163,070	-
Total OPEB liability	7,550	-	7,099	14,649	-
Compensated absences	6,225	-	(3,838)	2,387	2,387
Total business type activities	2,332,486	-	(99,027)	2,233,459	204,700
Discretely Presented Component Units Activities					
Revenue bonds	1,420,000	-	(245,000)	1,175,000	255,000
Notes payable (IDC)	2,401,952	-	(69,064)	2,332,888	71,534
Notes payable (Waterworks)	1,486,053	-	-	1,486,053	70,152
Net pension liability	502,563	-	(29,295)	473,268	-
Total OPEB liability	34,969	-	7,547	42,516	-
Lease liability	4,738	58,745	(7,077)	56,406	13,457
Subscription liability	24,268	-	(24,268)	-	-
Compensated absences	7,639	-	(2,721)	4,918	4,918
Due to primary government	1,281,973	-	(385,000)	896,973	195,000
Total component unit activities	7,164,155	58,745	(754,878)	6,468,022	610,061
Total	$ 22,344,799	$ 193,283	$ (2,446,105)	$ 20,091,977	$ 1,967,207

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

The City's other noncurrent liabilities are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities. In regard to business-type activities, other noncurrent liabilities are liquidated through the waste disposal fund or the economic development corporation.

Annual debt service requirements to maturity for bonded indebtedness are as follows:

	Governmental Activities Primary Government			Component Units Activities			
Year Ending September 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Total	Revenue Bonds Principal	Revenue Bonds Interest	Total	Total Requirements
2025	$ 946,000	$ 309,895	$ 1,255,895	$ 255,000	$ 41,144	$ 296,144	$ 1,552,039
2026	1,012,000	276,288	1,288,288	230,000	30,581	260,581	1,548,869
2027	1,047,000	240,328	1,287,328	240,000	20,943	260,943	1,548,271
2028	882,000	203,122	1,085,122	250,000	10,783	260,783	1,345,905
2029	753,000	175,714	928,714	45,000	-	45,000	973,714
2030-2034	3,747,000	477,132	4,224,132	155,000	-	155,000	4,379,132
2035-2039	757,000	39,865	796,865	-	-	-	796,865
2040-2042	60,000	3,150	63,150			-	63,150
Total	$ 9,204,000	$ 1,725,494	$ 10,929,494	$ 1,175,000	$ 103,451	$ 1,278,451	$ 12,207,945

Leases- Lessee

The City has entered into lease agreements to obtain the right-to-use phone system equipment. The total annual payments for the assets that the City paid for the fiscal year ended September 30, 2024 was $16,320. The interest rate of the leases is 3%. The leases have a maturity date of 2026. Monthly payment amounts are $1,360 for the assets.

	Governmental Activities		
For the years ended September 30,	Principal Payments	Interest Expense	Total
2025	$ 39,490	$ 7,416	$ 46,906
2026	33,878	7,022	40,900
2027	25,555	6,939	32,494
2028	25,555	6,939	32,494
2029	16,398	4,048	20,446
Total	$ 140,876	$ 32,364	$ 173,240

	Component Units Activities		
For the years ended September 30,	Principal Payments	Interest Expense	Total
2025	$ 13,457	$ 3,120	$ 16,577
2026	12,715	3,068	15,783
2027	11,612	3,057	14,669
2028	11,612	3,057	14,669
2029	7,010	1,783	8,793
Total	$ 56,406	$ 14,085	$ 70,491

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Leases- Lessor

The City's operations consist of use of various properties within the City, which expire between 2023 and 2046. The City recognized $8,925 of lease revenue principal and $3,577 of lease revenue interest for the year ended September 30, 2024.

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

For the years ended September 30,	Principal Payments	Interest Income	Total
2025	$ 2,465	$ 3,535	$ 6,000
2026	3,449	3,451	6,900
2027	3,862	3,338	7,200
2028	3,979	3,221	7,200
2029	3,408	2,592	6,000
2030-2034	22,337	13,663	36,000
2035-2039	30,480	9,820	40,300
2040-2044	37,339	4,661	42,000
2045-2046	11,637	263	11,900
Total	$ 118,956	$ 44,544	$ 163,500

Subscription-Based Information Technology Arrangements

The City has two software arrangements that require recognition under GASBC Section S:80, *Subscription-Based Information Technology Arrangements* (SBITAs). The City now recognizes a subscription liability and an intangible right-to-use subscription asset for the accounting software in Finance and dispatch software in Public Safety.

The accounting software arrangement is a three-year agreement, initiated in fiscal year 2023 with an annual payment of $49,992. The City has used a 3% discount rate for this arrangement based on the federal funds rate at the time of the agreement. The City has an option to extend this arrangement for 12 additional months and for 12 months thereafter. There is no option to purchase the software. There are no residual value guarantees in the agreement.

The phone radios arrangement is also a five-year agreement, initiated in fiscal year 2023. However, the radios and corresponding were paid in full upon acquisition; the equipment portion was $17,762 and the subscription portion was $47,040. As a result, there is a right-to-use subscription asset, but no subscription liability. There are no residual value guarantees in the agreement.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Inter-fund Receivables, Payables, and Transfers

The following is a summary of the composition of inter-fund balances at September 30, 2024:

	Payable Fund				
		Non-major	Business-Type Activities		
Receivable Fund	General Fund	Governmental Funds	Waste Disposal Fund	EDC Fund	Total
Governmental Funds					
General Fund	$ -	$ 102,735	$ 313,715	$ 149,893	$ 566,343
Debt Service	407,929	-	-	8,207	416,136
Non-major Governmental Funds	517,134	-	6,332	-	523,466
Subtotal	925,063	102,735	320,047	158,100	1,505,945
Business Type Activities					
Economic Development Corporation	353,513	-	-	-	353,513
Waste Disposal Fund	119,904	-	-	-	119,904
Subtotal	473,417	-	-	-	473,417
Total interfund balances	$ 1,398,480	$ 102,735	$ 320,047	$ 158,100	$ 1,979,362

The outstanding balances between funds result mainly from the time lag between the dates that 1) inter-fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Transfers

Inter-fund transfers for the year ended September 30, 2024, are as follows:

	Transfer In		
Transfer Out	General Fund	Debt Service Fund	Total
Governmental funds			
General Fund	$ -	$ -	$ -
Subtotal	-	-	-
Business-type activities			
Economic Development Corporation	83,317	98,487	181,804
Waste Disposal Fund	400,000	-	400,000
Subtotal	483,317	98,487	581,804
Total transfers	$ 483,317	$ 98,487	$ 581,804

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Inter-fund Receivables, Payables, and Transfers (Continued)

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies. Transfers to the debt service fund primarily represent resources which the general fund received from the La Feria Waterworks & Sewer System, EDC, and IDC, to fund the respective portion of debt service which is provided for those entities, where the debt is paid out of the debt service fund.

Net Position

Net position is composed of three categories: Net investment in Capital Assets, Restricted and Unrestricted.

	Governmental Activities	Business-type Activities	Component Units
Net investment in capital assets consists of the following:			
Long-term assets			
Capital and right-to-use assets, net of accumulated depreciation and amortization	$ 25,934,485	$ 1,264,568	$ 41,608,312
Less related liabilities (bonds, unearned revenues*, due to primary government and notes payable)	(9,817,597)	(2,053,353)	(8,818,305)
Restricted investments (unexpended bond proceeds)	1,288	979,615	-
Net investment in capital assets	16,118,176	190,830	32,790,007
Restricted Net Position consists of the following:			
Debt service	2,526,171	-	-
Tax Increment Reinvestment Zone	609,529	-	-
Capital projects	1,288	-	-
Restricted net position	3,136,988	-	-
Unrestricted net position	2,246,095	1,357,641	3,876,282
Total net position	$ 21,501,259	$ 1,548,471	$ 36,666,289

**Not all unearned revenues are related to capital assets*

NOTE 4: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of La Feria 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 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 comprehensive annual financial report (Annual Report) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

At retirement, the benefits are calculated as if the sum of the employee's contributions, with interest, and the city-financing monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	76
Active employees	53
Total members	171

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

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

Employees for the City of La Feria, Texas were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.08% and 15.69% in calendar 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were $382,234 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial 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 2001 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

Discount Rate

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

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Schedule of Changes in Net Pension Liability

The change in the City's net pension liability for TMRS pension for the fiscal year ended September 30, 2024 is as follows:

	City Increase (decrease)			Component Unit Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2022	$ 7,635,272	$ 5,814,381	$ 1,820,891	$ 2,107,323	$ 1,604,760	$ 502,563
Changes for the year						
Service cost	296,791	-	296,791	90,311	-	90,311
Interest	501,581	-	501,581	152,626	-	152,626
Change in benefit terms	-	-	-	-	-	-
Difference between expected/ actual experience	135,434	-	135,434	41,211	-	41,211
Changes of assumptions	(68,654)	-	(68,654)	(20,891)	-	(20,891)
Contributions - employer	-	298,771	(298,771)	-	90,914	(90,914)
Contributions - employee	-	138,688	(138,688)	-	42,201	(42,201)
Net investment income	-	697,523	(697,523)	-	160,721	(160,721)
Benefit payments, including refunds of employee contributions	(374,441)	(374,441)	-	(113,939)	(113,939)	-
Administrative expenses	-	(4,188)	4,188	-	(1,275)	1,275
Other charges	-	(29)	29	-	(9)	9
Net changes	490,711	756,324	(265,613)	149,318	178,613	(29,295)
Balance at December 31, 2023	$ 8,125,983	$ 6,570,705	$ 1,555,278	$ 2,256,641	$ 1,783,373	$ 473,268

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 2,639,018	$ 1,555,278	$ 666,126
Component unit's net pension liability	803,030	473,268	202,696
Total net pension liability	$ 3,442,048	$ 2,028,546	$ 868,822

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended September 30, 2024, the City and component unit recognized a combined pension expense in the amount of $415,479. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	$ 105,246	$ -	$ 32,025	$ -
Changes in actuarial assumptions	-	40,746	-	12,399
Differences between projected and actual investment earnings (net of current year amortization)	149,615	-	45,527	-
Contributions subsequent to the measurement date	211,669	-	64,412	-
Total	$ 466,530	$ 40,746	$ 141,964	$ 12,399

The $211,669 and $64,412 in the City and Component Unit, respectively, which is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	City	Component Unit
Year ending September 30,		
2025	$ 93,248	$ 28,374
2026	61,630	18,754
2027	114,050	34,704
2028	(54,813)	(16,679)
2029	-	-
Thereafter	-	-
Total	$ 214,115	$ 65,153

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS

A. TMRS Supplemental Death Benefit

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

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	13
Active employees	53
Total members	95

Contributions

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

Employees for the City of La Feria were required to contribute 0.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of La Feria were 0.46% and 0.41% in calendar year 2023 and 2024, respectively. The City's contributions to the SDBF for the year ended September 30, 2024 were $10,452, and were equal to the required contributions.

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation date:	12/31/2023
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Discount rate*	3.77%
	Administrative expenses-All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
	Mortality rates- service retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
	Mortality rates- disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2023.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date. The following presents a summary of the changes in Total OPEB liability:

	City Increase (decrease) Total OPEB Liability	Component Unit Increase (decrease) Total OPEB Liability	Total Total OPEB Liability
Balance at December 31, 2022	$ 126,700	$ 34,969	$ 161,669
Changes for the year			
Service cost	5,943	1,809	7,752
Interest	2,304	4,285	6,589
Change in benefit terms	-	-	-
Difference between expected/ actual experience	1,674	510	2,184
Changes of assumptions	7,456	2,269	9,725
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(4,359)	(1,326)	(5,685)
Administrative expenses	-	-	-
Other charges	-	-	-
Net changes	13,018	7,547	20,565
Balance at December 31, 2023	$ 139,718	$ 42,516	$ 182,234

Total OPEB liability amounts are allocated between the City and its component unit in the statement of net position by $139,718 and $42,516, respectively.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (2.77%) or 1 percentage point higher (4.77%) than the current rate.

	1% Decrease in Discount Rate 2.77%	Discount Rate 3.77%	1% Increase in Discount Rate 4.77%
City's total OPEB liability	$ 166,881	$ 139,718	$ 118,459
Component unit's total OPEB liability	50,780	42,516	36,046
Total OPEB liability	$ 217,661	$ 182,234	$ 154,505

NOTE 5: OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2024 the City recognized combined OPEB expense in the amount of $6,431. At September 30, 2024 the City reported deferred outflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	$ 1,295	$ 7,790	$ 394	$ 2,371
Changes in actuarial assumptions	14,887	37,398	4,530	11,380
Differences between projected and actual investment earnings (net of current year amortization)	-	-	-	-
Contributions subsequent to the measurement date	5,532	-	1,683	-
Total	$ 21,714	$ 45,188	$ 6,607	$ 13,751

Deferred outflows of resources related to the total OPEB liability related to the supplemental death benefit are allocated between the City and component unit in the statement of net position.

The $5,532 and $1,683 which are reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025.

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

	City	Component Unit
Year ending September 30,		
2025	$ (8,135)	$ (2,476)
2026	(11,450)	(3,485)
2027	(10,263)	(3,123)
2028	842	257
2029	-	-
Thereafter	-	-
Total	$ (29,006)	$ (8,827)

NOTE 6: RISK MANAGEMENT

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

NOTE 7: COMMITMENTS AND CONTINGENCIES

Litigation

At September 30, 2024, the City was involved in various litigation matters, none of which can be reasonably determined as to the likelihood of outcome or financial impact on the City.

Grant Programs

The City participates in a number of grant programs funded by federal agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. Audits of all these programs including the year ended September 30, 2024 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 8: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with the acquisition of the City's fund balance that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. At the end of the current fiscal year, deferred inflows of resources reported in the fund financial statements were as follows:

Governmental Funds		
Delinquent property taxes receivable	$	234,750
Grants and other		215,559
Total deferred inflows of resources for governmental funds	$	450,309

Deferred outflows related to pensions are $417,614, $48,916 and $141,964 in the governmental activities, business-type activities, and component unit, respectively.

NOTE 8: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

Additionally, deferred outflows related to OPEB are $19,437, $2,277, and $6,607 in the governmental activities, business-type activities, and component unit respectively.

Deferred inflows related to the net pension liability are $36,474, $4,272, and $12,399 in the governmental activities, business-type activities, and component unit respectively.

Deferred inflows related to OPEB are $40,450, $4,738, and $13,751 in the governmental activities, business-type activities, and component unit respectively.

NOTE 9: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In prior years, the Internal Revenue Code specified that the plan's assets were the property of the City of La Feria until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. A 1996 federal law requires all assets and income of Internal Revenue Code 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Private corporations under contract with the City administer assets of the City's plan. The private administrators have amended the plans to comply with the new federal law. Consequently, the plan's assets and liabilities are not reported in the City's financial statements.

NOTE 10: TAX INCREMENT REINVESTMENT ZONE (TIRZ)

In 2007, the City of La Feria established a tax increment reinvestment zone (TIRZ) consisting of 759.66 acres through an inter-local agreement with Cameron County. A portion of the real property ad valorem taxes levied by both participating taxing entities will be set aside for capital improvement projects beginning with taxes levied after January 1st, 2008. The amount set aside for the TIRZ is based upon the incremental increase in the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2007. The City will contribute 100% of property tax revenue portion generated from the TIRZ; Cameron County agreed to contribute 50% of the property tax revenue generated from the TIRZ through August 31, 2036. On December 27, 2013, The TIRZ contributed $290,000 to a local developer for public improvements for a new 70-unit single family subdivision. As of September 30, 2024, the TIRZ fund balance was at $609,529.

NOTE 11: RELATED ORGANIZATION TRANSACTIONS

As described in Note 1, the City has two discretely presented component units all of which have fiscal years ended September 30, 2024. During the year and at year end, the City and the components had the following transactions.

Due from Component Units - During the year, the City maintained receivables totaling $2,859,390 and $11,595 from the Waterworks and Sewer System and La Feria IDC for unreimbursed advances. A portion of the current receivable from the Waterworks and Sewer System of $385,000 was due to the City for the System's current portion of debt service requirements on the 2011 Bond Series, as disclosed in Note 3. Total amounts due to the City from component units is $2,870,985.

Payments from Component Units - Included in other Intergovernmental revenues are payments of $- and $58,137 from the Waterworks and Sewer System and La Feria IDC, respectively, for administrative fees to the City and for their share of debt service related to General Obligation Refunding Bonds, Series 2011 and City of La Feria Certificates of Obligation, Series 2011.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Construction Commitments

At September 30, 2024, the City was a party to the following contracts:

Governmental Funds:

The City was awarded a grant in the amount of $18,400,000 from the U.S. Department of Housing and Urban Development (HUD) and passed through the Texas General Land Office (GLO) under the Community Development Block Grant Disaster Recovery Program to fund improvements to the public flood and drainage facilities and components, as well as watershed improvements. The GLO is the lead state agency for managing disaster recovery grants through HUD. Construction of the watershed improvements and other public flood components funded with GLO funds is completed but the City is waiting on final approval of the project from GLO for release of final funds.

As part of these improvements, the City worked with the La Feria Irrigation District (LFID) as some of the areas of improvement were property of the LFID. In order to finalize the project and obtain the necessary engineering certifications required by GLO to release the final funds to reimburse the City, the City has entered into an agreement with the LFID to complete these improvements. The agreement stipulates that, beginning with the fiscal year 2019-2020, the City will pay $100,000 per year for a period of 10 years to the LFID in order to fund the improvements. These amounts will be considered expenditures when paid and do not represent asset additions of the City, although the City will benefit from the infrastructure improvements.

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments

Waterworks and Sewer System:

The Texas Water Development Board (TWDB) approved a $7,167,700 loan forgiveness grant from the Drinking Water State Revolving Fund (DWSRF) Disadvantaged Community Program to finance water system improvements on May 4, 2011. The proposed project consists of water treatment plant and distribution improvements and upgrades to comply with the disinfection byproducts rule. Improvements to the water treatment plant include electrical motor controls and the installation of a Supervisory Control and Data Acquisition (SCADA) system. The distribution improvements include extending water lines to provide first time service to disadvantaged areas, replacing water meters and implementing an automated meter reading and leak detection system to improve efficiency and reduce water loss. Construction on this project started in January of 2014 and all projects that had been started are now completed.

The City is working with the TWDB to complete any remaining items in the 2023 fiscal year or after. Remaining funds available to fund additional projects are $282,785, which are in an escrow fund and reflected as restricted cash and unearned revenue in the statement of net position.

On May 4, 2011, the Texas Water Development Board (TWDB) also approved an $8,381,340 loan forgiveness grant from the Clean Water State Revolving Fund (CWSRF) Disadvantaged Community Program to finance wastewater system improvements. The proposed project includes extending first-time sanitary sewer service to several disadvantaged areas by constructing and installing approximately 31,550 feet of pipe, three lift stations and manholes and related appurtenances. Also included in the project is the purchase and installation of a SCADA system at the System's wastewater treatment plant. Construction on this project began in April 2014 and all projects previously started are now complete. The City is working with the TWDB to complete any remaining items in the 2023 fiscal year or after. There are no remaining funds available to fund additional projects.

NOTE 13: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2024 through July 22, 2025 the date the current year's financial statements were available to be issued. The following events occurred.

The City was awarded two grants of $625,000 from the Texas Department of Agriculture for downtown sidewalk revitalization purposes.

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REQUIRED SUPPLEMENTARY INFORMATION

City of La Feria, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual

For the fiscal year ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/ (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	$ 1,658,299	$ 1,658,299	$ 1,481,309	$ (176,990)
Sales	1,050,161	1,050,161	1,136,673	86,512
Mix Beverage	4,500	4,500	8,388	3,888
Franchise	371,000	371,000	418,770	47,770
Licenses and permits	128,700	128,700	334,079	205,379
Intergovernmental	1,107,649	1,107,649	568,016	(539,633)
Fees and charges	751,090	751,090	905,802	154,712
Fines	200,000	200,000	171,272	(28,728)
Interest income	25,010	25,010	83,916	58,906
Contributions and donations	21,050	21,050	9,240	(11,810)
Other	240,300	240,300	273,388	33,088
Total revenues	5,557,759	5,557,759	5,390,853	(166,906)
EXPENDITURES				
Current:				
General government	1,807,966	1,743,510	1,495,068	248,442
Public safety	2,128,058	2,128,058	1,946,990	181,068
Highways and streets	280,385	280,385	261,751	18,634
Health and welfare	11,000	11,000	14,260	(3,260)
Culture and recreation	651,275	651,275	722,902	(71,627)
Debt service:				
Principal	107,921	107,921	155,754	(47,833)
Interest	18,471	18,471	24,126	(5,655)
Capital outlay	1,006,000	1,006,000	773,817	232,183
Total expenditures	6,011,076	5,946,620	5,394,668	551,952
Excess (deficiency) of revenues over (under) expenditures	(453,317)	(388,861)	(3,815)	385,046
OTHER FINANCING SOURCES (USES)				
Transfers in	623,317	623,317	483,317	(140,000)
Transfers (out)	(170,000)	(170,000)	-	170,000
Right-to-use lease asset	-	-	128,619	128,619
Total other financing sources and uses	453,317	453,317	611,936	158,619
Net change in fund balance	-	64,456	608,121	543,665
Fund balance - beginning	1,560,574	1,560,574	1,560,574	-
Fund balance - ending	$ 1,560,574	$ 1,625,030	$ 2,168,695	$ 543,665

Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all funds and lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

a. City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
b. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
c. Public hearings are conducted at City Hall to obtain taxpayer comments.
d. Prior to October 1, the budget is adopted by the City Commission.
e. Revisions that alter total expenditures of any fund must be approved by the City Commission. The legal level of budgetary control (the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts) is the fund level with the City manager being authorized to transfer budgeted amounts between functional categories within a fund without prior City Commission approval. The final annual amended appropriated budgets are used in this report.
f. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
g. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds were adopted on a basis consistent with GAAP.
h. Appropriations lapse at the end of each fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. In the current year the City's expenditures exceeded budgeted appropriations at the fund level for Health and welfare, Culture and Recreation, and Debt Service (Principal and Interest. Refer to Note 1 for more information.

City of La Feria, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
For Agent Multiple Employer Pension Plan – Texas Municipal Retirement System

For the year ended September 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	**$ 387,102**	$ 358,792	$ 357,396	$ 321,536	$ 315,533	$ 224,723	$ 219,389	$ 219,149	$ 236,999	$ 208,767
Interest (on the total pension liability)	**654,207**	610,010	561,438	546,282	517,731	455,299	441,558	424,054	410,898	380,234
Changes of benefit terms	**-**	-	-	-	591,316	-	-	-	-	-
Difference between expected and actual experience	**176,645**	97,795	149,239	(288,407)	(45,293)	(31,086)	(50,318)	10,628	(46,049)	(16,944)
Changes of assumptions	**(89,545)**	-	-	-	26,584	-	-	-	61,615	-
Benefit payments, including refunds of employee contributions	**(488,380)**	(363,572)	(334,812)	(410,799)	(378,373)	(343,090)	(476,350)	(312,921)	(171,531)	(124,740)
Net change in total pension liability	**640,029**	703,025	733,261	168,612	1,027,498	305,846	134,279	340,910	491,932	447,317
Total pension liability - beginning	**9,742,594**	9,039,569	8,306,308	8,137,696	7,110,198	6,804,352	6,670,073	6,329,163	5,837,231	5,389,914
Total pension liability - ending (a)	**$ 10,382,623**	$ 9,742,594	$ 9,039,569	$ 8,306,308	$ 8,137,696	$ 7,110,198	$ 6,804,352	$ 6,670,073	$ 6,329,163	$ 5,837,231
Plan Fiduciary Net Position										
Contributions - employer	**$ 389,685**	$ 346,188	$ 380,140	$ 347,153	$ 233,845	$ 202,008	$ 183,954	$ 190,998	$ 209,142	$ 200,979
Contributions - employee	**180,889**	166,438	169,382	151,975	148,137	131,417	131,935	136,846	150,000	141,391
Net investment income	**858,244**	(571,940)	878,995	469,841	828,948	(165,962)	694,800	316,601	6,638	231,877
Benefit payments, including refunds of employee contributions	**(488,380)**	(363,572)	(334,812)	(410,799)	(378,373)	(343,090)	(476,350)	(312,921)	(171,531)	(124,740)
Administrative expense	**(5,463)**	(4,953)	(4,072)	(3,043)	(4,690)	(3,212)	(3,604)	(3,579)	(4,044)	(2,420)
Other	**(38)**	5,910	28	(119)	(140)	(168)	(183)	(193)	(200)	(199)
Net change in plan fiduciary net position	**934,937**	(421,929)	1,089,661	555,008	827,727	(179,007)	530,552	327,752	190,005	446,888
Plan fiduciary net position - beginning	**7,419,139**	7,841,068	6,751,407	6,196,399	5,368,672	5,547,679	5,017,127	4,689,375	4,499,370	4,052,482
Plan fiduciary net position - ending (b)	**$ 8,354,076**	$ 7,419,139	$ 7,841,068	$ 6,751,407	$ 6,196,399	$ 5,368,672	$ 5,547,679	$ 5,017,127	$ 4,689,375	$ 4,499,370
Net pension liability - ending (a) - (b)	**$ 2,028,547**	$ 2,323,455	$ 1,198,501	$ 1,554,901	$ 1,941,297	$ 1,741,526	$ 1,256,673	$ 1,652,946	$ 1,639,790	$ 1,337,862
Plan fiduciary net position as a percentage of total pension liability	**80.46%**	76.15%	86.74%	81.28%	76.14%	75.51%	81.53%	75.22%	74.09%	77.08%
City's covered payroll	**$ 2,584,128**	$ 2,377,683	$ 2,419,740	$ 2,171,074	$ 2,116,249	$ 1,877,389	$ 1,884,782	$ 1,954,942	$ 2,142,851	$ 2,019,877
Net pension liability as a percentage of city's covered payroll	**78.50%**	97.72%	49.53%	71.62%	91.73%	92.76%	66.67%	84.55%	76.52%	66.23%

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

For the year ended September 30,	**2024**	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	**$ 382,234**	$ 392,679	$ 362,452	$ 352,562	$ 309,638	$ 228,478	$ 192,956	$ 183,998	$ 202,962	$ 206,371
Contributions in relation to actuarially determined contribution	**(382,234)**	(392,679)	(362,452)	(352,562)	(309,638)	(228,478)	(192,956)	(183,998)	(202,962)	(206,371)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	**$ 2,463,531**	$ 2,629,822	$ 2,426,320	$ 2,233,285	$ 2,105,089	$ 2,081,078	$ 1,839,977	$ 1,884,782	$ 2,078,015	$ 2,103,613
Contributions as a percentage of city covered payroll	**15.52%**	14.93%	14.94%	15.79%	14.71%	10.98%	10.49%	9.76%	9.77%	9.81%

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

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table based on rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post retirement: 2019 Municipal 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.
Other Information:	There were no benefit changes during the year.

City of La Feria, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System

For the year ended September 30,	**2024**	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	**$ 7,752**	$ 12,602	$ 12,825	$ 9,336	$ 6,984	$ 6,946	$ 6,031
Interest (on the total OPEB liability)	**6,589**	4,579	4,630	5,456	5,863	5,270	5,174
Changes of benefit terms	**-**	-	-	-	-	-	-
Difference between expected and actual experience	**2,184**	(12,056)	(2,085)	(8,567)	(3,030)	(1,335)	-
Change of assumptions	**9,725**	(83,372)	7,610	28,983	31,199	(10,560)	11,882
Benefit payments, including refunds of employee contributions	**(5,685)**	(5,231)	(5,807)	(1,955)	(1,692)	(1,314)	(1,131)
Net Change in Total OPEB Liability	**20,565**	(83,478)	17,173	33,253	39,324	(993)	21,956
Total OPEB Liability - Beginning	**161,669**	245,147	227,974	194,721	155,397	156,390	134,434
Total OPEB Liability - Ending (a)	**$ 182,234**	$ 161,669	$ 245,147	$ 227,974	$ 194,721	$ 155,397	$ 156,390
Covered Employee Payroll	**$ 2,584,128**	$ 2,377,683	$ 2,419,740	$ 2,171,074	$ 2,116,249	$ 1,877,389	$ 1,884,782
Total OPEB Liability as a Percentage of Covered Employee Payroll	**7.05%**	6.80%	10.13%	10.50%	9.20%	8.28%	8.30%

Notes to schedule:

(1) The schedule above reflects the changes in the total OPEB liability for the current year. GASB 75 requires 10 fiscal years of data to be provided in this schedule. Additional years will be presented as the information becomes available.

(2) No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

OTHER SUPPLEMENTARY INFORMATION

Special revenue fund: The Tax Increment Reinvestment Zone (TIRZ) Fund was established to account for a portion of property taxes levied by the City and Cameron County to facilitate the provision of capital improvements.

Special revenue fund: The Texas Capital Fund was established to account for the City's economic development grant received from the State.

Special revenue fund: The Community Development Block Grant (CDBG) Fund was established to account for Federal grant awards which provide communities with flexible programs with resources to address a wide range of unique community development needs. The current CDBG grants complement capital improvements to the water and sewer system.

Special revenue fund: The Promotion of La Feria Fund was established to account for the hotel/motel tax revenue and the activities specifically related to the promotion of the City of La Feria.

Special revenue fund: The forfeiture fund was established to account for monies received by the La Feria Police Department. These funds are used to finance the police investigations and equipment.

Capital projects fund: The Certificates of Obligation Series 2015 Fund accounts for the construction of various capital improvements through the use of proceeds from this issuance of certificates of obligation.

City of La Feria, Texas
Non-Major Governmental Funds
Combining Balance Sheet

September 30, 2024

	Special Revenue Funds						Capital Projects Funds	
	Tax Increment Reinvestment Zone Fund	Texas Capital Fund	Forfeiture Fund	Community Development Block Grant Fund	Promotion of La Feria Fund	Total	Certificates of Obligation Series 2015 Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	$ 92,395	$ 36,954	$ 4,591	$ 100	$ -	$ 134,040	$ -	$ 134,040
Receivables								
Property tax	149,005	-	-	-	-	149,005	-	149,005
Other	-	76,307	-	-	-	76,307	-	76,307
Due from other funds	517,134	-	-	-	6,332	523,466	-	523,466
Restricted assets								
Cash and cash equivalents	-	-	-	-	-	-	1,288	1,288
Total assets	$ 758,534	$ 113,261	$ 4,591	$ 100	$ 6,332	$ 882,818	$ 1,288	$ 884,106
LIABILITIES								
Accounts payable	$ -	$ 35,993	$ -	$ -	$ -	$ 35,993	$ -	$ 35,993
Due to other funds	-	78,768	-	100	23,867	102,735	-	102,735
Total liabilities	-	114,761	-	100	23,867	138,728	-	138,728
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues - property taxes	149,005	-	-	-	-	149,005	-	149,005
Total deferred inflows of resources	149,005	-	-	-	-	149,005	-	149,005
FUND BALANCES (DEFICIT)								
Restricted fund balances:								
Tax increment reinvestment zone	609,529	-	-	-	-	609,529	-	609,529
Capital projects	-	-	-	-	-	-	1,288	1,288
Assigned	-	-	4,591	-	-	4,591	-	4,591
Unassigned	-	(1,500)	-	-	(17,535)	(19,035)	-	(19,035)
Total fund balances (deficit)	609,529	(1,500)	4,591	-	(17,535)	595,085	1,288	596,373
Total liabilities, deferred inflows of resources and fund balance	$ 758,534	$ 113,261	$ 4,591	$ 100	$ 6,332	$ 882,818	$ 1,288	$ 884,106

City of La Feria, Texas
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended September 30, 2024

	Special Revenue Funds						Capital Projects Funds	
	Tax Increment Reinvestment Zone Fund	Texas Capital Fund	Forfeiture Fund	Community Development Block Grant Fund	Promotion of La Feria Fund	Total	Certificates of Obligation Series 2015 Fund	Total Nonmajor Governmental Funds
Revenues								
Property taxes	$ 176,473	$ -	$ -	$ -	$ -	$ 176,473	$ -	$ 176,473
Hotel / motel tax	-	-	-	-	17,116	17,116	-	17,116
Fees and charges	-	-	-	-	32,880	32,880	-	32,880
Other	-	-	(6,129)	-	-	(6,129)	-	(6,129)
Total revenues	176,473	-	(6,129)	-	49,996	220,340	-	220,340
Expenditures								
Current								
Culture and recreation	-	-	-	-	78,790	78,790	-	78,790
Total expenditures	-	-	-	-	78,790	78,790	-	78,790
Excess (deficiency) of revenues over (under) expenditures	176,473	-	(6,129)	-	(28,794)	141,550	-	141,550
Net change in fund balances	176,473	-	(6,129)	-	(28,794)	141,550	-	141,550
Fund balance, beginning	433,056	(1,500)	10,720	-	11,259	453,535	1,288	454,823
Fund balance, ending	$ 609,529	$ (1,500)	$ 4,591	$ -	$ (17,535)	$ 595,085	$ 1,288	$ 596,373

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COMPLIANCE SECTION

CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
402 East Tyler Avenue
Harlingen, TX 78550

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CRIadv.com

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

To the City Honorable Mayor and
Members of the City Commission
City of La Feria, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of La Feria, Texas' basic financial statements, and have issued our report thereon dated July 22, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of La Feria, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of La Feria, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of La Feria, Texas' internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of La Feria, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2024-001.

City of La Feria, Texas's Response to Findings

City of La Feria, Texas's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of La Feria, Texas's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Harlingen, Texas
July 22, 2025

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City of La Feria, Texas
Schedule of Findings and Responses
For the Year Ended September 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal controls over financial reporting:		
• Material weakness(es) identified?	_____ yes	__x__ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	__x__ none reported
Noncompliance material to finanical statements noted?	_____ yes	__x__ no

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

2024-001	**Lack of Waterworks and Sewer System Board Meetings**
Criteria:	The City Code of Ordinances Chapter 13 established a board of directors for the Waterworks and Sewer System that is intended to be a self-perpetuating board for the purpose of supervising the administration of the water and sewer system.
Condition Found:	It was noted per discussion with the City that while the Waterworks and Sewer System has a board, the board has not met to discuss activity pertaining to the Waterworks and Sewer System since September 29, 2020.
Context:	Per review of the City website and inquiry of City personnel, no minutes or agendas for the Waterworks and Sewer System were available since September 29, 2020.
Cause:	Lack of oversight from the Waterworks and Sewer System board of directors.
Effect:	There is a risk that the Waterworks enters into activity or agreements that are not approved by the Waterworks board.
Recommendation:	The Waterworks board should establish a schedule for board meetings to discuss activity pertaining to the System, and the results of these meetings should be documented and made available to the public.
Views of Responsible Officials:	Management agrees with the findings. See corrective action plan beginning on page 110.

City of La Feria, Texas
Schedule of Findings and Responses
For the Year Ended September 30, 2024

Section III –Findings and Responses

None noted that were required to be reported.

CITY OF LA FERIA

City of La Feria, Texas
Corrective Action Plan

PROGRAM DESCRIPTION	CORRECTIVE ACTION PLAN
Findings - Financial Statements **Schedule Reference Number: (2024-001)** **Lack of Waterworks and Sewer System Board Meetings**	
Corrective Action Plan:	Management plans to address the lack of Waterworks meetings.

Responsible Contact: Luis Castillo, Finance Director
Implementation Time Frame: Ongoing during the current fiscal year

City of La Feria, Texas
Summary Schedule of Prior Audit Findings

DESCRIPTION	STATUS OF PRIOR YEAR FINDINGS
Schedule Reference Number: (2023-001)	
Excess of Expenditures over Appropriations	
Corrective Action Plan:	The City implemented a process for reviewing remaining budget amounts prior to approval of expenditures and approved budget amendments are made on a timely manner prior to exceeding budgeted amounts. Overall, expenditures did not exceed budgeted amounts in the current year. This is no longer a finding.

Discussion with City Personnel: The results of the audit were discussed at an exit briefing with the following grantee personnel:

Luis Castillo, Finance Director
Frank Rios, City Manager

No exceptions were taken to the factual contents of the items contained in this report.

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $_____
Total Insurance Payment: $_____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

SPECIMEN

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

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Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN

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