

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time this Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which

**RATINGS: Moody's "Baa3"**  
See "RATING"

**PRELIMINARY OFFICIAL STATEMENT**  
**Dated June 26, 2025**

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

**The City will designate the Certificates as "Qualified Tax-Exempt Obligations."**  
See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.

**NEW ISSUE - Book-Entry-Only**

**\$5,150,000\***  
**CITY OF PORT ISABEL, TEXAS**  
**CERTIFICATES OF OBLIGATION, SERIES 2025**

**Dated Date: July 1, 2025**

**Due: February 15, as shown on page ii**

Interest to accrue from Delivery Date

**PAYMENT TERMS** . . . Interest on the \$5,150,000\* City of Port Isabel, Texas Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the Delivery Date (defined below) and will be payable beginning February 15, 2026, and each February 15 and August 15 thereafter until maturity or prior redemption. Interest on the Certificates will be calculated based on a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of 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 BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State, including Section 271.041, Texas Local Government Code, as amended and an ordinance (the "Ordinance") to be adopted by the City Commission on July 8, 2025 (see "The Certificates - Authority for Issuance") and constitute direct obligations of the City payable from a combination of (i) an ad valorem tax levied annually, within the limits prescribed by law, against all taxable property in the City and (ii) a limited pledge of surplus revenues (not in excess of \$1,000) of the City's museum and park system, as provided in the Ordinance (see "THE CERTIFICATES - Authority for Issuance of the Certificates" and "- Security and Source of Payment").

**PURPOSE** . . . Proceeds from the Certificates will be used (1) to construct improvements for parks and recreation (2) to construct street and sidewalk improvements (3) to construct improvements to City Hall, and (4) to pay costs of issuance for the Certificates.

**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page ii**

**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser named below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the legal opinion of Winstead PC, San Antonio, Texas (see Appendix B - "Form of Legal Opinion of Bond Counsel"). Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through DTC on or about July 31, 2025 (the "Delivery Date").

**Oppenheimer & Co.**

\*Preliminary, subject to change.

## MATURITY SCHEDULE

**\$5,150,000\***  
**CITY OF PORT ISABEL, TEXAS**  
**CERTIFICATES OF OBLIGATION, SERIES 2025**

CUSIP Prefix: 734523 <sup>(A)</sup>

<b>Maturity Date</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Initial Yield</b>	<b>CUSIP Suffix<sup>(A)</sup></b>
2/15/2026	\$ 60,000			
2/15/2027	75,000			
2/15/2028	80,000			
2/15/2029	85,000			
2/15/2030	90,000			
2/15/2031	95,000			
2/15/2032	100,000			
2/15/2033	105,000			
2/15/2034	110,000			
2/15/2035	115,000			
2/15/2036	120,000			
2/15/2037	130,000			
2/15/2038	135,000			
2/15/2039	145,000			
2/15/2040	150,000			
2/15/2041	160,000			
2/15/2042	165,000			
2/15/2043	175,000			
2/15/2044	185,000			
2/15/2045	195,000			
2/15/2046	205,000			
2/15/2047	220,000			
2/15/2048	230,000			
2/15/2049	245,000			
2/15/2050	255,000			
2/15/2051	270,000			
2/15/2052	285,000			
2/15/2053	305,000			
2/15/2054	320,000			
2/15/2055	340,000			

(Interest to accrue from the Delivery Date)

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

**OPTIONAL REDEMPTION** . . . The Certificates having stated maturities on and after February 15, 2036, are subject to optional redemption in whole or in any part thereof, in the principal amounts of \$5,000 or any integral multiple thereof on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

\*Preliminary, subject to change.

## **CITY OF PORT ISABEL, TEXAS**

### **CITY COMMISSION**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Term Expires</u></b>	<b><u>Occupation</u></b>
Martin Cantu, Jr.	Mayor	May 2028	Business Owner
Sandra Holland	Commissioner, Place 1	May 2028	Teacher
Michelle Barreiro	Commissioner, Place 2	May 2028	School Counselor
Martin Cantu	Commissioner, Place 3	May 2027	Business Owner
Jeffrey Martinez	Commissioner, Place 4	May 2027	Hotel Manager

### **ADMINISTRATIVE OFFICERS**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Length of Service</u></b>	<b><u>Total Years of Experience</u></b>
Jared Hockema	City Manager	9 years	27 years
John Sandoval	Assistant City Manager	4 years	13 years
Linda Chullino	Finance Director	8.5 years	35 years

### **CONSULTANTS AND ADVISORS**

Winstead PC, San Antonio, Texas	Bond Counsel
Juarez, P.L.L.C., CPA Firm, Harlingen, Texas	Independent Certified Public Accountant
D.A. Davidson & Co., Plano, Texas	Financial Advisor

For additional information regarding the City, please contact:

Jared Hockema, City Manager City of Port Isabel, Texas 305 E. Maxan Port Isabel, Texas 78578 Phone: (956) 943-2682	or	Steven Perry, Senior Vice President D.A. Davidson & Co. 5601 Granite Parkway, Suite 560 Plano, Texas 75024 Phone: (972) 523-3913
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## USE OF INFORMATION IN OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended (“Rule 15c2-12”), and in effect on the date of this Official Statement, this document constitutes an “official statement” of the City with respect to the Certificates that has been “deemed final” by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

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

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

*The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor.*

*This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the accuracy of such estimates and opinions, or that they will be realized. CUSIP Numbers have been assigned to this issue by the CUSIP Service Bureau for the convenience of the owners of the Certificates.*

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

*None of the City, Financial Advisor, or the Underwriter make any representation or warranty with respect to the information contained in this official statement regarding the Depository Trust Company or its Book-Entry-Only System.*

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

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

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## SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the 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.

<b>The Issuer</b>	The City of Port Isabel, Texas (the “City”) is a home rule municipality and political subdivision of the State of Texas located in Cameron County. For information regarding the City and its economy see Appendix A.
<b>The Certificates</b>	The City of Port Isabel, Texas \$5,150,000* Certificates of Obligation, Series 2025 (the “Certificates”) are being issued as serial Certificates maturing on February 15 in the years 2026 through and including 2055 unless the Underwriter elects to aggregate two or more consecutive maturities as term certificates.
<b>Payment of Interest</b>	Interest on the Certificates accrues from the Delivery Date, expected to be July 31, 2025 and is payable beginning February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES – Description of the Certificates”).
<b>Purpose of Certificates</b>	Proceeds from the Certificates will be used (1) to construct improvements for parks and recreation (2) to construct street and sidewalk improvements (3) to construct improvements to City Hall, and (4) to pay costs of issuance for the Certificates.
<b>Authorization and Security</b>	The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, including Section 271.041, Texas Local Government Code, as amended and an ordinance (the “Ordinance”) to be adopted by the City Commission on July 8, 2025 and constitute direct obligations of the City payable from a combination of (i) an ad valorem tax levied annually, within the limits prescribed by law, against all taxable property in the City and (ii) a limited pledge of surplus revenues (not in excess of \$1,000) of the City’s museum and park system, as provided in the Ordinance (see “THE CERTIFICATES - Authority for Issuance of the Certificates” and “- Security and Source of Payment”).
<b>Redemption</b>	The Certificates having stated maturities on and after February 15, 2036, are subject to optional redemption in whole or in any part thereof, in the 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. In the event the Underwriter elects to aggregate two or more consecutive maturities of the Certificates as term certificates (the “Term Certificates”). Such Term Certificates would be subject to mandatory sinking fund redemption (see “THE CERTIFICATES – Optional Redemption”).
<b>Rating</b>	Moody’s Investors Service (“Moody’s”) has assigned its municipal bond rating of “Baa3” to the Certificates.
<b>Tax Exemption</b>	In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.
<b>Qualified Tax-Exempt Obligations</b>	The City will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions”).

**Book-Entry-Only  
System**

The Certificates are initially issued 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 denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof. No physical delivery of the Certificates will be made to the purchasers thereof. Principal of 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”).

**Legal Opinion**

Delivery of the Certificates is subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of Winstead PC, San Antonio, Texas, Bond Counsel.

**Payment Record**

The City has never defaulted on any of its debt obligations.

\*Preliminary, subject to change.

**PRELIMINARY OFFICIAL STATEMENT  
RELATING TO  
\$5,150,000\*  
CITY OF PORT ISABEL  
CERTIFICATES OF OBLIGATION, SERIES 2025**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$5,150,000 City of Port Isabel, Texas Certificates of Obligation, Series 2025 (the “Certificates”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance to be adopted on July 8, 2025, (the “Ordinance”), which will authorize the issuance of the Certificates.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, D.A. Davidson & Co., 5601 Granite Parkway, Suite 560, Plano, Texas 75024.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” for information regarding the EMMA system and for a description of the City’s undertaking to provide certain information on a continuing basis.

**Description of the City**

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1928. The City operates under a Council/Manager form of government with a City Commission comprised of the Mayor and four Commissioners elected for staggered two year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, solid waste, planning and zoning, and general administrative services. The 2020 Census population for the City was 5,028. The City covers approximately 13.67 square miles.

The City’s audited financial statements for the Fiscal Year ended September 30, 2024 (the “Financial Statements”), which are set forth as APPENDIX C, present information on the general financial condition of the City at the dates and for the periods described therein. The Financial Statements and other financial information of this Official Statement are not intended to imply that any other tax receipts, revenues or moneys of the City are pledged to pay the principal of or interest on the Bonds. As used herein, the term “Fiscal Year,” unless otherwise indicated, means the City’s Fiscal Year, which currently is the twelve-month period beginning on October 1 of a calendar year and ending on September 30 of the next succeeding calendar year. Each such period may be designated with the number of the calendar year in which such period ends.

**PLAN OF FINANCING**

**Purpose**

Proceeds from the Certificates will be used (1) to construct improvements for parks and recreation (2) to construct street and sidewalk improvements (3) to construct improvements to City Hall, and (4) to pay costs of issuance for the Certificates.

\*Preliminary, subject to change.



## Sources and Uses of Certificate Proceeds

Proceeds from the sale of the Certificates are expected to be expended as follows:

<b>Sources of Funds</b>	
Par Amount	\$
Reoffering Premium	
<b>Total Sources of Funds</b>	<b>\$</b>
 <b>Uses of Funds</b>	
Deposit to Project Fund	\$
Underwriter's Discount	
Costs of Issuance	
<b>Total Uses of Funds</b>	<b>\$</b>

## THE CERTIFICATES

### Description of the Certificates

The Certificates are dated July 1, 2025 and mature on February 15 in each of the years and in the amounts shown on page ii. Interest on the Certificates will accrue from the Delivery Date as defined on the cover hereof and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable beginning on February 15, 2026, and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in denominations of \$5,000 or any integral multiple thereof and will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of 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" herein).

### Authority for Issuance of the Certificates

The Certificates are issued pursuant to the Constitution and general laws of the State, including Section 271.041, Texas Local Government Code, as amended, and the Ordinance.

### Security and Source of Payment

The Certificates are payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance. The Certificates are additionally secured by a limited pledge of net revenues (not in excess of \$1,000) of the City's museum and park 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 each \$100 of Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per each \$100 of Taxable Assessed Valuation. Administratively, in approving the Certificates, 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, based on a 90% tax collection rate as calculated at the time of issuance.

### Optional Redemption

The City reserves the right, at its option, to redeem Certificates having stated maturities on and 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. If less than all of the Certificates are to be redeemed, the City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If two or more serial Certificates of consecutive maturity are combined

into one or more “term” Certificates (the “Term Certificates”) by the Underwriter, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance.

If a Certificate (or any portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

### **Notice of Redemption**

Not less than 30 days prior to an optional redemption date for the Certificates, a notice of redemption will be sent by United States mail, first class postage prepaid, in the name of the City and at the City’s expense, by the Paying Agent/Registrar to each registered owner of an Obligation to be redeemed in whole or in part at the address of the registered owner appearing on the security register maintained by 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 WILL 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 WILL 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 WILL CEASE TO ACCRUE.

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

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

### **Amendments to the Ordinance**

The City may, without the consent of or notice to any Holders of the Certificates, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the Holders of the Certificates, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of Holders of a majority in aggregate principal amount of the applicable Certificates then Outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all Holders of applicable Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the such 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, premium, if any, or interest on such Certificates, (2) give any preference to any Certificate over any other Certificate, as applicable, or (3) reduce the aggregate principal amount of Certificates, required to be held by Holders for consent to any such amendment, addition, or rescission.

## **Defeasance**

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of such Certificates, plus interest thereon to the due date thereof, is provided by irrevocably depositing with a paying agent or other authorized entity (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under applicable laws of the State of Texas.

The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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 may 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.

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

## **Book-Entry-Only System**

*This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company, New York, New York ("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 and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The City and the Underwriter cannot and do 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

DTC, the world's largest 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 for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County 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, the Paying Agent/Registrar, or the County, subject to any

statutory or regulatory requirements as may be in effect from time to time. All payments with respect to the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the County or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

### **Use of Certain Terms in Other Sections of this Official Statement**

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

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

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, 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 legally qualified bank, trust company, financial institution or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. 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 the Certificates so affected by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

### **Transfer, Exchange and Registration**

In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States 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 in any integral multiple of \$5,000 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" herein 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 Obligation during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

## **Record Date for Interest Payment**

The record date for determining the person to whom the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month (the “Record Date”). In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date”, which must 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 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.

## **Remedies**

If the City defaults in the payment of the principal of or interest on the Obligations when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Ordinance and the City’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Registered owners upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by the city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. The Texas Supreme Court reviewed *Wasson* again in *Wasson Interest, Ltd. v. City of Jacksonville*, 559 S.W. 3d 142 (Tex. 2018) and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (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, Registered owners may not be able to bring such a suit against the City for breach of the Obligations or covenants 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 Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Registered owners of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to governmental immunity and the customary rights of debtors relative to their creditors and general principles or equity which permit the exercise of judicial discretion.

## **TAX INFORMATION**

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

### **Valuation of Taxable Property**

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Cameron County Appraisal District (the “Appraisal District”). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may challenge the granting of exemptions, exclusion of the property from the tax roll, determination that property qualifies for agriculture, open space or timber valuation and the failure to identify the taxing unit as one in which a property is taxable.

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

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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

### **State Mandated Homestead Exemptions**

State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses 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.

### **Non-Homestead Property Valuation**

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “subjected property”) whose appraised values are not more than \$5 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent (20%) of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the “appraisal cap”). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap took effect on January 1, 2024.

## **Local Option Freeze for the Elderly and Disabled**

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

## **Personal Property**

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

## **Freeport and Goods-In-Transit Exemptions**

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

## **Other Exempt Property**

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

## **Tax Increment Reinvestment Zones**

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

## **Tax Abatement Agreements**

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



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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

For a discussion of how the various exemptions described above are applied by the City, see “TAX INFORMATION – City Application of Tax Code” herein.

## **City and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,231 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 “TAX INFORMATION – Public Hearing And Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

## **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.

## **Levy and Collection of Taxes**

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each

month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers.

Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

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

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

**“adjusted”** means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

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

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

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

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

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

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

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

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

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

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

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but

greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter approval tax rate.

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

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

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

### **City Application of Property Tax Code**

In accordance with a Constitutional Amendment approved by the voters of the State of Texas on September 13, 2003, the City Commission of the City has implemented a tax freeze for persons over 65 years of age and the disabled. As a result, the total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residential homestead of that person or that person's spouse who is disabled or sixty-five years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs and other than improvements made to comply with government requirements. If a disabled or elderly person dies in a year in which the person received a residential homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residential homestead of that person's surviving spouse if the spouse is fifty-five years of age or older at the time of that person's death.

The City does not tax freeport property or goods-in-transit.

The City has adopted a tax abatement policy and has no abatements in place.

The City does not tax nonbusiness personal property; and the Cameron County Tax Assessor-Collector collects taxes for the City.

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

The City does grant disabled veterans' exemptions as follows:

A \$5,000 exemption to the market value of residences of veterans rated 10 to 29% disabled.

### **TAX RATE LIMITATIONS**

Article XI, Section 5, of the State Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation for all City purposes including debt service. It is the current practice of the Attorney General of the State of Texas to allow cities such as the City to utilize up to \$1.50 of the \$2.50 per \$100 assessed valuation at a 90% collection rate for the payment of debt service on obligations of the applicable city.

### **INVESTMENTS**

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

## Legal Investments

Under Texas law, the City is authorized to invest in:

(1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") 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) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (7) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (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 (ii)(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; (9) 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; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 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; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code), as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool described in (14) above must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. 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.

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 and 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 Texas 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, the City's 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 must submit an investment report to the Commissioners Court detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and 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 strategies and (b) Texas law. No person may invest City funds without express written authority from the Commissioners Court.

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) 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, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

### **Current Investments**

As of March 31, 2025 the City had \$7,389,742.87 in bank deposits.

## **TAX MATTERS**

### **Tax Exemption**

The delivery of the Certificates is subject to the opinion of Winstead PC, San Antonio, Texas, Bond Counsel, to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) is not an item of tax preference for purposes of the alternative minimum tax for the owners thereof who are individuals. A form of Bond Counsel’s opinion is reproduced as APPENDIX B.

The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. In rendering the foregoing opinion, Bond Counsel will rely upon the representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates, the manner in which the proceeds of the Certificates are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or how have paid or incurred certain expenses allocable to, tax-exempt obligations.

For taxable years beginning after December 31, 2022, an “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Certificates, is included in a corporation’s “adjusted financial statement income,” ownership of the Certificates could subject a corporation to alternative minimum tax consequences.

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

### **Tax Accounting Treatment Of Discount Certificates**

The initial public offering price of a certain Obligation may be less than the amount payable on such Obligation at maturity (the “Discount Certificates”). An amount equal to the difference between the initial public offering price of a Discount Obligation (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificates. A portion of such original issue discount, allocable to the holding period of such Discount Obligation by the initial purchaser will, upon the disposition of such Discount Obligation (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Discount Obligation described above under “Tax Exemption”. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Obligation, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Obligation and generally will be allocated to an

original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Obligation by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount and downward for the payments denominated as interest allocable to the period for which such Discount Obligation was held) is includable in gross income.

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

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

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

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

### **Collateral Tax Consequences Summary**

The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Certificates. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Obligation. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the ownership of such Certificates may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Certificates may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by section 884 of the Code.

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

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such

obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio of the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local, and Foreign Taxes**

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

### **Changes in Law**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under federal or state law or otherwise prevent owners of the Certificates from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Certificates.

Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

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

The City will designate the Certificates as “qualified tax-exempt obligations” and will certify its expectation that the above described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code.

However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

## **LITIGATION**

In the opinion of the City attorney and City management, any liabilities resulting from such suits will not materially affect the financial position of the City.

## **LEGAL MATTERS**

The delivery of the Certificates is subject to the approval of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City payable from sources and secured in the manner provided in the Ordinance, and the legal opinion of Obligation Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein. The forms of Bond Counsel opinion are attached hereto as Appendix B. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent upon the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.



Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Obligation Counsel, such firm has reviewed the information describing the Certificates in this Official Statement under the captions "THE CERTIFICATES" (except for the information under subcaptions "Book-Entry-Only System" and "Remedies"), "TAX MATTERS," "LEGAL MATTERS (except for the last sentence of the first paragraph thereof)," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings" as to which no opinion is expressed) and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained herein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. Certain legal matters will be passed upon for the Underwriters by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

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

### **LEGAL INVESTMENTS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

The City makes no representation that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

### **REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE**

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

### **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 information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Annual Reports**

The City will file with EMMA annually certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1-5 and 7-9 of Appendix A and in Appendix C. The City will update and provide this information within nine months after the end of each fiscal year ending in and after 2025. 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 the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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

## **Notice of Certain Events**

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

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

## **Availability of Information**

The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge via EMMA.

## **Limitations and Amendments**

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from

any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Certificate counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions 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 so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

The City became obligated to make certain continuing disclosure filings in 2019. For fiscal year ending 2020 the City did not timely file its audited financial statements. A notice of late filing and all missing information was provided to EMMA on May 16, 2024. Other than as described, the City has complied in all material respects with its continuing disclosure obligations.

### **RATING**

Moody's has assigned a rating of "Baa3" to the Certificates. Ratings reflect only the views of the rating agencies, from whom an explanation of the significance of such ratings may be obtained. There is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of a rating agency, circumstances so warrant. The City has undertaken no responsibility to bring to the attention of the holders of the Certificates any proposed revision or withdrawal of the ratings on the Certificates or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal could have an adverse effect on the market price of the Certificates.

### **FINANCIAL ADVISOR**

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

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

### **UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at a purchase price of \$ (representing the principal amount of the Certificates, plus a reoffering premium on the Certificates of \$, and less an Underwriter's discount on the Certificates of \$), and no accrued interest.

The Underwriter's obligations are subject to certain conditions precedent, and they will be obligated to purchase all the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in the Official Statement pursuant to their responsibilities to investors under the federal securities laws 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 obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

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

## **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.

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering and sale of the Bonds by the Underwriter in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF PORT ISABEL, TEXAS

/S/  
\_\_\_\_\_  
Mayor, City of Port Isabel, Texas

ATTEST:

/S/  
\_\_\_\_\_  
City Secretary, City of Port Isabel, Texas

**APPENDIX A**  
**FINANCIAL INFORMATION REGARDING THE CITY**

**TABLE 1**  
**CITY OF PORT ISABEL, TEXAS**  
**VALUATIONS, EXEMPTIONS AND TAX DEBT**

<b>2024 Market Valuation Established by Cameron County Appraisal District</b>		<b>\$ 714,012,349</b>
<b><u>Less Adjustments/Exemptions:</u></b>		
Productivity Loss	\$ 2,942,969	
Homestead Cap	\$ 80,491,491	
Disabled	\$ 315,500	
Homestead Exemption	\$ 72,080,703	
Totally Exempt	\$ 36,087,029	
Over 65	\$ 1,182,434	
Total Adjustments/Exemptions		<u>\$ 193,100,126</u>
<b>2024 Taxable Assessed Valuation</b>		<b><u>\$ 520,912,223</u></b> <sup>(1)</sup>
Outstanding Tax Debt (as of July 2025)		\$ 10,665,000
<b>Plus:</b>		
The Certificates		\$ 5,150,000 <sup>(2)</sup>
Less: Interest & Sinking Fund Balance		\$ (608,725)
<b>Net Tax Debt</b>		<b><u>\$ 15,206,275</u></b>
Ratio Net Ad Valorem Tax Supported Debt to Taxable Assessed Valuation		2.92%
2024 Estimated Population -		5,108
Per Capita Taxable Assessed Valuation -	\$	101,980
Per Capita Net Tax Debt -	\$	2,977

*(1) Source: The City and Cameron County Appraisal District. Preliminary 2025 Value is \$542 million.*

*(2) Preliminary, subject to change.*

**TABLE 2**  
**CITY OF PORT ISABEL, TEXAS**  
**CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY**

	<b>Total Tax Roll for Fiscal Years</b>				
	<b><u>2024/25</u></b>	<b><u>2023/24</u></b>	<b><u>2022/23</u></b>	<b><u>2021/22</u></b>	<b><u>2020/21</u></b>
Single Family Residence	\$396,162,227	\$362,130,684	\$226,658,700	\$218,635,845	\$218,148,380
Multi-Family Residence	19,208,880	16,337,758	17,902,786	15,541,180	14,569,553
Vacant Lots & Land Tracts	54,654,807	43,052,821	37,669,661	31,398,120	34,548,278
Qualified Open Space Land (QOSL)	2,942,969	2,942,969	2,943,340	2,619,566	2,994,058
Rural Land	464,985	464,985	594,722	1,017,614	173,328
Commercial Real Property	116,567,472	99,462,210	88,629,507	91,771,991	94,973,773
Industrial Real Property	-	-	-	80,456	64,456
Utilities	8,015,033	7,658,083	7,711,801	7,256,745	7,307,620
Commercial Personal Property	26,176,135	24,310,116	22,593,639	21,327,285	23,658,408
Industrial Personal Property	14,960,685	566,723	566,723	566,723	568,723
Mobile Homes	1,999,740	1,949,383	1,943,841	1,899,430	1,777,393
Residential Inventory	563,540	50,260	117,750	216,688	445,115
Special Inventory	215,173	167,970	178,249	185,677	127,522
Totally Exempt	72,080,703	66,718,115	65,060,419	39,399,619	37,875,740
	<b><u>\$714,012,349</u></b>	<b><u>\$625,812,077</u></b>	<b><u>\$472,571,138</u></b>	<b><u>\$431,916,939</u></b>	<b><u>\$437,232,347</u></b>
<b><u>Less Adjustments/Exemptions</u></b>					
Productivity Loss	\$ 2,942,969	\$ 2,889,162	\$ 2,920,591	\$ 2,597,738	\$ 2,961,915
Homestead Cap	80,491,491	59,442,008	1,481,221	1,745,294	2,934,445
Disabled	315,500	238,500	4,162,792	3,426,037	3,024,915
Totally Exempt	72,080,703	66,718,115	65,023,999	39,369,075	37,836,053
Homestead Exemption	36,087,029	37,196,020	18,375,684	17,745,698	18,523,792
Over 65	1,182,434	1,182,434	1,178,658	1,171,648	1,229,313
<b>Total Exemptions</b>	<b><u>\$193,100,126</u></b>	<b><u>\$167,666,239</u></b>	<b><u>\$ 93,142,945</u></b>	<b><u>\$ 66,055,490</u></b>	<b><u>\$ 66,510,433</u></b>
<b>Net Taxable Valuation</b>	<b><u>\$520,912,223</u></b>	<b><u>\$458,145,838</u></b>	<b><u>\$379,428,193</u></b>	<b><u>\$365,861,449</u></b>	<b><u>\$370,721,914</u></b>

*Source: Cameron County Appraisal District*

**TABLE 3**  
**CITY OF PORT ISABEL, TEXAS**  
**PER CAPITA DATA**

Fiscal Year Ended 30-Sep	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	Net Tax Debt Outstanding at end of Year	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation
2021	5,028	370,721,914	73,731	5,910,000	1,175	1.59%
2022	5,029	365,861,449	72,750	5,855,000	1,164	1.60%
2023	5,094	379,428,193	74,485	5,705,000	1,120	1.50%
2024	5,108	458,145,838	89,692	10,571,643	2,070	2.31%
2025	5,115	520,912,223	101,840	15,206,275 <sup>(3)</sup>	2,973	2.92%

*(1) Source: U.S. Census Bureau and The City.*

*(2) Source: Cameron County Appraisal District.*

*(3) Includes the Certificates. Preliminary, subject to change.*



**TABLE 4**  
**CITY OF PORT ISABEL, TEXAS**  
**PROPERTY TAX RATE AND TAXABLE ASSESSED VALUATION**

<b>Fiscal Year</b>	<b>Taxable</b>	
<b><u>Ending 9/30</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>Tax Rate</u></b>
2020	349,681,194	0.701827
2021	370,721,914	0.700200
2022	365,861,449	0.697886
2023	379,428,193	0.700200
2024	458,145,838	0.690000
2025	520,912,223	0.760000

*Source: The City and Cameron County Appraisal District Records*

**TAX RATE DISTRIBUTION**

	<b><u>2024/25</u></b>	<b><u>2023/24</u></b>	<b><u>2022/23</u></b>	<b><u>2021/22</u></b>	<b><u>2020/21</u></b>
Maintenance & Operations	\$0.520000	\$0.550000	\$0.625000	\$0.624986	\$0.625000
Interest & Sinking Fund	<u>0.240000</u>	<u>0.140000</u>	<u>0.075200</u>	<u>0.072900</u>	<u>0.075200</u>
Total	<b><u>\$ 0.760000</u></b>	<b><u>\$ 0.690000</u></b>	<b><u>\$ 0.700200</u></b>	<b><u>\$ 0.697886</u></b>	<b><u>\$ 0.700200</u></b>

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*Source: The City and Cameron County Appraisal District Records*

**TABLE 5**  
**CITY OF PORT ISABEL, TEXAS**  
**TOP TEN PROPERTY TAXPAYERS**

Name of Taxpayer	Type of Business	2024 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Inland Dredging	Dredging Company	14,437,421	2.77%
Wal-Mart Real Estate Business Trust	Real Estate	13,622,329	2.62%
AEP Texas Central Co.	Electric Utility	6,122,730	1.18%
Segars Northshore LLC	Real Estate	3,607,961	0.69%
Port Isabel Park Center Inc.	RV Park	4,598,768	0.88%
HEB Grocery Co.	Grocery Store	3,686,674	0.71%
NSA Property Holdings	Real Estate	4,594,258	0.88%
Tres Palmas Inc.	Hotel/Restaurant	3,600,000	0.69%
GF Group Inc.	Commercial Building	2,619,441	0.50%
Plains Capital Bank	Bank	2,600,000	0.50%
Total		<u>\$ 45,052,161</u>	<u>8.65%</u>

**TABLE 6**  
**CITY OF PORT ISABEL, TEXAS**  
**OVERLAPPING DEBT**

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

	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt
Cameron Co	\$ 223,910,000	1.74%	\$ 3,896,034
Laguna Madre Water Dist	63,530,000	10.21%	6,486,413
Point Isabel ISD	38,095,000	8.58%	3,268,551
Texas Southmost College	12,970,000	2.56%	332,032
			<b>\$ 13,983,030</b>
 City of Port Isabel	 \$ 15,206,275	 *	 \$ 15,206,275
<b>Total Direct &amp; Overlapping Tax Debt</b>			<b><u>\$ 29,189,305</u></b>
Ratio of Direct and Overlapping Net Debt to Taxable Assessed Value			9.26%
Per Capital Total Direct and Overlapping Tax Debt			\$ 5,714

*Source: Texas Municipal Reports and City's Audited Financial Statement*

\*Includes the Certificates. Preliminary, subject to change.

**TABLE 7**  
**CITY OF PORT ISABEL, TEXAS**  
**PROFORMA DEBT SERVICE REQUIREMENTS**

Year	Outstanding Debt Payments			Plus: The Certificates <sup>(1)</sup>			Total Debt Payments		
Ending	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
30-Sep									
2025	190,000	564,290	754,290				\$ 190,000	\$ 564,290	\$ 754,290
2026	285,000	510,778	795,778	60,000	287,032	347,032	345,000	797,809	1,142,809
2027	305,000	497,543	802,543	75,000	271,944	346,944	380,000	769,486	1,149,486
2028	315,000	483,611	798,611	80,000	267,875	347,875	395,000	751,486	1,146,486
2029	330,000	469,115	799,115	85,000	263,544	348,544	415,000	732,659	1,147,659
2030	350,000	453,926	803,926	90,000	258,950	348,950	440,000	712,876	1,152,876
2031	370,000	437,739	807,739	95,000	254,094	349,094	465,000	691,833	1,156,833
2032	385,000	420,728	805,728	100,000	248,975	348,975	485,000	669,703	1,154,703
2033	410,000	402,893	812,893	105,000	243,594	348,594	515,000	646,486	1,161,486
2034	425,000	384,059	809,059	110,000	237,950	347,950	535,000	622,009	1,157,009
2035	445,000	217,413	809,533	115,000	232,044	347,044	560,000	449,456	1,156,576
2036	470,000	208,750	814,008	120,000	225,875	345,875	590,000	434,625	1,159,883
2037	490,000	322,353	812,353	130,000	219,313	349,313	620,000	541,665	1,161,665
2038	525,000	299,484	824,484	135,000	212,356	347,356	660,000	511,840	1,171,840
2039	340,000	275,226	615,226	145,000	205,006	350,006	485,000	480,233	965,233
2040	355,000	257,189	612,189	150,000	197,263	347,263	505,000	454,451	959,451
2041	375,000	238,244	613,244	160,000	189,125	349,125	535,000	427,369	962,369
2042	395,000	218,260	613,260	165,000	180,594	345,594	560,000	398,854	958,854
2043	415,000	197,238	612,238	175,000	171,669	346,669	590,000	368,906	958,906
2044	440,000	175,049	615,049	185,000	162,219	347,219	625,000	337,268	962,268
2045	340,000	154,650	494,650	195,000	152,244	347,244	535,000	306,894	841,894
2046	360,000	136,160	496,160	205,000	141,488	346,488	565,000	277,648	842,648
2047	380,000	116,610	496,610	220,000	129,800	349,800	600,000	246,410	846,410
2048	400,000	96,000	496,000	230,000	117,425	347,425	630,000	213,425	843,425
2049	425,000	74,203	499,203	245,000	104,363	349,363	670,000	178,565	848,565
2050	205,000	57,338	262,338	255,000	90,613	345,613	460,000	147,950	607,950
2051	215,000	45,788	260,788	270,000	76,175	346,175	485,000	121,963	606,963
2052	230,000	33,550	263,550	285,000	60,913	345,913	515,000	94,463	609,463
2053	240,000	20,625	260,625	305,000	44,688	349,688	545,000	65,313	610,313
2054	255,000	7,013	262,013	320,000	27,500	347,500	575,000	34,513	609,513
2055				340,000	9,350	349,350	340,000	9,350	349,350
<b>Totals</b>	<b>\$10,665,000</b>	<b>\$7,775,819</b>	<b>\$18,723,197</b>	<b>\$5,150,000</b>	<b>\$5,283,976</b>	<b>\$10,433,976</b>	<b>\$15,815,000</b>	<b>\$13,059,795</b>	<b>\$29,157,172</b>

<sup>(1)</sup> Preliminary, subject to change.

**TABLE 8**  
**CITY OF PORT ISABEL, TEXAS**  
**GENERAL FUND HISTORY**

	Fiscal Year Ended September 30				
<b><u>REVENUES</u></b>	2024	2023	2022	2021	2020
Property Taxes	\$ 2,541,515	\$ 2,266,888	\$ 2,083,337	\$ 2,178,706	\$ 2,077,356
Hotel/Motel Taxes	-	-	-	-	4,800
Sales Taxes	2,752,630	2,300,220	2,198,069	2,018,533	1,696,607
Mixed Beverage	38,247	44,045	45,389	37,562	22,982
Franchise Receipts	361,810	376,370	365,150	347,951	359,813
Licenses & Permits	321,392	635,198	125,159	158,236	75,615
Charges for Services	1,054,822	802,880	735,849	708,188	814,189
Fines	780,219	733,144	707,099	653,654	594,906
Intergovernmental	95,000	213,154	186,885	217,431	234,471
Penalties & Interest	50,455	61,473	39,131	41,679	46,007
Grants - State	88,319	846,881	822,242	45,341	26,044
Fundraisers & Special Events	49,799	90,762	58,315	229,873	209,787
Rentals & Special Events	107,689	117,850	115,086	-	-
Contributions & Donations	26,299	46,543	10,959	-	-
Investment Earnings	25,994	-	-	-	-
Other	123,444	59,486	52,141	29,482	305,897
Total Revenues	<u>\$ 8,417,634</u>	<u>\$ 8,594,894</u>	<u>\$ 7,544,811</u>	<u>\$ 6,666,636</u>	<u>\$ 6,468,474</u>
<b><u>EXPENDITURES</u></b>					
Current:					
General and Administrative	1,944,397	1,502,744	1,550,369	1,115,809	1,523,259
Public Safety	3,226,904	3,307,870	2,937,781	2,605,868	2,566,346
Public Works	1,683,118	1,466,057	1,096,214	1,049,244	1,245,033
Culture & Recreation	509,430	615,585	386,662	160,158	196,570
Health & Welfare	403,249	412,951	405,317	317,408	293,541
CARES Grant Expenses	8,852	20,381	75,000	3,418	-
Capital Outlay	99,865	168,332	617,208	313,198	35,270
Debt Service:					
Principal Retirement	86,408	321,225	332,389	201,241	81,558
Principal right-to-use leases	259,072	-	-	-	-
Interest and Fiscal Charges	12,964	39,315	35,460	38,203	28,024
Total Expenditures	<u>\$ 8,234,259</u>	<u>\$ 7,854,458</u>	<u>\$ 7,436,400</u>	<u>\$ 5,804,547</u>	<u>\$ 5,969,601</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 183,375	\$ 740,436	\$ 108,411	\$ 862,089	\$ 498,873
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	\$ 81,885	\$ 88,873	\$ 1,071,903	\$ 221,382	\$ 81,298
Transfers Out	(170,675)	(585,084)	(439,242)	(603,182)	(433,831)
Sale of Real Property	-	-	-	-	11,938
Other Resources	-	-	-	-	350,000
Total Other Financing Sources(Uses)	<u>\$ (88,790)</u>	<u>\$ (496,211)</u>	<u>\$ 632,661</u>	<u>\$ (381,800)</u>	<u>\$ 9,405</u>
Net Change in Fund Balances	94,585	244,225	741,072	480,289	508,278
Beginning Fund Balance	456,465	(776,550)	(1,523,083)	(2,075,669)	(2,583,968)
Prior period adjustment	-	988,790	5,461	72,297	-
Other Use	-	-	-	-	-
Ending Fund Balance	<u>\$ 551,050</u>	<u>\$ 456,465</u>	<u>\$ (776,550)</u>	<u>\$ (1,523,083)</u>	<u>\$ (2,075,690)</u>

Source: The City's Audited Financial Statements

**TABLE 9**  
**CITY OF PORT ISABEL, TEXAS**  
**SALES TAX COLLECTIONS**

<b>Calendar Year</b>	<b>Sales Tax Collections <sup>(1)</sup></b>
2019	\$2,256,739
2020	\$2,260,945
2021	\$2,698,794
2022	\$2,955,327
2023	\$3,108,584
2024	\$3,680,980

<sup>(1)</sup> *Source: Municipal Advisory Council of Texas*

**APPENDIX B**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

July 31, 2025

**CITY OF PORT ISABEL, TEXAS  
CERTIFICATES OF OBLIGATION, SERIES 2025  
IN THE ORIGINAL PRINCIPAL AMOUNT OF \$\_\_\_\_\_**

We have acted as “Bond Counsel” to the City of Port Isabel, Texas (the “City”) in connection with the issuance of the certificates described above (the “Certificates”) for the sole purpose of providing legal advice and traditional legal services to the City including rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. We have relied solely on information and certifications furnished to us by the City with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates that contains certified copies of certain proceedings of the City Commission of the City (the “Commission”), including an ordinance of the Commission authorizing the Certificates adopted on July 8, 2025 (the “Ordinance”); the Purchase Contract dated July 8, 2025 approving the purchase of the Certificates by the Underwriter named therein and the City; the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the City (including a “Federal Tax Certificate”), and other public officials; and other documents relating to the issuance of the Certificates. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have also examined executed Certificate No. I-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The City is a validly existing political subdivision of the State of Texas with power to adopt the Ordinance, perform its agreements therein, and issue the Certificates.
2. The Certificates have been authorized, sold, and delivered in accordance with law.
3. The Certificates constitute valid and legally binding obligations of the City enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of sovereign



immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.

4. Ad valorem taxes, within the limit prescribed by law, upon all taxable property within the City, necessary to pay the principal of the Certificates, have been pledged irrevocably for such purpose. Certain revenues from a pledge of an annual ad valorem tax, as well as a limited and subordinate pledge of \$1,000 from the surplus revenues of the City's museum and park system to pay the principal of and interest on the Certificates, as described in the Ordinance.

5. Interest on the Certificates will be excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest may be taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

In rendering these opinions, we have relied upon representations and certifications of the City, the City's financial advisor, and the Underwriter of the Certificates with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the City with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Certificates for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the City fails to comply with the foregoing covenants, interest on the Certificates could become includable in gross income retroactively to the date of issuance of the Certificates, regardless of the date on which the event causing such inclusion occurs.

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

We call your attention to the fact that the ownership of obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, taxpayers qualifying for the health insurance premium assistance credit, owners of an interest in a financial asset securitization, investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Certificates. If such an audit is commenced, under current procedures, the Service would treat the City as the taxpayer, and owners of the Certificates would have no right to participate in the audit process. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

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

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Certificates, the sufficiency of the security for the Certificates, or the marketability of the Certificates.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

**APPENDIX C**

**BASIC FINANCIAL STATEMENTS,  
MANAGEMENT DISCUSSION AND ANALYSIS, AND  
REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**



**CITY OF PORT ISABEL, TEXAS**  
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
SEPTEMBER 30, 2024



CITY OF PORT ISABEL, TX  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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## **INTRODUCTORY SECTION**

CITY OF PORT ISABEL, TEXAS  
LIST OF ELECTED AND APPOINTED OFFICIALS  
AS OF SEPTEMBER 30, 2024

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ELECTED OFFICIALS

City Council

<u>Name</u>	<u>Position</u>
Martin Cantu, Jr.	Mayor
Sandra Holland	Commissioner Place 1
Carmen Rios	Commissioner Place 2
Martin C. Cantu	Commissioner Place 3
Jeffrey David Martinez	Commissioner Place 4

City Staff

<u>Name</u>	<u>Position</u>
Jared Hockema	City Manager
John Sandoval	Assistant to the City Manager
Linda Chullino	Finance Director
Susie Alcocer	City Secretary
Roberto Lopez	Chief of Police

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
City of Port Isabel, Texas

### Report on the Audit of the Financial Statements

#### **Opinion**

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 Port Isabel, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Port Isabel, 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 Port Isabel, 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 of Port Isabel, Texas, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule Revenues, Expenditures, and Changes in Fund Balance—Budget to Actual—General Fund, Schedule of Changes in the Net Position Liability and TMRS Related Ratios, Schedule of Contributions and Notes to Schedule of Contributions—Net Position Liability, Schedule of Changes in the Other Postemployment Benefits Liability and TMRS Related Ratios—SDBF, Schedule of Contributions and Notes to Schedule of Contributions—SDBF, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

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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 Port Isabel, Texas's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2025, on our consideration of the City of Port Isabel, 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 Port Isabel, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Port Isabel, Texas's internal control over financial reporting and compliance.



Harlingen, Texas  
May 30, 2025



**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

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As management of the City of Port Isabel, we offer readers of the City's financial statements this discussion and analysis of the City of Port Isabel's (City's) financial performance and an overview of the City's financial activities for the fiscal year ended September 30, 2024. This discussion and analysis are intended to introduce the City of Port Isabel's basic financial statements. Please read it in conjunction with the City's financial statements and the notes to those financial statements.

**FINANCIAL AND ACTIVITY HIGHLIGHTS**

- The assets and deferred outflows of resources of the City's governmental activities exceeded its liabilities and deferred inflows of resources by \$8,430,340 (net position). Net position increased by \$283,307 from last year's net position of \$8,147,034. The current year's net position includes \$2,232,966, attributed to the City's net investment in capital assets, and \$5,656,431, restricted for special purposes. The City's unrestricted net position increased by \$84,477 to \$540,942, up from last year's balance of \$456,465. The primary reason for the net position increase is management's financial oversight and control of expenditures.
- The City's business-type activities' assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$227,758 (net position). This year's operations decreased the prior year's net position by \$ 22,522, from \$ 250,280.
- The City's governmental activities expenses decreased by \$318,573 from \$9,968,303 reported in 2023 to \$9,649,730 reported in 2024. The decrease in expenses is primarily attributable to expenditures related to public safety, public works, health and welfare, and culture and recreation. The total governmental revenues increased to \$10,076,056, up \$299,153 from \$9,776,903 reported in the prior year. This change is due to increased charges for services, nonproperty taxes, and investment earnings.
- Revenues from the City's business-type activities decreased by \$105,669 from \$454,759 in 2023 to \$349,090 in 2024. The expenditures decreased by \$105,470 from \$462,787 reported in 2023 to \$357,317 reported in 2024.
- In April 2019, the City's total net bonded debt increased. The City approved and authorized the issuance of the "City of Port Isabel, Texas General Obligation Bonds, Series 2019". On May 1, 2019, the City issued \$3,500,000 in General Obligation Bonds in the denomination of \$100,000 or any integral multiple of \$5,000. The series bonds mature annually and provide an average coupon interest of 5.10%. The bonds were issued for construction and are payable from the proceeds of an annual ad valorem tax levied upon all taxable property in the City. As of September 30, 2024, the City reported its bond debt ending balance of \$3,265,000.
- In May 2024, the City's total net bonded debt increased. The City approved and authorized the issuance of the "City of Port Isabel, Texas General Obligation Bonds, Series 2024 and Certificates of Obligation, Series 2024". On May 28, 2024, the City issued \$3,840,000 in General Obligation Bonds and \$1,450,000 in Certificates of Obligation. The Obligations will be issued only in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Obligations have an average coupon interest of 5.25%, and they mature annually. The Obligations are payable beginning February 2025. As of September 30, 2024, the City reported its bond debt ending balance of \$3,840,000 for the General Obligation Bond and \$1,450,000 for the Certificate of Obligation.

**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

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**USING THIS ANNUAL REPORT**

This annual financial report consists of - Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information (RSI), and Other Supplementary Information section that presents combining statements for non-major governmental funds, and a Compliance Section. The basic financial statements include two kinds of statements that show different views of the City: (1) the first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status, and (2) the fund financial statements report the City's operations in more detail than the government-wide financial statements by providing information about the City's activities for which the City acts solely as a trustee or agent for the benefit of individuals and businesses outside the government.

**REPORTING THE CITY AS A WHOLE**

**Government-Wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City of Port Isabel's finances. This is done in a manner like a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial information.

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when 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 compensated absences).

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position is one way to measure the City's financial health or position.

Both government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Over time, increases or decreases in the City's net position indicate whether its financial health is improving or deteriorating.

To assess the City's overall health, you need to consider additional nonfinancial factors, such as changes in the City's property tax base and the condition of the City's roads. The government-wide financial statements of the City are divided into three categories:

***Governmental Activities***

Most of the City's essential services are reported here, including the police, fire, public works, parks departments, and general administration. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.

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**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

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***Business-Type Activities***

The City charges a fee to customers to help it cover all or most of the cost for certain services it provides. The City's Museum, Cemetery, and Lighthouse are reported here.

***Component Unit***

The City includes one legal entity, the Port Isabel Economic Development Corporation, in the government-wide financial statements. Although legally separate, this "component unit" is critical because the City is financially accountable for it.

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds, not the City. Some funds are required to be established by State law and bond covenants. Some funds are established by the City Commission to help it control and manage money for particular purposes or to show that it meets legal responsibilities for using certain taxes, grants, and other money (like grants from the state or federal grantors). The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

All of the City's funds can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds*—Most of the City's essential services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the essential services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent shortly to finance the City's programs. We describe the resources that can be spent shortly to finance the City's programs and the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation on the following page after the fund financial statements.

*Proprietary Funds*—The City maintains proprietary funds used to report similar functions, which are presented as business-type activities in the government-wide financial statements. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities but provide more detail and additional information, such as the cash flows the City uses to account for the Museum, Cemetery, and Lighthouse activities. This report's basic proprietary fund financial statements provide separate information for the Museum, Cemetery, and Lighthouse funds.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide disclosures and additional information essential to a full understanding of the financial information presented in the government-wide and fund financial statements. The financial statements are followed by a section of Required Supplementary Information concerning the City's general fund budget compliance and funding progress of its obligation to provide employee pension benefits. In addition to these required elements, we have included an Other Supplementary Information section that combines statements providing details

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**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

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about non-major governmental funds, which are then added together and presented in a single column in the basic financial statements.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. The City adopts an annual appropriated budget for its general, debt service, and certain special revenue funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

**THE CITY AS A WHOLE**

**Government-Wide Financial Analysis**

Our analysis and tables below focus on the net position and changes in the net position of the City's governmental and business-type activities. Changes in net position over time may serve as a helpful indicator of a government's financial health and condition.

**Statement of Net Position**

Table 1 summarizes the City's statement of net position. As of September 30, 2024, the city's combined governmental and business-type activities net position increased to \$8,658,097, up from \$8,397,314 reported in 2023.

On September 30, 2024, the governmental activity's net position increased by \$283,305 from the previous year's net position of \$8,147,034 to \$8,430,340. The current year's net position includes \$2,232,966 attributed to the City's net investment in capital assets, \$5,656,431 for restricted purposes, and \$540,942 in unrestricted funds.

On September 30, 2024, the business-type activity's net position decreased by \$22,522 from last year's net position of \$250,280 to \$227,758. The current year's net position includes \$202,022 attributed to the City's net investment in capital assets, and \$25,736 unrestricted.

The City's unrestricted governmental net position of \$540,942 increased by \$84,477 from last year's balance of \$456,465. The primary reason for the net position increase is management's financial oversight and control of expenditures.

**Statement of Activities**

Table 2 presents the costs of each of the City's programs and the revenues generated to support them. The difference between the two is the net position.

The City's ad valorem tax rate for the 2024 fiscal year was \$.690000. According to the Cameron County Tax Assessor's property tax reports, 2024 property tax revenues were \$2,541,515 compared to \$2,533,792 reported in 2023.

The total revenues from all governmental activities this year were \$10,076,056, while the cost of providing those activities was \$9,649,730. However, the taxpayers ultimately financed these activities through City property taxes of \$2,541,515, and some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized specific programs with grants and contributions.

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**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

Charges for services revenues generated by governmental activities increased from \$840,411 in 2023 to \$1,088,028 in 2024.

The City's governmental activities' expenses decreased by \$318,573 from \$9,968,303 reported in 2023 to \$9,649,730 reported in 2024. This cost increase was primarily due to decreased public safety, public works, health and welfare, and culture and recreation.

Table 1 presents a comparative summary of the City's statement of net position as of September 30, 2024, and 2023.

<b>Table 1</b>						
<b>Summary Statement of Net Position</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 9,080,898	\$ 3,306,861	\$ 153,328	\$ 186,505	\$ 9,234,226	\$ 3,493,366
Capital assets, net	14,684,702	14,515,306	224,550	241,440	14,909,252	14,756,746
Total assets	23,765,600	17,822,167	377,878	427,945	24,143,478	18,250,112
Deferred outflows of resources	699,841	1,200,553	35,036	60,806	734,877	1,261,359
Total assets and deferred outflows of resources	<u>\$ 24,465,441</u>	<u>\$ 19,022,720</u>	<u>\$ 412,914</u>	<u>\$ 488,751</u>	<u>\$ 24,878,355</u>	<u>19,511,471</u>
Liabilities						
Current liabilities	2,202,944	1,992,076	\$ 84,247	\$ 119,780	\$ 2,287,191	2,111,856
Non-current liabilities						
Due within one year	652,872	508,376	-	-	652,872	508,376
Due in more than one year	13,068,903	8,299,311	97,797	118,204	13,166,700	8,417,515
Total liabilities	15,924,719	10,799,763	182,044	237,984	16,106,763	11,037,747
Deferred inflows of resources	110,383	75,923	3,112	487	113,495	76,410
Total liabilities and deferred inflows of resources	16,035,102	10,875,686	185,156	238,471	16,220,258	11,114,157
Net position						
Net investment in capital assets	2,232,966	5,808,391	202,022	241,440	2,434,988	6,049,831
Restricted	5,656,431	1,882,178	-	-	5,656,431	1,882,178
Unrestricted	540,942	456,465	25,736	8,840	566,678	465,305
Total net position	8,430,340	8,147,034	227,758	250,280	8,658,098	8,397,314
Total liabilities, deferred inflows of resources and net position	<u>\$ 24,465,442</u>	<u>\$ 19,022,720</u>	<u>\$ 412,914</u>	<u>\$ 488,751</u>	<u>\$ 24,878,355</u>	<u>\$ 19,511,471</u>

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**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

Table 2 illustrates the current year's program general revenues and expenses. Expenditures exceeded revenues by \$426,326. This was primarily due to increased general government, public safety, and interest on debt and right-to-use leases.

**Table 2  
Statement of Activities**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Program Revenues:						
Charges for services	\$ 1,088,028	\$ 840,411	\$ 243,730	\$ 205,839	\$ 1,331,758	\$ 1,046,250
Operating and Capital Grants and Contributions	554,652	1,456,991	24,502	1,410	579,154	1,458,401
General revenues						
Property taxes	2,541,515	2,533,792	-	-	2,541,515	2,533,792
Non property taxes	3,946,963	2,873,999	-	-	3,946,963	2,873,999
Intergovernmental Revenue	245,000	343,154	50,000	50,000	295,000	393,154
Investment Earnings	162,105	-	-	-	162,105	-
Other revenues	1,367,055	1,714,250	17,086	41,064	1,384,141	1,755,314
Transfers, net	(13,771)	(171,394)	13,771	156,446	-	(14,948)
Miscellaneous and rentals	184,510	185,701	-	-	184,510	185,701
Total revenues	<u>10,076,056</u>	<u>9,776,903</u>	<u>349,090</u>	<u>454,759</u>	<u>10,425,146</u>	<u>10,231,662</u>
Expenses:						
General government	2,295,145	1,959,453	-	-	2,295,145	1,959,453
Public safety	3,630,628	4,004,165	-	-	3,630,628	4,004,165
Public works	1,853,612	2,308,625	-	-	1,853,612	2,308,625
Health and welfare	1,140,741	1,233,626	-	-	1,140,741	1,233,626
Culture and recreation	439,121	462,434	357,317	462,787	796,438	925,221
Interest on Debt	258,662	-	-	-	258,662	-
Interest on Right-to-Use Leases	31,822	-	-	-	31,822	-
Total expenses	<u>9,649,730</u>	<u>9,968,303</u>	<u>357,317</u>	<u>462,787</u>	<u>10,007,047</u>	<u>10,431,090</u>
Change in net position	426,326	(191,400)	(8,228)	(8,029)	418,098	(199,427)
Net position, beginning	8,147,034	7,331,096	250,280	250,525	8,397,314	7,581,621
Prior period adjustment	(143,020)	1,007,337	(14,294)	7,783	(157,314)	1,015,120
Net position, beginning	<u>8,004,014</u>	<u>8,338,433</u>	<u>235,986</u>	<u>258,308</u>	<u>8,240,000</u>	<u>8,596,741</u>
Net position, ending	<u>\$ 8,430,340</u>	<u>\$ 8,147,033</u>	<u>\$ 227,758</u>	<u>\$ 250,279</u>	<u>\$ 8,658,098</u>	<u>\$ 8,397,314</u>

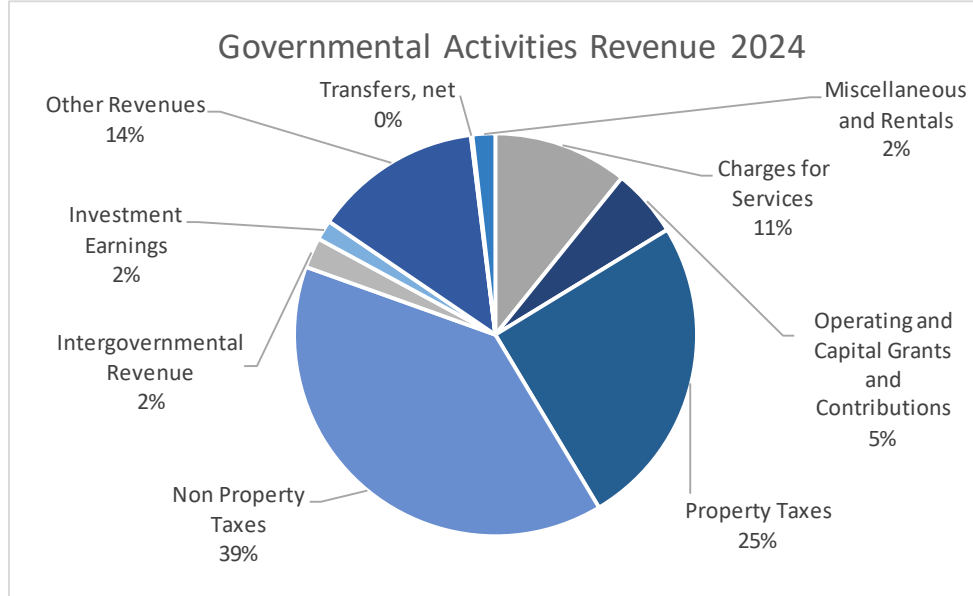
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**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

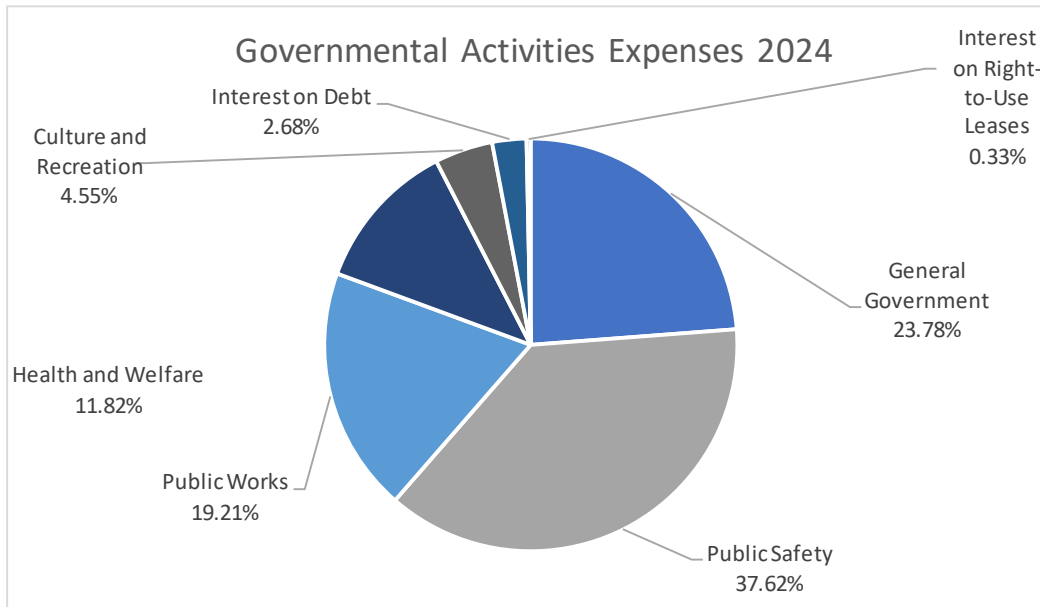
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**Governmental Activities**

The City of Port Isabel, TX recognized governmental activity revenues from the following sources during the fiscal year ending September 30, 2024.



The City of Port Isabel, TX had the following governmental activity expenses during the fiscal year ending September 30, 2024.



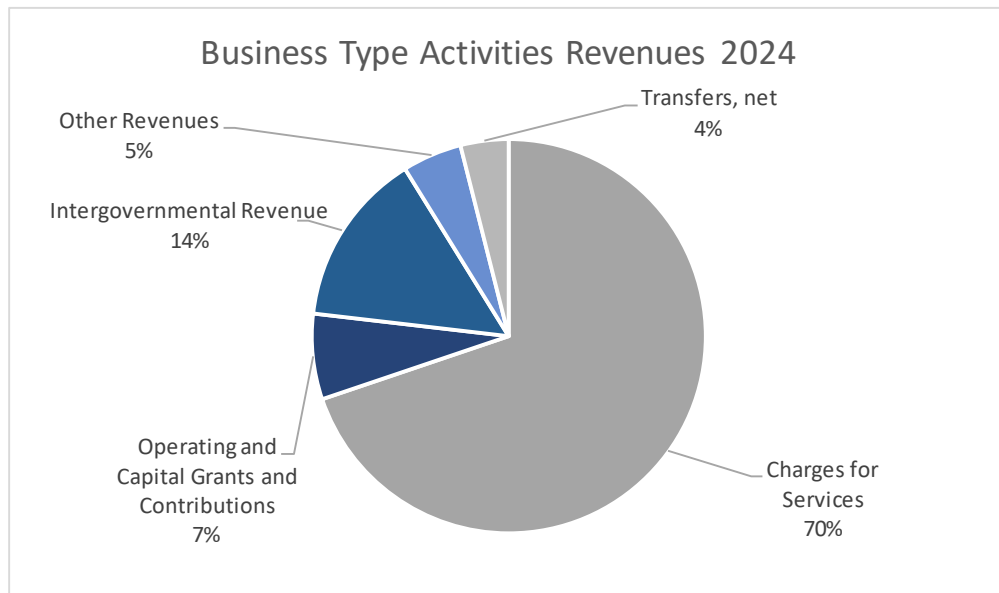
**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

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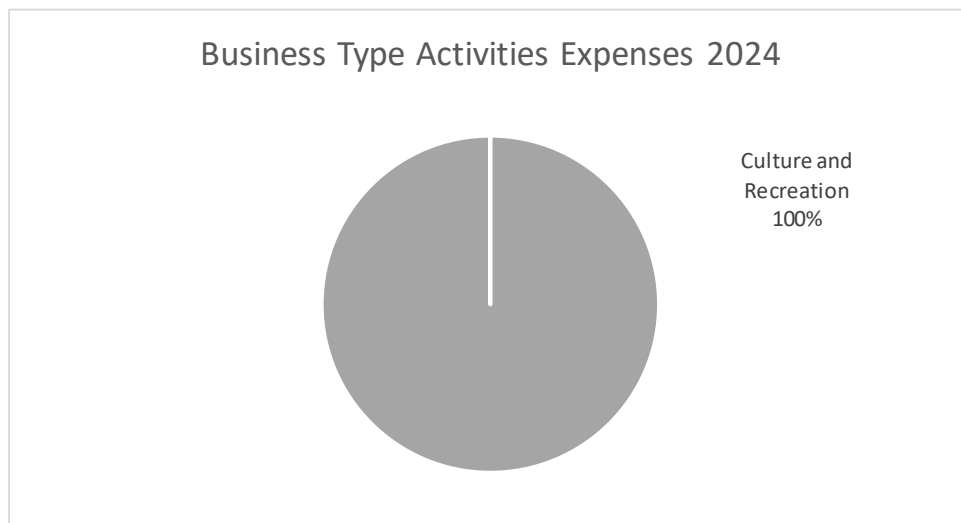
**Business-Type Activities**

The net position of the City's business-type activities decreased by \$22,522 to \$227,758 from the \$250,280 reported in the prior year. The net position includes a \$202,022 net investment in capital assets. The unrestricted net position to finance day-to-day operations, without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$8,840, as reported on September 30, 2023, to \$25,736, as reported on September 30, 2024. At the end of the fiscal year 2023, the Business-type Activities revenues of \$349,090 were less than the expenses of \$357,317. Expenses decreased from \$462,787 in 2023 to \$357,317 in 2024.

The City of Port Isabel, TX, recognized business-type activity revenues from the following sources during the fiscal year ending September 30, 2024.



The City of Port Isabel, TX had the following business-type activity expenses during the fiscal year ending September 30, 2024.



**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

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**THE CITY'S GOVERNMENTAL FUNDS**

As discussed earlier, the City's governmental funds focus on information on near-term inflows, outflows, and balances of spendable resources. This information helps determine the extent of the City's financing requirements. An unassigned fund balance may be a valuable measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's Governmental Activities reported a combined net position of \$7,344,587, compared to \$2,338,642 reported in the prior year. The increase is due to the issuance of the City's General Obligation Bonds Series 2024 and Certificates of Obligation Series 2024.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The fiscal year 2023-2024 budget was adopted by the City Commission on September 6, 2023, with total revenues of \$7,581,000 and total expenditures of \$7,453,240. Any budget amendments were presented to and approved by the City Commission throughout the fiscal year. The final 2023-2024 expenditure budget was not increased from the original adopted budget. Department heads are expected to work within their approved original budgets. The city administration reviews the departments' budgets and makes any necessary revisions.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2023-2024, the City reported \$14,684,702 in capital assets net of depreciation, a decrease compared to the prior year's balance of \$14,515,303. During the fiscal year, the City had additions in Construction in Progress, Vehicles, and Furniture and Equipment. However, the total capital asset amount has decreased due to an increase in depreciation for the fiscal year. The City has invested in many capital assets, including land, buildings, improvements, equipment, and infrastructure.

Table 3 below summarizes the City's capital assets as of September 30, 2024. Overall, Business-type Activities remained the same. The total Business-type activities have decreased from \$241,439 in the prior year to \$224,550, primarily due to an increase in accumulated depreciation. Additional information about the City's capital assets can be found in Note 5—Capital Assets of the Basic Financial Statements.

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**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

Table 3  
Capital Assets at Year-End  
(Net of Depreciation and Amortization)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,984,840	\$ 1,984,840	\$ 108,088	\$ 108,088	\$ 2,092,928	\$ 2,092,928
Construction in Progress	538,042	-	-	-	538,042	-
Capital and Right to Use Assets:						
Buildings and improvements	3,681,407	3,821,397	70,328	82,109	3,751,735	3,903,506
Streets, sidewalks, and curbs	6,299,843	6,433,542	-	-	6,299,843	6,433,542
Parks and improvements	1,602,084	1,711,585	30,652	32,111	1,632,736	1,743,696
Furniture and equipment	254,757	196,656	15,482	19,131	270,239	215,787
Vehicles	320,284	348,395	-	-	320,284	348,395
Library books	3,445	18,889	-	-	3,445	18,889
Total	<u>\$ 14,684,702</u>	<u>\$ 14,515,303</u>	<u>\$ 224,550</u>	<u>\$ 241,439</u>	<u>\$ 14,909,251</u>	<u>\$ 14,756,742</u>

### Long—Term Debt

The City of Port Isabel attempts to fund its capital needs on a pay-as-you-go basis to the extent possible. However, the City may borrow funds to complete significant capital asset purchases or infrastructure projects. During the current fiscal year, the City entered into capital leases to acquire vehicles, police officer cameras, and furniture for the City Hall. The City attempts to capitalize on favorable interest rates and utilize debt when conditions are favorable. Note 8 of the Basic Financial Statements provides detailed information related to the City's debt and debt activities.

Table 4 presents a schedule of outstanding debt by type for governmental activities. At year-end, the City had a combined outstanding \$11,765,827 in general obligation bonds, note payables, capital leases, and bond premiums. The increase of \$5,152,593 from the prior year's balance of \$6,613,235 is attributed to the Series 2024 Bond and Certificate of Obligations, as well as new capital leases. Other long-term obligations included the City's pension plan and the accrued compensated absences as of September 30, 2024.

Table 4  
Outstanding Debt at Year End

Type of Debt	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Unamortized premium	\$ 231,814	\$ 103,724	\$ -	\$ -	\$ 231,814	\$ 103,724
General Obligation Bonds, Series 2019	3,265,000	3,330,000	-	-	3,265,000	3,330,000
General Obligation Bonds, Series 2024	3,840,000	-	-	-	3,840,000	-
Certificate of Obligation, Series 2024	1,450,000	-	-	-	1,450,000	-
Notes Payable	2,286,330	2,476,389	-	-	2,286,330	2,476,389
Capital Leases	692,684	703,122	-	-	692,684	703,122
Total	<u>\$ 11,765,827</u>	<u>\$ 6,613,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,765,827</u>	<u>\$ 6,613,235</u>
Compensated balances	256,836	246,729	\$ 24,913	\$ 24,840	\$ 281,749	\$ 271,569
Net pension liability (asset)	1,401,976	1,795,926	72,884	93,364	1,474,860	1,889,290
OPEB liability - SDBF	162,354	151,797	-	-	162,354	151,797
Total	<u>1,821,166</u>	<u>2,194,452</u>	<u>97,797</u>	<u>118,204</u>	<u>1,918,963</u>	<u>2,312,656</u>
Total Debt	<u>\$ 13,586,995</u>	<u>\$ 8,807,687</u>	<u>\$ 97,797</u>	<u>\$ 118,204</u>	<u>\$ 13,684,790</u>	<u>\$ 8,925,891</u>

**CITY OF PORT ISABEL, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2024**

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

The City's elected and appointed officials considered many factors when setting the 2023-2024 fiscal year budgets, tax rates, and fees for both governmental and business-type activities. Those factors include the economy, local Metropolitan Statistical Area (MSA) unemployment rates, net taxable property valuations, and per capita income.

According to the HomeTownLocator website, the city had a population of 5,001 on July 1, 2024. As of July 1, 2024, the City's median household income was \$44,200, the average household income was \$64,566, and the median home value was \$266,667.

The budget is based on conservative estimates and an unchanged ad valorem tax rate, and it complies with the City Charter and state requirements.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, bondholders, creditors, and other stakeholders with a general overview of the City's finances and illustrate its accountability for the funds it receives. If you have questions about this report or need additional financial information, visit our website at [www.myportisabel.com](http://www.myportisabel.com) or contact:

The City of Port Isabel  
Ms. Linda Chullino  
Finance Director  
305 East Maxan Street  
Port Isabel, Texas 78578  
Telephone: (956) 943-2682  
Fax: (956) 943-2029





## **BASIC FINANCIAL STATEMENTS**

**CITY OF PORT ISABEL, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

	Governmental Activities	Business-type Activities	Total	Component Unit
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 780,105	\$ 13,970	\$ 794,075	\$ 1,025,177
Restricted investments	6,290,957	-	6,290,957	500,832
Receivables, net of allowance				
Accounts	217,945	-	217,945	188,624
Property taxes	224,215	-	224,215	-
Sales taxes	463,235	-	463,235	154,412
Due from other funds	-	35,398	35,398	899,942
Due from component unit	654,529	-	654,529	-
Due from other governments	449,911	-	449,911	-
Inventories	-	103,959	103,959	-
<b>Total Current Assets</b>	<u>9,080,898</u>	<u>153,328</u>	<u>9,234,226</u>	<u>2,768,986</u>
Capital assets not being depreciated:				
Land	1,984,840	108,088	2,092,928	-
Construction in progress	538,042	-	538,042	-
Capital assets, net of accumulated depreciation				
Buildings and improvements	3,681,407	70,328	3,751,735	-
Streets, sidewalks and curbs	6,299,843	-	6,299,843	-
Parks and improvements	1,602,084	30,652	1,632,736	-
Furniture and equipment	8,478	15,482	23,960	-
Vehicles	48,931	-	48,931	-
Library books	3,445	-	3,445	-
Right-to-Use lease assets	517,632	-	517,632	-
<b>Total Noncurrent Assets</b>	<u>14,684,702</u>	<u>224,550</u>	<u>14,909,252</u>	<u>-</u>
<b>Total assets</b>	<u>23,765,600</u>	<u>377,878</u>	<u>24,143,478</u>	<u>2,768,986</u>
<b>Deferred Outflows of Resources</b>				
Related to net pension liability	673,936	35,036	708,972	-
TMRS supplemental death benefit	25,905	-	25,905	-
<b>Total deferred outflow of resources</b>	<u>699,841</u>	<u>35,036</u>	<u>734,877</u>	<u>-</u>
<b>Total assets and deferred outflow of resources</b>	<u>\$ 24,465,441</u>	<u>\$ 412,914</u>	<u>\$ 24,878,355</u>	<u>\$ 2,768,986</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF PORT ISABEL, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

	Governmental Activities	Business-type Activities	Total	Component Unit
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 419,244	\$ 3,017	\$ 422,261	\$ 55,031
Accrued liabilities	74,421	-	74,421	-
Other payables	2,227	-	2,227	-
Customer deposits	59,348	-	59,348	-
Due to other funds	-	81,230	81,230	654,529
Due to component unit	763,817	-	763,817	47,006
Unearned revenues	282,476	-	282,476	-
Accrued interest payable	601,412	-	601,412	23,294
Due within one year:				
Line of credit loan	134,780	-	134,780	-
Premium on bond	9,282	-	9,282	-
Bonds, notes payable, leases	508,810	-	508,810	185,000
<b>Total Current Liabilities</b>	<u>2,855,816</u>	<u>84,247</u>	<u>2,940,063</u>	<u>964,860</u>
<b>Long-term Liabilities:</b>				
Noncurrent liabilities:				
Compensated absences	256,836	24,913	281,749	-
Premium on bond	222,532	-	222,532	-
Bonds, notes payable, leases	11,025,205	-	11,025,205	800,000
Net pension liability	1,401,976	72,884	1,474,860	-
Net Other post employment liability	162,354	-	162,354	-
<b>Total Long-Term Liabilities</b>	<u>13,068,903</u>	<u>97,797</u>	<u>13,166,700</u>	<u>800,000</u>
<b>Total Liabilities</b>	<u>15,924,719</u>	<u>182,044</u>	<u>16,106,763</u>	<u>1,764,860</u>
<b>Deferred Inflows of Resources</b>				
Related to TMRS net pension liability	59,859	3,112	62,971	-
Related to TMRS supplemental death benefit	50,524	-	50,524	-
Total deferred inflow of resources	<u>110,383</u>	<u>3,112</u>	<u>113,495</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	2,232,966	202,022	2,434,988	-
Restricted for:				
Capital projects	5,047,706	-	5,047,706	-
Debt service	608,725	-	608,725	763,817
Unrestricted (deficit)	540,942	25,736	566,678	240,309
Total net position	<u>8,430,340</u>	<u>227,758</u>	<u>8,658,098</u>	<u>1,004,126</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 24,465,442</u>	<u>\$ 412,914</u>	<u>\$ 24,878,355</u>	<u>\$ 2,768,986</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF PORT ISABEL, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Function/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Unit
<b>Governmental activities:</b>								
General government	\$ 2,295,145	\$ 41,698	\$ 88,319	\$ -	\$( 2,165,128)	\$ -	\$( 2,165,128)	\$ -
Public safety	3,630,628	497,594	35,541	-	(3,097,493)	-	( 3,097,493)	-
Public works	1,853,613	495,675	-	423,990	(933,948)	-	( 933,948)	-
Health and welfare	1,140,741	53,061	6,802	-	(1,080,877)	-	( 1,080,877)	-
Culture and recreation	439,121	-	-	-	(439,121)	-	( 439,121)	-
Interest on debt	258,662	-	-	-	(258,662)	-	( 258,662)	-
Interest on right-to-use leases	31,822	-	-	-	( 31,822)	-	( 31,822)	-
Total governmental activities	9,649,730	1,088,028	130,662	423,990	( 8,007,051)	-	( 8,007,051)	-
<b>Business-type activities:</b>								
Lighthouse	353,598	243,730	24,502	-	-	( 85,365)	( 85,365)	-
Nonmajor business-type activities	3,719	-	-	-	-	( 3,719)	( 3,719)	-
Total business-type activities	357,317	243,730	24,502	-	-	( 89,085)	( 89,085)	-
<b>Total Primary Government</b>	<b>\$ 10,007,048</b>	<b>\$ 1,331,758</b>	<b>\$ 155,164</b>	<b>\$ 423,990</b>	<b>\$( 8,007,051)</b>	<b>\$( 89,085)</b>	<b>\$( 8,096,136)</b>	<b>-</b>
<b>Component Units:</b>								
Port Isabel Economic Development Corporation	546,707	-	-	-	-	-	-	(546,707)
Total component unit	546,707	-	-	-	-	-	-	( 546,707)
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					2,541,515	-	2,541,515	-
Hotel/motel taxes					794,276	-	794,276	-
Sales taxes					2,752,630	-	2,752,630	917,543
Franchise taxes					361,810	-	361,810	-
Other taxes					38,247	-	38,247	-
Licenses and permits					321,392	-	321,392	-
Fines and forfeitures					780,219	-	780,219	-
Penalties and interest					58,775	-	58,775	-
Intergovernmental revenue					245,000	50,000	295,000	-
Rental and special events					184,510	-	184,510	-
Investment earnings					162,105	-	162,105	832
Transfers, net					( 13,771)	13,771	-	33,000
Other revenues					206,668	17,086	223,754	12,947
<b>Total general revenues and transfers</b>					<b>8,433,377</b>	<b>80,857</b>	<b>8,514,233</b>	<b>964,322</b>
Change in net position					426,326	(8,228)	418,097	964,322
Net position, beginning of year					8,147,034	250,280	8,397,314	613,263
Prior period adjustment					( 143,020)	( 14,294)	( 157,314)	( 26,752)
Net position, beginning restated					8,004,014	235,986	8,240,000	586,511
Net position, ending of year					<b>\$ 8,430,340</b>	<b>\$ 227,758</b>	<b>\$ 8,658,098</b>	<b>\$ 1,550,833</b>

The accompanying notes are an integral part of this financial statement.

**CITY OF PORT ISABEL, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2024**

		Capital Projects			
		Obligation	Certificates of	Other	Total
	General	Bonds	Obligation	Governmental	Governmental
		Series 2024	Series 2024		Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 424,319	\$ -	\$ -	\$ 355,786	\$ 780,105
Restricted investments	-	3,800,000	1,247,706	1,243,251	6,290,957
Receivables, net					
Accounts	217,945	-	-	-	217,945
Property taxes	198,797	-	-	25,418	224,215
Sales taxes	463,235	-	-	-	463,235
Due from other funds	463,821	-	-	229,832	693,653
Due from other governments	19,119	-	-	430,792	449,910
Due from component unit	654,529	-	-	-	654,529
Prepaid expenses	-	-	-	-	-
Total assets	<u>2,441,765</u>	<u>3,800,000</u>	<u>1,247,706</u>	<u>2,285,079</u>	<u>9,774,551</u>
<b>LIABILITIES</b>					
Accounts payable	237,277	-	-	138,681	375,958
Accrued liabilities	74,421	-	-	-	74,421
Sales tax payable	2,227	-	-	-	2,227
Due to other funds	379,744	-	-	357,196	736,939
Due to component unit	763,817	-	-	-	763,817
Deposits	59,348	-	-	-	59,348
Line of credit payable	134,780	-	-	-	134,780
Unearned revenue	2,005	-	-	11,080	13,085
Total liabilities	<u>1,653,618</u>	<u>-</u>	<u>-</u>	<u>506,957</u>	<u>2,160,574</u>
Deferred Inflows of Resources					
Deferred Inflows Property Tax	<u>237,097</u>	<u>-</u>	<u>-</u>	<u>32,293</u>	<u>269,391</u>
Total deferred inflows--property taxes	237,097	-	-	32,293	269,391
<b>FUND BALANCES</b>					
Restricted for:					
Specific programs	-	3,800,000	1,247,706	1,138,029	6,185,735
Debt service	-	-	-	608,725	608,725
Unassigned :					
General fund	551,050	-	-	-	551,050
Special Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 925)</u>	<u>( 925)</u>
<b>Total fund balances</b>	<u>551,050</u>	<u>3,800,000</u>	<u>1,247,706</u>	<u>1,745,829</u>	<u>7,344,586</u>
<b>Total liabilities, deferred inflows</b>					
<b>of resources and fund balances</b>	<u>\$ 2,441,765</u>	<u>\$ 3,800,000</u>	<u>\$ 1,247,706</u>	<u>\$ 2,285,079</u>	<u>\$ 9,774,551</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF PORT ISABEL, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2024**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>7,344,586</b>
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Amounts reported for governmental activities in the Statement of Net Position are different because.

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.		14,371,916
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The City's Notes, Leases, Bond payables, and compensated absences will not be liquidated with current financial resources and therefore have not been included in the fund balance statements.		(13,143,786)
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The City's proportionate share of the net pension liability is reported as required by GASB 68. Changes in total deferred resources reported by TMRS resulted in a decrease in the plan's net position. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and ending net position.		(194,144)
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The City implemented GASB 75 reporting requirements for the OPEB benefit plan through TMRS. This resulted in a difference between the City's ending fund balance and the ending net position.		(12,424)
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Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(765,671)
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Reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. The net effect of these reclassifications and eliminations is to increase net position. Net Position of Governmental Activities.		829,863
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Net Position of Governmental Activities	<b>\$</b>	<b><u>8,430,340</u></b>
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The accompanying notes are an integral part of this financial statement.

**CITY OF PORT ISABEL, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Capital Projects				Total
	General	Obligation	Certificates of	Other	Governmental
	General	Bonds	Obligation	Governmental	Funds
	Series 2024	Series 2024			
<b>REVENUES</b>					
Taxes:					
Property	\$ 2,541,515	\$ -	\$ -	\$ -	\$ 2,541,515
Hotel/motel taxes	-	-	-	794,276	794,276
Sales taxes	2,752,630	-	-	-	2,752,630
Mixed beverage	38,247	-	-	-	38,247
Franchise	361,810	-	-	-	361,810
Licenses and permits	321,392	-	-	-	321,392
Charges for services	1,054,822	-	-	33,206	1,088,028
Fines and forfeitures	780,219	-	-	-	780,219
Intergovernmental	95,000	-	-	150,000	245,000
Penalties and interest	50,455	-	-	8,320	58,775
Grants - State	88,319	-	-	466,333	554,652
Contributions and donations	26,299	-	-	-	26,299
Fundraisers and special events	49,799	-	-	6,880	56,679
Rental and special events	107,689	-	-	76,820	184,510
Investment earnings	25,994	-	-	136,111	162,105
Other revenue	123,444	-	-	246	123,690
Total Revenues	<u>8,417,633</u>	<u>-</u>	<u>-</u>	<u>1,672,193</u>	<u>10,089,827</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,944,397	-	-	22,518	1,966,915
Public safety	3,226,904	-	-	69,779	3,296,684
Public works	1,683,118	-	-	-	1,683,118
Culture and recreation	509,430	-	-	526,386	1,035,816
Health and welfare	403,249	-	-	-	403,249
CARES Grant Expenses	8,852	-	-	-	8,852
Capital outlay	99,865	-	152,294	706,161	958,320
Debt service:					
Principal right-to-use leases	259,072	-	-	-	259,072
Principal retirement	86,408	-	-	170,000	256,408
Interest and other charges	12,964	-	-	245,698	258,662
Total Expenditures	<u>8,234,258</u>	<u>-</u>	<u>152,294</u>	<u>1,740,542</u>	<u>10,127,093</u>
Excess (Deficiency) of Revenues Over					
(Under) Expenditures	<u>183,376</u>	<u>-</u>	<u>( 152,294)</u>	<u>(68,348)</u>	<u>(37,266)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	3,800,000	1,400,000	-	5,200,000
Transfers in	81,885	-	-	75,020	156,904
Transfers out	<u>( 170,675)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(170,675)</u>
Total Other Financing Sources (Uses)	<u>(88,791)</u>	<u>3,800,000</u>	<u>1,400,000</u>	<u>75,020</u>	<u>5,186,229</u>
Net Change in Fund Balances	94,585	3,800,000	1,247,706	6,672	5,148,963
Fund Balances, Beginning of year	456,465	-	-	1,882,178	2,338,643
Prior Period Adjustment	-	-	-	<u>( 143,020)</u>	<u>( 143,020)</u>
Fund Balances, End of Year	<u>\$ 551,050</u>	<u>\$ 3,800,000</u>	<u>\$ 1,247,706</u>	<u>\$ 1,745,830</u>	<u>\$ 7,344,587</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF PORT ISABEL, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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

<b>Net change in fund balances --- Total Governmental Funds</b>	<b>\$ 5,148,963</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(765,671)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of long term debt principal payments as expenditures consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. This amount is the net affect of these differences in the treatment of long-term debt and related items.	(721,548)
Adjusting entries required by GASB 68 require some expenses related to the TMRS pension plan which are reported to be adjusted. The net effect of these is to decrease net position.	(194,144)
GASB 75 require some expenses related to the TMRS Other Plan Employee Benefit Benefit Plan to be adjusted. The changes in expenses related to the reporting of the OPEB is a decrease in the change in net position.	(12,424)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. The net effect of these reclassifications and eliminations is to increase (decrease) the change in net position.	(3,028,850)
Change in net position of governmental activities - Statement of Activities	<u>\$ 426,326</u>

The accompanying notes are an integral part of this statement.



**BASIC FINANCIAL STATEMENTS  
PROPRIETARY FUNDS**

**CITY OF PORT ISABEL, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2024**

	Business-Type Activities		
		Nonmajor Enterprise Funds	Total
	Lighthouse		
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 13,970	\$ -	\$ 13,970
Inventory	22,729	81,230	103,959
Due from other funds	<u>35,398</u>	<u>-</u>	<u>35,398</u>
<b>Total current assets</b>	<u>72,098</u>	<u>81,230</u>	<u>153,328</u>
<b>Noncurrent assets</b>			
Capital assets:			
Land	108,088	-	108,088
Buildings and improvements	471,223	-	471,223
Furniture	72,983	-	72,983
Parks and improvements	58,384	-	58,384
Less: accumulated depreciation	<u>( 486,128)</u>	<u>-</u>	<u>( 486,128)</u>
Total capital assets, net	<u>224,550</u>	<u>-</u>	<u>224,550</u>
<b>Total noncurrent assets</b>	<u>224,550</u>	<u>-</u>	<u>224,550</u>
<b>Total Assets</b>	<u>296,648</u>	<u>81,230</u>	<u>377,878</u>
<b>Deferred Outflows of Resources</b>			
Related to net pension liability	<u>35,036</u>	<u>-</u>	<u>35,036</u>
<b>Total Deferred Outflows of Resources</b>	<u>35,036</u>	<u>-</u>	<u>35,036</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,017	-	3,017
Accrued liabilities	-	-	-
Due to other funds	<u>-</u>	<u>81,230</u>	<u>81,230</u>
<b>Total current liabilities</b>	<u>3,017</u>	<u>81,230</u>	<u>84,247</u>
<b>Noncurrent Liabilities:</b>			
Compensated absences	24,913	-	24,913
Net pension obligation	<u>72,884</u>	<u>-</u>	<u>72,884</u>
<b>Total noncurrent liabilities</b>	<u>97,797</u>	<u>-</u>	<u>97,797</u>
<b>Total Liabilities</b>	<u>100,814</u>	<u>81,230</u>	<u>182,044</u>
<b>Deferred Inflows of Resources</b>			
Related to net pension liability	<u>3,112</u>	<u>-</u>	<u>3,112</u>
<b>Total Deferred Inflows of Resources</b>	<u>3,112</u>	<u>-</u>	<u>3,112</u>
<b>Net Position</b>			
Net investment in capital assets	202,022	-	202,022
Unrestricted	<u>25,736</u>	<u>-</u>	<u>25,736</u>
<b>Total Net Position</b>	<u>\$ 227,758</u>	<u>\$ -</u>	<u>\$ 227,758</u>

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

**CITY OF PORT ISABEL, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Business-Type Activities		
		Nonmajor Enterprise Funds	
	Lighthouse		Total
<b>Operating Revenues</b>			
Charges for services	\$ 243,730	\$ -	\$ 243,730
Grant(s)	24,502	-	24,502
Intergovernmental	50,000	-	50,000
Fundraiser	300	-	300
Other income	1,186	15,600	16,786
<b>Total Operating Revenues</b>	<u>319,719</u>	<u>15,600</u>	<u>335,319</u>
<b>Operating Expenses</b>			
Personnel services and benefits	120,939	-	120,939
Supplies	20,551	1,649	22,200
Repairs and maintenance	28,374	-	28,374
Contracted services	-	2,070	2,070
Utilities	97,984	-	97,984
Insurance expense	32,884	-	32,884
Other expenses	35,977	-	35,977
Depreciation	16,889	-	16,889
<b>Total Operating Expenses</b>	<u>353,598</u>	<u>3,719</u>	<u>357,317</u>
<b>Operating Income (Loss)</b>	( 33,879)	11,881	( 21,999)
Transfers in	49,240	-	49,240
Transfers out	( 23,588)	( 11,881)	( 35,469)
<b>Change in net position</b>	( 8,228)	-	( 8,228)
<b>Net position, beginning</b>	250,280	-	250,280
<b>Prior period adjustment</b>	( 14,294)	-	( 14,294)
<b>Net position, ending</b>	<u>\$ 227,758</u>	<u>\$ -</u>	<u>\$ 227,758</u>

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

**CITY OF PORT ISABEL, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER, 30, 2024**

	Business-Type Activities Enterprise Funds		
	Lighthouse	Nonmajor Proprietary Funds	Total Enterprise Funds
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 268,532	\$ 15,600	\$ 284,132
Cash received from other sources	50,000	-	50,000
Cash paid to suppliers for goods and services	(312,951)	(3,719)	(316,670)
Cash paid to employees for services	(120,939)	-	(120,939)
Net cash provided (used) by operating activities	<u>(115,357)</u>	<u>11,881</u>	<u>(103,477)</u>
<b>Cash flows from noncapital financing activities:</b>			
Contributions	1,186	-	1,186
Transfers in from other funds	49,240	-	49,240
Transfers to other funds	(23,588)	(11,881)	(35,469)
Net cash provided (used) by noncapital financing activities	<u>26,838</u>	<u>(11,881)</u>	<u>14,957</u>
<b>Net increase (Decrease) in Cash and Cash Equivalents</b>	<u>(88,520)</u>	<u>-</u>	<u>(88,520)</u>
Cash and cash equivalents at beginning of year	102,490	-	102,490
Cash and Cash equivalents at end of year	<u>\$ 13,970</u>	<u>\$ -</u>	<u>\$ 13,970</u>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ (33,879)	\$ 11,881	\$ (21,999)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	16,889	-	16,888
<b>Changes in assets, liabilities, and deferred outflows and inflows:</b>			
(Increase) decrease in assets and deferred outflows:			
Inventory	29,839	(81,230)	(51,391)
Due from Other Funds	(3,951)	-	(3,951)
Deferred outflows of resources related to pensions	25,770	-	25,770
Other liability	(13,274)	-	(13,274)
Accrued Liabilities	(28,753)	-	(28,753)
Deferred inflows of resources related to pensions	(2,625)	-	(2,625)
Due to Other Funds	(84,893)	81,230	(3,663)
Net Pension Liability	(20,480)	-	(20,480)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ (115,357)</u>	<u>\$ 11,881</u>	<u>\$ (103,477)</u>

The accompanying notes are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Port Isabel, TX, reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide concise explanations, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered essential to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2024.

**A. Reporting Entity**

The City of Port Isabel, Texas (the "City") was incorporated on January 21, 1928, under the provisions of the laws for the State of Texas. The City operates under a City Commission-Manager form of government. It provides the following services as authorized by its charter: public safety (police and fire), public works, streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. Other services include emergency medical (ambulance). The City is an independent political subdivision of the State of Texas, governed by an elected Mayor and a four-member Commission, and is considered a primary government.

As required by accounting principles generally accepted in the United States of America, the reporting entity's financial statements include those of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Discretely Presented Component Unit**

The Port Isabel Economic Development Corporation (EDC) is a discretely presented component unit that is reported in a separate column in the government-wide financial statements. This presentation emphasizes that the EDC is legally separate from the City, yet its inclusion in the City's reporting entity is due to the significance of its operational or financial relationship with the City.

The EDC is a non-profit industrial development corporation governed by a seven-member board appointed by the City. The EDC is funded through a one-half of one percent sales tax levy. The purpose of the EDC is to promote economic development within the City. The City has a voting majority, the imposition of will, financial benefit, and financial accountability over the EDC. The EDC maintains a September 30 fiscal year-end.

Complete financial statements for the component unit may be obtained from the administrative office at 305 East Maxan, Port Isabel, Texas 78578.

**B. Financial Statement Presentation**

The basic financial statements conform to GASB Statement No. 34, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by the fund but distinguish between the City's governmental, business-type, and discretely presented component unit activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the government funds. Proprietary funds utilize the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The City presents the Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement compares the original adopted and final amended General Fund budget with actual results.

**C. Government-Wide and Fund Financial Statements**

The basic financial statements include government-wide (based on the City as a whole) 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 primary government's nonfiduciary activities and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are identifiable with a specific function or segment. Program revenue includes 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 revenue are reported instead as general revenue.

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when it is earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.** All governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

Private-sector standards of accounting and financial reporting issued before December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board. The City also can follow subsequent private-sector guidance for their business-like activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds, fiduciary funds, and various other functions of the government. Eliminating these charges would distort the direct costs and program revenue reported for the various functions.

GASB Statement 34 permits a government to designate a particular fund that is of interest to users as a major fund and to individually present its information in the basic financial statements, even if it does not meet the criteria. The City designated the debt service fund as a major fund.

The City reports the following major governmental funds:

**General Fund**—This 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.

**General Obligation Bond, Series 2024** – This the City's newly entered into bond agreement. Proceeds from the sale of bonds will be used to construct improvements for parks and recreation, and to construct street and sidewalk improvements.



**CITY OF PORT ISABEL, TEXAS  
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**Certificate of Obligation, Series 2024** - This the City's newly entered into certificate obligation. Proceeds from the certificate will be used to construct improvements to the City's Event Center, and to construct improvements to City Hall.

Additionally, the City reports the following nonmajor governmental funds:

**Special Revenue Funds**—Nonmajor special revenue funds account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

**Capital Projects Funds**—These funds are used to account for financial resources used to acquire or construct major capital facilities.

**Debt Service Fund**—This fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on long-term debt paid from taxes levied by the City.

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 revenue. Likewise, general revenue includes all taxes.

***Proprietary Funds***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods connected to a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds and Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The City reports the following major proprietary funds:

**Lighthouse Fund** — This fund is used to account for the culture and recreation activities.

**E. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, interest-bearing demand deposits, petty cash funds, and short-term certificates of deposits (inclusive of restricted assets) with maturity dates within 180 days of the date initially acquired.

**F. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in, first-out method. When consumed, their costs are recorded as expenditures. Inventories in the Proprietary Funds consist of cemetery lots and museum items recorded at cost.

**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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Prepaid balances represent payments made to third-party vendors for goods and services that will benefit periods beyond September 30, 2024. As of September 30, 2024, the City did not report any prepaid items.

**G. Investments and Income Recognition**

The Texas Public Investments Act and the City's investment policy limit investments in the city. The City of Port Isabel's governing body reviews the investment policy annually. Interest income is recognized when earned. As of September 30, 2024, the City invested in certificates of deposits, which are FDIC and NCUSIF insured, and Texas local government investment pools.

**H. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of inter-fund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Trade receivables are shown net of an allowance for uncollectible accounts. The City calculates its allowances for uncollectible accounts using historical collection data, specific account analysis, and management judgment.

**I. Restricted Assets**

The proceeds of the Debt Service Fund are set aside for the repayment of long-term debt and are restricted assets on the balance sheet because applicable debt requirements and agreements limit their use. Customer deposits received for water and wastewater service are, by law, considered restricted assets.

**J. Capital Assets**

Capital assets, including property, plant, equipment, and infrastructure, are reported in the government-wide financial statements' applicable governmental or business-type activities columns. The City defines capital assets as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-40 years
Furniture and equipment	5 years

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**K. Compensated Absences**

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

1 year of completed service	1 week vacation
2-15 years of completed service	2 weeks vacation
15-20 years of completed service	3 weeks vacation
21+ years of completed service	4 weeks vacation

Vacation will be forfeited if not used before the succeeding vacation year and cannot be accumulated from year to year. Sick leave accumulates at the rate of ten days per year. The maximum number of days of sick leave that an employee may accumulate is sixty; however, upon voluntary separation from the City, employees will be entitled to be paid for a maximum of thirty days.

Vacation and sick benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, due to employee resignations or retirements.

**L. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Debt Principal and Interest Repayment Accounting Policy Change

On August 29, 2023, the City Commissioners adopted the fiscal year's 2024 budget and approved the repayment of general obligation debt using the Interest and sinking tax rate. This resulted in an accounting policy change that enables the City to allocate its general obligation debt to the Debt Service Fund (also known as the Interest and Sinking Fund).

**M. Pensions and Other Postemployment Benefits (OPEB)**

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

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**CITY OF PORT ISABEL, TEXAS  
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Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from TMRS through reports prepared for the City by TMRS consulting, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

**Pension and OPEB-related items**—These amounts are attributable to the City's participation in a defined benefit retirement plan and are recognized in future periods.

**Pension and OPEB contributions** after the measurement date are deferred and recognized in the following fiscal year.

**The difference in expected and actual pension** and OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

**The difference in projected and actual pension asset earnings is deferred and amortized over five years.**

**Unavailable revenue**—The City has only one type of item, property taxes, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund's balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**O. Fund Equity**

The City classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

**Nonspendable Fund Balance**—This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the following year.

**Restricted Fund Balance**—This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, higher levels of government, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance**—This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the resolution by the Commission. A majority vote in a scheduled meeting may modify or rescind the Commission's commitment.

**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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Commitments cannot exceed the amount of fund balance that is greater than the sum of non-spendable and restricted fund balances, since that practice would commit funds that the City does not have. Commitments must occur before the end of the reporting period, with amounts to be determined subsequently.

**Assigned Fund Balance**—This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The commission, the City Manager, or the Finance Director can express this intent.

**Unassigned Fund Balance**—This classification includes the General Fund's residual balance and any other governmental fund's negative residual balance that cannot be eliminated by offsetting assigned fund balance amounts.

**Net Position**—The chart below lists the governmental nonmajor fund balances included in the restricted and unassigned net position total of the statement of net position as of September 30, 2024.

Hotel/Motel Tax	\$ 159,145
Charles Champion Preservation	1,202
Beautification 2017 Fund	2,020
Police Forfeiture State	43,298
Police Forfeiture Federal	75,914
TECLOSE	(925)
Police Court Technology	46,742
Court Building Security	57,379
Capital Project Fund	752,329
Debt Service Fund	608,725
	<u>\$ 1,745,830</u>

**P. Subsequent Events**

The City evaluated all events or transactions that occurred after September 30, 2024, until May 30, 2025, when the financial statements were issued. As of the report issue date, no events or transactions have transpired that would have a material effect on the balances reported on the financial statements or that would significantly impact the City's operations.

**NOTE 2. CASH AND INVESTMENTS**

At year-end, the combined carrying amount of the City's deposits, including both governmental and business-type activities, was \$794,075, and the investment balance was \$6,290,957. The City's component unit had a carrying amount of \$1,025,177 and an investment amount of \$500,832. All bank balances were covered by Federal deposit insurance and collateralized by the pledging financial institution's City safekeeping account at the Federal Reserve or held by a third-party custodian. The custodian serves contractually as the City's agent.

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**CITY OF PORT ISABEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

Cash and investments were as follows as of September 30, 2024:

	Governmental Activities	Business Type Activities	Component Unit	Total
Cash and cash equivalents	\$ 780,105	\$ 13,970	\$ 1,526,009	\$ 2,320,084
Restricted cash and cash equivalents	6,290,957	-	-	6,290,957
Total Cash	<u>\$ 7,071,062</u>	<u>\$ 13,970</u>	<u>\$ 1,526,009</u>	<u>\$ 8,611,041</u>
Deposits with financial institutions	\$ 780,105	\$ 13,970	\$ 1,025,177	\$ 1,819,252
Investment Pools	6,290,957	-	500,832	6,791,789
Total Cash and Investments	<u>\$ 7,071,062</u>	<u>\$ 13,970</u>	<u>\$ 1,526,009</u>	<u>\$ 8,611,041</u>

The table below shows the City's authorized investments by the Public Funds Investment Act (Government Code 2256). Also, the table identifies certain provisions of the City's investment policy that address:

**Interest Rate Risk**—The interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

**Disclosures Relating to Credit Risk**—Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the investment holder. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**—The City's investment policy states that no more than 15% of the City's total investment portfolio will be invested with a single issuer of repurchase agreements and certificates of deposit.

Investments as of September 30, 2024, consist of and are classified in the accompanying financial statements as follows:

Authorized Investment Types Government Investment Pools Held by LOGIC Investment Pool	Maturity Date	Total Market Value	Weighted Average Maturity Days	Yield
General Fund		\$ 1,179,628	48	5.23%
2024 Bond Proceeds		5,111,328	48	5.23%
Economic Dev Corp		500,832	48	5.23%
Total		<u>\$ 6,791,788</u>		

As of September 30, 2024, the City's Certificate of Deposits investment portfolios that are held by Plains Capital Bank had a market value of \$0. The balances from the Plains Capital Bank portfolios were transferred to the General Fund LOGIC investment pool. All the CDs are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF).

**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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During the 2023-2024 fiscal year, the City invested funds into a Local Government Investment Cooperative (LOGIC). LOGIC is an investment program designed for local governments in Texas to pool their available funds. LOGIC operates under the Interlocal Cooperation Act and the Public Funds Investment Act. LOGIC's investment primarily includes high-quality, short-term securities such as U.S. Treasury bills, government agency securities, and repurchase agreements. Investment income from LOGIC is comprised of interest income, which is recognized as earned.

The City transferred \$1,125,000 from their general fund bank account to the General Fund LOGIC investment pool account and incurred \$54,620 of interest earnings during the year. In May 2024, the City approved a General Obligation Bond and Certificate of Obligation, Series 2024 totaling \$5,200,000. The total amount was transferred into the 2024 Bond Proceeds LOGIC investment pool account. The 2024 Bond Proceeds account had interest income totaling \$63,622 and approved withdrawals of \$152,293.

### **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 possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments other than the following provision for deposits:

The Public Funds Investment Act requires that the City's financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The City requires all deposits to be covered by the Federal Deposit Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the City's depository in the City's name and held by the depository's agent. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value, which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

**Level 1**—inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

**Level 2**—inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

**Level 3**—inputs are unobservable inputs for an asset or liability.

As of September 30, 2024, the City's deposits with financial institutions exceeding federal depository insurance limits were fully collateralized.

### **NOTE 3. PROPERTY TAXES**

Property taxes are levied on October 1, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year, when penalty and interest charges are applicable. Taxes are due on October 1 and delinquent after January 31. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest.

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**CITY OF PORT ISABEL, TEXAS  
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The lien exists in favor of the State and each taxing unit. Appraised values are established by the Cameron County Appraisal District (CCAD) of Cameron County, Texas, through procedures established by the Texas Legislature. The Cameron County Tax Office bills and collects the City's property taxes.

The City is permitted by its Charter to levy property taxes up to \$1.50 per \$100 of assessed valuation for general governmental services and for the payment of principal and interest on general long-term debt. The City's combined property tax rate to finance general governmental services, for the year ended September 30, 2024, was \$.690000 per \$100 of assessed valuation.

**NOTE 4. RECEIVABLES**

At year-end, the receivables balance for the City's major funds and non-major funds in the aggregate, net of applicable allowances for uncollectible accounts, is as follows as of September 30, 2024:

	Governmental Activities		
	General	Debt Service	Total
Governmental Funds			
Receivables (Net)			
Accounts	\$ 217,945	\$ -	\$ 217,945
Property Taxes	198,797	25,418	224,215
Sales Taxes	<u>463,235</u>	<u>-</u>	<u>463,235</u>
Net total receivables	<u>\$ 879,977</u>	<u>\$ 25,418</u>	<u>\$ 905,395</u>

**Business-Type Activities**

As of September 30, 2024, the City did not have a receivable account balance for the business-type funds.

**Component Unit**

The receivables in the discretely presented component unit consist of \$188,624 in notes receivable and \$154,412 in sales taxes receivable, totaling \$343,036.

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**CITY OF PORT ISABEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the primary government for the fiscal year ended September 30, 2024, was as follows:

	Beginning Balance 10/1/2023	Increases	Decreases	Ending Balance 9/30/2024
<b>Governmental Activities</b>				
Non-depreciable:				
Land	\$ 1,984,840	\$ -	\$ -	\$ 1,984,840
Construction in Progress	-	538,042	-	538,042
Total non-depreciable assets at historical cost	1,984,840	538,042	-	2,522,882
Depreciable:				
Buildings and improvements	6,629,322	-	-	6,629,323
Parks and improvements	3,186,841	-	-	3,186,842
Furniture and equipment	1,468,575	-	-	1,468,575
Vehicles	2,052,399	17,000	-	2,069,399
Streets, sidewalks and curbs	11,056,510	149,310	-	11,205,820
Library books	677,236	-	-	677,236
Total capital assets being depreciated	25,070,883	166,310	-	25,237,194
Less accumulated depreciation				
Buildings and improvements	2,807,926	139,990	-	2,947,916
Parks and improvements	1,475,256	109,501	-	1,584,757
Furniture and equipment	1,436,665	23,431	-	1,460,096
Vehicles	1,982,212	38,255	-	2,020,468
Streets, sidewalks and curbs	4,622,968	283,009	-	4,905,977
Library books	658,347	15,445	-	673,792
Total accumulated depreciation	12,983,374	609,631	-	13,593,006
Net depreciable assets	12,087,509	(443,321)	-	11,644,188
Total capital assets, net	14,072,349	94,721	-	14,167,070
Rights to use lease assets				
Vehicles	525,328	103,814	-	629,142
Furniture and Equipment	536,649	150,154	-	686,803
Total right to use lease assets being amortized	1,061,978	253,968	-	1,315,946
Less accumulated amortization				
Vehicles	247,121	110,669	-	357,790
Furniture and Equipment	371,903	68,622	-	440,524
Total right to use lease assets being amortized	619,023	179,291	-	798,314
Total right to use lease asset, net	442,954	74,677	-	517,632
Governmental activities capital assets, net	\$ 14,515,303	\$ 169,398	\$ -	\$ 14,684,702

**CITY OF PORT ISABEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation and amortization expense were charged to the functions of the primary government as follows:

Governmental Activities:	
General government	\$ 199,439
Public safety	305,696
Public works	131,531
Culture and recreation	96,137
Health and welfare	32,868
Total depreciation expense	<u>\$ 765,671</u>

Capital asset activity for the business-type activities for the fiscal year ended September 30, 2024, was as follows:

	Beginning Balance 10/1/2023	Increases	Decreases	Ending Balance 9/30/2024
<b>Business Type Activities:</b>				
Non-depreciable:				
Land	\$ 108,088		\$ -	\$ 108,088
Total non-depreciable assets at historical cost	<u>108,088</u>	<u>-</u>	<u>-</u>	<u>108,088</u>
Depreciable:				
Buildings and improvements	471,223	-	-	471,223
Other improvements	58,384	-	-	58,384
Furniture and equipment	72,983	-	-	72,983
Total depreciable assets at historical cost	<u>602,590</u>	<u>-</u>	<u>-</u>	<u>602,590</u>
Less accumulated depreciation				
Buildings and improvements	389,114	11,781	-	400,895
Other improvements	26,273	1,460	-	27,732
Furniture and equipment	53,852	3,649	-	57,501
Total accumulated depreciation	<u>469,239</u>	<u>16,889</u>	<u>-</u>	<u>486,128</u>
Net depreciable assets	<u>133,351</u>	<u>(16,889)</u>	<u>-</u>	<u>116,462</u>
Business-type activities capital assets, net	<u>\$ 241,439</u>	<u>\$ (16,889)</u>	<u>\$ -</u>	<u>\$ 224,550</u>

Business-type activities depreciation expense:

Business-type activities:	
Lighthouse	\$ 16,889
Total depreciation expense	<u>\$ 16,889</u>

**Component Unit**

As of September 30, 2024, the component unit did not have a balance for capital assets.

**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**NOTE 6. INTER-FUND RECEIVABLES AND PAYABLES AND TRANSFERS**

Interfund balances on September 30, 2024, consisted of the following amounts and represent charges for services or reimbursable expenses.

These remaining balances resulted from the time lag between the dates that:

- (1) inter-fund goods or services are provided or reimbursable expenditures occur,
- (2) transactions are recorded in the accounting period, and
- (3) payments are made between funds. The City expects to repay all inter-fund balances within one year

As of September 30, 2024, the composition of inter-fund receivables and payables are as follows:

<b>Governmental Funds</b>		
General Fund	Due From	Due To
Special revenue	\$ 6,000	\$ 108,962
Debt service fund	-	210,339
Enterprise fund	81,230	35,398
Capital projects fund	376,591	25,045
Component unit	654,529	-
EDC Debt		763,817
<u>Special Revenue</u>		
General fund	83,268	6,000
<u>Debt Service Fund</u>		
General fund	121,519	-
<u>Enterprise Fund</u>		
General fund	35,398	81,230
<u>Capital Projects Fund</u>		
General fund	25,045	351,196
Special revenue	-	-
Total Government Funds	<u>1,383,581</u>	<u>1,581,987</u>
<b>Discretely Presented Component Unit</b>		
General fund	<u>899,942</u>	<u>701,536</u>
Total Component Unit	<u>899,942</u>	<u>701,536</u>
Total	<u>\$ 2,283,523</u>	<u>\$ 2,283,523</u>

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**Transfers In and Out**

On September 30, 2024, the composition of transfers is as follows:

	Transfer	
	In	Out
General Fund	\$ 81,885	\$ 170,675
Special Revenue (nonmajor)	60,770	-
Capital Project Fund	14,250	-
Enterprise Fund	49,240	35,469
Total	<u>\$ 206,145</u>	<u>\$ 206,145</u>

**NOTE 7. UNEARNED REVENUE/DEFERRED INFLOWS OF RESOURCES**

Governmental funds report deferred inflows of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Government funds also defer revenue recognition in connection with resources that have been received but not yet earned (unearned revenue).

**Unearned Revenue and Deferred Inflows of Resources**

At the end of the current fiscal year, the various components of unearned revenue and deferred inflows of resources for the governmental funds are reported as follows:

	General	Debt	Total
		Service	
Deferred inflows of resources:			
Property taxes	<u>\$ 237,097</u>	<u>\$32,293</u>	<u>\$ 269,390</u>
Total	<u>\$ 237,097</u>	<u>\$32,293</u>	<u>\$ 269,390</u>
Unearned revenue:			
Grant funding	<u>\$ 2,005</u>	<u>\$11,080</u>	<u>\$ 13,085</u>
Total	<u>\$ 2,005</u>	<u>\$11,080</u>	<u>\$ 13,085</u>

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**NOTE 8. LONG-TERM DEBT**

The City of Port Isabel issued general obligation bonds, notes, and capital leases to provide funds for the acquisition, construction, and improvements of major capital facilities and equipment. Capital leases have been issued for equipment purchased for governmental activity. These issues are direct obligations and pledge the full faith and credit of the City.

**General Obligation Bonds, Notes Payable, and Capital Leases**

**General Obligation Bonds**

The City of Port Isabel issued general obligation bonds to provide funds for constructing and improving citywide capital property and facilities. General obligation bonds are direct obligations issued on a pledge of the general taxing power to pay the City's debt obligations. General obligation bonds required the City to compute the tax rate (each year bonds are outstanding) required to provide a fund to pay interest and principal at maturity.

On April 25, 2019, the City of Port Isabel issued \$3,500,000 of tax revenue general obligation bonds Series 2019. The proceeds of the bonds will be used for Citywide capital improvements. These general obligation bonds, Series 2019, are due in annual installments through September 30, 2049. The general obligation bonds have an interest rate of 5.10% per annum.

On May 28, 2024, the City of Port Isabel issued \$3,840,000 of general obligation bonds, Series 2024 and a certificate of obligation, Series 2024 for \$1,450,000. These bond proceeds will be used for Citywide capital improvements. The Series 2024 bond is due in annual installments until maturity February 15, 2054 and the Series 2024 certificate is due in annual installments until maturity in February 15, 2044. The general obligation bond and certificate of obligation both have an interest rate of 5.25%.

These are general obligation bonds that are tax-supported general obligation debt outstanding on September 30, 2024.

General Obligation Bonds	Year of Maturity	Interest Rates	Governmental
General Obligation Bonds Series 2019	2049	5.10%	\$ 3,265,000
General Obligation Bonds Series 2024	2054	5.25%	3,840,000
Certificate of Obligation Series 2024	2044	5.25%	1,450,000
Total General Obligation Bonds			<u>\$ 8,555,000</u>

**Notes Payable**

The City of Port Isabel reported outstanding notes for governmental activities to acquire, construct, and improve capital equipment and facilities.

On May 6, 2013, the City of Port Isabel and the United States Department of Agriculture Rural Development (USDA) entered into a note agreement. The Note aims to provide funds to establish a revolving fund to provide financial assistance through loans to small and emerging private business enterprises in the City of Port Isabel. The Note is due on May 6, 2043, and has an annual interest rate of 3.50%. Starting in the fiscal year 2024, the City recognized the USDA note principal and interest payments in its debt service fund.

**CITY OF PORT ISABEL, TEXAS  
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In June 2019, the City entered into two note agreements, Note 4940 and Note 5300, with Plains Capital Bank. Note 4940 had a beginning balance of \$104,045 and Note 5300 had a beginning balance of \$67,354. The agreements interest rates are not fixed and as of September 30, 2024 the agreements had an interest rate of 8.50%.

On March 25, 2021, the City and PlainsCapital Bank entered into a note agreement. This Note is due on March 25, 2026, with a fixed interest rate of 4.250% per annum. The Note was issued as a renewal and extension of the City's \$350,000 Note dated March 25, 2020. On March 25, 2020, The City entered into a commercial line of credit for \$350,000 with PlainsCapital Bank for working capital.

These are the outstanding notes as of September 30, 2024.

Notes Payable	Year of Maturity	Interest Rates	Governmental
Note payable - PlainsCapital	2026	4.25%	\$ 112,966
Note payable-USDA (Rural Development)	2043	3.50%	2,105,000
Note payable - PlainsCapital 4940	2028	8.50%	41,596
Note payable - PlainsCapital 5300	2028	8.50%	26,768
Total Notes Payable			<u>\$ 2,286,330</u>

## **Leases**

For the fiscal year ended September 30, 2024, the financial statements include GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

### **Lease Liabilities (City as Lessee)**

On November 10, 2021, the City entered into a 48-month lease for the purchase of a street sweeper, two pickups, one for the police department and one for public works, a tractor and sandbagger for public works, and a fingerprint scanner for the police department. At the end of each year, the lease provides a purchase option price. As of September 30, 2024, the value of the lease liability was \$174,679. The City is required to make payment annual lease and interest payments of \$61,925.66. The lease has an annual interest rate of 6.19%. The value of the right to use the assets as of September 30, 2024, is \$237,202 net of accumulated amortization is included with leased equipment on the lease class activities table found below.

On December 15, 2021, the City entered into a 48-month lease for the purchase of two sport utility vehicles, and outdoor fixtures. At the end of each year, the lease provides a purchase option price. As of September 30, 2024, the value of the lease liability was \$102,928. The City is required to make annual fixed payments of \$36,488.86. The lease has an annual interest rate of 6.26%. The value of the right to use the assets as of September 30, 2024, is \$47,199 with accumulated amortization of \$1,573 is included with leased equipment on the lease class activities table found below.

**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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On January 6, 2023, the City executed a 48-month equipment lease agreement with Community First National Bank. The lease purchase agreement requires total principal payments of \$180,441 and interest payments of \$25,962. The first payment is due November 1, 2023, and the final payment is due November 1, 2027.

On June 1, 2023, the City executed a 84-month equipment lease agreement with Motorola Solutions. The lease is to be used by the police department to purchase updated radios for police communication. The lease agreement requires total principal payments of \$150,154 and interest payments of \$36,505. The first payment is due June 1, 2024, and the final payment is due June 1, 2030.

On March 15, 2024, the City executed a 60-month equipment lease agreement with Community First National Bank. The lease was used to purchase an F150 truck for the police department. The lease agreement requires total principal payments of \$64,750 and interest payments of \$11,260. The first payment is due November 1, 2024, and the final payment is due November 1, 2028.

On March 15, 2024, the City executed a 60-month equipment lease agreement with Community First National Bank. The lease was used to purchase an F150 truck for the police department. The lease agreement requires total principal payments of \$39,064 and interest payments of \$6,793. The first payment is due to November 1, 2024, and the final payment is due November 1, 2028.

The lease assets and corresponding accumulated amortization (depreciation) by major asset class for the City's governmental activities is shown below.

	Beginning Balance 10/1/2023	Increases	Decreases	Ending Balance 9/30/2024
Rights to use lease assets				
Vehicles	\$ 525,328	\$ 103,814	-	\$ 629,142
Furniture and Equipment	536,649	150,154	-	686,803
Total right to use lease assets being amortized	<u>1,061,978</u>	<u>253,968</u>	<u>-</u>	<u>1,315,946</u>
Less accumulated amortization				
Vehicles	247,121	110,669	-	357,790
Furniture and Equipment	371,903	68,622	-	440,524
Total right to use lease assets being amortized	<u>619,023</u>	<u>179,291</u>	<u>-</u>	<u>798,314</u>
Total right to use lease asset, net	<u>\$ 442,954</u>	<u>\$ 74,677</u>	<u>-</u>	<u>\$ 517,632</u>

Prior to October 1, 2021, the City entered into five (5) leases as lessee for the use of furniture, equipment, and vehicles by administration, city hall, public safety, and public works. The lease terms are an average of 60 months. The total initial lease liability recorded as \$628,096 with individual amounts ranging from \$50,940 to \$237,760. As of September 30, 2024, the total value of these lease liabilities was \$122,247. The City is required to make annual payments in amounts ranging from \$10,980 to \$47,127. The leases have interest rates ranging from 2.06% to 3.93%.

During the 2023-2024 fiscal year, the City has fulfilled the terms and conditions for three (3) existing leases. The balance of these leases has been reduced to zero. As of September 30, 2024, the City has eight (8) ongoing leases.

**CITY OF PORT ISABEL, TEXAS  
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The total value of the right to use assets as of September 30, 2024, is \$1,315,946, with total accumulated amortization of \$798,314.

**Changes in Long-term Liabilities**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2024, is as follows:

	Beginning Balance 10/1/2023	Additions	Reductions	Adjustments	Ending Balance 9/30/2024	Amount Due Within One Year
<b>Government activities:</b>						
General Obligation Bond, Series 2019	\$ 3,330,000	\$ -	\$ 65,000	\$ -	\$ 3,265,000	\$ 65,000
General Obligation Bond, Series 2024	-	3,840,000	-	-	3,840,000	-
Certificate of Obligation, Series 2024	-	1,450,000	-	-	1,450,000	15,000
Premium on bond, Series 2019	103,724	-	4,229	-	99,495	4,229
Premium on bond, Series 2024	-	93,763	-	-	93,763	3,125
Premium on certificate, Series 2024	-	38,556	-	-	38,556	1,928
Total bonds payable	3,433,724	5,422,319	69,229	-	8,786,814	89,282
Notes payable	2,476,389	-	191,408	1,349	2,286,330	202,873
Capital leases	703,122	253,968	259,072	(5,334)	692,684	225,937
Total bonds, notes, and capital leases	6,613,235	5,676,286	519,709	(3,986)	11,765,828	518,092
Compensated absences	246,729	10,107	-	-	256,836	-
OPEB liability	151,797	10,557	-	-	162,354	-
Net pension liability (asset)	1,795,926	-	393,950	-	1,401,976	-
Total governmental activities:	<u>\$ 8,807,687</u>	<u>\$ 5,696,950</u>	<u>\$ 913,659</u>	<u>\$ (3,986)</u>	<u>\$ 13,586,995</u>	<u>\$ 518,092</u>
<b>Business-type activities:</b>						
Compensated absences	\$ 24,840	\$ 73	\$ -	\$ -	\$ 24,913	\$ -
Net pension liability (asset)	93,364	-	20,480	-	72,884	-
Total business-type activities	<u>\$ 118,204</u>	<u>\$ 73</u>	<u>\$ 20,480</u>	<u>\$ -</u>	<u>\$ 97,797</u>	<u>\$ -</u>

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**CITY OF PORT ISABEL, TEXAS  
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The annual aggregate maturities for the Governmental Activities long-term debt for the year ended September 30, 2024, are as follows:

General Obligation Bonds, Series 2019, General Obligation Bonds, Series 2024, and Certificate of Obligation, Series 2024 annual debt service requirements.

Year Ending September 30,	Governmental Activities Bonds and Obligations, Series 2019 and 2024		
	Principal	Interest	Total
2025	\$ 80,000	\$ 490,440	\$ 570,440
2026	170,000	440,778	610,778
2027	185,000	431,568	616,568
2028	190,000	421,836	611,836
2029	200,000	411,715	611,715
2030-2034	1,180,000	1,886,019	3,066,019
Thereafter	6,550,000	3,364,706	9,914,706
	<u>\$ 8,555,000</u>	<u>\$ 7,447,062</u>	<u>\$ 16,002,062</u>

Notes Payable, annual debt service requirements.

Year Ending September 30,	Governmental Activities Notes Payable		
	Principal	Interest	Total
2025	\$ 202,873	\$ 82,295	\$ 285,168
2026	172,686	73,960	246,647
2027	141,630	67,715	209,345
2028	133,601	61,945	195,546
2029	130,000	57,400	187,400
2030-2034	285,000	100,800	385,800
	<u>\$ 1,065,790</u>	<u>\$ 444,116</u>	<u>\$ 1,509,906</u>

Leases, annual debt service requirements.

Year Ending September 30,	Governmental Activities Capital Leases		
	Principal	Interest	Total
2025	\$ 225,937	\$ 28,677	\$ 254,613
2026	232,334	22,280	254,613
2027	79,037	13,282	92,320
2028	83,412	8,908	92,320
2029	46,750	4,289	51,039
2030-2034	25,214	1,451	26,666
	<u>\$ 692,684</u>	<u>\$ 78,887</u>	<u>\$ 771,570</u>

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**CITY OF PORT ISABEL, TEXAS  
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**Discretely Presented Component Unit – City of Port Isabel Economic Development Corporation (PIEDC)**

The Port Isabel Economic Development Corporation entered into a \$1,690,000 loan with the Texas Leverage Fund. The loan was negotiated in 2017. The purpose of the loan is to establish the Port Isabel Culinary Arts Institute. This loan is due in annual installments through October 2029. The Note was issued with a variable interest rate of 3.0%.

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
2017 Refunding Bond	<u>\$ 1,165,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 985,000</u>	<u>\$ 185,000</u>
Total component unit	<u>\$ 1,165,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 985,000</u>	<u>\$ 185,000</u>

Annual debt service requirements for the Port Isabel Economic Development Corporation for the year ended September 30, 2024, are as follows:

Year Ending September 30,	Governmental Activities Refunding Bond 2017		
	Principal	Interest	Total
2025	\$ 185,000	\$ 23,294	\$ 208,294
2026	190,000	18,401	208,401
2027	195,000	13,376	208,376
2028	205,000	8,156	213,156
2029	210,000	2,741	212,741
	<u>\$ 985,000</u>	<u>\$ 65,968</u>	<u>\$ 1,050,968</u>

**Compensated Absences**

Compensated absences represent the estimated liability for employees' accrued sick and vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

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**CITY OF PORT ISABEL, TEXAS  
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**NOTE 9. PENSION PLAN**

**A. Plan Description**

The City of Port Isabel, TX, participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**B. Benefits Provided**

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

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

**Employees covered by benefit terms:**

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

Actuarial Valuation and Measurement Date, December 31,		2023
<hr/>		
Membership		
<hr/>		
Number of:		
Inactive employees or beneficiaries currently receiving benefits		37
Inactive employees entitled to but not yet receiving benefits		79
Active employees		<u>67</u>
Total		<u><u>183</u></u>

**C. Contributions**

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

**CITY OF PORT ISABEL, TEXAS  
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Employees for the City of Port Isabel, TX, were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Port Isabel were 5%, 4.15%, and 4.15% in fiscal years 2021, 2020, and 2019, respectively. The City changed its employee deposit rate from 4.278% in 2021 to 8.03% in fiscal year 2022. The contribution rates for the City of Port Isabel, TX, were 8.03% in the calendar years 2022 and 2023. The City contribution rate changed to 9.76% for the 2024 calendar year. The City's contributions to TMRS for the year ended September 30, 2024, were \$343,552, and were equal to the required contributions, and employees contributed \$237,568.

**D. 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 on December 31, 2023, the actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	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 are determined by a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables, utilizing 110% of the Public Safety table for males and 100% of the General Employee table for females. Mortality rates for healthy retirees and beneficiaries are derived from the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are adjusted by multiplying by 103%, while female rates are multiplied by 105%. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis using the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate 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 the most recent Scale MP-2021 to account for future mortality improvements, subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018, to December 31, 2022. The assumptions were adopted in 2023 and first used on the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and the production of income 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 by the best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighing the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2023 are summarized in the following table:

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Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35%	6.7%
Core Fixed Income	6%	4.7%
Non-Core Fixed Income	20%	8.0%
Other Public and Private Markets	12%	8.0%
Real Estate	12%	7.6%
Hedge Funds	5%	6.4%
Private Equity	10%	11.6%
Total	100%	

### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2022	\$8,900,445	\$7,011,155	\$ 1,889,290
Changes for the year:			
Service cost	445,434	-	445,434
Interest	606,275	-	606,275
Difference between expected and actual experience	(15,198)	-	(15,198)
Change in assumptions	(78,195)	-	(78,195)
Contributions - employer	-	325,055	(325,055)
Contributions - employee	-	242,838	(242,838)
Net investment income	-	810,052	(810,052)
Benefit payments, including refunds of employee contributions	(282,633)	(282,633)	-
Administrative expense	-	(5,162)	5,162
Other changes	-	(36)	36
Net changes	675,683	1,090,113	(414,430)
Balance at December 31, 2023	\$9,576,128	\$8,101,268	\$ 1,474,860

**CITY OF PORT ISABEL, TEXAS  
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**Sensitivity of the Net Pension Liability to changes in the discount rate:**

The following presents the Net Pension Liability of the city, calculated using the discount rate of 6.75%, as well as what the city's Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or one (1) percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Current Single Discount Rate Assumption (6.75%)	1% Increase in (7.75%)
<u>\$ 3,102,241</u>	<u>\$ 1,474,860</u>	<u>\$ 166,316</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

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

For the year ended September 30, 2024, the city recognized pension expense of \$484,918.

On September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Governmental Activities</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 106,961	\$ 9,741
Changes in actuarial assumptions	-	-
Net difference between projected and actual	166,578	50,119
Contributions subsequent to the measurement date	400,410	-
Total	<u>\$ 673,949</u>	<u>\$ 59,860</u>
 <b>Business Activities</b>	 Deferred Outflows Resources	 Deferred Inflows Resources
Differences between expected and actual economic experience	\$ 5,558	\$ 506
Changes in actuarial assumptions	-	-
Net difference between projected and actual	8,657	2,605
Contributions subsequent to the measurement date	20,808	-
Total	<u>\$ 35,023</u>	<u>\$ 3,111</u>

**CITY OF PORT ISABEL, TEXAS  
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The governmental activities reported \$673,949, and business activities reported \$35,023 as deferred outflows of resources related to pensions, resulting from contributions after the measurement date, will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities	Business Activities
	Net Deferred Outflows (Inflows) Resources	
Year ended September 30,		
2024	\$ 122,748	\$ 6,379
2025	25,341	1,317
2026	129,621	6,736
2027	(64,031)	(3,328)
2028	-	-
Thereafter	-	-
Total	<u>\$ 213,679</u>	<u>\$ 11,104</u>

**NOTE 10. OTHER POST-EMPLOYMENT BENEFITS—SUPPLEMENTAL DEATH BENEFITS FUND**

**A. Plan Description**

The City voluntarily participates in the Texas Municipal Retirement System (TMRS) Supplemental Death Benefits Fund (SDBF). The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB 75, paragraph 4b (i.e., no assets are accumulated for OPEB).

As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2021, the discount rate used in the development of the Total OPEB Liability was 1.84% compared to 2.00% as of December 31, 2020.

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.

**B. Benefits**

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The 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 another post-employment 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).

**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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The City of Port Isabel, TX 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 ensure 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.

**C. Contributions**

The member 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 ensure 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.

Membership:

**Actuarial Valuation and Measurement Date, December 31,  
Membership**

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>67</u>
Total	<u><u>97</u></u>

**D. Total OPEB Liability and Financial Accounting**

GASB 75 requires employers to recognize the total OPEB liability and the OPEB expense on their financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability. The City's total OPEB liability of \$162,354 was measured as of December 31, 2023 and was determined by an actuarial valuation as of the same date.

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**E. Actuarial Assumptions**

Inflation	2.50%
Salary increases	3.60% to 11.85 % including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis by the most recent Scale MP-2021.
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 MP-2021 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.

Note: 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.

**F. 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 current rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) and 1-percentage-point higher (4.77%) than the current discount rate:

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

	1% Decrease 2.77%	Current Discount Rate 3.77%	1% Increase 4.77%
Total OPEB liability	\$ 190,081	\$ 162,354	\$ 139,886

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**G. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2024, the City recognized an OPEB expense of \$8,240.

On September 30, 2024, the City reported deferred outflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,765	\$ (5,761)
Changes in actuarial assumptions	24,140	(44,763)
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 25,905</u>	<u>\$ (50,524)</u>

The City shall include contributions made subsequent to the measurement date through the City's fiscal year-end as deferred outflows of resources.

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding City provided contributions made subsequent to the measurement date):

	Net Deferred Outflows/(Inflows) of Resources
2024	\$ (4,364)
2025	(3,969)
2026	(9,577)
2027	(8,435)
2028	645
Thereafter	-
Total	<u>\$ (25,700)</u>

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**H. Changes in the Total OPEB Liability**

On September 30, 2024, the City's governmental activities reported a liability of \$162,354 for its Total OPEB Liability. An actuarial valuation determined the Total OPEB Liability as of December 31, 2023. For the year ended September 30, 2024, the City recognized an OPEB expense of \$21,618. The OPEB liability and expense are only attributed to governmental funds. There were no changes in benefit terms that affected the measurement of the Total OPEB Liability during the measurement period.

**Actuarial Valuation and Measurement Date, December 31, 2023**

	<u>Total OPEB Liability</u>
Total OPEB liability - beginning of year	\$ 151,797
Changes for the year:	
Service cost	6,244
Interest on total OPEB liability	6,120
Changes of benefit terms including TMRS plan participation	-
Differences between expected and actual experience	858
Changes in assumptions or other inputs	4,967
Benefit payments**	<u>(7,632)</u>
Net changes	<u>10,557</u>
Balance at 12/31/2023	<u>\$ 162,354</u>
 Total OPEB Liability as a Percentage of Covered Payroll	 4.68%

\* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

\*\*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**NOTE 11. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and debt service funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- 2) 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.
- 3) Public hearings are conducted at City Hall to obtain taxpayer comments.
- 4) Before October 1, the budget was adopted by the City Commission.
- 5) The City Commission must approve revisions that alter individual expenditure categories or department totals within a fund. The final annual amended appropriated budgets are used in this report.
- 6) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
- 7) Budgets for the General and Debt Service Funds were adopted on a modified accrual basis.
- 8) Appropriations lapse at the end of each fiscal year.

Expenditures may not legally exceed budgeted appropriations. During the year, several supplementary appropriations were necessary.

**B. Excess of Expenditures Over Appropriations**

During the year ended September 30, 2024, expenditures exceeded appropriations as follows in the General Funds.

General Fund

Department	Budget		Actual Expenditures	Expenditures Over Appropriations
	Original	Final		
General Government	\$ 1,724,022	\$ 1,724,022	\$ 1,953,249	\$ (229,227)
Public Safety	2,728,276	2,728,276	3,226,904	(498,628)
Public works	1,421,666	1,421,666	1,683,118	(261,452)
Health services	404,575	404,575	509,430	(104,855)
Culture and recreation	439,701	439,701	403,248	36,453
Capital Outlay	375,000	375,000	99,865	(583,320)
Debt Service	360,000	360,000	358,444	1,556
Total	<u>\$ 7,453,240</u>	<u>\$ 7,453,240</u>	<u>\$ 8,234,258</u>	<u>\$ (1,639,473)</u>

**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

**C. Deficit Fund Balance**

The City reports negative general fund balances in the unassigned classification, and other governmental funds use the unassigned fund balance classification to report negative amounts. As of September 30, 2024 the City did not report deficit fund balances. On September 30, 2024, the General Fund had a fund balance of \$551,050.

**NOTE 12. FUND BALANCES**

Fund balances as of September 30, 2024, for the governmental funds were categorized as non-spendable, restricted, committed, assigned, or unassigned for the following purposes:

FUND BALANCES	General Fund	Capital Projects Fund	Other Governmental Funds	Total
Restricted for:				
Specific programs	-	5,047,706	1,138,029	6,185,735
Debt service	-	-	608,725	608,725
Unassigned :				
General fund	551,050	-	-	551,050
Special Revenue	-	-	(925)	(925)
Total fund balances	551,050	5,047,706	1,928,355	7,344,586

**NOTE 13. RISK MANAGEMENT**

The City is exposed to various risks of loss, including torts, theft, damage to and destruction of assets, errors and omissions, injuries, and natural disasters. The City's risk management program includes obtaining workers' compensation and property and liability insurance through the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool that benefits governmental units located within the State. TML Intergovernmental Risk Pool (Pool) is considered a self-sustaining risk pool that provides coverage for its members. The City's contributions to the Pool are limited to the number of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experienced to date by the City. The Pool's liability is limited to the coverage that the City elects, as stated in the Pool's Declarations of Coverage for that fund year. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

**NOTE 14. CONTINGENT LIABILITIES**

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the City, but which will only be resolved when one or more future events occur or fail to occur. The City's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the City or unasserted claims that may result in such proceedings, the City's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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If the assessment of a contingency indicates it is probable that a material loss has been incurred, and the amount of the liability can be estimated, then the estimated liability would be accrued in the City's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management has performed such assessment and consulted with its legal counsel as of the date of this report and is not aware of any contingencies requiring accrual or further disclosure.

**NOTE 15. FEDERAL AND STATE ASSISTED GRANT PROGRAMS**

The City receives various grants, which are subject to audit by the respective agencies. Subsequent audits may disallow expenditures financed by government grants. It is the opinion of management that any disallowed expenditures, based on prior audit experience, will not be material in relation to the City's financial statements as of September 30, 2024.

**NOTE 16. PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments (PPAs) were necessary to accurately state the City's financial position. The PPA amounts and reasons are as follows:

The primary government's beginning net position decreased by \$157,314. The decrease resulted from adjusting the general fund's beginning balance by \$143,020 to correct a receivable amount that was incorrectly charged to the incorrect fund, and by adjusting the City's business-type activities by \$14,294 to adjust inventory by \$14,539 and restate the beginning balance by \$245.

**NOTE 17. TAX INCREMENT REINVESTMENT ZONE (TIRZ) AND ECONOMIC INCENTIVES**

The City entered into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes, sales tax, and hotel taxes or include incentive payments and reductions in fees that are not tied to taxes. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact, or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or expanding operations, renewing facility leases, or bringing targeted businesses to the City.

Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

On February 15, 2012, the City passed Ordinance 682, to support development and redevelopment in the City to be funded in whole or in part, through the creation of a Tax Increment Reinvestment Zone (TIRZ) pursuant to the provisions of the Tax Increment Financing Act (the Act), Texas Tax Code, Chapter 311. The TIRZ supported financing the costs associated with the construction of public improvements related to several development and redevelopment projects.

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**CITY OF PORT ISABEL, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024**

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**Tax Increment Reinvestment Zone (TIRZ) (Continued)**

The effective and termination dates of the zone took effect on January 10, 2012 and will continue until its termination date of December 31, 2027 unless otherwise terminated earlier as a result of payment in full of all project costs, tax increment bonds, if any, including interest on said bonds as authorized or permitted by law. During the 2024 fiscal year, the TIRZ did not incur costs.

**General Economic Development -- Discrete Component Unit**

The City entered into an agreement under the Texas Local Government Code (Code) to stimulate economic development. According to the Code, the City may rebate a flat amount or percentage of property taxes, hotel taxes, or sales tax received by the City. For the year ended September 30, 2024, the City collected and remitted 25 percent of the sales taxes to the Port Isabel's Economic Development Corporation (PIEDC). At the end of the 2024 fiscal year, the City has \$763,817 due to the PIEDC.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF PORT ISABEL, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL--GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes and penalties	\$ 2,340,000	\$ 2,340,000	\$ 2,541,515	\$ 201,515
Hotel/motel taxes	-	-	-	-
Sales and other taxes	2,100,000	2,100,000	2,752,630	(652,630)
Mixed beverage	41,250	41,250	38,247	3,003
Franchise fees	470,000	470,000	361,810	108,190
Licenses and permits	258,500	258,500	321,392	(62,892)
Charges for services	803,500	803,500	1,054,822	(251,322)
Fines and forfeitures	800,000	800,000	780,219	19,781
Intergovernmental and grants	170,000	170,000	95,000	75,000
Penalties and interest	65,000	65,000	50,455	14,545
Grants-state	223,500	223,500	88,319	135,181
Contributions and donations	26,500	26,500	26,299	201
Fundraisers and special events	47,850	47,850	49,799	(1,949)
Rental income	114,000	114,000	107,689	6,311
Investment Earnings	-	-	25,994	(25,994)
Other/ Miscellaneous revenue	121,000	121,000	123,444	(2,444)
Total revenues	<u>7,581,100</u>	<u>7,581,100</u>	<u>8,417,633</u>	<u>( 433,502)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,724,022	1,724,022	1,953,249	(229,227)
Public safety	2,728,276	2,728,276	3,226,904	(498,628)
Public works	1,421,666	1,421,666	1,683,118	(261,452)
Health services	404,575	404,575	509,430	(104,855)
Culture and recreation	439,701	439,701	403,248	36,453
Capital outlay	375,000	375,000	99,865	275,135
Debt service	360,000	360,000	358,444	1,556
Total expenditures	<u>7,453,240</u>	<u>7,453,240</u>	<u>8,234,258</u>	<u>( 781,018)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>127,860</u>	<u>127,860</u>	<u>183,376</u>	<u>( 1,214,520)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	81,885	(81,885)
Transfers out	-	-	( 170,675)	170,675
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>( 88,790)</u>	<u>88,790</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 127,860</u>	<u>\$ 127,860</u>	<u>94,585</u>	<u>\$ (1,125,730)</u>
<b>FUND BALANCES, BEGINNING (DEFICIT)</b>			<u>456,465</u>	
<b>FUND BALANCES, ENDING</b>			<u>\$ 551,050</u>	

**CITY OF PORT ISABEL, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL---DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER, 30, 2024**

	Budgeted Amounts			
	Original	Final	Actual	Variance
<b>Revenues</b>	\$ 652,506	\$ 652,506	\$ 647,473	\$ (5,033)
Property taxes and penalties				
Investment earnings	126,500	126,500	136,111	9,611
Other/ Miscellaneous revenue	-	-	-	-
Total revenues	\$ 779,006	\$ 779,006	783,584	4,578
<b>Expenditures</b>				
General government	20,000	20,000	22,518	2,518
Debt service:				
Principal retirement	65,000	65,000	170,000	
Interest	167,500	167,500	245,698	2,518
Total expenditures	232,500	232,500	438,216	2,518
<b>Excess (Deficiency) of revenues</b>				
<b>Over (Under) Expenditures</b>	546,506	546,506	345,368	2,059
Net change in fund balance	546,506	546,506	345,368	2,059
Fund balances, beginning			263,357	
Fund balances, ending			\$ 608,725	

**CITY OF PORT ISABEL, TEXAS**  
**SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) TREND DATA**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Measurement period ended December 31,**

**A. Total pension liability**

Service cost  
Interest (on the Total Pension Liability)  
Change in benefit terms including substantively automatic status  
Difference between expected and actual expenses  
Change of assumptions  
Benefit payments, including refunds of employee contributions  
Net change in total pension liability  
Total pension liability - beginning  
Total pension liability - ending

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
\$ 445,434	\$ 385,990	\$ 322,868	\$ 224,717	\$ 227,261	\$ 227,538	\$ 226,077	\$ 200,961	\$ 196,631	\$ 195,756	
606,275	536,409	465,902	388,619	357,956	344,043	317,414	310,157	319,169	303,777	
-	-	825,464	(128,063)	(199,223)	(265,133)	(289,422)	(323,632)	(283,178)	(174,489)	
(15,198)	339,831	449,662	(210,047)	(210,047)	(210,047)	(210,047)	(210,047)	(210,047)	(210,047)	
(78,195)	-	-	(2,959)	(4,542)	(3,132)	(3,461)	(3,539)	(4,232)	(2,631)	
(282,633)	(231,186)	(219,710)	(115)	(115)	(164)	(175)	(191)	(209)	(216)	
\$ 675,683	\$ 1,031,044	\$ 1,844,186	\$ 275,226	\$ 460,954	\$ 173,304	\$ 381,623	\$ 77,848	\$ 53,425	\$ 273,792	
8,900,445	7,869,401	6,025,215	5,749,989	5,289,035	5,115,731	4,734,108	4,656,260	4,602,835	4,329,043	
\$ 9,576,128	\$ 8,900,445	\$ 7,869,401	\$ 6,025,215	\$ 5,749,989	\$ 5,289,035	\$ 5,115,731	\$ 4,734,108	\$ 4,656,260	\$ 4,602,835	

**B. Plan fiduciary net position**

Contributions - employer  
Contributions - employee  
Net investment income  
Benefit payments, including refunds of employee contributions  
Administrative expense  
Other  
Net change in plan fiduciary net position  
Plan fiduciary net position-beginning  
Plan fiduciary net position-ending

325,055	232,536	99,639	97,494	99,379	96,915	94,415	86,090	92,087	106,021	
242,838	210,104	124,852	122,528	125,143	124,610	121,547	110,661	116,350	122,532	
810,052	(534,243)	844,921	456,819	803,009	(161,779)	666,998	313,015	6,946	252,015	
(282,633)	(231,186)	(219,710)	(210,047)	(199,223)	(265,133)	(289,422)	(323,632)	(283,178)	(174,489)	
(5,162)	(4,632)	(3,913)	(2,959)	(4,542)	(3,132)	(3,461)	(3,539)	(4,232)	(2,631)	
(36)	5,527	27	(115)	(136)	(164)	(175)	(191)	(209)	(216)	
\$ 1,090,113	\$ (321,894)	\$ 845,816	\$ 463,720	\$ 823,630	\$ (208,683)	\$ 589,902	\$ 182,404	\$ (72,236)	\$ 303,232	
7,011,155	7,333,050	6,487,234	6,023,514	5,199,884	5,408,567	4,818,665	4,636,261	4,708,497	4,405,265	
8,101,268	7,011,156	7,333,050	6,487,234	6,023,514	5,199,884	5,408,567	4,818,665	4,636,261	4,708,497	

**C. Net pension liability/(asset)**

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability  
Covered Employee Payroll  
Net Pension Liability as a Percentage of Covered Employee Payroll

\$ 1,474,860	\$ 1,889,289	\$ 536,351	\$ (462,019)	\$ (273,525)	\$ 89,151	\$ (292,836)	\$ (84,557)	\$ 19,999	\$ (105,662)	
84.60%	78.77%	93.18%	107.67%	104.76%	98.31%	105.72%	101.79%	99.57%	102.30%	
\$ 3,469,111	\$ 3,001,479	\$ 2,497,042	\$ 2,450,563	\$ 2,502,870	\$ 2,492,196	\$ 2,430,933	\$ 2,213,223	\$ 2,318,185	\$ 2,455,081	
42.51%	62.95%	21.48%	-18.85%	-10.93%	3.58%	-12.05%	-3.82%	0.86%	-4.30%	

**Note:** The schedule above reflects the changes in the net pension liability for the current year. GASB 68 requires 10 fiscal years of data to be provided in this schedule. The employer/city will be required to build this schedule over the 10-year period; as such, the employer should retain the annual GASB packages to utilize in building this schedule.

**CITY OF PORT ISABEL, TEXAS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

<b>Fiscal year ended September 30,</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	325,055	\$ 232,536	\$ 99,639	\$ 97,494	\$ 99,379	\$ 96,915	\$ 94,415	\$ 86,090	\$ 92,087	\$ 106,021
Less: Contributions in relation to the										
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	3,469,111	\$ 3,001,479	\$ 2,497,042	\$ 2,450,563	\$ 2,502,870	\$ 2,492,196	\$ 2,430,933	\$ 2,213,223	\$ 2,455,081	\$ 2,556,273
Contributions as a percentage of covered employee payroll	9.37%	7.75%	3.99%	3.98%	3.97%	3.89%	3.88%	3.89%	3.75%	4.15%

**Notes to Schedule**

**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	20 Years (longest amortization ladder)
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 of rates that vary by age. 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 by the most recent Scale MP-2021. Pre-Retirement: PUB(10) mortality rates. The rates are projected on a fully generational basis by the most recent Scale MP-2021.

**Other Information:**

Notes  
There were no benefit changes during the year.

**CITY OF PORT ISABEL, TEXAS**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM-SUPPLEMENTAL DEATH BENEFITS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Measurement period December 31,	2023	2022	2021	2020	2019	2018	2017
<b>A. Total OPEB Liability</b>							
Service Cost	\$ 6,244	\$ 12,906	\$ 9,489	\$ 9,557	\$ 6,758	\$ 8,224	\$ 7,050
Interest (on the Total OPEB Liability)	6,120	4,009	4,017	4,413	4,657	4,419	4,244
Difference between expected and actual experience	858	(248)	202	2,637	(2,773)	(9,949)	-
Change in assumptions or other inputs	4,967	(73,283)	6,581	26,416	26,150	(8,810)	10,327
Benefit payments	(7,632)	(6,003)	(3,995)	(1,225)	(1,251)	(997)	(972)
Net change in Total OPEB Liability	10,557	(62,619)	16,294	41,798	33,541	(7,113)	20,649
Total OPEB liability - beginning (A)	151,797	214,416	198,122	156,324	122,783	129,896	109,247
Total OPEB liability - ending	\$ 162,354	\$ 151,797	\$ 214,416	\$ 198,122	\$ 156,324	\$ 122,783	\$ 129,896
<b>B. Covered employee payroll</b>							
<b>C. Total OPEB liability as a percentage of covered employee payroll</b>	\$ 3,469,111	\$ 3,001,479	\$ 2,497,042	\$ 2,450,563	\$ 2,502,870	\$ 2,492,196	\$ 2,430,933
	4.68%	5.06%	8.59%	8.08%	6.25%	4.93%	5.34%

**Notes to Schedule:**

GASB requires 10 fiscal years of data to be provided in this schedule, but plan information was not available prior to 2017. The City will build this schedule over 10 years.

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.)

Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

## COMBINING FUND FINANCIAL STATEMENTS

**CITY OF PORT ISABEL, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2024**

	Hotel/Motel	Visitors' & Event Center	Charles Champion Preservation	Beautification	Police Forfeiture State	Police Forfeiture Federal	TECLOSE
<b>ASSETS</b>							
Cash and cash equivalents	\$ 170,126	\$ -	\$ 1,202	\$ 2,020	\$ 30,137	\$ 32,900	\$ 1,090
Investments	-	-	-	-	-	-	-
Property taxes receivable, net	-	-	-	-	-	-	-
Due from other funds	-	22,661	-	-	17,593	43,014	-
Due from other governments	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-
Total assets	<u>170,126</u>	<u>22,661</u>	<u>1,202</u>	<u>2,020</u>	<u>47,730</u>	<u>75,914</u>	<u>1,090</u>
<b>LIABILITIES</b>							
Accounts payable	7,926	11,581	-	-	4,432	-	-
Unearned revenue	-	11,080	-	-	-	-	-
Due to other funds	<u>3,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,014</u>
Total liabilities	<u>10,982</u>	<u>22,661</u>	<u>-</u>	<u>-</u>	<u>4,432</u>	<u>-</u>	<u>2,014</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Inflow - property taxes	-	-	-	-	-	-	-
Total deferred inflow-property taxes	-	-	-	-	-	-	-
<b>FUND BALANCES</b>							
Restricted	159,145	-	1,202	2,020	43,298	75,914	-
Unassigned	-	-	-	-	-	-	( 925)
Total fund balances	<u>159,145</u>	<u>-</u>	<u>1,202</u>	<u>2,020</u>	<u>43,298</u>	<u>75,914</u>	<u>( 925)</u>
<b>Total liabilities, Deferred Inflows of Resources and Balances</b>	<u>\$ 170,126</u>	<u>\$ 22,661</u>	<u>\$ 1,202</u>	<u>\$ 2,020</u>	<u>\$ 47,730</u>	<u>\$ 75,914</u>	<u>\$ 1,090</u>

**CITY OF PORT ISABEL, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2024**

	Court Technology	Court Building Security	Total Nonmajor Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 47,672	\$ 57,379	\$ 342,526	\$ 10,950	\$ 2,309	\$ 355,786
Investments	-	-	-	751,479	491,772	1,243,251
Property taxes receivable, net	-	-	-	-	25,418	25,418
Due from other funds	-	-	83,268	25,045	121,519	229,832
Due from other governments	-	-	-	430,792	-	430,792
Prepaid Expenses	-	-	-	-	-	-
Total assets	<u>47,672</u>	<u>57,379</u>	<u>425,795</u>	<u>1,218,266</u>	<u>641,018</u>	<u>2,285,079</u>
<b>LIABILITIES</b>						
Accounts payable	-	-	23,939	114,741	-	138,681
Unearned revenue	-	-	11,080	-	-	11,080
Due to other funds	<u>930</u>	<u>-</u>	<u>6,000</u>	<u>351,196</u>	<u>-</u>	<u>357,196</u>
Total liabilities	<u>930</u>	<u>-</u>	<u>41,019</u>	<u>465,937</u>	<u>-</u>	<u>506,957</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflow - property taxes	-	-	-	-	32,293	32,293
Total deferred inflow-property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,293</u>	<u>32,293</u>
<b>FUND BALANCES</b>						
Restricted	46,742	57,379	385,701	752,329	608,725	1,746,755
Unassigned	-	-	( 925)	-	-	( 925)
Total fund balances	<u>46,742</u>	<u>57,379</u>	<u>384,776</u>	<u>752,329</u>	<u>608,725</u>	<u>1,745,830</u>
<b>Total liabilities, Deferred Inflows of Resources and Balances</b>	<u>\$ 47,672</u>	<u>\$ 57,379</u>	<u>\$ 425,796</u>	<u>\$ 1,218,266</u>	<u>\$ 641,018</u>	<u>\$ 2,285,080</u>



**CITY OF PORT ISABEL, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Special Revenue						
	Hotel Motel	Visitors' & Event Center	Charles Champion Preservation	Beautification	Police		TECLOSE
					Forfeiture State	Forfeiture Federal	
<b>Revenues</b>							
Taxes, net	\$ 155,124	\$ -	\$ -	\$ -	\$ -	\$ -	-
Penalties and interest, property taxes	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Rental income	-	76,820	-	-	-	-	-
Grant revenue	-	-	-	-	33,575	-	1,966
Fundraisers and special events	-	4,575	-	2,305	-	-	-
Other income	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-
Intergovernmental	-	150,000	-	-	-	-	-
Total revenues	<u>155,124</u>	<u>231,395</u>	<u>-</u>	<u>2,305</u>	<u>33,575</u>	<u>-</u>	<u>1,966</u>
<b>Expenditures</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	10,495	-	2,891
Culture and recreation	233,106	292,165	-	1,115	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	<u>233,106</u>	<u>292,165</u>	<u>-</u>	<u>1,115</u>	<u>10,495</u>	<u>-</u>	<u>2,891</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>( 77,981)</u>	<u>( 60,770)</u>	<u>-</u>	<u>1,190</u>	<u>23,079</u>	<u>-</u>	<u>( 925)</u>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	60,770	-	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>60,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>( 77,981)</u>	<u>-</u>	<u>-</u>	<u>1,190</u>	<u>23,079</u>	<u>-</u>	<u>( 925)</u>
<b>Fund Balances, 9/30/2024, as previously presented</b>	<u>237,126</u>	<u>-</u>	<u>1,202</u>	<u>830</u>	<u>20,219</u>	<u>75,914</u>	<u>-</u>
<b>Prior period adjustment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 159,145</u>	<u>\$ -</u>	<u>\$ 1,202</u>	<u>\$ 2,020</u>	<u>\$ 43,298</u>	<u>\$ 75,914</u>	<u>\$ (925)</u>

**CITY OF PORT ISABEL, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Court			Total		Total		Total		Total	
	Technology	Building	Security	Revenue	Nonmajor	Capital	Debt	Service	Fund	Nonmajor	Governmental
				Funds	Funds	Funds	Funds	Funds	Funds	Funds	Funds
<b>Revenues</b>											
Taxes, net	\$ -	\$ -	\$ -	\$ -	\$ 155,124	\$ -	\$ -	\$ 639,152	\$ -	\$ 794,276	
Penalties and interest, property taxes	-	-	-	-	-	-	-	8,320	-	8,320	
Charges for services	15,077	18,129			33,206	-	-	-	-	33,206	
Rental income	-	-	-	-	76,820	-	-	-	-	76,820	
Grant revenue	-	-	-	-	35,541	430,792	-	-	-	466,333	
Fundraisers and special events	-	-	-	-	6,880	-	-	-	-	6,880	
Other income	110	136			246	-	-	-	-	246	
Investment earnings	-	-	-	-	-	-	-	136,111	-	136,111	
Intergovernmental	-	-	-	-	150,000	-	-	-	-	150,000	
Total revenues	<u>15,187</u>	<u>18,265</u>			<u>457,818</u>	<u>430,792</u>		<u>783,584</u>		<u>1,672,193</u>	
<b>Expenditures</b>											
General government	-	-	-	-	-	-	-	22,518	-	22,518	
Public safety	24,239	32,154			69,779	-	-	-	-	69,779	
Culture and recreation	-	-	-	-	526,386	-	-	-	-	526,386	
Capital outlay	-	-	-	-	-	706,161	-	-	-	706,161	
Debt service:											
Principal retirement	-	-	-	-	-	-	-	170,000	-	170,000	
Interest and other charges	-	-	-	-	-	-	-	245,698	-	245,698	
Total expenditures	<u>24,239</u>	<u>32,154</u>			<u>596,165</u>	<u>706,161</u>		<u>438,216</u>		<u>1,740,542</u>	
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>( 9,052)</u>	<u>( 13,889)</u>			<u>( 138,347)</u>	<u>( 275,369)</u>		<u>345,368</u>		<u>( 68,348)</u>	
<b>Other Financing Sources (Uses)</b>											
Transfers in	-	-	-	-	60,770	14,250	-	-	-	75,020	
Total other financing sources and (uses)	-	-	-	-	60,770	14,250	-	-	-	75,020	
<b>Net Change in Fund Balances</b>	<u>( 9,052)</u>	<u>( 13,889)</u>			<u>( 77,577)</u>	<u>( 261,119)</u>		<u>345,368</u>		<u>6,672</u>	
<b>Fund Balances, 9/30/2024, as previously presented</b>	55,794	71,268			462,353	1,156,468		263,357		1,882,178	
<b>Prior period adjustment</b>	-	-	-	-	-	(143,020)	-	-	-	( 143,020)	
<b>Fund Balances, End of Year</b>	<u>\$ 46,742</u>	<u>\$ 57,379</u>			<u>\$ 384,776</u>	<u>\$ 752,329</u>		<u>\$ 608,725</u>		<u>\$ 1,745,830</u>	

## 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*

Honorable Mayor and the City Council  
City of Port Isabel, 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 City of Port Isabel, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Port Isabel, Texas' basic financial statements, and have issued our report thereon dated May 30, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port Isabel, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Port Isabel, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Port Isabel, Texas's internal control.

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

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

**Report on Compliance and Other Matters**

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

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### **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 compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the or the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Harlingen, Texas  
May 30, 2025