Nacogdoches
the oldest town in Texas

May 4, 2021

Notice is hereby given of a Regular Meeting of Nacogdoches City Council to be held on the above date via videoconference, with the opportunity to appear in person in the City Council Chamber of City Hall, 202 East Pilar Street, Nacogdoches, Texas, beginning at 5:30 p.m. for the purpose of considering the following agenda items.

In accordance with Orders of the Governor due to the COVID-19 pandemic, the City of Nacogdoches City Council meeting will be deemed as being conducted via teleconference or videoconference. However, some City Council Members may attend virtually, while others may be present in the above stated physical location. Regardless, the meeting will be streamed live at https://www.nactx.us/21 There will be an opportunity for the public to comment on agenda items either by teleconference or in person in Council Chambers. For those attending in person, strict adherence to COVID-19 related CDC guidelines will be enforced at all times.

Members of the public who wish to submit comments by telephone on a listed agenda item must contact the City Secretary's office by email at vinsonj@nactx.us or by calling 936-559-2506 and providing their name, telephone number and relevant agenda item upon which they wish to speak. All requests to make comments by telephone must be received by 12:00 p.m. on May 4, 2021. For all timely requests received, staff will call the submitted phone numbers directly during the meeting when the corresponding item comes up for comment. NOTE: The incoming phone call from City staff will be an unfamiliar number.

PLEASE LIMIT PRESENTATIONS TO THREE MINUTES
(UNLESS PRIOR APPROVAL IS OBTAINED)

1. Call to order.

2. Pledge of Allegiance.

3. ELECTION:

   A. Canvass results of the May 1, 2021 City Council Regular Election and consider adopting resolution declaring results. (City Secretary)

   B. Administer Statement of Officer and Oath of Office for newly elected Mayor and City Council Members. (City Secretary)

4. RECOGNITIONS:

   A. Public Service Recognition Week Proclamation. (Mayor)

5. Open Forum.

6. Items to be removed from Consent Agenda.

7. **CONSENT AGENDA: Items included under Consent Agenda require little or no deliberation by Council. Approval of Consent Agenda authorizes the City Manager or his designee to proceed with conclusion of each in accordance with staff recommendations as reflected in the minutes of this meeting.**

A. Consider approval of minutes from April 20, 2021 regular meeting. (City Secretary)

B. Annual review and adoption of a resolution approving the City's Investment Policy. (Finance Director)

C. First quarter investment report. (Finance Director)

8. **REGULAR AGENDA:**

A. Receive a report and consider acceptance of the 2019/2020 Annual Audit. (Clayton Rogers, CPA-Pattillo, Brown & Hill, LLP)

Council may conduct Executive Session deliberation, reconvening open session for action, if any, on Executive Session items. Regular Session agenda items appropriate for Executive Session consideration may be moved into Executive Session for deliberation, but not action, upon proper announcement at the meeting by presiding officer.

9. **EXECUTIVE SESSION:**

A. Deliberation regarding Economic Development negotiations under Government Code Section 551.087 as follows:

A. Discuss or deliberate regarding commercial or financial information the City has received from business projects the City body seeks to have locate in the City of Nacogdoches and with which the City is conducting economic development negotiations; and
B. Deliberate offer of financial or other incentive to business prospects described by Subdivision 1 above.

10. Open for action, if any, on Executive Session item(s).

11. Adjourn.

Jan Vinson

Jan Vinson, City Secretary

THE CITY OF NACOGDOCHES TEXAS

This agenda is posted as required under G. C. Section 551.041. For more information or a copy of the Open Meetings Act, please contact Attorney General of Texas at 1-800-252-8011; City Secretary at 936/559-2506 or visit City of Nacogdoches web site at www.nactx.us.

CERTIFICATION

I certify the notice of meeting was posted in the directory outside of City Hall, 202 E. Pilar Street, Nacogdoches, Texas on April 28, 2021 at 5 p.m. and remained posted until meeting convened.

____

Jan Vinson, City Secretary

City Council Meeting

Date: May 4, 2021

Agenda Item: 3.A.

PRESENTER: Jan Vinson, City Secretary

ITEM/SUBJECT: Canvass results of the May 1, 2021 City Council Regular Election and consider adopting resolution declaring results. (City Secretary)

SUMMARY/BACKGROUND: The General Election for City Council Members will be held on May 1, 2021. Election results will not be considered official until City Council canvasses the results and adopt a resolution declaring the results.

Attached you will find a draft resolution where the number of votes and name of elected are left blank. An updated resolution will be submitted following the election.

James D. "Jimmy" Mize ran unopposed for the office of Mayor therefore on March 2, 2021 City Council approved Ordinance No. 1852-03-21 cancelling the At-Large Mayor election and declared James D. "Jimmy" Mize elected to the office of Mayor.

After the conclusion of the canvas Mayor Brophy will present the newly elected officials with a Certificate of Election.

FINANCIAL:
No financial impact associated with this item

COUNCIL PRIORITIES: THIS AGENDA ITEM IS CONSISTENT WITH THE FOLLOWING CITY COUNCIL PRIORITIES
Not Applicable

CITY CONTACT: Jan Vinson, City Secretary
vinsonj@nactx.us
936-559-2506

ATTACHMENTS: 1. Draft Resolution Canvassing Election Results

RESOLUTION CANVASSING RETURNS AND DECLARING RESULTS OF THE CITY COUNCIL GENERAL ELECTION FOR AT-LARGE MAYOR, COUNCIL MEMBER NORTHHEAST WARD AND COUNCIL MEMBER NORTHWEST WARD.

WHEREAS, under and by virtue of the Resolution duly passed by the City Council of the City of Nacogdoches, Texas on February 2, 2021 calling for the General Election of City At-Large Mayor, Northeast Ward Council Member and Northwest Ward Council Member held on May 1, 2021; and,

WHEREAS, upon consideration of the returns of said election, it appears that the same was in all respects legally held; due notice had been given; returns thereof were duly and legally made; and were cast at said election:

FOR MAYOR	**AT-LARGE**
James D. "Jimmy" Mize	Unopposed
FOR CITY COUNCIL MEMBER	**NORTHEAST WARD**
Garth Hinze (incumbent)	_______ *(number of votes)*
Kathleen Belanger	_______ *(number of votes)*
FOR CITY COUNCIL MEMBER	**NORTHWEST WARD**
Amelia Fischer (incumbent)	_______ *(number of votes)*
Albert Thomas Lasater (Ineligible)	_______ *(number of votes)*

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF NACOGDOCHES, TEXAS:

SECTION 1: THAT James D. "Jimmy" Mize ran unopposed and therefore duly elected as Mayor.

SECTION 2: THAT ________________ received the majority of the votes for City Council Member Northeast Ward and is therefore duly elected.

SECTION 3: THAT ________________ received the majority of the votes for City Council Member Northwest Ward and is therefore duly elected.

SECTION 2: THAT THE AFORESAID ELECTION was duly and legally called and notice thereof given in accordance with the laws of the State of Texas and the resolution calling said election; that said election was held in strict conformity with the Constitution and laws of the State of Texas; and the returns thereof have been properly made to the officials of the City entitled to receive same; and that only qualified voters of the City were permitted to vote at said election, and properly represents the desires of those qualified to vote as aforesaid.

PASSED AND APPROVED this the 4th day of May, 2021.

____
Shelley Brophy, Mayor
City of Nacogdoches

ATTEST:

____
Jan Vinson, City Secretary

Approved as to form:

____
Robert Davis, Interim City Attorney

Nacogdoches
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City Council Meeting

Date: May 4, 2021

Agenda Item: 3.B.

PRESENTER: Jan Vinson, City Secretary

ITEM/SUBJECT: Administer Statement of Officer and Oath of Office for newly elected Mayor and City Council Members. (City Secretary)

SUMMARY/BACKGROUND: As stated in the Texas Constitution, Article 16, Section 1, before an elected officer may assume duties of the office, the officer shall subscribe to the Statement of Officer and take the Oath of Office.

A draft of both the statement and oath are attached to this item.

FINANCIAL:
No financial impact associated with this item.

COUNCIL PRIORITIES: THIS AGENDA ITEM IS CONSISTENT WITH THE FOLLOWING CITY COUNCIL PRIORITIES
Not Applicable

CITY CONTACT: Jan Vinson, City Secretary
vinsonj@nactx.us
936-559-2506

ATTACHMENTS:
1. Draft Statement of Officer
2. Draft Oath of Office

Form #2201 Rev. 05/2020
Submit to:
SECRETARY OF STATE
Government Filings
Section P O Box 12887
Austin, TX 78711-2887
512-463-6334
512-463-5569 - Fax
Filing Fee: None

STATEMENT OF OFFICER

Statement

I, ____ , do solemnly swear (or affirm) that I have not directly or indirectly paid, offered, promised to pay, contributed, or promised to contribute any money or thing of value, or promised any public office or employment for the giving or withholding of a vote at the election at which I was elected or as a reward to secure my appointment or confirmation, whichever the case may be, so help me God.

Title of Position to Which Elected/Appointed: ____

Execution

Under penalties of perjury, I declare that I have read the foregoing statement and that the facts stated therein are true.

Date: _____________________ ____
Signature of Officer

Form #2204 Rev 9/2017

Submit to:
SECRETARY OF STATE
Government Filings Section
P O Box 12887
Austin, TX 78711-2887
512-463-6334
FAX 512-463-5569
Filing Fee: None

This space reserved for office use

OATH OF OFFICE

IN THE NAME AND BY THE AUTHORITY OF THE STATE OF TEXAS,
I, ____ , do solemnly swear (or affirm), that I will faithfully execute the duties of the office of ____ of the State of Texas, and will to the best of my ability preserve, protect, and defend the Constitution and laws of the United States and of this State, so help me God.

____
Signature of Officer

Certification of Person Authorized to Administer Oath

State of ______________________________

County of ______________________________

Sworn to and subscribed before me on this _______________ day of _____________________, 20____.

(Affix Notary Seal,
only if oath
administered by a
notary.)

____
Signature of Notary Public or
Signature of Other Person Authorized to Administer An Oath

____
Printed or Typed Name

City Council Meeting

Date: May 4, 2021

Agenda Item: 4.A.

PRESENTER: Shelley Brophy, Mayor

ITEM/SUBJECT: Public Service Recognition Week Proclamation. (Mayor)

SUMMARY/BACKGROUND: Public Service Recognition Week is celebrated the first week of May since 1985 to honor the people who serve our nation as federal, state, county, local and tribal government employees.

FINANCIAL:
No financial impact associated with this item.

COUNCIL PRIORITIES: THIS AGENDA ITEM IS CONSISTENT WITH THE FOLLOWING CITY COUNCIL PRIORITIES
Not Applicable

CITY CONTACT: Stephen Pearl, HR Director
pearls@nactx.us
936-559-2565

ATTACHMENTS:

Nacogdoches
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City Council Meeting

Date: May 4, 2021

Agenda Item: 7.A.

PRESENTER: Jan Vinson, City Secretary

ITEM/SUBJECT: Consider approval of minutes from April 20, 2021 regular meeting. (City Secretary)

SUMMARY/BACKGROUND:

FINANCIAL:
No financial impact associated with this item.

COUNCIL PRIORITIES: THIS AGENDA ITEM IS CONSISTENT WITH THE FOLLOWING CITY COUNCIL PRIORITIES
Not Applicable

CITY CONTACT: Jan Vinson, City Secretary
vinsonj@nactx.us
936-559-2506

ATTACHMENTS: 1. Minutes

Nacogdoches
the oldest town in Texas

Regular Session
Nacogdoches City Council
April 20, 2021 – 4:30 p.m.
Videoconference

DRAFT

City Council present in person: Mayor Shelley Brophy, Council Members Garth Hinze, Amelia Fischer and Jay Anderson. **City Council present via videoconference**: Council Member Roy Boldon

1. Called to order at 4:31 p.m.

2. Pledge of Allegiance.

3. **EXECUTIVE SESSION:**
   A. Personnel Matters – Pursuant to Texas Government Code Section 551-074, deliberations regarding the appointment or employment of a public officer or employee. The subject of this Executive Session is to discuss appointment or employment related matters concerning City Attorney search.

4. City Council reconvened in Open Session at 5:20 p.m. with no action taken.

5. Mayor Brophy recognized the following community partners for their work in the fight against COVID-19: Nacogdoches Area Physicians Association, Nacogdoches San Augustine County Medical Society, Nacogdoches County, Nacogdoches Medical Center, Nacogdoches Memorial Hospital, SFASU Information Technology and SFASU School of Nursing. Mayor Brophy also thanked Fire Chief Kiplinger and Captain Self for their work in coordinating the vaccination clinics, and City Manager Mario Canizares for his leadership.

6. No one spoke during Open Forum.

7. No items removed from Consent Agenda.

8. **CONSENT AGENDA: Items included under Consent Agenda require little or no deliberation by Council. Approval of Consent Agenda authorizes the City Manager or his designee to proceed with conclusion of each in accordance with staff recommendations as reflected in the minutes of this meeting.**

A. Minutes from April 6, 2021 regular session and April 13, 2021 special session.

B. Consider a resolution designating City Manager Mario Canizares as authorized official and signatory for contractual documents and documents for requesting funds pertaining to the Texas Community Development Block Grant Programs (TxCDBG).

C. Consider approval of the sale and consumption of alcohol in Festival Park for the Full Moon Summer Concert Series event on May 29, 2021 and July 24, 2021.

Council Member Garth Hinze moved approval; motion duly seconded by Council Member Jay Anderson and carried by unanimous vote.

9. **REGULAR AGENDA:**

A. **Public Hearing**: Consider an ordinance for a Specific Use Permit for an Accessory Apartment, for Lot 7-A, being part of Lot 7-B, City Block 67 as described in a deed from Thomas Stanley, et ux, to Glen Anderson, et ux, dated April 21, 2003, recorded in Volume 1981, Page 196 of the DRNCT. This property is located at 225 East Parker Road. This request has been submitted by Brent & Heather Beal. Case File SUP2021-02.

Alaina Chafin, City Planner, stated this request is for an accessory apartment at 225 East Parker Road which is a single family residence with a detached garage/shop. Accessory apartments may not have separate utility services or meters and are permitted in R-1 Single Family zoning district with approval of a specific use permit. Mrs. Chafin reviewed the conditions for approval, additional supplementary regulations, and post approval conditions of a specific use permit.

The applicant proposes to renovate a portion of the existing garage/shop into a two-bedroom 690 feet apartment with the remainder of the structure being maintained as a garage. The apartment will be used as accessory living space for the requestor's adult children. Outside improvements will include a covered walkway and an added window to the loft space.

Discussion at the Planning and Zoning Commission meeting of April 12, 2021 included neighboring property owner concerns with privacy due to the addition of the loft window. Mrs. Chafin reviewed window treatments and window sizes that were discussed as well as concerns of the apartment being rented out to non-family members once the permit is approved. The Planning and Zoning Commission approved the request unanimously.

Staff sent out thirteen notices to property owners within 200 foot notification area and received six responses, five in favor and one in opposition of the request.

Brent Beal stated property owners should have the right to put windows in their homes and in structures on property they own. In surveying property in neighboring areas Mr. Beal noted several homes with second story windows that have views of neighboring yards. He also discussed increasing the height of the privacy fence between his property and his neighbors to the north.

City Council discussed the size of window proposed for the apartment and definition of accessory dwelling unit.

Mayor Brophy opened the public hearing. Martha Zick, who lives on East Parker Road, spoke in favor of the specific use permit. Dick Rudisill, who lives on Bostwick Street, spoke against the specific use permit stating he is concerned about his privacy due to the addition of a window in the propose apartment, and the possibility of the Beal's renting the apartment to non-family members. Samantha Moreira, who also lives on Bostwick Street, discussed electrical work being done on the Beal's property prior to permit approval and her privacy concerns due to the window in the loft area of the proposed apartment. Both Mr. Rudisill and Mrs. Moreira spoke regarding the cost of the privacy fence between the Beal property and their properties. Mayor Brophy closed the public hearing.

City Council discussed the importance of the area remaining single family zoning, consequences for violating the specific use permit by renting the apartment to non-family members, negotiations between neighbors and options regarding privacy issues, and possible conditions that can be placed on the specific use permit. Mr. Beal stated he does not want conditions placed on the specific use permit but, he is willing to work with his neighbors on fencing options. Mrs. Moreira stated privacy fencing is expensive and believes an opaque glass window or transom window installed in loft of the accessory apartment would be the least expensive option. Mr. Rudisill stated he believes it would be best to take out the full kitchen which would prevent rental of the apartment to non-family members.

Council Member Jay Anderson moved approval of the specific use permit; motion duly seconded by Council Member Roy Boldon and carried by unanimous vote.

B. **Public Hearing**: Consider an ordinance amending the boundaries of a zoning district within the City of Nacogdoches from R-1, Single Family to B-2, General Business, for approximately 10.9 acres, being Lot 1-A, City Block 64, located at 2827 Railroad Street. This request was submitted by Warren Sparks. Case File ZON2021-01.

City Planner Alaina Chafin stated the General Business zoning district is intended to accommodate business activities that are oriented toward the automobile or whose operations may require limited truck access. These businesses are generally located along major traffic arteries. Mrs. Chafin also stated the applicant has operated a contractor's yard for the purpose of openly storing equipment and materials for his personal construction business at this location for more than ten years. This zoning change request is in response to a zoning violation for conducting commercial activities in a residential zoning district. Staff also has concerns that Railroad Street isn't adequate to support heavy truck traffic.

Staff sent out six notices to property owners within the notification area and received three responses, one in favor and two in opposition of the request.

Planning staff finds the zone change request is not compatible with the Comprehensive Plan or Future Land Use Map and recommends denial of the request. The Planning and Zoning Commission also unanimously recommends denial of the request.

Warren Sparks, applicant, stated he has been operating his business at 2827 Railroad Street for twenty-three years and believes the zoning violation complaint was in retaliation from a neighbor. Mr. Sparks discussed how he has improved his property and the neighborhood over the years. He also stated he was willing to make repairs to Railroad Street if needed. Mr. Sparks does not want to move his equipment and requests approval of the zoning change.

If the zoning change is denied Mr. Sparks intends to file a planned development application, or a joint application with one or more property owners which would provide an alternate route to access the property.

Mayor Brophy opened the public hearing. No one spoke for or against and the public hearing was closed.

City Council discussed zoning violation, planned development, installation of a barrier between Mr. Sparks' property and Railroad Street, spot zoning, joint application with neighbors which would create an alternate access road and how city staff might assist the property owner if the zoning change is denied. City Council also discussed what might be done to assist the business owner if the item is tabled.

Council Member Jay Anderson moved to table this item until May 18, 2021 City Council Meeting; motion duly seconded by Council Member Garth Hinze and carried by unanimous vote.

C. Receive a report, hold a discussion and give staff direction concerning street maintenance activities.

Case Opperman, Assistant Public Works Director, described paving repairs and accomplishments by both contractors and in-house crews over the past year. In 2020 Public Works staff paved ten streets as well as several sections at Sunset Cemetery, City park improvements and numerous pothole repairs. Mr. Opperman noted that when staff operates and facilitates paving improvements it takes approximately twelve staff members which is the majority of the Street Department staff. Mr. Opperman stated this is a labor intensive effort which is completed with limited staff.

Proposed street improvements for the upcoming fiscal year include crack seal and seal coat to thirty-four streets, and major repairs to Maybell Street, Lewis Street, Cardinal Street, Fourth Street, Stewart Street and Swann Street.

Mr. Opperman discussed deferred maintenance which is a metric for evaluating success with street maintenance expenditures. The City has been behind in street repairs for several years due to budget constraints. In order to meet street improvement needs in 2021 it will cost the City approximately $1.9 million.

Mr. Opperman also discussed street inventory which is completed at least every five years and also relies on citizen reports to help staff monitor street conditions. To assist with street inventory staff is exploring robotic street evaluation technology which will help expedite and automate street grading.

City Council discussed Martin Luther King Jr. Blvd in front of Pilgrim's Pride and street evaluation technology. City Council directed staff to move forward with the proposed list of street repairs as presented.

D. Consider an ordinance of the City of Nacogdoches, Texas regulating the collection of sewage in the City requiring pretreatment and permits for certain discharges; amending Charter 106 Division 2 "Sewer Use Regulations", Section 106-66 through 106-79, of the Code of Ordinances for the City of Nacogdoches, Texas, providing a continuation clause; providing a repeal clause; providing a penalty clause; and providing an effective date.

Steve Bartlett, City Engineer, stated the ordinance amendment will meet current regulations and streamlining procedures which are required by Texas Pollutant Discharge Elimination System (TPDES) in accordance with federal regulations. The modifications made to the ordinance are related to control of slug discharges, compliance sampling and reporting requirements, and the expansion of the definition for an industry that is considered significantly non-compliant to program requirements.

Mr. Bartlett also stated this amendment process began in 2012 when it was first submitted to Texas Commission on Environmental Quality.

Council Member Amelia Fischer moved approval; motion duly seconded by Council Member Roy Boldon and carried by unanimous vote.

E. Presentation of Mid-Year financial update.

Finance Director Pam Curbow discussed General Fund Major Revenues which included property tax, sales tax, franchise fees, court fines, CARES funding and transfers. The 2020/2021 budget is very conservative due to Covid-19. When comparing revenues to prior year collections at March 31, 2020 property tax, hotel tax and sales tax are up, and Municipal Court fines, franchise fees, interest earnings and miscellaneous fees are down. All other departmental revenues and expenses are within expectations.

F. Consider ordinance amending Ordinance No. 1835-09-20 to cover emergency expenditures and unanticipated revenues for fiscal year 2020-2021 due the Mid-Year Budget Adjustments.

Finance Director Pam Curbow stated approximately 65% of the budget amendments are costs related to the winter storm including staff overtime and debris removal. The majority of the winter storm costs will be submitted to FEMA for reimbursement. Other amendments include retiree payouts, combining Parks and Cemetery Department and studies that were not budgeted.

Council Member Garth Hinze moved approval; motion duly seconded by Council Member Amelia Fischer and carried by unanimous vote.

10. Meeting adjourned at 8:45 p.m.

____
Mayor Shelley Brophy
City Council
City of Nacogdoches

ATTEST:

____
Jan Vinson, City Secretary

Nacogdoches
the oldest town in Texas

City Council Meeting

Date: May 4, 2021

Agenda Item: 7.B.

PRESENTER: Pam Curbow, Finance Director

ITEM/SUBJECT: Annual review and adoption of a resolution approving the City's Investment Policy. (Finance Director)

SUMMARY/BACKGROUND: City Council is required by the provisions of the Public Funds Investment Act of Texas Government Code Chapter 2256 to annually review and adopt the City's Investment Policy.

The existing policy does not require any significant updates at this time, only minor spelling issues were corrected.

FINANCIAL:
No financial impact associated with this item

COUNCIL PRIORITIES: THIS AGENDA ITEM IS CONSISTENT WITH THE FOLLOWING CITY COUNCIL PRIORITIES
Not Applicable

CITY CONTACT: Pamela Curbow, Director of Finance
curbowp@nactx.us
936-559-2526

ATTACHMENTS:
1. Investment Policy 2021 05 04 Nac_FINAL
2. Investment Policy Resolution for Adoption 2021

CITY OF NACOGDOCHES
INVESTMENT POLICY

I. POLICY

It is the policy of the City of Nacogdoches (City) that after allowing for the anticipated cash flow requirements of the City and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines, seeking to optimize interest earnings to the maximum extent possible.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to the City's funds. The City's investment portfolio shall be designed and managed in a manner designed to utilize this revenue source, to be responsive to public trust, and to be in compliance with legal requirements and limitations.

Investments shall be made with the primary objectives of:

* **Safety** and preservation of principal
* Maintenance of sufficient **liquidity** to meet operating needs
* **Public trust** from prudent investment activities
* **Diversification** of portfolio
* Optimization of **interest earnings** on the portfolio

II. PURPOSE

The purpose of this investment policy is to comply with Chapter 2256 of the Government Code ("Public Funds Investment Act" or "PFIA")), which requires the City to adopt a written investment policy regarding the investment of its funds and funds under its control. This Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City's funds. This Policy and investment strategies shall be reviewed annually by the Investment Committee and City Council who will formally approve any modifications.

III. SCOPE

This Investment Policy shall govern the investment of all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Internal Service Fund
- Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Debt Service Funds, including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Any new fund created by the City, unless specifically exempted from this Policy by the City Council or by law.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. However, this Policy does not apply to the assets administered for the benefit of the City by outside agencies under deferred compensation programs.

IV. INVESTMENT OBJECTIVES

The City shall manage and invest its cash with five primary objectives, listed in order of priority: **safety, liquidity, public trust, diversification and yield.** The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The City shall maintain a comprehensive cash management program, which includes collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to ~~i~~ensure maximum cash availability and optimize earnings on short-term investment of idle cash.

A. **Safety** [*PFIA 2256.005*(*b*)(*2*)]

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

1. Credit Risk – The City will minimize credit risk, the risk of loss due to the

failure of the issuer or backer of the investment, by:

- Limiting investments to the safest types of investments
- Pre-qualifying the financial institutions and broker/dealers with which the City will do business
- Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

2. Interest Rate Risk – the City will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:
    - Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
    - Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
    - Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

B. **Liquidity** [*PFIA 2256.005*(*b*)(*2*)]

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in demand or money market accounts, shares of money market mutual funds or local government investment pools that offer same-day liquidity.

C. Public Trust

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the City's ability to govern effectively.

D. Diversification

Investment maturities shall be staggered to provide cash flow based on the anticipated needs of the City. Diversifying the appropriate maturity structure will reduce market cycle risk.

E. **Yield** [*PFIA 2256.005*(*b*)(*3*)]

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

V. INVESTMENT STRATEGY FOR SPECIFIC FUNDS

The overall strategy of the City's investment objective shall be to ensure a) the understanding of suitability of investment to the financial requirements of the City, b) preservation and safety of principal, c) liquidity, d) marketability of the investment, if the need arises to liquidate the investment before maturity, e) diversification of the investment portfolio; and f) yield.

The City maintains portfolios, which utilize four specific investment strategy considerations design to address the unique characteristics of the fund groups, represented in the portfolios:

A. Operating Funds

Suitability - Any investment eligible in the Investment Policy is suitable for Operating Funds.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, managing the weighted average days to maturity to less than 180 days and restricting the maximum allowable maturity to two years using the final stated maturity dates of each investment will minimize the price volatility of the portfolio

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.

Liquidity - Operating Funds require short-term liquidity to adequately fund any unanticipated cash outflow. Short-term financial institution deposits, investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City. Diversifying the appropriate maturity structure up to the two-year maximum will reduce interest rate risk.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio will be the minimum yield objective.

B. Debt Service Funds

Suitability - Any investment eligible in the Investment Policy is suitable for the Debt Service Fund.

Safety of Principal - All investments shall be of high quality with no perceived default risk.

Market price fluctuations may occur. However, by managing Debt Service Funds to not exceed the debt service payment schedule, the market risk of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are not necessary as the event of an unanticipated cash flow requirement is not probable.

Liquidity - Debt Service Funds have predictable payment schedules. Therefore, investment maturities should not exceed the anticipated cash flow requirements. Cash equivalent investments may provide a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment. This investment structure is commonly referred to as a flexible repurchase agreement.

Diversification - Market conditions influence the attractiveness of fully extending maturity to the next “unfunded” payment date. Generally, if investment rates are anticipated to decrease over time, the City is best served by locking in most investments. If the interest rates are potentially rising, then investing in shorter and larger amounts may provide advantage. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Yield - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

C. Debt Service Reserve Funds

Suitability - Any investment eligible in the Investment Policy is suitable for Debt Service Reserve Funds. Bond resolution and loan documentation constraints and insurance company restrictions may create specific considerations in addition to the Investment Policy.

Safety of Principal - All investments shall be high quality with no perceived default risk. Market price fluctuations will occur. However, managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing reduces the investment’s market risk if the City’s debt is redeemed and the Reserve Fund liquidated. No stated final investment maturity shall exceed the shorter of the final maturity of the borrowing or five years. Annual mark-to-market requirements or specific maturity and average life limitations within the borrowing’s documentation will influence the attractiveness of market risk and reduce the opportunity for maturity extension.

Marketability - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.

Liquidity – Debt Service Reserve Funds have no anticipated expenditures. The Funds are deposited to provide annual debt service payment protection to the City’s debt holders. The funds are “returned” to the City at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of investment diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, locking in investment maturities and reducing liquidity best serve the City. If the borrowing cost cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.

Diversification - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

Yield - Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all times operate within the limits of the Investment Policy's risk constraints.

D. Capital Project and Special Purpose Funds

Suitability - Any investment eligible in the Investment Policy is suitable for Capital Project and Special Purpose Funds.

Safety of Principal – All investments will be of high quality with no perceived default risk. Market fluctuations may occur. However, by restricting the maximum maturity to the lesser of the anticipated cash flow requirements or the IRS defined temporary period, the market risk of the portfolio will be minimized.

Marketability - The balancing of short-term and long-term cash flow needs requires the Capital Project and Special Purpose Funds portfolio to have securities with active and efficient secondary markets.

Liquidity - Capital Project and Special Purpose Funds used as part of a CIP plan or scheduled repair and replacement program are reasonably predictable. However, unanticipated needs or emergencies may arise. Maintaining minimum cash equivalent investment amounts will reduce the liquidity risk of unanticipated expenditures. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any required expenditures. This investment structure is commonly referred to as a flexible repurchase agreement.

Diversification - Investment maturities should blend the short-term and long-term cash flow needs to provide adequate liquidity, yield enhancement and stability. A "barbell" maturity ladder may be appropriate.

Yield - Attaining a competitive market yield for comparable investment-types and portfolio structures is the desired objective. The yield of an equally weighted, rolling six-month Treasury Bill portfolio will be the minimum yield objective.

VI. RESPONSIBILITY AND CONTROL

A. **Delegation of Authority** [*PFIA 2256.005*(*f*)]

In accordance with the Public Funds Investment Act, the Council designates the Director of Finance and Assistant Director of Finance as the City's Investment Officers. An Investment Officer is authorized to execute investment transactions on behalf of the City. No person may engage in an investment transaction or the management of City's funds except as provided under the terms of this Investment Policy as approved by the Council. The investment authority granted to the investing officer is effective until rescinded by the Council.

B. Investment Committee

An Investment Committee, consisting of the Director of Finance, Assistant Director of Finance, and the City Manager shall meet periodically to determine operational strategies and to monitor results. The Investment Committee shall include in its deliberation such topics as: performance reports, economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds, authorized brokers and dealers, eligible investment training sources, and the target rate of return on the investment portfolio.

C. **Training Requirement** *[PFIA 2256.008]*

In accordance with the Public Funds Investment Act, and to ensure qualified and capable investment management, the Investment Officers shall attend investment training no less often than once every two years commencing September 1, 1997 and accumulating not less than 8 hours of instruction relating to investment responsibilities. A newly appointed Investment Officer must attend training accumulating at least 10 hours of instruction within twelve months of the date the Officer took office or assumed the Officer's duties. The investment training session shall be provided by an independent source approved by the designated Investment Committee. For purposes of this Policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher education or any other sponsor other than a business organization with whom the City may engage in an investment transaction.

D. Internal Controls

The Director of Finance is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Director of Finance shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion.
- Separation of transactions authority from accounting and record keeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation for telephone (voice) transactions for investments and wire transfers.
- Development of a wire transfer agreement with the depository bank or third-party custodian.

E. **Prudence** [*PFIA 2256.006]*

The standard of prudence to be applied by the Investment Officers shall be the "prudent investor" rule. This rule states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- The investment of all funds, or funds under the City's control, over which the Officer had responsibility rather than a consideration as to the prudence of a single investment.
- Whether the investment decision was consistent with the written approved investment policy of the City.

F. Indemnification

An Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes, provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments

G. Ethics and Conflicts of Interest [*PFIA 2256.005*(*i*)]

City staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. City staff shall disclose to the City Manager any material financial interest in financial institutions that conduct business with the City and they shall further disclose positions that could be related to the performance of the City's portfolio. City staff shall subordinate their personal financial transactions to those of the City, particularly with regard to timing of purchase and sales.

A City Investment Officer who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Council and the City Council.

VII. SUITABLE AND AUTHORIZED INVESTMENTS

A. Portfolio Management

The City currently has a "buy and hold" portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal.
- Cash flow needs of the City require that the investment be liquidated.

B. **Investments** [*PFIA 2256.005*(*b*)(*4*)(*A*)]

The City funds governed by this policy may be invested in the instruments described below, all of which are authorized by the Public Funds Investment Act. Investment of the City funds in any instrument or security not authorized for investment under the Act is prohibited. The City will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

I. Authorized

1. Direct obligations, including letters of credit, of the United States of America, its agencies and instrumentalities, including the Federal Home Loan Banks.

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

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

4. Fully insured or collateralized certificates of deposit issued by a depository institution organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, that is guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations in a manner and amount provided by law for deposits of the City.

5. Fully collateralized direct repurchase agreements with a defined termination date secured by a combination for cash and obligations of the United States or its agencies and instrumentalities. These shall be pledged to the City, held in an account 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. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. A Master Repurchase Agreement, or similar agreement, must be signed by the dealer/financial institution prior to investment in a repurchase agreement. Securities received for repurchase agreements must have a market value greater than or equal to 102 percent at all times.

6. Money Market Mutual funds that complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and are rated AAA by at least one nationally recognized rating service and seek to maintain a net asset value of $1.0000 per share.

7. Local government investment pools, which 1) meet the requirements of the Public Funds Investment Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, 3) seek to maintain a $1.00 net asset value, and 4) are authorized by resolution or ordinance by the Council.

All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. (*PFIA 2256.021*)

II. <u>Not Authorized</u>

The City's authorized investments options are more restrictive than those allowed by State law. The City's requirements specifically prohibit investment in the following investment securities.

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 collateral and bears no interest.

3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.

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

5. Reverse repurchase agreements

6. International investment instruments.

VIII. INVESTMENT PARAMETERS

A. **Maximum Maturities** [*PFIA 2256.005*(*b*)(*4*)(*B*)]

The longer the maturity of securities, the greater their price volatility. Therefore, it is the City's policy to utilize shorter-term securities in order to limit principal risk caused by changes in interest rates.

The City attempts to match its investments with anticipated cash flow requirements. The City will not directly invest in maturities greater than those outlined in V. Investment Strategy for Specific Funds; however, the above described obligations, certificates, or agreements may be collateralized using longer dated investments.

Because no secondary market exists for repurchase agreements, the maximum maturity shall be 120 days except in the case of a flexible repurchase agreement for bond proceeds.

The maximum maturity for such an investment shall be determined in accordance with project cash flow projections and the requirements of the governing bond ordinance.

The composite portfolio will have a weighted average maturity of 365 days or less. This dollar-weighted average maturity will be calculated using the stated final maturity dates of each security. *[PFIA 2256.005(b)(4)(C)]*

B. **Diversification** [*PFIA 2256.005*(*b*)(*3*)]

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- Limiting investments to avoid overconcentration in investments from a specific issuer or business sector,
- Limiting investment in investments that have higher credit risks (example: commercial paper),
- Investing in investments with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as demand and money market accounts, local government investment pools (LGIPs), money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

IX. SELECTION OF BANKS AND DEALERS

A. **Primary Depository** (*Chapter_105, Texas Local Government Code*)

At least every five (5) years a Depository shall be selected through the City's banking services procurement process, which shall include a formal request for application (RFA). The selection of a primary depository will be determined by competitive process and thorough evaluation, and will be generally based on the following selection criteria:

- The ability to qualify as a depository for public funds in accordance with state law.
- The ability to provide requested information or financial statements for the periods specified.
- The ability to meet all requirements in the primary depository RFA.
- Complete response to all required items on the application
- Favorable net banking service cost/benefit, consistent with the ability to provide an appropriate level of service.
- The credit worthiness and financial stability of the bank.

The City reserves the right to place deposits with other financial institutions for diversification and investment purposes, or to utilize a service not reasonably available through the primary depository.

B. **Authorized Broker/Dealers** [*PFIA 2256.025]*

The City's Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers authorized to engage in securities transactions with the City. Those firms that request to become qualified broker/dealers for securities transactions will be required to provide information regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or non-primary dealers that qualify under Securities & Exchange Council Rule 15C3-1 (Uniform Net Capital Rule).

C. Competitive Environment

A competitive yield environment shall be achieved by soliciting quotes from multiple investment providers, monitoring comparable investment alternatives, and reviewing general market conditions.

When appropriate, bids or offers must be solicited for all individual security transactions. The City's investment advisor is also required to solicit at bids or offers when transacting trades on the City's behalf. In the case of a certificate of deposit placement, competitive offers should provide a comparison. The quotes may be accepted orally, in writing, electronically, or any combination of these methods. These guidelines shall take into consideration the investment type, maturity date, amount, and potential disruptiveness to the City's investment strategy.

The Director of Finance shall develop and maintain procedures for ensuring a competition in the investment of the City's funds.

D. **Delivery vs. Payment** [*PFIA 2256.005*(*b*)(*4*)(*E*)]

Securities shall be purchased using the **delivery verses payment** method of settlement. Funds will be released after the purchased security has been received.

E. **Business Organizations** [*PFIA 2256.005*(k)]

All investment pools and discretionary investment management firm (e.g. business organizations) must acknowledge that the business organization has received and reviewed the City's investment policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the City's policy except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards, or relates to investment transactions of the City that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

X. SAFEKEEPING OF SECURITIES AND COLLATERAL

A. Safekeeping and Custodian Agreements (*Best Practice*)

The City shall contract with a financial institution for the safekeeping of securities owned by the City as part of its investment portfolio. Securities owned by the City shall be held in an account in the City's name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by a third-party custodian designated by the City and pledged to the City as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository institution's trust department, a Federal Reserve Bank or branch of a Federal Reserve Bank, a Federal Home Loan Bank, or a third-party Custodian approved by the City.

B. Collateral Policy (*PFCA 2257.023*)

Consistent with the requirements of the Public Funds Collateral Act ("PFCA"), it is the policy of the City to require full collateralization of all City funds on deposit with a depository institution. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits less any amount insured by the FDIC. At its discretion, the City may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The Director of Finance is responsible for entering into collateralization agreements in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities.

The custodial portion of the agreement shall define the City's rights to the collateral in case of default, bankruptcy, or closing, and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- the agreement must be in writing;
- the agreement has to be executed by the depository and the City contemporaneously with the acquisition of the asset;
- the agreement must be approved by the board of directors or the loan committee of the depository and a copy of the meeting minutes must be delivered to the City, and

- the agreement must be part of the depository's "official record" continuously since its execution.

A clearly marked evidence of pledge (pledge receipt) must be supplied to the City and retained. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

C. Collateral Defined

The City shall accept only the following types of collateral:

1. Direct obligations of the United States of America or its agencies and instrumentalities.

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 of America, the underlying security for which is guaranteed by an agency or instrumentality of the United States of America.

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent with a remaining maturity of ten (10) years or less.

5. Federal Deposit Insurance Corporation (FDIC) Insurance Coverage.

6. A surety bond issued by an insurance company rated as to investment quality by a nationally recognized rating firm not less than A.

7. A letter of credit issued to the City by a Federal Home Loan Bank.

D. Subject to Audit

All collateral shall be subject to inspection and audit by the City or the City's independent auditors.

XI. PERFORMANCE

A. Performance Standards

The City's investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the City. Weighted average yield to maturity shall be the performance measurement standard.

B. Performance Benchmark (*Best Practice*)

It is the policy of the City to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, the City shall seek to optimize interest earnings utilizing allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value. The City's portfolio shall be designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury Bills at a maturity level comparable to the City's weighted average maturity in days.

XII. REPORTING

The Investment Officers shall prepare an investment report on a quarterly basis that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms of investments and maturities, and shall explain the total investment return for the quarter.

The quarterly investment report shall include a summary statement of investment activity. This summary will be prepared in a manner that will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the Council. The report will include the following:

- A listing of individual investments held at the end of the reporting period.
- Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of investments for the period.
- Additions and changes to the market value during the period.
- Average weighted yield to maturity of portfolio as compared to applicable benchmark.
- Listing of investments by maturity date.
- Fully accrued interest for the reporting period
- The percentage of the total portfolio that each type of investment represents.
- Statement of compliance of the City's investment portfolio with state law and the investment strategy and policy approved by the Council.
- Signatures of the Investment Officers.

In conjunction with the annual audit, independent auditor will perform a formal review of the quarterly reports with the results reported to the City Council [*PFIA 2256.023*(*d*)].

Monitoring [*PFIA 2256.005*(*b*)(*4*)(*D*)]

Market value of all securities in the portfolio will be determined on a quarterly basis. These values will be obtained from a reputable and independent source. The City shall monitor the rating of each issuer, as applicable, at least quarterly, and take all prudent measures that are consistent with this Policy to liquidate an investment that does not have the minimum rating.

XIII. INVESTMENT POLICY ADOPTION

The City's Investment Policy shall be adopted by resolution of the City Council. It is the City's intent to comply with state laws and regulations. The City's Investment Policy shall be subject to revisions consistent with changing laws, regulations, and needs of the City. The Council shall adopt a resolution stating that it has reviewed the Policy and investment strategies annually, approving any changes or modifications. [*PFIA 2256.005*(*e*)]

RESOLUTION NO. 1271-05-21

RESOLUTION OF CITY COUNCIL APPROVING CITY OF NACOGDOCHES, TEXAS INVESTMENT POLICY.

WHEREAS, the investment policy applies to the investment activities of the City of Nacogdoches serving to satisfy statutory requirements of Texas Government Code Chapter 2256 ("Public Funds Investment Act") and Chapter 2257 ("Public Funds Collateral Act") to define and adopt a formal investment policy; and

WHEREAS, City Council must approve investment policy, with necessary revisions, at least annually; and

WHEREAS, City of Nacogdoches has complied by maintaining the Investment Policy and updating it in accordance with legislative mandate. Director of Finance has reviewed and updated, when necessary, the Investment Policy to incorporate Public Funds Investment Act revisions and improved business practices; and

NOW THEREFORE, IT IS RESOLVED by the City Council of the City of Nacogdoches, Texas, that the City of Nacogdoches Investment Policy, attached hereto, is hereby adopted as the official policy of the City of Nacogdoches and shall replace the existing Investment Policy. This policy shall be effective May 4, 2021.

PASSED AND APPROVED, this the 4th day of May, 2021.

By: ______________________________
SHELLEY BROPHY, Mayor

ATTEST:

____
JAN VINSON, City Secretary

APPROVED AS TO FORM:

____
ROBERT S. DAVIS, Interim City Attorney

APPROVED AS TO CONTENT:

____
PAM CURBOW, Director of Finance

Nacogdoches
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City Council Meeting

Date: May 4, 2021

Agenda Item: 7.C.

PRESENTER: Pam Curbow, Finance Director

ITEM/SUBJECT: First quarter investment report. (Finance Director)

SUMMARY/BACKGROUND: This is the quarterly investment report for quarter ending March 31, 2021.

FINANCIAL:
No financial impact associated with this item

COUNCIL PRIORITIES: THIS AGENDA ITEM IS CONSISTENT WITH THE FOLLOWING CITY COUNCIL PRIORITIES
Not Applicable

CITY CONTACT: Pamela Curbow, Director of Finance
curbowp@nactx.us
936-559-2526

ATTACHMENTS: 1. 1st Qtr 2021 Investment Report

Investment Report
January 1, 2021 – March 31, 2021

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This report is presented in accordance with the Texas Government Code Title 10 Section 2256.023. The below signed herby certify that, to the best of their knowledge on the date this report was created, that this report is in compliance with the state policies and Investment Policy of the City of Nacogdoches.

Pam Curbow
Investment Officer

Investment Position
City of Nacogdoches
March 31, 2021

As of March 31, 2021, the City of Nacogdoches had investments in the following accounts:

- $3.9 million in Southside Bank earning a rate of 0.075%,
- $50 million invested in TexPool accounts earning a rate of 0.02%,
- $1.5 million in a Fidelity Money Market Account with Regions Bank earning a rate of 0.01%,
- $7 million invested in a Money Market Account with Veritex Bank at 0.14% (variable, Texas Pools average +.10%)
- $14 million invested in Certificates of Deposit with an average rate of 1.08%
- The City's average yield for FY21 is 0.29%.

City of Nacogdoches Strategy Summary March 31, 2021

Quarter End Results by Investment Category:

Asset Type	December 31, 2020 Book Value	December 31, 2020 Market Value	March 31, 2021 Book Value	March 31, 2021 Market Value	March 31, 2021 APR
Southside Bank	$ 5,598,474.86	$ 2,420,587.68	$ 3,882,915.94	$ 3,928,378.26	0.075%
Veritex Bank Money Market Account	$ 7,049,186.48	$ 7,046,228.59	$ 7,051,380.65	$ 7,051,380.65	0.14%
Regions Bank Fidelity Money Market Account	$ 1,492,623.06	$ 1,493,704.74	$ 1,492,006.85	$ 1,492,006.85	0.01%
TexPool Accounts	$ 48,736,413.10	$ 51,069,287.37	$ 49,865,898.98	$ 51,093,914.83	0.02%
Certificates of Deposit	$ 14,178,008.61	$ 14,138,609.64	$ 14,216,367.69	$ 14,216,367.69	1.08%
Totals	$ 77,054,706.11	$ 76,168,418.02	$ 76,508,570.11	$ 77,782,048.28	

Current Quarter Average Yeild
Total Portfolio .27%

Fiscal Year to Date Average Yeild
Total Portfolio 0.29%

Interest Earnings

Quarterly Interest Income	$51,459.37
Year to date Interest Income	$109,036.60

Note: Bank balances represent pooled cash accounts. Cash balances are unaudited.

Summary Statement
City of Nacogdoches
1/01/2021 –3/31/2021

Beginning Balance 01/01/2021	$ 76,168,418
Ending Balance 03/31/2021	$ 77,782,048
Increase/(Decrease)	$ 1,613,630
Total Interest	$ 51,459
Avg Yield for Qtr	0.27%

Certificates of Deposit

- Citizens State Bank $2,000,000 0.75% APR 12 Month CD
  Maturity Date - March 31, 2021
  General Fund - $2.000,000

- Austin Bank $2,000,000 2.13% APR 18 Month CD
  Maturity Date – March 31, 2021
  Utility Fund - $2,000,000

- Austin Bank $2,000,000 2.33% APR 24 Month CD
  Maturity Date – September 30, 2021
  Sanitation Fund - $2,000,000

Certificates of Deposit

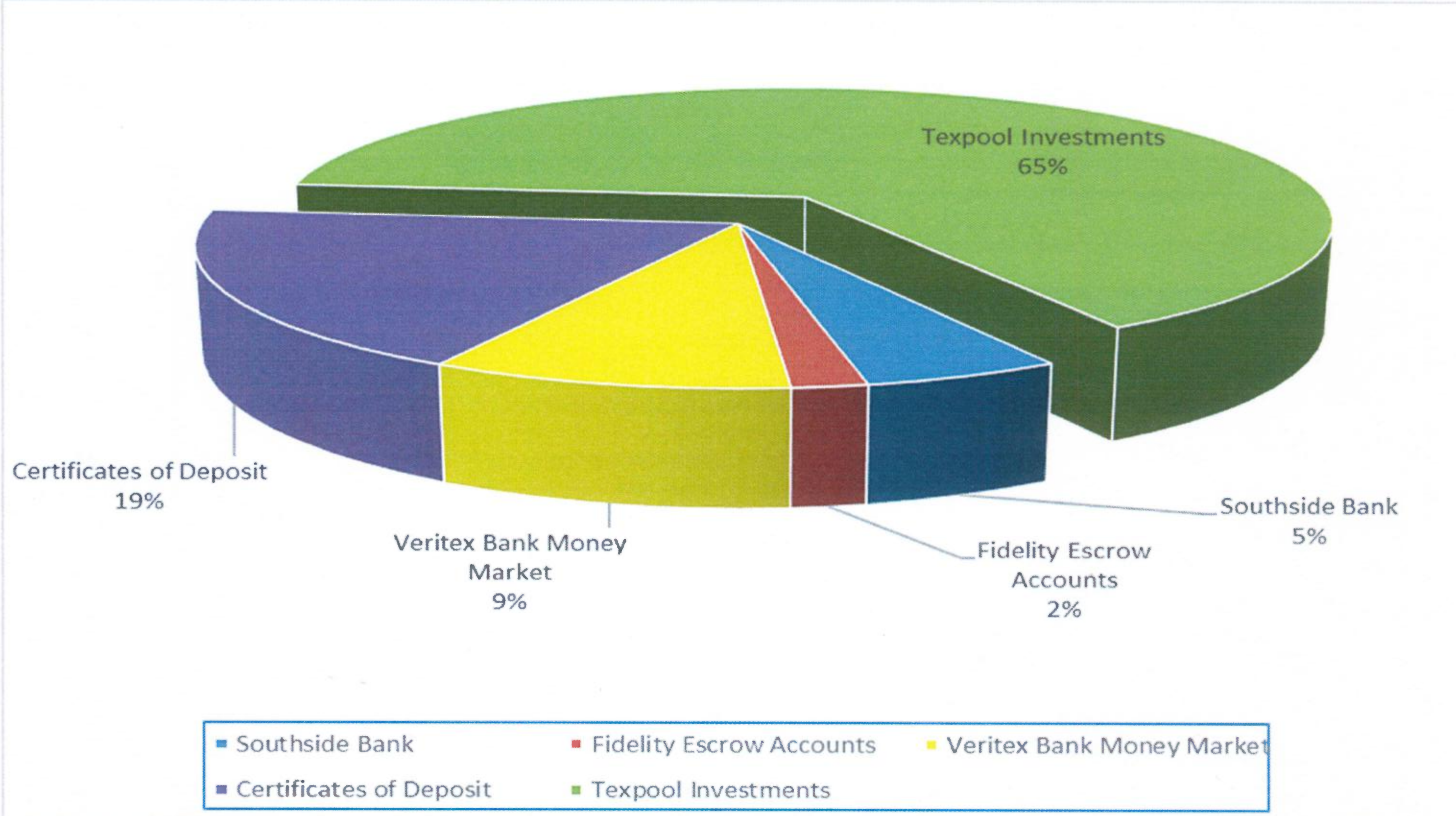
- Citizens State Bank $2,000,000 0.60% APY 18 Month CD
  Maturity Date – February 24, 2022
  General Fund - $2.000,000

- Citizens State Bank $2,000,000 0.60% APY 21 Month CD
  Maturity Date – May 24, 2022
  Sanitation Fund - $2.000,000

- Citizens State Bank $2,000,000 0.60% APY 24 Month CD
  Maturity Date – August 24, 2022
  Sanitation Fund - $2.000,000

- Citizens 1st Bank $2,000,000 0.60% APR 24 Month CD
  Maturity Date - August 27, 2022
  General Fund $1,000,000 Utility Fund - $1,000,000

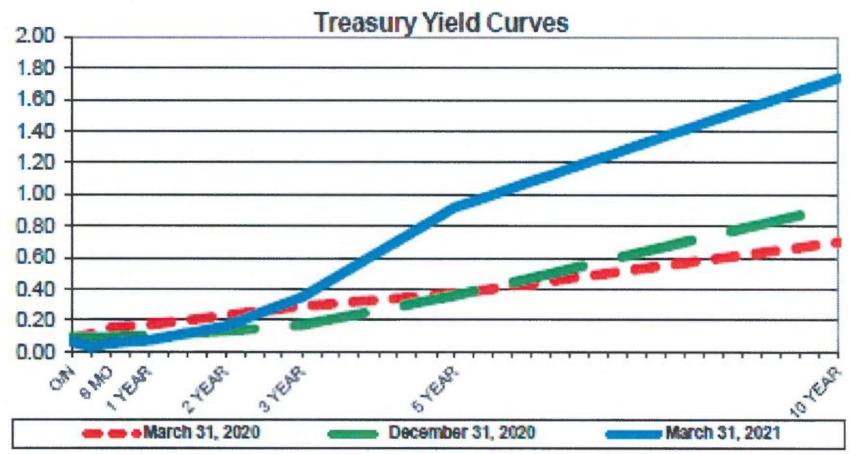
Ending Book Value
City of Nacogdoches
March 31, 2021



Investment	Rate	Value		% Total
Southside Bank	0.075%	$	3,882,915.94	5.08%
Fidelity Escrow Accounts	0.994%	$	1,492,006.85	1.95%
Veritex Bank Money Market	1.103%	$	7,051,380.65	9.22%
Certificates of Deposit	1.805%	$	14,216,367.69	18.58%
Texpool Investments	1.003%	$	49,865,898.98	65.18%
Total		$	76,508,570.11	100.00%

Portfolio Balance History
City of Nacogdoches

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range at 0.00% to 0.25% (Effective Fed Funds are trading <0.10%), and projected that reduced rates could remain into 2023 or longer. Fourth Quarter GDP finalized at +4.3%. March Non Farm Payroll added 916k and Unemployment declined to 6.0%. Crude oil traded above $60 per barrel. The Stock Markets reached new highs. Housing, Industrial Production, Durable Goods, Consumer Spending, and other indicators showed solid gains. An additional $1.9 trillion stimulus package passed Congress and was signed by the President. The Yield Curve continued steepening on longer maturities.



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City Council Meeting

Date: May 4, 2021

Agenda Item: 8.A.

PRESENTER: Clayton Rogers, CPA-Pattillo, Brown & Hill LLP

ITEM/SUBJECT: Receive a report and consider acceptance of the 2019/2020 Annual Audit. (Clayton Rogers, CPA-Pattillo, Brown & Hill, LLP)

SUMMARY/BACKGROUND: Council will receive a presentation regarding the 2019/2020 annual audit report by the independent auditors, Pattillo, Brown and Hill LLP.

FINANCIAL:
No financial impact associated with this item

COUNCIL PRIORITIES: THIS AGENDA ITEM IS CONSISTENT WITH THE FOLLOWING CITY COUNCIL PRIORITIES
Not Applicable

CITY CONTACT: Pamela Curbow, Director of Finance
curbowp@nactx.us
936-559-2526

ATTACHMENTS: 1. DRAFT Comprehensive Annual Financial Report 2020

DRAFT

CITY OF NACOGDOCHES, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2020

As Prepared By:

Finance Department

City of Nacogdoches, Texas

CITY OF NACOGDOCHES, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Prepared by: Finance Department
City of Nacogdoches, Texas

CITY OF NACOGDOCHES, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2020

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INTRODUCTORY SECTION

Nacogdoches
the oldest town in Texas

_______, 2021

To the Honorable Mayor, members of the City Council and the Citizens of the City of Nacogdoches, Texas

The comprehensive annual financial report of the City of Nacogdoches, Texas for the fiscal year ended September 30, 2020 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Nacogdoches issue an annual report on its financial position and activities in conformity with U.S. generally accepted accounting principles (GAAP), and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pattillo, Brown and Hill, LLP, Certified Public Accountants, have issued an unmodified opinion on the City of Nacogdoches, Texas' financial statements for the fiscal year ended September 30, 2020. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Nacogdoches' MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Nacogdoches, incorporated in 1929, is located in Texas Forest Country at the intersections of U.S. Highway 59, State Highway 21, and State Highway 7. The City of Nacogdoches is 65 miles south of Interstate 20 and is located approximately 140 miles northeast of Houston, Texas, 90 miles southwest of Shreveport, Louisiana, and 160 miles southeast of Dallas, Texas. It also serves as the county seat for Nacogdoches County. The City currently has a land area of 27.01 square miles and a population of 32,996 according to the 2010 census. It is empowered to levy a property tax on both real and personal property located within its boundaries and has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City operates under a council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a mayor, elected at large, and four council members, elected by ward. Council members and the mayor are elected on a non-partisan basis, for two-year staggered terms with two councilmen elected on even years and two councilmen and the mayor elected on odd years. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-today operations, and appointing the City department heads.

The City of Nacogdoches provides a full range of services, including: police and fire protection, the construction and maintenance of streets, water and sewer utilities, and solid waste disposal and recycling.

The annual budget serves as the foundation for the City of Nacogdoches' financial planning and control over spending. All city departments are expected to submit a request for appropriation to the City prior to the end of May each year. The City Manager uses these requests as a starting point for developing a proposed budget. The City Manager presents the proposed budget to the City Council for review prior to September 1. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 27, three days before the close of the City of Nacogdoches' fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g. police). The City Manager may make transfers of budgeted amounts within a department. The City Council must approve any revisions that alter the total appropriated budget of any department. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the combining and individual fund statements and schedules.

Local economy

The City currently enjoys a stable economy and even experienced an increase in sales tax in 2020, while residents shopped locally instead of traveling outside of the City, due to the effects of COVID-19. The area's employment is concentrated in education, healthcare, hospitality, manufacturing, poultry and wood processing. The City is also the home of Stephen F. Austin State University, which has an enrollment of approximately 12,000. Stephen F. Austin State University is the top employer in the city, followed closely by Pilgrim's Pride.

Long-term financial planning

City Council established the following goals and objectives to be carried out during the next several years.

- Provide a sufficient and high quality work force.
    - Maintain a competitive pay scale to ensure the City retains its employees and is able to recruit a high quality work force.
    - Provide a competitive employee benefit package.

- Improve existing services to the citizens of Nacogdoches
    - Continue to explore and develop programs to reduce crime
    - Promote proactive programs and agreements to provide public safety
    - Provide quality leisure opportunities by:
        - Continuing trail development
        - Expand collaboration between City and Boys and Girls Club in providing recreational programs
        - Expanding offering of free computer services
        - Increasing availability of public Internet access
        - Creating City historic sites education programs
    - Provide water supply to meet future needs including:
        - Improvements to distribution system
    - Maintain water quality at a high standard
- Maintain and improve financial integrity of the City of Nacogdoches
    - Retain high bond rating and financial reputation
    - Maintain an unallocated fund balance of at least 25% of annual expenditures in the General, Utility, and Sanitation Funds
    - Improve plan for replacement of capital assets
    - Maintain competitive rates
- Strong commitment to providing capital equipment and capital improvements
    - Provide a funding level for capital equipment that meets the need of the City of Nacogdoches
    - Utilize a conservative portion of the City's unallocated reserve to fund needed capital improvements
    - Continue to set aside funds for the replacement of existing equipment
    - Continue to schedule future capital equipment and capital improvement needs as funds are available

Financial Policies

The City has adopted a set of financial policies to guide the financial operations of the City. Included in the policies are guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. The City shall accumulate and maintain an operating position in all proprietary funds such that annual expenses shall not exceed annual resources, including working cash balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater. The City has also adopted a policy to maintain an uncommitted cash balance reserve in an amount equal or greater than 25% of the annual operating budget for the General Fund, Utility Fund and Sanitation Fund.

At September 30, 2020 the City of Nacogdoches has accumulated the following amounts in support of these policies

Fund	Policy Amount	Reserve Total
Governmental Funds		
General Fund – 25%	$ 6,668,207	$ 12,690,560
Proprietary Funds:		
Utility Fund – 25%	$ 4,005,134	$ 6,556,015
Sanitation Fund – 25%	$ 1,223,528	$ 3,196,916

Major initiatives

Replacement of an old concrete trunk water system line and valve near the SW Pump Station was completed.

A failing water line on Cox Street was replaced including significant concrete street repairs.

Upgrades and rehabilitation of the control system for the Carbon Injection System at the Surface Water Plant were completed.

Engineering plans were started for the additions of Variable Frequency Drives on the large pump motors at the Surface water Treatment Plant.

Construction for water and sewer line relocations along US 59 for the Direct Connector Project (future I-69) continued during the period with expected completion in 2022.

Several failing water and sewer lines in residential neighborhoods were replaced.

A number of street repairs and paving improvements were accomplished in 2020 including reconstruction resurfacing of streets located in mostly residential neighborhoods.

Work on the replacement of storm sewer systems along Fredonia Street and Church Street began with expected completion by the Summer of 2021.

Engineering design was started for the replacement of a failing storm sewer line near Ford Street with an expected construction completion in 2021.

Engineering consultants began an analysis for the replacement of the two major sewer trunk lines along Lanana and Banita Creeks.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Nacogdoches for its comprehensive annual financial report for the fiscal year ended September 30, 2019. This is the tenth consecutive year that the City has received the award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Mario Canizares
City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

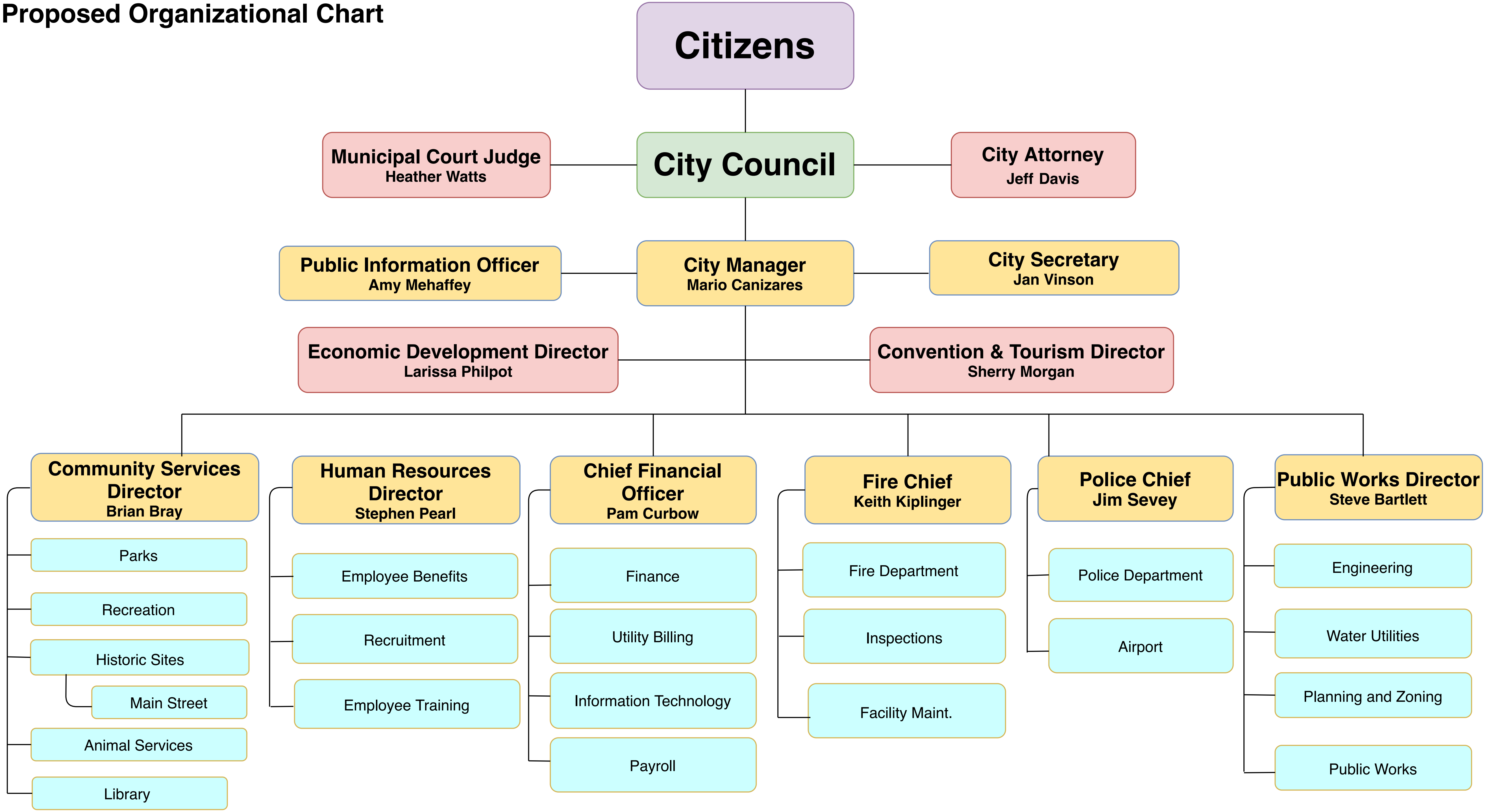
City of Nacogdoches, Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2019

Executive Director/CEO

Proposed Organizational Chart



CITY OF NACOGDOCHES, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2020

Elected Officials

Name	Office
Shelley Brophy	Mayor
Roy Boldon	Mayor Pro-Tem
Garth Hinze	Vice Mayor Pro-Tem
Amelia Fischer	Council Member
Jay Anderson	Council Member

Appointed Officials

Name	Position
Mario Canizares	City Manager
Jan Vinson	City Secretary
Pamela Curbow	Director of Finance

FINANCIAL SECTION

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Nacogdoches, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nacogdoches, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Nacogdoches, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nacogdoches, Texas, as of September 30, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nacogdoches, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, and the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated _________, 2021, on our consideration of the City of Nacogdoches, 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 Nacogdoches, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nacogdoches, Texas' internal control over financial reporting and compliance.

Waco, Texas
_________, 2021

MANAGEMENT'S
DISCUSSION AND ANALYSIS

As management of the City of Nacogdoches (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $149,489,823 (net position). Of this amount, $37,286,125 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $10,991,684 for the year ended September 30, 2020 from operations, compared to an increase of $9,245,443 for the year ended September 30, 2019. The primary cause of this increase was increases in revenue, particularly from ad valorem and sales tax revenues.

- As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $20,439,344. This represents an increase of $2,501,864 from the prior year; the primary cause of this increase was due to increased property and sales tax revenues.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $12,690,560 or 50% of total General Fund expenditures.

- The City's total long-term debt decreased by $4,207,132 during the current fiscal year. This was mainly due to the payment of outstanding debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, culture and recreation, highways and streets. The business-type activities of the City include a water and sewer operation, a sanitation collection and disposal operation, airport fuel operations.

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

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

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

The City maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds — The City maintains two different types of proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operation, for its sanitation collection and disposal operation, and for its airport fuel operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the city's various functions. The City uses internal service funds to account for its purchase of equipment for the general fund and its self-funded health insurance plan. Because this service benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operation and for the sanitation collection and disposal operation, both of which are considered to be major funds of the City. Conversely, the internal service fund is a single, aggregated presentation in the proprietary fund financial statements. Data for the internal service fund is provided in the form of combining statements elsewhere in this report.

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

Combining statements — The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the City's Financial Position —

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2020, the City's assets and deferred outflows exceeded liabilities and deferred inflows by $149,489,823.

The largest portion of the City's net position (64%) reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	Govermental Activites		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	$ 28,244,061	$ 23,445,676	$ 51,805,235	$ 47,099,732	$ 80,049,296	$ 70,545,408
Capital assets	33,739,367	33,559,267	91,106,511	93,147,127	124,845,878	126,706,394
Total assets	61,983,428	57,004,943	142,911,746	140,246,859	204,895,174	197,251,802
Total deferred outflows of resources	2,603,933	6,201,607	677,204	1,347,247	3,281,137	7,548,854
Long-term liabilities	15,978,830	22,979,012	32,837,939	36,636,260	48,816,769	59,615,272
Other liabilities	2,463,472	2,538,583	3,647,383	3,621,729	6,110,855	6,160,312
Total liabilities	18,442,302	25,517,595	36,485,322	40,257,989	54,927,624	65,775,584
Total deferred inflows of resources	3,191,031	445,838	567,833	81,095	3,758,864	526,933
Net position:						
Net investments in capital assets	31,162,042	29,749,665	64,036,601	63,105,904	95,198,643	92,855,569
Restricted	6,622,772	5,683,417	10,382,283	8,910,239	17,005,055	14,593,656
Unrestricted	5,169,214	1,810,035	32,116,911	29,238,879	37,286,125	31,048,914
Total net position	$ 42,954,028	$ 37,243,117	$ 106,535,795	$ 101,255,022	$ 149,489,823	$ 138,498,139

A portion of the City's net position (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $37,286,125, may be used to meet the City's ongoing obligations to citizens and creditors.

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

Analysis of the City's Operations—

Governmental activities – Governmental activities increased the City's net position by $5,710,911. Significant reasons for this increase are as follows:

- The increases in property tax revenues.
- The $6,427,131 transfer from business-type activities

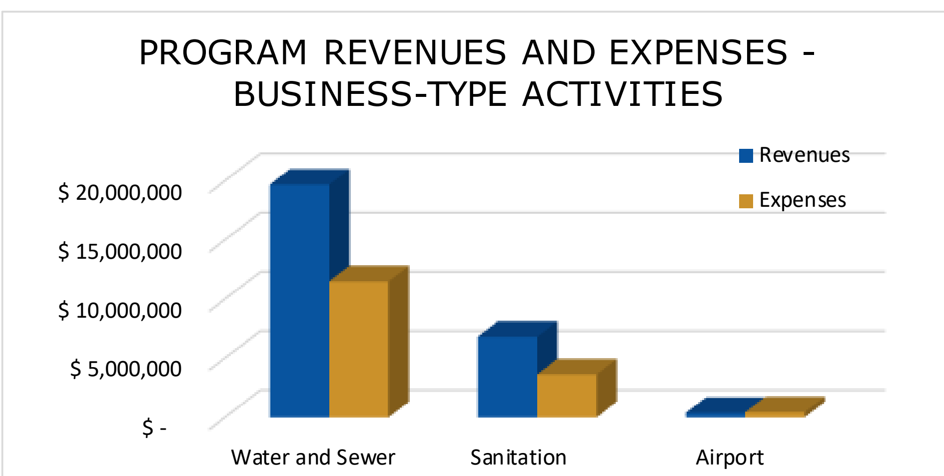
The following table provides a summary of the City's operations for the year ended September 30, 2020, and 2019.

CITY OF NACOGDOCHES' CHANGES IN NET POSITION

Changes in Net Position

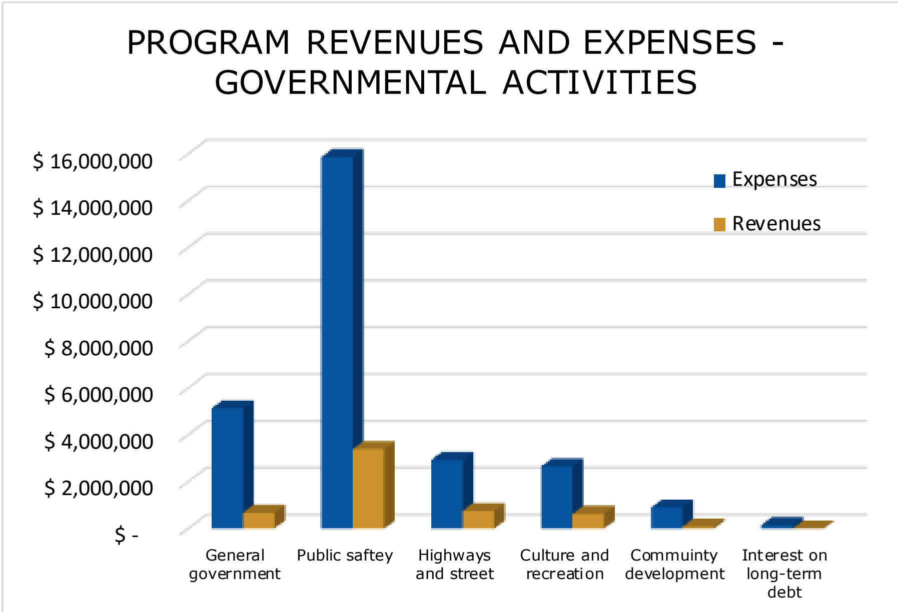
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revnues:						
Program revenues:						
Charges for services	$ 2,806,502	$ 2,946,743	$ 25,739,929	$ 26,184,595	$ 28,546,431	$ 29,131,338
Operating grants and contributions	2,641,116	2,646,113	-	-	2,641,116	2,646,113
Capital grants and contributions	84,126	337,742	-	445,838	84,126	783,580
General revenues:						
Property taxes	10,827,222	9,846,630	-	-	10,827,222	9,846,630
Sales taxes	6,932,275	6,601,004	-	-	6,932,275	6,601,004
Franchise taxes	2,385,315	2,485,322	-	-	2,385,315	2,485,322
Other taxes	697,921	865,931	-	-	697,921	865,931
Penalties and interest on taxes	152,238	158,448	-	-	152,238	158,448
Investment earnings	229,664	530,652	489,824	983,498	719,488	1,514,150
Miscellaneous revenue	89,941	98,005	713,801	600,204	803,742	698,209
Gain (loss) on sale of capital assets	63,928	35,638	39,394	32,359	103,322	67,997
Total revenues	26,910,248	26,552,228	26,982,948	28,246,494	53,893,196	54,798,722
Expenses:						
General government	5,130,414	5,586,805	-	-	5,130,414	5,586,805
Public safety	15,868,977	17,248,197	-	-	15,868,977	17,248,197
Highways and streets	2,932,520	3,065,969	-	-	2,932,520	3,065,969
Cultural and recreation	2,654,815	3,252,267	-	-	2,654,815	3,252,267
Econimic development	898,609	708,802	-	-	898,609	708,802
Debt service	141,133	177,094	-	-	141,133	177,094
Water and sewer	-	-	11,487,635	11,697,450	11,487,635	11,697,450
Sanitation	-	-	3,363,461	3,338,497	3,363,461	3,338,497
Airport	-	-	423,948	478,199	423,948	478,199
Total expenses	27,626,468	30,039,133	15,275,044	15,514,146	42,901,512	45,553,280
Increase in net position before tranfers	(716,220)	(3,486,905)	11,707,904	12,732,348	10,991,684	9,245,443
Transfers	6,427,131	5,757,927	(6,427,131)	(5,757,927)	-	-
Increase in net position	5,710,911	2,271,022	5,280,773	6,974,421	10,991,684	9,245,443
Prior period adjustment	-	(917,300)	-	-	-	(917,300)
Net position - beginning	37,243,117	35,889,395	101,255,022	94,280,601	138,498,139	130,169,996
Net position - ending	$ 42,954,028	$ 37,243,117	$ 106,535,795	$ 101,255,022	$ 149,489,823	$ 138,498,139

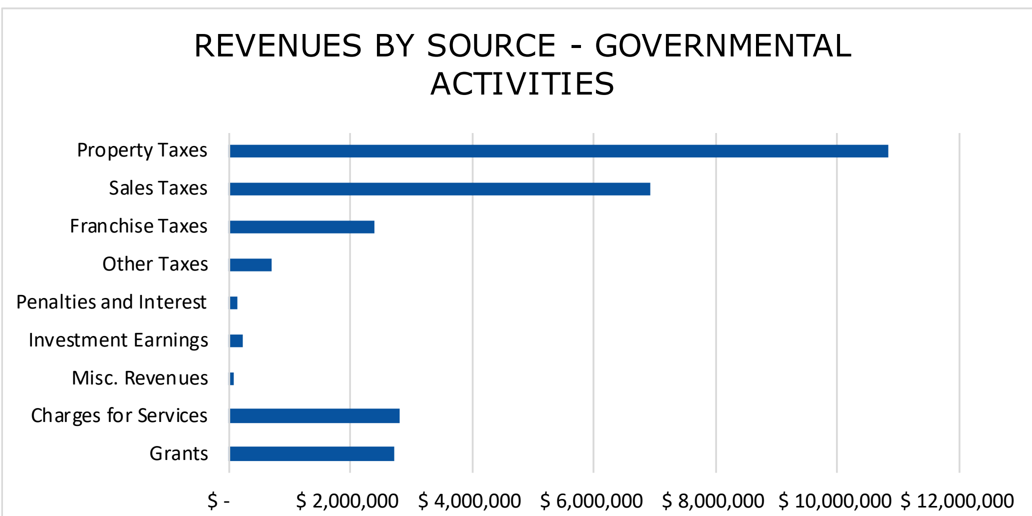
<u>Business-type activities.</u> Business type activities increased the City's net position by $5,280,773. The increase is primarily due to Water, Sewer and Sanitation rate revenues raising consistently more revenue than is needed to cover regular operating costs; management plans to accumulate these overages to fund future capital projects without the need to issue debt. The increase in net position is smaller than the increase in the prior year due to decreased charges for services revenues, which were lower due to reduced demand from the COVID-19 pandemic.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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





At September 30, 2020, The City's governmental funds reported combined ending fund balances of $20,439,344. Of the fiscal year 2020 total fund balance, $289,174 (1%) is classified as nonspendable because it is invested in restricted endowments or long-term loans receivable and, therefore, is not in spendable form, $6,281,841 (31%) is classified as restricted to indicate that is can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments), $89,850 is classified as committed to indicate that it has been set aside for specific purposes by resolution of the City Council, $12,678,887 is classified as assigned because it has been informally earmarked for a specific purpose by management, and the remaining $12,678,887 is unassigned. Unassigned fund balances are technically available for any purpose but are maintained at targeted levels in accordance with sound financial management practices.

The general fund is the chief operating fund of the City of Nacogdoches. At the end of the current fiscal year, unassigned fund balance of the general fund was $12,690,560, while total fund balance reached $14,653,093. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 50% of total general fund expenditures, while total fund balance represents 57% of that same amount.

A comparison of key governmental revenues follows:

Revenues
Governmental Funds

	2020	2019
Property tax	$ 10,777,313	$ 10,006,617
Sales tax	6,932,275	6,601,004
Franchise tax	2,385,315	2,485,322
Hotel and motel tax	610,331	762,051
Licenses and permits	354,996	192,661
Fines and forfeitures	787,674	836,109
Charges for services	1,043,554	1,269,060
Intergovernmental	1,580,231	1,449,775
Contributions	143,329	2,406,759
Investment earnings	194,589	441,640
Miscellaneous	375,144	410,388
Total	$ 25,184,751	$ 26,861,386

The primary cause for significant changes are as follows:

- Property tax revenue increased as a result of an increase in assessed values.
- Decreases in contributions were due to the recognition of a one-time deposit into the City's Texas Municipal Retirement System account of $2.1 million in fiscal year 2019 that did not reoccur in fiscal year 2020.

The fund balance of the City's general fund increased by $1,636,431 during the current fiscal year. The key factor in this increase was the increase in assessed values of property taxes and an increase in sales tax revenue.

The debt service fund had a total fund balance of $261,426, all of which is reserved for payment of debt service. The net decrease in fund balance during the current year in the debt service fund was $962.

Proprietary Funds –

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

Unrestricted net position of the water and sewer operations at the end of the year amounted to $30,936,978, total unrestricted net position for the sanitation fund amounted to $1,144,086 , and total unrestricted net position for the airport operation amounted to $35,847. The total change in net position for all three funds were $4,470,541, $1,226,036, and ($415,804), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The difference between total expenditures and the final amended budget was $4,000,442 primarily due to budget amendments allowing for greater capital outlays that were not completely spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets—The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020 and September 30, 2019, amounted to $124,845,878 and $126,706,394 (net of accumulated depreciation), respectively. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net increase in the Major capital asset events during the current fiscal year included the following:

- Multiple significant capital projects amounting to $2 million were completed and transferred from construction-in-progress into completed assets. An additional $3.7 million in projects were added including improvements to water wells, utility relocations and street paving.
- Purchase of police fleet vehicles totaling $343,568.

CITY OF NACOGDOCHES' CAPITAL ASSETS AT YEAR-END

Capital Assets

	Governmental Activities		Business-Type Activites		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 3,753,208	$ 3,696,737	$ 1,684,592	$ 1,684,592	$ 5,437,800	$ 5,381,329
Buildings and systems	16,064,023	15,804,713	167,316,657	165,281,421	183,380,680	181,086,134
Improvements other than buildings	6,090,503	5,498,204	6,318,663	6,693,178	12,409,166	12,191,382
Machinery and equipment	18,642,069	18,102,826	15,962,036	15,676,453	34,604,105	33,779,279
Infrastructure	49,540,793	48,641,769	-	-	49,540,793	48,641,769
Construction in progress	299,174	192,013	3,432,259	3,770,604	3,731,433	3,962,617
Accumulated depreciation	(60,650,403)	(58,376,995)	(103,607,696)	(99,959,121)	(164,258,099)	(158,336,116)
Total assets	$ 33,739,367	$ 33,559,267	$ 91,106,511	$ 93,147,127	$ 124,845,878	$ 126,706,394

Additional information on the City's capital assets can be found in Note 4 in the notes to the financial statements.

Long-term debt—At the end of the current fiscal year, the City had total bonded debt outstanding of $30,990,376.

CITY OF NACOGDOCHES' OUTSTANDING LONG-TERM OBLIGATIONS

Outstanding Long-Term Obligations

	Governmental Activites		Business-Type Activites		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	$ 2,575,000	$ 3,810,000	$ -	$ -	$ 2,575,000	$ 3,810,000
Revenues bonds	-	-	28,415,376	31,572,535	28,415,376	31,572,535
Capital leases	-	-	484,607	220,141	484,607	220,141
Bond premium (discount)	44,650	82,637	-	-	44,650	82,637
Compensated absences payable	1,777,431	1,893,515	299,890	278,850	2,077,321	2,172,365
Landfill closure and post-closure	-	-	4,519,709	4,466,117	4,519,709	4,466,117
Total long-term obligations	$ 4,397,081	$ 5,786,152	$ 33,719,582	$ 36,537,643	$ 38,116,663	$ 42,323,795

The City's total debt decreased by $4,207,132 during the current fiscal year due to the city making scheduled debt service payments. Additional information on the City's long-term obligations can be found in Note 7 - Long-Term Obligations in the financial statements.

The City of Nacogdoches maintained an "AA-" rating for general obligation bonds and an "A+" rating for revenue bonds from Standard & Poor's.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Nacogdoches considered many factors when setting the fiscal year 2020-2021 budget, tax rates, and fees that would be charges for business-type activities. While the local economy is always a factor, this year the global pandemic created by the spread of the COVID-19 virus was the most significant factor considered when developing our 2020-2021 annual budget. With the outlook bleak in terms of sales tax, the City conservatively budgeted sales tax receipts for FY 2020-2021 approximately two percent (2%) lower than FY 2019-2020. The City adopted a property tax rate of $0.616/$100 valuation which is equal to the no-new-revenue tax rate of $0.616/$100 valuation. The City's 2020-2021 budgets appropriate reserve funds to replace or repair aging infrastructure, and at the same time, still maintain a 25% reserve requirement.

The 2020-2021 General Fund operating expenditures budget decreased by 0.03% or $7,601 from FY 2019-2020 adopted budget.

The 2020-2021 budget for the Water and Sewer fund included the final year of a five-year phase-in with a fee increase for minimum charges by meter size and for volumetric rates for all rate classes. Sewer rates were not increased for any rate classes in either minimum or volumetric charges based on the implementation of year five of a system wide rate study completed by NewGen Strategies.

The 2020-2021 budget for the Sanitation Fund did not include any fee increases for Sanitation charges based on a system wide rate study completed by NewGen Strategies.

The total operating budget for 2020-2021 is on target for both revenues and expenditures at the issuance of these statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, 202 E. Pilar, City of Nacogdoches, Texas 75961.

BASIC
FINANCIAL STATEMENTS

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government		Primary Government	Component Unit
	Governmental Activities	Business-type Activities	Total	Convention and Visitors Bureau
ASSETS				
Cash and investments	$ 20,593,084	$ 38,471,313	$ 59,064,397	$ 240,522
Receivables (net of allowance for uncollectible):				
Property taxes	373,855	-	373,855	-
Customer accounts	386,434	2,933,897	3,320,331	108,423
Intergovernmental	2,307,412	-	2,307,412	-
Inventories	-	17,742	17,742	-
Advances for economic development	162,921	-	162,921	-
Restricted Assets:				
Cash and Cash equivalents	4,420,355	10,382,283	14,802,638	-
Capital Assets:				
Nondepreciable	4,052,382	5,116,851	9,169,233	-
Depreciable, net of accumulated depreciation	29,686,985	85,989,660	115,676,645	142,754
Total Assets	61,983,428	142,911,746	204,895,174	491,699
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	1,867,617	349,593	2,217,210	-
Deferred outflows related to OPEB	693,991	126,764	820,755	-
Deferred charge on refunding	42,325	200,847	243,172	-
Total Deferred Outflows of Resources	2,603,933	677,204	3,281,137	-
LIABILITIES				
Accounts payable	186,395	71,444	257,839	-
Accrued expenses	733,116	125,083	858,199	300
Accrued interest payable	9,033	88,015	97,048	-
Unearned revenues	-	28,469	28,469	-
Other liabilities	45,809	-	45,809	-
Noncurrent Liabilities:				
Due within one year:				
Long-term debt	1,454,701	3,327,913	4,782,614	-
Total OPEB Liability	34,418	6,459	40,877	-
Due in more than one year:				
Long-term debt	2,942,380	30,391,669	33,334,049	-
Net Pension Liability	8,980,897	1,685,252	10,666,149	-
Total OPEB Liability	4,055,553	761,018	4,816,571	-
Total Liabilities	18,442,302	36,485,322	54,927,624	300
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	2,977,840	527,947	3,505,787	-
Deferred inflows related to OPEB	213,191	39,886	253,077	-
Total Deferred Inflows of Resources	3,191,031	567,833	3,758,864	-
NET POSITION				
Net Investment in capital assets	31,162,042	64,036,601	95,198,643	142,754
Restricted for:				
Long-term receivable	162,921	-	162,921	-
Capital projects	1,786,776	-	1,786,776	-
Debt service	313,183	1,400,208	1,713,391	-
Construction	-	1,629,226	1,629,226	
Law enforcement	710,974	-	710,974	-
Public access channel	651,425	-	651,425	-
Promotion of tourism	1,790,216	-	1,790,216	348,645
Economic development	918,103	-	918,103	-
Nonspendable cemetery trust	289,174	-	289,174	-
Landfill closure	-	7,352,849	7,352,849	-
Unrestricted	5,169,214	32,116,911	37,286,125	-
Total Net Position	$ 42,954,028	$ 106,535,795	$ 149,489,823	$ 491,399

The accompanying notes are an integral part of these financial statements.

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 5,130,414	$ 633,406	$ 43,750	$ -
Public safety	15,868,977	1,160,445	2,231,899	2,088
Highways and streets	2,932,520	754,492	-	-
Culture and recreation	2,654,815	258,159	286,716	82,038
Community development	898,609	-	78,751	-
Interest on long-term debt	141,133	-	-	-
Total governmental activities	27,626,468	2,806,502	2,641,116	84,126
Business-type activities:				
Water and sewer	11,487,635	19,062,221	-	-
Sanitation	3,363,461	6,305,207	-	-
Airport fuel operations	423,948	372,501	-	-
Total business-type activities	15,275,044	25,739,929	-	-
Total primary government	$ 42,901,512	$ 28,546,431	$ 2,641,116	$ 84,126
Component unit:				
Convention and Visitors Bureau	$ 540,077	$ 18,244	$ 571,157	$ -

General revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Other Taxes
Penalties and Interest
Investment Earnings
Gain on Sale of Capital Assets
Miscellaneous Revenue
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position- Beginning
Net Position- Ending

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-type Activities	Total	Convention and Visitors Bureau
$(4,453,258)	$ -	$(4,453,258)	
(12,474,545)	-	(12,474,545)	
(2,178,028)	-	(2,178,028)	
(2,027,902)	-	(2,027,902)	
(819,858)	-	(819,858)	
(141,133)	-	(141,133)	
(22,094,724)	-	(22,094,724)	-
-	7,574,586	7,574,586	
-	2,941,746	2,941,746	
-	(51,447)	(51,447)	
-	10,464,885	10,464,885	-
(22,094,724)	10,464,885	(11,629,839)	-
			49,324
10,827,222	-	10,827,222	-
6,932,275	-	6,932,275	-
2,385,315	-	2,385,315	-
697,921	-	697,921	-
152,238	-	152,238	-
229,664	489,824	719,488	392
63,928	39,394	103,322	-
89,941	713,801	803,742	-
6,427,131	(6,427,131)	-	-
27,805,635	(5,184,112)	22,621,523	392
5,710,911	5,280,773	10,991,684	49,716
37,243,117	101,255,022	138,498,139	441,683
$ 42,954,028	$ 106,535,795	$ 149,489,823	$ 491,399

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 14,128,548	$ 1,858,664	$ 15,987,212
Property taxes receivable	322,098	51,757	373,855
Accounts receivable	277,210	109,224	386,434
Due from other funds	21,000	-	21,000
Due from other governments	2,304,287	3,125	2,307,412
Advances for economic development	-	162,921	162,921
Restricted cash	663,226	3,757,129	4,420,355
Total Assets	17,716,369	5,942,820	23,659,189
LIABILITIES			
Accounts payable	102,583	83,812	186,395
Due to other funds	-	21,000	21,000
Accrued expenditures	603,653	-	603,653
Due to other governments	45,809	-	45,809
Total Liabilities	752,045	104,812	856,857
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	322,098	51,757	373,855
Unavailable revenue - grants	1,720,865	-	1,720,865
Unavailable revenue - court fines	268,268	-	268,268
Total Deferred Inflows of Resources	2,311,231	51,757	2,362,988
FUND BALANCES			
Nonspendable:			
Perpetual care cemetery	-	289,174	289,174
Restricted:			
Long-term loans receivable	-	162,921	162,921
Retirement of long-term debt	-	261,426	261,426
Public access channel	651,425	-	651,425
Court appointed balances	211,516	499,458	710,974
Promotion of tourism	-	1,790,216	1,790,216
Economic development	-	918,103	918,103
Capital Projects	-	1,786,776	1,786,776
Committed:			
Health and welfare	-	1,002	1,002
Airport	-	88,848	88,848
Assigned:			
Next year's budget	1,099,592	-	1,099,592
Unassigned	12,690,560	(11,673)	12,678,887
Total Fund balances	14,653,093	5,786,251	20,439,344
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 17,716,369	$ 5,942,820	$ 23,659,189

The accompanying notes are an integral part of these financial statements.

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

SEPTEMBER 30, 2020

Total fund balances - governmental funds	$ 20,439,344
Amounts reported for governmental activities in the statements of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	32,565,463
Certain receivables wil not be collected soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. However, in the statement of net position, these amounts have been recognized and are included in net position.	
Property taxes	373,855
Court fines	268,268
Grants	1,720,865
An internal service fund is used to charge the cost of health insurance to individual funds. The governmental funds' share of the assets and liabilities of the internal service fund service fund are included in governmental activities in the statement of net position.	1,568,096
An internal service fund is used for equipment acquisition and replacement. The governmental funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	4,082,217
Long-term liabilities are not payable in the current period and are not reported in the funds.	
Long-term liabilities:	
Bonds payable	(2,575,000)
Unamortized bond premiums (discounts)	(44,650)
Compensated absences	(1,777,431)
Interest payable	(9,033)
Net pension Liability	(8,980,897)
Total OPEB Liability	(4,089,971)
Deferred resources:	
Deferred charge on refunding	42,325
Deferred resources related to pensions	(1,110,223)
Deferred resources related to OPEB	480,800
Net position of governmental activities	$ 42,954,028

The accompanying notes are an integral part
of these financial statements.

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	$ 9,408,594	$ 1,368,719	$ 10,777,313
General sale taxes	6,932,275	-	6,932,275
Franchise taxes	2,385,315	-	2,385,315
Hotel/motel occupancy taxes	-	610,331	610,331
Mixed beverage taxes	87,590	-	87,590
Licenses and permits	354,996	-	354,996
Fines and forfeitures	499,984	287,690	787,674
Charges for services	210,311	833,243	1,043,554
Penalties on tax collections	152,238	-	152,238
Investment earnings	141,698	52,891	194,589
Intergovernmental	1,484,246	95,985	1,580,231
Contributions	90,911	52,418	143,329
Miscellaneous	135,316	-	135,316
Total revenues	21,883,474	3,301,277	25,184,751
EXPENDITURES			
Current:			
General government	4,862,343	73,260	4,935,603
Public safety	15,255,114	76,626	15,331,740
Highways and streets	1,770,881	621,788	2,392,669
Culture and recreation	2,575,475	67,962	2,643,437
Community development	-	926,514	926,514
Debt Service:			
Principal	-	1,235,000	1,235,000
Interest	-	141,139	141,139
Capital Outlay	1,046,360	472,303	1,518,663
Total Expenditures	25,510,173	3,614,592	29,124,765
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,626,699)	(313,315)	(3,940,014)
OTHER FINANCING SOURCES/(USES)			
Sale of capital assets	14,747	-	14,747
Transfers in	5,622,013	1,368,829	6,990,842
Transfers out	(373,630)	(190,081)	(563,711)
Total other financial sources (uses)	5,263,130	1,178,748	6,441,878
Net change in Fund Balances	1,636,431	865,433	2,501,864
Fund Balances - Beginning	13,016,662	4,920,818	17,937,480
Fund Balance - Ending	$ 14,653,093	$ 5,786,251	$ 20,439,344

The accompanying notes are an integral part of these financial statements.

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds	$ 2,501,864
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,378,135
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,395,214)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	49,909
Certain municipal court revenues are deferred in the funds. This is the change in these amounts this year.	10,932
Certain grant revenues are deferred in the funds. This is the change in these amounts this year.	1,565,653
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,235,000
The Net Pension Liability is not recorded in the funds but is an expense in the SOA.	(360,168)
The Total OPEB Liability is not recorded in the funds, but is an expense in the SOA.	(265,535)
The accretion of bond premiums, net of discounts, is not reported in the funds.	(2,723)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	116,084
(Increase) decrease in accrued interest from beginning of period to end of period.	2,729
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	874,245
Change in net position of governmental activities	$ 5,710,911

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,280,191	$ 6,026,516
Receivables (net of allowance for uncollectible)		
Accounts	2,411,860	521,837
Inventories	-	-
Total Current Assets	34,692,051	6,548,353
Noncurrent assets:		
Restricted assets:		
Construction Funds:		
Cash and cash equivalents	1,629,226	-
Revenue Bond Interest and Sinking Funds:		
Cash and cash equivalents	519	-
Revenue Bond Reserve Funds:		
Cash and cash equivalents	1,399,689	-
Landfill:		
Cash and cash equivalents	-	7,352,849
Total Restricted Assets	3,029,434	7,352,849
Capital Assets (net of accumulated depreciation):		
Land	717,701	966,891
Water systems, building, and equipment	131,071,918	-
Sewer systems, building, and equipment	36,244,739	-
Airport improvements	-	-
Buildings and improvements	40,103	6,272,685
Machinery and equipment	6,942,463	7,779,199
Dumpsters	-	1,023,750
Construction in progress	3,265,476	166,783
Less accumulated depreciation	(95,228,448)	(8,217,586)
Total Capital Assets	83,053,952	7,991,722
Total Noncurrent Assets	86,083,386	15,344,571
Total Assets	$ 120,775,437	$ 21,892,924
DEFERRED OUTFLOWS		
Deferred outflows related to pensions	$ 238,236	$ 97,069
Deferred outflows related to OPEB	85,348	36,579
Deferred charge on refunding	200,847	-
Total Deferred Outflow of Resources	$ 524,431	$ 133,648

The accompanying notes are an integral part of these financial statements.

DRAFT

Business-type Activities		Governmental Activities
Nonmajor Enterprise Fund		
Airport Fuel Operations Fund	Total Enterprise Funds	Internal Service Funds
$ 164,606	$ 38,471,313	$ 4,605,872
200	2,933,897	-
17,742	17,742	-
182,548	41,422,952	4,605,872
-	1,629,226	-
-	519	-
-	1,399,689	-
-	7,352,849	-
-	10,382,283	-
-	1,684,592	-
-	131,071,918	-
-	36,244,739	-
5,875	5,875	-
-	6,312,788	-
216,624	14,938,286	5,200,635
-	1,023,750	-
-	3,432,259	-
(161,662)	(103,607,696)	(4,026,731)
60,837	91,106,511	1,173,904
60,837	101,488,794	1,173,904
$ 243,385	$ 142,911,746	$ 5,779,776
$ 14,288	$ 349,593	$ -
4,837	126,764	-
-	200,847	-
$ 19,125	$ 677,204	$ -

CITY OF NACOGDOCHES, TEXAS DRAFT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
LIABILITIES		
Current liabilities:		
Accounts payable	$ 61,056	$ 10,136
Accrued expenses	62,009	59,429
Accrued compensated absences	16,891	8,967
Unearned revenue	-	-
Total OPEB liability	4,407	1,786
Total Unrestricted Current Liabilities	144,363	80,318
Current Liabilities Payable from Restricted Assets:		
Revenue bonds payable	3,238,840	-
Capital leases payable	-	62,084
Accrued interest payable	88,015	-
Total current Liabilities Payable From Restricted Assets	3,326,855	62,084
Total Current Liabilities	3,471,218	142,402
Noncurrent liabilities:		
Revenue bonds payable	25,176,536	-
Capital leases payable	-	422,523
Accrued compensated absences	170,786	90,672
Total OPEB liability	519,225	210,485
Net pension liability	1,149,811	466,111
Landfill closure costs	-	4,519,709
Total Noncurrent Liabilities	27,016,358	5,709,500
Total Liabilities	30,487,576	5,851,902
DEFERRED INFLOWS		
Deferred inflows related to pensions	350,057	159,536
Deferred inflows related to OPEB	27,174	11,084
Total Deferred Inflows of Resources	377,231	170,620
NET POSITION		
Net Investment in capital assets	56,468,649	7,507,115
Restricted for debt service	1,400,208	-
Restricted for construction	1,629,226	-
Restricted for landfill closure	-	7,352,849
Unrestricted	30,936,978	1,144,086
Total Net Position	$ 90,435,061	$ 16,004,050

The accompanying notes are an integral part
of these financial statements.

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Business-type Activities		Governmental Activities
Nonmajor Enterprise Fund		
Airport Fuel Operations Fund	Total Enterprise Funds	Internal Service Funds
$ 252	$ 71,444	$ -
3,645	125,083	129,463
1,131	26,989	-
28,469	28,469	-
266	6,459	-
33,763	258,444	129,463
-	3,238,840	-
-	62,084	-
-	88,015	-
-	3,388,939	-
33,763	3,647,383	129,463
-	25,176,536	-
-	422,523	-
11,443	272,901	-
31,308	761,018	-
69,330	1,685,252	-
-	4,519,709	-
112,081	32,837,939	-
145,844	36,485,322	129,463
18,354	527,947	-
1,628	39,886	-
19,982	567,833	-
60,837	64,036,601	1,173,904
-	1,400,208	-
-	1,629,226	-
-	7,352,849	-
35,847	32,116,911	4,476,409
$ 96,684	$ 106,535,795	$ 5,650,313

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION -PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
OPERATING REVENUES		
Charges for sales and services:		
Water	$ 9,877,555	$ -
Sewer treatment	8,715,721	-
Sanitation charges	-	5,623,190
Landfill gate receipts	-	682,017
Fuel sales	-	-
Equipment rental	-	-
Intergovernmental	-	-
Employer premiums	-	-
Employee premiums	-	-
Total charges for sales and services	18,593,276	6,305,207
Other:		
Tapping fees- water	34,129	-
Tapping fees- sewer	10,445	-
Service fees	97,920	-
Late fees	286,456	-
Inspections	39,995	-
Contributions	-	-
Miscellaneous revenue	212,382	501,419
Total Operating Revenues	19,274,603	6,806,626
OPERATING EXPENSES		
Customer service	1,325,129	-
Water production	1,592,494	-
Utility Construction	1,332,143	-
Wastewater treatment	2,151,518	-
Sanitation collection	-	1,164,459
Sanitation disposal	-	702,262
Cost of fuel	-	-
Non-departmental	342,920	393,726
Depreciation and amortization	3,792,668	953,714
Total Operating Expenses	10,536,872	3,214,161
Operating Income	8,737,731	3,592,465
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	348,443	141,120
Gain (Loss) on sale of assets	39,394	(131,136)
Interest expense	(950,763)	(18,164)
Total Non-operating Revenues (Expenses)	(562,926)	(8,180)
Income before Transfers and Capital Contributions	8,174,805	3,584,285
Transfers in	-	-
Transfers out	(3,704,264)	(2,358,249)
Total Transfers In/Out	(3,704,264)	(2,358,249)
Change in Net Position	4,470,541	1,226,036
Net Position- Beginning	85,964,520	14,778,014
Net Position- Ending	$ 90,435,061	$ 16,004,050

The accompanying notes are an integral part of these financial statements.

Business-type Activities		Governmental Activities
Nonmajor Enterprise Fund		
Airport Fuel Operations Fund	Total Enterprise Funds	Internal Service Funds
$ -	$ 9,877,555	$ -
-	8,715,721	-
-	5,623,190	-
-	682,017	-
372,501	372,501	438
-	-	549,813
-	-	-
-	-	2,568,996
-	-	555,320
372,501	25,270,984	3,674,567
-	34,129	-
-	10,445	-
-	97,920	-
-	286,456	-
-	39,995	-
-	-	-
-	713,801	-
372,501	26,453,730	3,674,567
-	1,325,129	-
-	1,592,494	-
-	1,332,143	-
-	2,151,518	-
-	1,164,459	-
-	702,262	-
423,948	423,948	-
-	736,646	2,653,200
-	4,746,382	231,378
423,948	14,174,981	2,884,578
(51,447)	12,278,749	789,989
261	489,824	35,075
-	(91,742)	49,181
-	(968,927)	-
261	(570,845)	84,256
(51,186)	11,707,904	874,245
50,000	50,000	-
(414,618)	(6,477,131)	-
(364,618)	(6,427,131)	-
(415,804)	5,280,773	874,245
512,488	101,255,022	4,776,068
$ 96,684	$ 106,535,795	$ 5,650,313

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CITY OF NACOGDOCHES, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMEBER 30, 2020

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
Cash Flows from Operating Activities:		
Cash received from customers	$ 19,385,162	$ 6,768,098
Receipts from interfund charges for fleet management services	-	-
Receipts from interfund charges for risk management services	-	-
Cash payments to employees for services	(2,609,709)	(1,065,563)
Cash payments to suppliers for goods and services	(3,964,319)	(1,164,986)
Net Cash Provided (Used) by Operating Activities	12,811,134	4,537,549
Cash Flows from Non-capital Financing Activities:		
Transfers from other funds	-	-
Transfers to other funds	(3,704,264)	(2,358,249)
Net Cash Provided (Used) by Non-capital Financing Activities	(3,704,264)	(2,358,249)
Cash Flows from Capital and Related Financing Activities:		
Principal and interest paid	(4,081,564)	(73,016)
Acquisition or construction of capital assets	(2,350,740)	(811,518)
Proceeds from sale of capital assets	39,394	230,056
Change in long-term landfill closures costs	-	53,592
Net Cash Used by Capital and Related Financing Activities	(6,392,910)	(600,886)
Cash Flows from Investing Activities:		
Interest and dividends on investments	348,443	141,120
Net Cash Provided for Investing Activities	348,443	141,120
Net Increase in Cash and Cash Equivalents	3,062,403	1,719,534
Cash and Cash Equivalents at Beginning of Year	32,247,222	11,659,831
Cash and Cash Equivalents at End of Year	35,309,625	13,379,365
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	8,737,731	3,592,465
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	3,792,668	953,714
Change in Assets and Liabilities:		
Decrease (increase) in receivables	110,559	(38,528)
Decrease (increase) in inventories	-	-
Decrease (increase) in deferred outflows	424,153	189,600
Increase (decrease) in accounts payable	8,534	(5,919)
Increase (decrease) in accrued wages payable	-	-
Increase (decrease) in accrued expenses	19,617	5,047
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in total OPEB liability	120,254	37,890
Increase (decrease) in net pension liability	(737,879)	(349,941)
Increase (decrease) in deferred outflows	322,746	147,066
Increase (decrease) in compensated absences	12,751	6,155
Total Adjustments	4,073,403	945,084
Net Cash Provided (Used) by Operating Activities	$ 12,811,134	$ 4,537,549

The accompanying notes are an integral part of these financial statements.

Business-type Activities		Governmental Activities
Nonmajor Enterprise Fund		
Airport Fuel Operations Fund	Total Enterprise Funds	Internal Service Funds
$ 360,260	$ 26,513,520	$ -
-	-	550,251
-	-	3,124,316
(163,187)	(3,838,459)	-
(210,339)	(5,339,644)	(2,925,029)
(13,266)	17,335,417	749,538
50,000	50,000	-
-	(6,062,513)	-
50,000	(6,012,513)	-
-	(4,154,580)	-
-	(3,162,258)	(429,659)
-	269,450	50,283
-	53,592	-
-	(6,993,796)	(379,376)
261	489,824	35,075
261	489,824	35,075
36,995	4,818,932	405,237
127,611	44,034,664	4,200,635
164,606	48,853,596	4,605,872
(51,447)	12,278,749	789,989
-	4,746,382	231,378
100	72,131	-
41,298	41,298	-
22,818	636,571	
85	2,700	-
(5,230)	(5,230)	-
-	24,664	(271,829)
(12,341)	(12,341)	-
8,947	167,091	-
(36,556)	(1,124,376)	-
16,926	486,738	
2,134	21,040	-
38,181	5,056,668	(40,451)
$(13,266)	$ 17,335,417	$ 749,538

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CITY OF NACOGDOCHES, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

SEPTEMBER 30, 2020

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 174
Total Assets	174
LIABILITIES	
Due to others	174
Total Liabilities	174

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the City of Nacogdoches, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

Discretely Presented Component Unit

The Nacogdoches Convention and Visitors Bureau (CVB) is a Texas nonprofit corporation governed by a 7-member board of directors appointed by City Council. The CVB promotes convention and tourism-related business in the Nacogdoches area, operating primarily using revenue received from the City's Hotel & Motel Fund. The City is able to impose its will on the CVB, and the CVB is financially accountable to the City. The boards are not substantively the same. The CVB does not provide services exclusively to the City. Separate financial statements can be obtained by contacting the City's Finance Office at 202 E. Pilar, Nacogdoches, TX 75961.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers revenue available if it is received within 60 days of fiscal yearend. Property tax revenues received from the State are recognized under the susceptible-to-actual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Government-wide Financial Statements

The government-wide statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

The ***Water and Sewer Fund*** is used to account for the water and sewer system operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The ***Sanitation Fund*** is used to account for the garbage collection and landfill operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including deprecation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

In addition, the City reports the following fund types:

Special Revenue Funds**:** Accounts for transactions related to resources received and used for restricted or specific purposes.

Capital Projects Fund**:** Accounts for the acquisition and construction of capital facilities other than those financed by proprietary funds.

Permanent Fund**:** Accounts for transactions of the Sunset Trust Fund, whose principal must remain intact and whose income is used to benefit the Sunset Cemetery.

***Internal Service Funds*:** These funds are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. The City's internal service funds account for the City's self-funded health insurance plan and equipment replacement services. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

***Fiduciary Funds*:** These funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support city programs, these funds are not included in the government-wide statements.

The City reports one type of fiduciary fund, an agency fund. This fund is used to account for activities of the City's cafeteria plan. This fund has no equity; assets are equal to liabilities and do not include revenues and expenditures for general operations of the City. The Agency Fund accounts for resources held in a custodial capacity by the City and consists of monies that are the property of employees and cannot be used by the City in operations.

C. Financial Statement Amounts

1. Cash and Investments

   For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

2. Property Taxes and Other Receivables

   The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real property and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

   Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the city is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

3. Inventories

   The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

4. Capital Assets

   Purchases or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Infrastructure	50
Water and sewer system	40-50
Buildings	50
Building improvements	15
Vehicles	3-15
Equipment	3-15
Motor vehicles	3-10

5. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.*

6. Compensated Absences

Accumulated vacation and sick leave is accrued, when incurred, in the government-wide and proprietary fund financials. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. On retirement or death of certain employees, the City pays 25% of accrued sick leave and any vacation in a lump case payment to such employee or his/her estate.

7. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

8. Deferred Outflows/Inflows of Resources

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

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

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

- Changes in actuarial pension and OPEB assumptions – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- The City has one type of item that arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, grants and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

9. Net Position Flow Assumption

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

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. Fund Balance Classification

The balances of the governmental funds are classified as follows:

- Nonspendable: 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.

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

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: 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. This intent can be expressed by the City Council or City Manager.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

11. Fund Balance Flow Assumption

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

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

13. Post-Employment Benefits Other Than Pensions (OPEB)

Supplemental Death Benefit Fund. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Retiree Health Insurance. For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the City for benefits due and payable that are not reimbursed by plan assets. Information regarding the City's total OPEB liability is obtained from a report prepared by a consulting actuary, Gabriel Roeder Smith & Company.

2. DEPOSITS AND INVESTMENTS

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

A. Cash Deposits with Financial Institutions

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy requires all deposits in financial institutions to be fully collateralized by the U.S. Government Securities or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2020, $250,000 of the City's $2,273,456 deposit balance was covered by FDIC insurance. The remaining balance, $2,023,456, was collateralized with securities held by the pledging financial institution.

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, investment practices of the City were in accordance with their investment policy.

The Act determines the types of investments which are allowable for the city. These include, with certain restrictions (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2020, the City held the following fair value measurements:

		Fair Value Measurement Using				Weighted
	9/30/2020	(Level 1)	(Level 2)	(Level 3)	Percent of Total Portfolio	Average Maturity (Days)
Primary government						
Cash and cash equivalents						
Cash deposits - City	2,283,456					
Total cash and cash equivalents	2,283,456					
Investments measured at amortized cost:						
Certificates of Deposit	14,138,610				19.75%	13
Investments measured at net asset value per share:						
Investment pools:						
TexPool	50,398,915				70.41%	38
Investments measured at fair value:						
Veritex Money Market	7,046,228	7,046,228	-	-	9.84%	25
Total investments	71,583,753	7,046,228	-	-		
Total cash and investments of the primary government	$ 73,867,209	$ 7,046,228	$ -	$ -		
Portfolio weighted average maturity (days)						32
Discretely Presented Component unit:						
Cash deposits	$ 240,522					
Total cash and investments of the reporting entity	$ 74,107,731	$ 7,046,228	$ -	$ -		

C. Analysis of Specific Deposit and Investment Risks

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 365 days.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2020, the City's investments, other than those which are obligations of or guaranteed by the United States Government, are rated as to credit quality as follows:

TexPool Investment Pool – rated AAAm by Standard & Poor's

Concentration of Credit Risk. This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City recognizes that investment risks can result from issuer defaults, market price changes or carious technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- Limiting investments to avoid overconcentration in investments from a specific issuer or business sector (excluding U.S. Treasury securities and certificates of deposit that are fully insured and collateralized in accordance with state and federal law),
- Limiting investment in investments that have higher credit risks (example: commercial paper),
- Investing in investments with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Custodial Credit Risk. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. All of the City's deposits are in fully collateralized financial institutions or in local government investment pools.

Investment Accounting Policy. The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools. Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio.

TexPool has a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

3. RECEIVABLES

The disaggregation of receivables is summarized as follows:

	Governmental Funds	Proprietary Funds
Property taxes, net of allowance of $201,306	$ 373,855	$ -
Court fines, net of allowance of $2,414,409	268,268	-
Hotel occupancy taxes	52,573	-
Customer accounts, net of allowance of $313,138	65,592	1,812,010
Unbilled utility receivable	-	1,121,887
Economic development loans, net of allowance of $135,458	162,922	-
Total	$ 923,210	$ 2,933,897

The City has been the recipient of grants from the State and Federal governments for economic development. In accordance with the terms of the grants, funds have been loaned to specific entities at interest rates varying from zero percent to two percent. Under the terms of the grants, the City is required to utilize repaid funds exclusively in the City of Nacogdoches for eligible economic development activities in accordance with the provisions of Title I of the Housing and community Development Act of 1974, as amended.

In 2007, the City abated $2,883,237 in Economic Development Loans. As a result, the city entered into an agreement with the Texas Office of Rural Community Affairs (ORCA) to pay $1,255,347 into a Revolving Loan (Economic Development Fund) over 22 years. This fund will only be used for economic development loans in the future. A balance of $275,000 remains as September 30, 2020. Future transfers into the Revolving Loan Fund are:

Year Ending September 30,	Transfer
2021	$ 100,000
2022	100,000
2023	75,000
	$ 275,000

The activity of the City's outstanding Revolving Loans at September 30, 2020:

	Balance at Beginning of Fiscal Year	New Loans	Debt Repayments	Balance at End of Fiscal Year
Effective Teleservices, Inc.	$ 197,899	$ -	$ 34,977	$ 162,922
Southwest Scooters	135,458	-	-	135,458
Less allowance for collection	(135,458)	-	-	(135,458)
T-Rex	9,062	-	9,062	-
Totals	$ 206,961	$ -	$ 44,039	$ 162,922

The balance of unpaid principal receivable, net of the allowance for uncollectable amounts, is shown as restricted fund balance.

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

Primary Government

	Beginning Balance 10/1/2019	Transfers and Additions	Transfers and Retirements	Ending Balance 9/30/2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,696,737	$ 56,471	$ -	$ 3,753,208
Construction in progress	192,013	207,161	(100,000)	299,174
Total assets not being depreciated	3,888,750	263,632	(100,000)	4,052,382
Capital assets, being depreciated:				
Buildings	15,804,713	259,310	-	16,064,023
Improvement other than buildings	5,498,204	177,681	414,618	6,090,503
Machinery and equipment	18,102,826	892,428	(353,185)	18,642,069
Infrastructure	48,641,769	899,024	-	49,540,793
Total capital assets being depreciatec	88,047,512	2,228,443	61,433	90,337,388
Less accumulated depreciation:				
Buildings	(7,897,731)	(390,601)	-	(8,288,332)
Improvement other than buildings	(2,620,324)	(42,495)	-	(2,662,819)
Machinery and equipment	(14,575,864)	(1,427,517)	350,724	(15,652,657)
Infrastructure	(33,283,076)	(763,519)	-	(34,046,595)
Total accumulated depreciation	(58,376,995)	(2,624,132)	350,724	(60,650,403)
Total capital assets being depreciated, net	29,670,517	(395,689)	412,157	29,686,985
Governmental activities capital assets, net	$ 33,559,267	$(132,057)	$ 312,157	$ 33,739,367

	Beginning Balance 10/1/2019	Additions	Transfers and Retirements	Ending Balance 9/30/2020
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,684,592	$ -	$ -	$ 1,684,592
Construction in progress	3,770,604	1,670,516	(2,008,861)	3,432,259
Total assets not being depreciated	5,455,196	1,670,516	(2,008,861)	5,116,851
Capital assets, being depreciated:				
Utility system and buildings	165,565,530	2,075,339	-	167,640,869
Improvement other than buildings	6,409,069	-	(414,618)	5,994,451
Machinery and equipment	15,676,453	1,964,721	(1,679,138)	15,962,036
Total capital assets being depreciated	187,651,052	4,040,060	(2,093,756)	189,597,356
Less accumulated depreciation:				
Utility system and buildings	(86,052,645)	(3,201,982)	-	(89,254,627)
Improvement other than buildings	(1,677,405)	(102,314)	-	(1,779,719)
Machinery and equipment	(12,229,071)	(1,442,086)	1,097,807	(12,573,350)
Total accumulated depreciation	(99,959,121)	(4,746,382)	1,097,807	(103,607,696)
Total capital assets being depreciated, net	87,691,931	(706,322)	(995,949)	85,989,660
Business-type activities capital assets, net	$ 93,147,127	$ 964,194	$(3,004,810)	$ 91,106,511

	Beginning Balance 10/1/2019	Additions	Transfers and Retirements	Ending Balance 9/30/20
Discretely Presented Component Unit:				
Capital assets, being depreciated:				
Furniture, fixtures and equipment	$ 256,389	$ 270	$ -	$ 256,659
Total capital assets being depreciated	256,389	270	-	256,659
Less accumulated depreciation:				
Furniture, fixtures and equipment	(96,823)	(17,082)	-	(113,905)
Total accumulated depreciation	(96,823)	(17,082)	-	(113,905)
Total capital assets being depreciated, net	159,566	(16,812)	-	142,754
Discretely presented component unit capital assets, net	$ 159,566	$(16,812)	$ -	$ 142,754

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	$ 285,085
Public safety	758,920
Highways and streets	1,288,238
Culture and recreation	291,889
	$ 2,624,132

The City's commitments as of September 30, 2020 on active construction projects are summarized as follows:

Project	Total Cost	Spent to Date	Remaining Commitment
South Street Direct Connect	$ 4,120,000	$ 2,632,164	$ 1,487,836
Banita Creek Sewer	7,000,000	33,030	6,966,970
Well Improvements	905,000	389,263	515,737
Landfill Expansion	1,000,000	166,783	904,207
Totals	$ 13,025,000	$ 3,221,240	$ 9,874,750

5. INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2020, is as follows:

A. Due To and From Other Funds

Due from Fund	Due to Fund	Amount	Purpose
General Fund	Special Grant Fund	$ 21,000	Short-term pooles cash loan
	Total	$ 21,000	

B. Transfers To and From Other Funds

The primary purpose of interfund transfers is the transfer of funds from one fund to support expenditures of another fund in accordance with the authority established for the individual fund. A summary of interfund transfers by fund type is as follows:

Transfers From	Transfers To	Amount	Reason
General Fund	Nonmajor Governmental	$ 348,630	Supplemental sources of funds and to fund the ORCA economic development agreement
General Fund	Airport Fuel Operations	25,000	Supplement other funds sources
Water and Sewer Fund	General Fund	3,326,764	Supplement sources of funds and remit franchise fees
Water and Sewer Fund	Nonmajor Governmental	352,500	Supplement other funds sources
Water and Sewer Fund	Airport Fuel Operations	25,000	Supplement other funds sources
Sanitation Fund	General Fund	2,295,249	Supplement sources of funds and remit franchise fees
Sanitation Fund	Nonmajor Governmental	63,000	Supplement other funds sources
Airport Fuel Operations	Nonmajor Governmental	414,618	Supplement other funds sources
Nonmajor Governmental	Nonmajor Governmental	190,081	Supplement other funds sources
	Total	$ 7,040,842	

6. LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds	$ 2,945,000	$ -	$ 950,000	$ 1,995,000	$ 975,000
General obligation bonds - Direct Borrowing	865,000	-	285,000	580,000	290,000
Bond premium (discount)	82,637	-	37,987	44,650	29,545
Compensated absences	1,893,515	231,783	347,867	1,777,431	160,156
Total Governmental Activities	$ 5,786,152	$ 231,783	$ 1,620,854	$ 4,397,081	$ 1,454,701
Business-type Activities:					
General obligation bonds	$ 24,640,000	$ -	$ 1,855,000	$ 22,785,000	$ 1,920,000
Water and sewer system bonds - Direct Borrowing	5,995,000	-	1,165,000	4,830,000	1,190,000
Capital lease	220,141	539,459	274,993	484,607	62,084
Bond premium (discount)	937,535	-	137,159	800,376	128,840
Compensated absences	278,852	55,592	34,554	299,890	26,989
Landfill closure costs	4,466,117	53,592	-	4,519,709	-
Total Business-Type Activities	$ 36,537,645	$ 648,643	$ 3,466,706	$ 33,719,582	$ 3,327,913

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activities Type	Fund
Compensated absences, net pension liability, OPEB Liability	Governmental	General Fund
Compensated absences, net pension liability, OPEB Liability	Business-type	Water and Sewer and Sanitation Funds
Landfill closure costs	Business-type	Sanitation Fund

Debt consisted of the following issues at September 30, 2020:

Series	Interest Rates	Date Issued	Maturity Date	Original Amount	Principal Outstanding
Governmental Activities:					
2012 Refunding	2.00-5.00%	Apr 2012	Sep 2022	5,590,000	$ 1,995,000
2016 Tax Note	1%	June 2016	Sep 2022	1,685,000	580,000
Total					$ 2,575,000
Business-type Activities:					
2004 Water and Sewer SRF	1.05-2.65%	Mar 2004	Mar 2025	10,365,000	$ 2,750,000
2006 Water and Sewer SRF	2.15-2.42%	Mar 2006	Mar 2024	8,210,000	2,080,000
2012 Refunding	2.00-5.00%	Apr 2012	Sep 2034	33,890,000	22,785,000
Total					$ 27,615,000

SRF – Debts issued by the State Revolving Fund of Texas. SRF Bonds were issued as direct borrowings and have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

B. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2020 are as follows:

	Governmental Activities		
	General Obligation Bonds		
Year Ending September 30,	Principal	Interest	Total
2021	$ 975,000	$ 99,750	$ 1,074,750
2022	1,020,000	51,000	1,071,000
Total	$ 1,995,000	$ 150,750	$ 2,145,750

	General Obligation Bonds - Direct Borrowing		
Year Ending September 30,	Principal	Interest	Total
2021	$ 290,000	$ 8,642	$ 298,642
2022	290,000	4,321	294,321
Total	$ 580,000	$ 12,963	$ 592,963

	Business-Type Activities		
	General Obligation Bonds		
Year Ending September 30,	Principal	Interest	Total
2021	$ 1,920,000	$ 912,458	$ 2,832,458
2022	1,945,000	796,853	2,741,853
2023	1,935,000	678,801	2,613,801
2024	1,960,000	571,830	2,531,830
2025	1,945,000	513,031	2,458,031
2026-2030	9,530,000	1,640,881	11,170,881
2031-2034	3,550,000	331,875	3,881,875
Total	$ 22,785,000	$ 5,445,729	$ 28,230,729

	Water and Sewer System Bonds - Direct Borrowing		
Year Ending September 30,	Principal	Interest	Total
2021	$ 1,190,000	$ 62,976	$ 1,252,976
2022	1,290,000	49,638	1,339,638
2023	1,250,000	35,888	1,285,888
2024	550,000	21,726	571,726
2025	550,000	7,288	557,288
Total	$ 4,830,000	$ 177,516	$ 5,007,516

Future capital lease requirements are as follows:

Year Ending September 30,	Business-Type Activities
2021	$ 79,654
2022	79,654
2023	79,654
2024	79,654
2025	221,288
Total Minimum Rentals	539,904
Less: amount representing interest	(55,297)
Future minimum lease payments	$ 484,607

C. Prior Year Defeasance of Debt

In prior years, the City defeased general obligation and revenue bonds by placing the proceeds of the net bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the government's financial statements. At September 30, 2020, the City had no defeased bonds outstanding.

D. Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 25c2-12 to enable investors to analyze the financial condition and operations of the City.

E. Revenue Bonds

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The City collected in excess of $18.6 million in water revenues with the coverage debt service of the revenue bonds being $4,081,563.

F. Compensated Absences

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

7. COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2020 as follows:

Year Ending September 30,	
2021	$ 22,795
Total Minimum Rentals	22,795
Rental Expenditures 2020	$ 34,188

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). The TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

The City has entered into an agreement with Blue Cross Blue Shield of Texas to administer its employee health benefit plan. Under the terms of the agreement, the administrator (1) reviews claims for benefits under the plan and determines whether they have been properly filed and determines the amount, if any, which is due and payable with respect thereto, (2) on behalf of the City, disburses claim payments that it determines to be due in accordance with the provisions of the plan to the eligible individual or assignee of such eligible individual entitled thereto, and (3) takes all reasonable steps to process claims and disburse claim payments expeditiously.

The Plan provides coverage of up to $100,000 for each individual. The City has a reinsurance agreement for the plan that provides coverage per individual claim in excess of $100,000 per year. In addition, the reinsurance agreement provides unlimited coverage when aggregate claims exceed a threshold, calculated based on a minimum attachment point of $2,424,162.

Under the terms of the plan, eligible claims and related expenses are paid from premiums paid by covered employees and the various funds of the City in which they are employed. During the year ended September 30, 2008, the City began providing health care benefits to its employees under a self-insurance plan ("Medical Plan"). In prior years, the City purchased commercial health insurance for this benefit. The City accounts for the transactions of the plan in the Health Insurance Fund, an Internal Service Fund. At September 30, 2020, the City had recorded a liability of $401,292 for claims incurred but not paid at that date. This liability was based on a review of claims paid subsequent to the end of the year.

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Payments on Claims	End of Fiscal Year Liability
September 30, 2018	$ 83,116	$ 2,431,131	$ 2,416,869	$ 97,378
September 30, 2019	97,378	3,314,206	3,010,292	401,292
September 30, 2020	401,292	2,653,200	2,925,029	129,463

9. DEFINED BENEFIT PENSION PLAN

Plan Descriptions

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

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

Benefits Provided

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

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

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

A summary of plan provisions of the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% repeating transfers

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	234
Inactive employees entitled to but not yet receiving benefits	138
Active employees	295
	667

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 15.19% and 14.35% in calendar years 2019 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2020, were $2,499,804.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 20x2 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	30.0%	5.30%
Core Fixed Income	20.0%	1.25%
Non-Core Fixed Income	10.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	$ 104,507,863	$ 86,251,671	$ 11,956,428
Changes for the year:			
Service cost	2,558,176	-	2,558,176
Interest	6,971,668	-	6,971,668
Difference between expected and actual experience	(427,405)	-	(427,405)
Contributions - employer	-	2,504,811	(2,504,811)
Contributions - employee	-	1,168,060	(1,168,060)
Net investment income	-	13,326,743	(13,326,743)
Benefit payments, including refunds of employee contributions	(5,005,967)	(5,005,967)	-
Administrative expense	-	(75,345)	75,345
Other changes	229,523	(2,264)	231,787
Net changes	4,325,995	$ 11,916,038	(7,590,043)
Balance at 12/31/2019	$ 108,833,858	$ 98,167,709	$ 10,666,149

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%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 25,459,491	$ 10,666,149	$(1,537,415)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2020, the City recognized pension expense of $2,873,318.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 240,891	$ 417,040
Changes in actuarial assumptions	177,001	-
Difference between projected and actual investment earnings	-	3,088,747
Contributions subsequent to the measurement date	1,799,318	-
Total	$ 2,217,210	$ 3,505,787

$1,799,318 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30	
2020	$(885,074)
2021	(859,133)
2022	174,016
2023	(1,517,704)
Total	$(3,087,895)

10. OTHER POST-EMPLOYMENT BENEFITS

The City provides for two other post-employment benefit (OPEB) plans: the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), and its own single-employer Retiree Benefits Plan. Both are described in detail below.

For the fiscal year 2020, aggregate OPEB expense for both plans was $378,824. Aggregate amounts for the two plans are as follows:

Governmental activities:	Deferred outflows of resources	Deferred inflows of resources	Total OPEB Liability	Due within one year
TMRS SDBF	$ 177,371	$ 69,266	$ 1,090,942	$ 8,411
Retiree Benefit Plan	516,620	143,925	2,999,029	26,007
Total	$ 693,991	$ 213,191	$ 4,089,971	$ 34,418

Business-type activities:	Deferred outflows of resources	Deferred inflows of resources	Total OPEB Liability	Due within one year
TMRS SDBF	$ 32,491	$ 12,879	$ 204,713	$ 1,579
Retiree Benefit Plan	94,273	27,007	562,764	4,880
Total	$ 126,764	$ 39,886	$ 767,477	$ 6,459

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other post-employment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	189
Inactive employees entitled to but not yet receiving benefits	40
Active employees	295
Total	524

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.20% for 2020 and 0.20% for 2019, of which 0.06% and 0.06%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2020 and 2019 were $10,006 and $9,971, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions.

The City's total OPEB liability of $1,295,655 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions

Measurement year ended December 31,	2019
Inflation rate	2.50%
Discount rate	2.75%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Changes in assumptions reflect the annual change in the municipal bond rate.

Discount Rate. A single discount rate of 2.75% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the City is made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the Total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.75%) in measuring the total OPEB Liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Total OPEB liability	$ 1,558,056	$ 1,295,655	$ 1,089,438

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2020, the City reported a liability of $1,295,655 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019. For the year ended September 30, 2020, the City recognized OPEB expense of $101,650. There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2018	$ 1,064,975
Changes for the year:	
Service cost	31,685
Interest	39,913
Difference between expected and actual experience	(29,869)
Changes of assumptions	198,957
Benefit payments	(10,006)
Net changes	230,680
Balance at 12/31/2019	$ 1,295,655

At September 30, 2020, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 33,392
Changes in actuarial assumptions	202,232	48,753
Contributions subsequent to the measurement date	7,630	-
Totals	$ 209,862	$ 82,145

$7,630 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	OPEB Expense Amount
2021	$ 30,053
2022	30,053
2023	22,896
2024	21,995
2025	15,090
Total	$ 120,087

Post-employment Benefits Other Than Pensions (OPEB) – Retiree Health Plan

Plan Description. The City provides healthcare benefits through a single employer defined benefit healthcare plan for all full-time employees and retirees that meet the minimum retirement age of 60 and are vested in the retirement plan prior to retirement or have twenty years or more of service at any age. Currently, the retiree contributes 100% of the blended healthcare premium for coverage and is also responsible for payment of premiums for any dependent coverage. Retiree contribution rates for fiscal year 2019-2020 ranged from $660.00 to $1,752.35 per month depending on the coverage level selected. This plan is administered by the City and it has the authority to establish and amend the benefit terms and financing arrangements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits and Contributions. Survivors of employees who die while actively employed are not eligible for retiree healthcare benefits. Employees who become disabled are not eligible for retiree healthcare benefits unless they meet the City's retirement requirements and they elect to retire from the City. The dependent of a current employee can receive coverage when the employee retires if the retiree elects dependent coverage at the time of retirement, the only exception would be in the event of a family status change which will allow dependents to be added at a later date. The retiring employee must continue to elect (and pay for) coverage for the dependents at all future open enrollments or the dependent coverage will cease. The dependents of all future retirees can continue to receive coverage under these circumstances, assuming the current policy remains unchanged. Retirees who decide to opt-out of the healthcare plan are not eligible to opt back in at a later date

Retirees are responsible for payment of premiums for any dependent coverage, and the City pays the retirees premiums. The City’s contributions to the OPEB for the year ended September 30, 2020, were $30,887, which equal benefit payments for retirees.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	-
Active employees	283
Total	296

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Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	December 31, 2019
Actuarial Cost Method	Individual Entry-Age, Normal
Inflation Rate	2.75%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health care cost trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 14 years.
Participation rates	It was assumed that no employees retiring before age 50 and 40% of employees retiring at age 50 or older would choose to receive retiree health care benefits through the City. All participants were assumed to discontinue their coverage at age 65.
Discount rate	The discount rate changed from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A Single Discount Rate of 2.75% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019.

Changes in the Total OPEB Liability

The City's total OPEB liability of $3,561,793 was measured as of December 31, 2019 and was determined by an actuarial valuation as of December 31, 2019.

	Total OPEB Liability
Balance at 12/31/2018	$ 2,836,170
Changes for the year:	
Service cost	111,709
Interest	105,257
Changes of assumptions	299,321
Difference between expected and actual experience	319,127
Benefit payments	(109,791)
Net changes	725,623
Balance at 12/31/2019	$ 3,561,793

Changes in assumptions and other inputs reflect a change in the discount rate from 3.71% to 2.75%.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.75%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Total OPEB liability	$ 3,914,030	$ 3,561,793	$ 3,240,509

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's Total OPEB liability	$ 3,163,436	$ 3,561,793	$ 4,034,394

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of $277,174. At September 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 283,042	$ 84,795
Changes in actuarial assumptions	354,887	86,137
Contributions subsequent to the measurement date	(27,036)	-
Totals	$ 610,893	$ 170,932

$(27,036) reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with own assets and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	OPEB Expense Amount
2021	$ 60,208
2022	60,208
2023	60,208
2024	60,208
2025	60,208
Thereafter	165,957

11. COMMITMENTS AND CONTINGENCIES

A. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

B. Contingent Liabilities

The City has been named as a defendant or co-defendant in a number of legal actions. While the outcome of these cases is not known at this time, City management believes that any awards to insured parties which must be paid in excess of amounts covered by insurance will not be material to the financial position of the City.

12. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports these closure and postclosure care costs as an operating expense in each period based on landfill acreage subject to closure as of each balance sheet date. The $4,519,709 reported as landfill closure and postclosure care liability at September 30, 2020, represents the amount calculated as of fiscal year end based on 71.9 acres of landfill area currently subject to closure. These amounts are based on what it would cost to perform all closure and postclosure care in 2020. The actual date of closure is currently unknown. Actual costs may be higher at the closure date due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a restricted bank account to finance closure and postclosure care. The City is in compliance with these requirements, and, at September 30, 2020, a cash balance of $7,352,849 is held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflations costs will be paid from interest earning on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

13. TAX ABATEMENTS

The City enters into economic development agreements designed to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. This program reduces the assessed property values and refunds sales tax as authorized under Chapter 380 of the Texas Local Government Code.

The City has entered into various agreements that reduce hotel/motel sales taxes. The agreements for hotel/motel sales tax provide rebates of up to 100% for 10 years. Each agreement requires a developer commitment of $250,000 to $10 million in improvements and minimum employment requirements. For fiscal year 2020, the City abated hotel/motel sales taxes of $140,023.

14. SUBSEQUENT EVENT

In October 2020, the City issued its General Obligation Refunding Bonds, Taxable Series 2020, in the amount of $22,970,000, to refund existing obligations at a present value savings. The bonds bear interest ranging from 0.457% to 2.061% and will mature in between 2021 and 2034.

15. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) issued the following statements which become effective for fiscal years 2021 and 2022.

Statement No. 84, Fiduciary Activities – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. This Statement will become effective for the District in fiscal year 2021.

Statement No. 87, Leases – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classifies as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the District in fiscal year 2022.

REQUIRED
SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue:				
Taxes:				
Property taxes	$ 9,345,402	$ 9,345,402	$ 9,408,594	$ 63,192
General sales taxes	6,470,000	6,470,000	6,932,275	462,275
Franchise taxes	2,380,000	2,380,000	2,385,315	5,315
Mixed beverage taxes	100,000	100,000	87,590	(12,410)
Licenses and permits	185,000	185,000	354,996	169,996
Fines and forfeitures	769,000	769,000	499,984	(269,016)
Charges for services	313,360	313,360	210,311	(103,049)
Penalties on tax collections	142,000	142,000	152,238	10,238
Investments earnings	150,000	150,000	141,698	(8,302)
Intergovernmental	915,322	1,285,758	1,484,246	198,488
Contributions	35,500	113,057	90,911	(22,146)
Miscellaneous	135,000	135,000	135,316	316
Total revenues	20,940,584	21,388,577	21,883,474	494,897
Expenditures:				
General government:				
City Council	27,425	27,425	18,379	9,046
City Manager	338,106	338,106	285,789	52,317
Municipal Court	314,342	314,342	219,181	95,161
City Secretary/Grant Administrator	122,421	122,421	113,246	9,175
Finance	531,209	546,209	489,457	56,752
Information Technology	437,899	437,899	401,211	36,688
Human Resources	327,472	327,472	293,323	34,149
Legal	270,891	280,768	276,954	3,814
Planning and Zoning	187,421	187,421	159,807	27,614
Building Maintenance	370,466	370,466	355,750	14,716
Business Development	147,273	147,273	82,844	64,429
Main Street	184,292	184,292	164,152	20,140
Vehicle Maintenance	340,538	340,538	301,809	38,729
Economic Development	251,092	251,092	245,752	5,340
Non-Departmental	1,408,004	1,660,194	1,424,960	235,234
Restricted	53,441	53,441	29,729	23,712
Total General Government	5,312,292	5,589,359	4,862,343	727,016
Public Safety:				
Police Department	8,518,668	8,518,668	8,171,189	347,479
Fire Protection	6,089,672	6,799,620	6,261,616	538,004
Inspection	434,502	434,502	376,764	57,738
Animal Control	507,559	507,559	445,545	62,014
Total Public Safety	15,550,401	16,260,349	15,255,114	1,005,235
Highways and Streets:				
Public Works	226,970	228,442	228,044	398
Street Maintenance	1,337,185	1,337,185	1,047,142	290,043
Engineering	500,194	500,194	495,695	4,499
Total Highways and Streets	$ 2,064,349	$ 2,065,821	$ 1,770,881	$ 294,940

SCHEDULE OF REVENES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Culture and Recreation:				
Historic Sites	$ 136,054	$ 136,054	$ 131,078	$ 4,976
Library	550,547	550,547	518,226	32,321
Recreation	574,768	602,768	470,977	131,791
Parks	954,237	960,436	845,357	115,079
Cemetery	361,004	361,004	321,157	39,847
Conventions and Tourism	310,930	310,930	288,680	22,250
Total Cultural and Recreation	2,887,540	2,921,739	2,575,475	346,264
Capital Outlay	1,242,660	2,673,347	1,046,360	1,626,987
Total Expenditures	27,057,242	29,510,615	25,510,173	4,000,442
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,116,658)	(8,122,038)	(3,626,699)	4,495,339
Other Financing Sources (Uses):				
Sale of capital assets	-	-	14,747	14,747
Transfers in	5,623,013	5,623,013	5,622,013	(1,000)
Transfers out	(412,000)	(417,000)	(373,630)	43,370
Total other financing sources (uses)	5,211,013	5,206,013	5,263,130	57,117
Net Change in Fund Balances	(905,645)	(2,916,025)	1,636,431	4,552,456
Fund Balances - Beginning	13,016,662	13,016,662	13,016,662	-
Fund Balances - Ending	$ 12,111,017	$ 10,100,637	$ 14,653,093	$ 4,552,456

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Measurement Date December 31,	2014	2015
A. Total pension liability		
Service Cost	$ 2,141,720	$ 2,181,556
Interest (on the Total Pension Liability)	5,807,224	6,016,205
Difference between expected and actual experience	(801,914)	(424,909)
Changes of assumptions	-	1,247,098
Benefit payments, including refunds of employee contributions	(4,026,670)	(4,336,316)
Net change in total pension liability	3,120,360	4,683,634
Total pension liability - beginning	83,902,812	87,023,172
Total pension liability - ending (a)	87,023,172	91,706,806
B. Plan fiduciary net position		
Contributions - Employer	2,232,084	2,234,397
Contributions - Employee	1,037,405	1,038,836
Net Investment Income	4,129,641	111,430
Benefit payments, including refunds of employee contributions	(4,026,670)	(4,336,316)
Administrative Expenses	(43,118)	(67,873)
Other	(3,545)	(3,352)
Net change in plan fiduciary net position	3,325,797	(1,022,878)
Plan fiduciary net position - beginning	72,192,504	75,518,301
Plan fiduciary net position - ending (b)	75,518,301	74,495,423
C. Net pension liability - ending (a) - (b)	$ 11,504,871	$ 17,211,383
D. Plan fiduciary net position as a percentage of total pension liability	86.78%	81.23%
E. Covered payroll	$ 14,807,220	$ 14,840,520
F. Net position liability as a percentage of covered payroll	77.70%	115.98%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

2016	2017	2018	2019
$ 2,326,673	$ 2,377,386	$ 2,551,847	$ 2,558,176
6,126,265	6,360,472	6,676,870	6,971,668
(508,839)	647,737	34,859	(427,405)
-	-	-	229,523
(4,221,317)	(4,778,122)	(4,792,774)	(5,005,967)
3,722,782	4,607,473	4,470,802	4,325,995
91,706,806	95,429,588	100,037,061	104,507,863
95,429,588	100,037,061	104,507,863	108,833,858
2,276,718	2,347,677	4,465,374	2,504,811
1,059,643	1,098,208	1,163,709	1,168,060
5,033,454	10,888,177	(2,637,128)	13,326,741
(4,221,317)	(4,778,122)	(4,792,774)	(5,005,967)
(56,859)	(56,444)	(50,992)	(75,345)
(3,063)	(2,862)	22,850	(2,263)
4,088,576	9,496,634	(1,828,961)	11,916,037
74,495,423	78,583,999	88,080,633	86,251,672
78,583,999	88,080,633	86,251,672	98,167,709
$ 16,845,589	$ 11,956,428	$ 18,256,191	$ 10,666,149
82.35%	88.05%	82.53%	90.20%
$ 15,137,756	$ 15,477,773	$ 16,624,411	$ 16,675,505
111.28%	77.25%	109.82%	63.96%

CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Fiscal Year ended September 30,	2014	2015	2016
Actuarial determined contribution	$ 2,253,284	$ 2,212,042	$ 2,367,346
Contributions in relation to the actuarially determined contribution	$ 2,253,284	$ 2,212,042	$ 2,367,346
Contribution deficiency (excess)	-	-	-
Covered payroll	14,891,202	14,807,220	15,737,577
Contributions as a percentage of covered payroll	15.13%	14.94%	15.04%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes	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	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

2017	2018	2019	2020
$ 2,338,917	$ 2,434,502	$ 2,450,531	$ 2,499,804
$ 2,338,917	$ 2,434,502	$ 4,486,676	$ 2,499,804
-	-	(2,036,145)	-
15,137,756	16,398,754	16,876,057	16,650,069
15.45%	14.85%	26.59%	15.01%

CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Plan Year ended December 31,	**2017**	**2018**	**2019**
A. Total OPEB liability			
Service Cost	$ 29,408	$ 38,236	$ 31,685
Interest (on the Total OPEB Liability)	36,185	36,562	39,913
Difference between expected and actual experience	-	(14,028)	(29,869)
Changes of assumptions	86,187	(76,296)	198,957
Benefit payments, including refunds of employee contributions	(7,739)	(9,975)	(10,006)
Net change in Total OPEB liability	144,041	(25,501)	230,680
Total OPEB liability - beginning	946,435	1,090,476	1,064,975
Total OPEB liability - ending (a)	1,090,476	1,064,975	1,295,655
B. Covered - employee payroll	$ 15,477,773	$ 16,624,411	$ 16,675,505
C. Total OPEB liability as a percentage of covered - employee payroll	7.05%	6.41%	7.77%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Note: Changes in assumptions reflect annual change in the discount rate.

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CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
RETIREE HEALTHCARE BENEFIT PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Measurement Date December 31,	**2017**	**2018**	**2019**
A. Total OPEB liability			
Service Cost	$ 103,294	$ 118,099	$ 111,709
Interest (on the Total OPEB Liability)	97,834	95,856	105,257
Changes of assumptions	135,665	(111,475)	299,321
Difference between expected and actual experience	-	(109,737)	319,127
Benefit payments, including refunds of employee contributions	(45,201)	13,067	(109,791)
Net change in Total OPEB liability	291,592	5,810	725,623
Total OPEB liability - beginning	2,538,768	2,830,360	2,836,170
Total OPEB liability - ending (a)	2,830,360	2,836,170	3,561,793
B. Covered-employee payroll	$ 15,520,715	$ 16,624,407	$ 16,676,505
C. Total OPEB liability as a percentage of covered-employee payroll	18.24%	17.06%	21.36%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Note: Changes in assumptions reflect annual change in the discount rate.

BUDGETS AND BUDGETARY ACCOUNTING

Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. Budgets for the Capital Projects Fund have not been presented as that fund is budgeted over the life of the project and not on an annual basis. Accordingly, formal budgetary integration of this fund is not employed and comparison of actual results of operations to budgetary data for this fund is not presented.

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

In cooperation with the department heads of the City, the City Manager and Director of Finance prepare an annual budget for the General, Special Revenue, and Debt Service Funds for the ensuing fiscal year, in a form and style as deemed desirable by Council. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by applicable bond covenants.

Capital outlay expenditures in the Airport Fund exceeded budget appropriations by $362,562. These overages were funded by excess appropriations at the fund level.

COMBINING AND INDIVIDUAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues that are restricted in nature for a special purpose limited by state law and management intentions for expenditures.

Economic Development Fund – to account for economic development loans from the Revolving Loan Program.

Community Development Fund – to account for HOME grant and long-term development loans.

Forfeiture Fund – to account for seized cash and property, which is designated for law enforcement.

Special Airport Fund – to account for grants that pertain to the City airport.

Historical Fund – to account for historical grants given by the City for Historical restoration

Hotel & Motel Fund – to account for the hotel and motel tax revenues that are restricted for enhancement and promotion of tourism of the City.

Public Safety Fund – to account for training expenditures for public safety personnel funded from the State LEOSE program.

Mayor's Committee on Disabilities Fund – to account for revenue and expenditures for the mayor's committee on disabilities.

Special Grants Fund – is used to account for grant and donation receipts and expenditures.

INTERNAL SERVICE FUNDS

Equipment Replacement Fund – is used to account for the rental of equipment and motor vehicles to other departments, and the purchase of new equipment and related costs.

Health Insurance Fund – is used to account for employer contributions, employee premiums, and the cost of health expenditures for employees, retirees and dependents.

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUND

Capital Projects Fund – is used to account for the acquisition and construction of capital facilities other than those financed by proprietary funds.

PERMANENT FUND

Sunset Cemetery Fund – used to account for the perpetual care and maintenance of cemeteries.

CITY OF NACOGDOCHES, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	Special Revenue		
	Economic Development Fund	Special Airport Fund	Forfeiture Fund
ASSETS			
Cash and cash equivalents	$ 918,085	$ 85,723	$ -
Property taxes receivable	-	-	-
Customers accounts receivable	-	-	-
Advances for economic development	162,921	-	-
Due from other governments	-	3,125	-
Restricted cash	18	-	486,269
Total assets	1,081,024	88,848	486,269
LIABILITIES			
Accounts payable	-	-	-
Due to other funds	-	-	-
Total liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Nonspendable:			
Perpetual care cemetery	-	-	-
Restricted:			
Long-term loans receivable	162,921	-	-
Retirement of long-term debt	-	-	-
Court appointed balances	-	-	486,269
Promotion of tourism	-	-	-
Economic development	918,103	-	-
Capital projects	-	-	-
Committed:			
Health and welfare	-	-	-
Airport	-	88,848	-
Unassigned	-	-	-
Total Fund Balances	1,081,024	88,848	486,269
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,081,024	$ 88,848	$ 486,269

		Special Revenue		
Historical Fund	Hotel and Motel Fund	Public Safety Fund	Mayor's Committee on Disabilities	Special Grants Fund
$ 67,579	$ 228,276	$ -	$ -	$ 9,327
-	-	-	-	-
-	52,573	-	-	-
-	-	-	-	-
-	-	-	-	-
47	1,525,546	13,189	1,002	-
67,626	1,806,395	13,189	1,002	9,327
-	83,805	-	-	-
-	-	-	-	21,000
-	83,805	-	-	21,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	13,189	-	-
67,626	1,722,590	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	1,002	-
-	-	-	-	-
-	-	-	-	(11,673)
67,626	1,722,590	13,189	1,002	(11,673)
$ 67,626	$ 1,806,395	$ 13,189	$ 1,002	$ 9,327

CITY OF NACOGDOCHES, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

			Permanent Fund	
	Debt Service Fund	Capital Projects Fund	Sunset Cemetery Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 260,522	$ -	$ 289,152	$ 1,858,664
Property taxes receivable	51,757	-	-	51,757
Customers accounts receivable	-	56,651	-	109,224
Advances for economic development	-	-	-	162,921
Due from other governments	-	-	-	3,125
Restricted cash	904	1,730,132	22	3,757,129
Total assets	313,183	1,786,783	289,174	5,942,820
LIABILITIES				
Accounts payable	-	7	-	83,812
Due to other funds	-	-	-	21,000
Total liabilities	-	7	-	104,812
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	51,757	-	-	51,757
Total deferred inflows of resources	51,757	-	-	51,757
FUND BALANCES				
Nonspendable:				
Perpetual care cemetery	-	-	289,174	289,174
Restricted:				
Long-term loans receivable	-	-	-	162,921
Retirement of long-term debt	261,426	-	-	261,426
Court appointed balances	-	-	-	499,458
Promotion of tourism	-	-	-	1,790,216
Economic development	-	-	-	918,103
Capital projects	-	1,786,776	-	1,786,776
Committed:				
Health and welfare	-	-	-	1,002
Airport	-	-	-	88,848
Unassigned	-	-	-	(11,673)
Total Fund Balances	261,426	1,786,776	289,174	5,786,251
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 313,183	$ 1,786,783	$ 289,174	$ 5,942,820

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue Funds		
	Economic Development Fund	Community Development Fund	Special Airport Fund
REVENUES			
Taxes:			
Hotel/motel occupancy taxes	$ -	$ -	$ -
Property taxes	-	-	-
Charges for services	-	78,751	-
Fines and forfeitures	-	-	-
Investment earnings	9,763	-	877
Intergovernmental	-	-	34,130
Contributions	-	18,750	25,000
Total revenues	9,763	97,501	60,007
EXPENDITURES			
Current:			
General government	-	-	73,260
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	-	-	-
Community development	-	78,751	-
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	462,562
Total expenditures	-	78,751	535,822
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,763	18,750	(475,815)
OTHER FINANCING SOURCES/(USES)			
Transfers in	550,000	-	448,748
Transfers out	(146,331)	(18,750)	-
Total other financing sources (uses)	403,669	(18,750)	448,748
Net Change in Fund Balances	413,432	-	(27,067)
Fund Balances - Beginning	667,592	-	115,915
Fund Balances - Ending	$ 1,081,024	$ -	$ 88,848

	Special Revenue Funds					
	Forfeiture Fund	Historical Fund	Hotel and Motel Fund	Public Safety Fund	Mayor's Committee on Disabilities	Special Grants Fund
	$ -	$ -	$ 610,331	$ -	$ -	$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	287,690	-	-	-	-	-
	2,747	717	17,100	5	1	50
	-	-	-	5,259	-	56,596
	-	-	-	-	-	8,668
	290,437	717	627,431	5,264	1	65,314
	-	-	-	-	-	-
	32,296	-	-	342	-	43,988
	-	-	-	-	-	-
	-	-	-	-	-	67,962
	-	23,125	823,597	-	1,041	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	9,741	-	-	-	-	-
	42,037	23,125	823,597	342	1,041	111,950
	248,400	(22,408)	(196,166)	4,922	(1,040)	(46,636)
	-	25,000	-	-	-	30,000
	-	-	(25,000)	-	-	-
	-	25,000	(25,000)	-	-	30,000
	248,400	2,592	(221,166)	4,922	(1,040)	(16,636)
	237,869	65,034	1,943,756	8,267	2,042	4,963
	$ 486,269	$ 67,626	$ 1,722,590	$ 13,189	$ 1,002	$(11,673)

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

			Permanent Fund	
	Debt Service Fund	Capital Projects Fund	Sunset Cemetery Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Hotel/motel occupancy taxes	$ -	$ -	$ -	$ 610,331
Property taxes	1,368,719	-	-	1,368,719
Charges for services	-	754,492	-	833,243
Fines and forfeitures	-	-	-	287,690
Investment earnings	6,458	12,562	2,611	52,891
Intergovernmental	-	-	-	95,985
Contributions	-	-	-	52,418
Total revenues	1,375,177	767,054	2,611	3,301,277
EXPENDITURES				
Current:				
General government	-	-	-	73,260
Public safety	-	-	-	76,626
Highways and streets	-	621,788	-	621,788
Culture and recreation	-	-	-	67,962
Community development	-	-	-	926,514
Principal	1,235,000	-	-	1,235,000
Interest	141,139	-	-	141,139
Capital outlay	-	-	-	472,303
Total expenditures	1,376,139	621,788	-	3,614,592
Excess (Deficiency) of Revenues Over (Under) Expenditures	(962)	145,266	2,611	(313,315)
OTHER FINANCING SOURCES/(USES)				
Transfers in	-	315,081	-	1,368,829
Transfers out	-	-	-	(190,081)
Total other financing sources (uses)	-	315,081	-	1,178,748
Net Change in Fund Balances	(962)	460,347	2,611	865,433
Fund Balances - Beginning	262,388	1,326,429	286,563	4,920,818
Fund Balances - Ending	$ 261,426	$ 1,786,776	$ 289,174	$ 5,786,251

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CITY OF NACOGDOCHES, TEXAS

SPECIAL GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	$ 100	$ 50	$(50)
Intergovernmental	787,582	56,596	(730,986)
Contributions	-	8,668	8,668
Total revenues	787,682	65,314	(722,368)
Expenditures:			
Public Safety:			
Police Department	44,135	43,988	147
Total Public Safety	44,135	43,988	147
Culture and Recreation:			
Library	13,448	12,109	1,339
Parks	260,000	55,853	204,147
Total Culture and Recreation	273,448	67,962	205,486
Total Expenditures	317,583	111,950	205,633
Excess (Deficiency) of Revenues Over (Under) Expenditures	470,099	(46,636)	(516,735)
Other financing sources (uses)			
Transfers in	30,000	30,000	-
Total Other Financing Sources (Uses)	30,000	30,000	-
Net Change in Fund Balances	500,099	(16,636)	(516,735)
Fund Balances - Beginning	4,963	4,963	-
Fund Balances - Ending	$ 505,062	$(11,673)	$(516,735)

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CITY OF NACOGDOCHES, TEXAS

ECONOMIC DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	$ 50,338	$ 9,763	$(40,575)
Total revenues	50,338	9,763	(40,575)
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,338	9,763	(40,575)
Other Financing Sources (Uses):			
Transfers in	550,000	550,000	-
Transfers out	(146,338)	(146,331)	7
Total other financing sources (uses)	403,662	403,669	7
Net Change in Fund Balances	454,000	413,432	(40,568)
Fund Balances - Beginning	667,592	667,592	-
Fund Balances - Ending	$ 1,121,592	$ 1,081,024	$(40,568)

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CITY OF NACOGDOCHES, TEXAS

COMMUNITY DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Charges for services	$ 78,751	$ 78,751	$ -
Contributions	-	18,750	18,750
Total revenues	78,751	97,501	18,750
Expenditures:			
Community Development	78,751	78,751	-
Total Expenditures	78,751	78,751	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	18,750	18,750
Other Financing Sources (Uses):			
Transfers out	(18,750)	(18,750)	-
Total other financing sources (uses)	(18,750)	(18,750)	-
Net Change in Fund Balances	(18,750)	-	18,750
Fund Balances - Beginning	-	-	-
Fund Balances - Ending	$(18,750)	$ -	$ 18,750

CITY OF NACOGDOCHES, TEXAS

SPECIAL AIRPORT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	$ 750	$ 877	$ 127
Intergovernmental	50,000	34,130	(15,870)
Contributions	55,000	25,000	(30,000)
Total revenues	105,750	60,007	(45,743)
Expenditures:			
General government:			
Airport	100,000	73,260	26,740
Total General Government	100,000	73,260	26,740
Capital Outlay	100,000	462,562	(362,562)
Total Expenditures	200,000	535,822	(335,822)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(94,250)	(475,815)	(381,565)
Other Financing Sources (Uses):			
Transfers in	50,000	448,748	398,748
Total other financing sources (uses)	50,000	448,748	398,748
Net Change in Fund Balances	(44,250)	(27,067)	17,183
Fund Balances - Beginning	115,915	115,915	-
Fund Balances - Ending	$ 71,665	$ 88,848	$ 17,183

CITY OF NACOGDOCHES, TEXAS

FORFEITURE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Fines and forfeitures	$ 60,000	$ 287,690	$ 227,690
Investment earnings	5,000	2,747	(2,253)
Total revenues	65,000	290,437	225,437
Expenditures:			
Public safety	70,000	32,296	37,704
Capital outlay	10,330	9,741	589
Total Expenditures	80,330	42,037	38,293
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,330)	248,400	263,730
Net Change in Fund Balances	(15,330)	248,400	263,730
Fund Balances - Beginning	237,869	237,869	-
Fund Balances - Ending	$ 222,539	$ 486,269	$ 263,730

CITY OF NACOGDOCHES, TEXAS

HISTORICAL FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	$ 750	$ 717	$(33)
Total revenues	750	717	(33)
Expenditures:			
Community Development	59,491	23,125	36,366
Total Expenditures	59,491	23,125	36,366
Excess (Deficiency) of Revenues Over (Under) Expenditures	(58,741)	(22,408)	36,333
Other Financing Sources (Uses):			
Transfers in	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	-
Net Change in Fund Balances	(33,741)	2,592	36,333
Fund Balance- Beginning	65,034	65,034	-
Fund Balance- Ending	$ 31,293	$ 67,626	$ 36,333

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CITY OF NACOGDOCHES, TEXAS

HOTEL AND MOTEL FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Hotel/motel occupancy taxes	$ 725,000	$ 610,331	$(114,669)
Investment earning	15,000	17,100	2,100
Total revenues	740,000	627,431	(112,569)
Expenditures:			
Community development	2,282,646	823,597	1,459,049
Total Expenditures	2,282,646	823,597	1,459,049
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,542,646)	(196,166)	1,346,480
Other Financing Sources (Uses):			
Transfers out	(25,000)	(25,000)	-
Total other financing sources (uses)	(25,000)	(25,000)	-
Net Change in Fund Balances	(1,567,646)	(221,166)	1,346,480
Fund Balances - Beginning	1,943,756	1,943,756	-
Fund Balances - Ending	$ 376,110	$ 1,722,590	$ 1,346,480

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CITY OF NACOGDOCHES, TEXAS

PUBLIC SAFETY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	$ -	$ 5	$ 5
Intergovernmental	5,350	5,259	(91)
Total revenues	5,350	5,264	(86)
Expenditures:			
Public Safety:			
Police Department	5,000	-	5,000
Fire Protection	1,000	342	658
Total Public Safety	6,000	342	5,658
Total Expenditures	6,000	342	5,658
Excess (Deficiency) of Revenues Over (Under) Expenditures	(650)	4,922	5,572
Net Change in Fund Balances	(650)	4,922	5,572
Fund Balances - Beginning	8,267	8,267	-
Fund Balances- Ending	$ 7,617	$ 13,189	$ 5,572

CITY OF NACOGDOCHES, TEXAS

MAYOR'S COMMITTEE ON DISABILITIES FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	$ -	$ 1	$ 1
Miscellaneous	2,000	-	(2,000)
Total revenues	2,000	1	(1,999)
Expenditures:			
Community Development	2,000	1,041	959
Total Expenditures	2,000	1,041	959
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,040)	(1,040)
Net Change in Fund Balances	-	(1,040)	(1,040)
Fund Balances - Beginning	2,042	2,042	-
Fund Balances - Ending	$ 2,042	$ 1,002	$(1,040)

CITY OF NACOGDOCHES, TEXAS

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Property taxes	$ 1,376,140	$ 1,368,719	$(7,421)
Investment earnings	10,000	6,458	(3,542)
Total revenues	1,386,140	1,375,177	(10,963)
Expenditures:			
Debt Services:			
Principal	1,235,000	1,235,000	-
Interest	141,140	141,139	1
Total Debt Service	1,376,140	1,376,139	1
Total Expenditures	1,376,140	1,376,139	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,000	(962)	(10,962)
Net Change in Fund Balances	10,000	(962)	(10,962)
Fund Balances - Beginning	262,388	262,388	-
Fund Balances - Ending	$ 272,388	$ 261,426	$(10,962)

CITY OF NACOGDOCHES, TEXAS

SUNSET CEMETARY FUND
PERMANENT FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investments earnings	$ 4,000	$ 2,611	$(1,389)
Total revenues	4,000	2,611	(1,389)
Expenditures:			
Culture and recreation	285,373	-	285,373
Total Expenditures	285,373	-	285,373
Excess (Deficiency) of Revenues Over (Under) Expenditures	(281,373)	2,611	283,984
Other Financing Sources (Uses):			
Transfers in	2,500	-	(2,500)
Transfers out	(1,000)	-	1,000
Total other financing sources (uses)	1,500	-	(1,500)
Net Change in Fund Balances	(279,873)	2,611	282,484
Fund Balances - Beginning	286,563	286,563	-
Fund Balances - Ending	$ 6,690	$ 289,174	$ 282,484

$ -

CITY OF NACOGDOCHES, TEXAS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2020

	Equipment Replacement Fund	Health Insurance Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,908,313	$ 1,697,559	$ 4,605,872
Total Current Assets	2,908,313	1,697,559	4,605,872
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Machinery and equipment	5,200,635	-	5,200,635
Less accumulated depreciation	(4,026,731)	-	(4,026,731)
Total Capital Assets	1,173,904	-	1,173,904
Total Noncurrent Assets	1,173,904	-	1,173,904
Total Assets	4,082,217	1,697,559	5,779,776
LIABILITIES			
Current Liabilities:			
Accrued expenses	-	129,463	129,463
Total Current Liabilities	-	129,463	129,463
Total Liabilities	-	129,463	129,463
NET POSITION			
Net Investment in capital assets	1,173,904	-	1,173,904
Unrestricted	2,908,313	1,568,096	4,476,409
Total Net Position	4,082,217	1,568,096	5,650,313
Total Liabilities and Net Position	$ 4,082,217	$ 1,697,559	$ 5,779,776

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Equipment Replacement Fund	Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for sales and services	$ 438	$ -	$ 438
Equipment rental	549,813	-	549,813
Employer premiums	-	2,568,996	2,568,996
Employee premiums	-	555,320	555,320
Total charges for sales and services	550,251	3,124,316	3,674,567
Other:			
Miscellaneous revenue	-	-	-
Total Operating Revenues	550,251	3,124,316	3,674,567
OPERATING EXPENSES			
Contributions and premiums	-	2,653,200	2,653,200
Depreciation and amortization	231,378	-	231,378
Total Operating Expenses	231,378	2,653,200	2,884,578
Operating Income	318,873	471,116	789,989
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	25,770	9,305	35,075
Gain on sales of assets	49,181	-	49,181
Total Non-operating Revenues (Expenses)	74,951	9,305	84,256
Change in Net Position	393,824	480,421	874,245
Net Positon - Beginning	3,688,393	1,087,675	4,776,068
Net Positon - Ending	$ 4,082,217	$ 1,568,096	$ 5,650,313

COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Equipment Replacement Fund	Health Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities:			
Receipts from interfund charges for fleet management services	$ 550,251	$ -	$ 550,251
Receipts from interfund charges for risk management services	-	3,124,316	3,124,316
Cash payments to suppliers for goods and services	-	(2,925,029)	(2,925,029)
Net Cash Provided by Operating Activities	550,251	199,287	749,538
Cash Flows from Capital and Related Financing Activities:			
Acquisitions or construction of capital assets	(429,659)	-	(429,659)
Proceeds from the sale of capital assets	50,283	-	50,283
Net Cash Used for Capital and Related Financing Activities	(379,376)	-	(379,376)
Cash Flows from Investing Activities:			
Interest and dividends on investments	25,770	9,305	35,075
Net Cash Provided for Investing Activities	25,770	9,305	35,075
Net Increase (Decrease) in Cash and Cash Equivalents	196,645	208,592	405,237
Cash and Cash Equivalents at Beginning of Year	2,711,668	1,488,967	4,200,635
Cash and Cash Equivalents at End of Year	2,908,313	1,697,559	4,605,872
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	318,873	471,116	789,989
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	231,378	-	231,378
Increase/(Decrease) in accrued expenses	-	(271,829)	(271,829)
Total Adjustments	231,378	(271,829)	(40,451)
Net Cash Provided by Operating Activities	$ 550,251	$ 199,287	$ 749,538

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020
FSA Cafeteria Fund				
Assets				
Cash and Investments	$ 9,524	$ 52,572	$ 61,922	$ 174
Total Assets	9,524	52,572	61,922	174
Liabilities				
Due to Others	9,524	52,572	61,922	174
Total Liabilities	$ 9,524	$ 52,572	$ 61,922	$ 174

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Nacogdoches' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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CITY OF NACOGDOCHES, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities:				
Net Investment in Capital Assets	$ 27,347,322	$ 27,337,224	$ 27,241,042	$ 25,820,583
Restricted	3,420,656	4,201,144	4,241,128	5,709,616
Unrestricted	8,917,507	9,931,806	10,349,319	9,315,464
Total Governmental Activities Net Position	$ 39,685,485	$ 41,470,174	$ 41,831,489	$ 40,845,663
Business-type activities:				
Net Investment in Capital assets	$ 36,261,278	$ 40,413,438	$ 43,734,371	$ 45,389,352
Restricted	9,241,159	8,160,406	5,061,643	4,230,285
Unrestricted	22,911,370	23,908,378	25,249,603	25,556,627
Total Business-type Activities Net Position	$ 68,413,807	$ 72,482,222	$ 74,045,617	$ 75,176,264
Primary Government				
Net Investment in Capital Assets	$ 63,608,600	$ 67,750,662	$ 70,975,413	$ 71,209,935
Restricted	12,661,815	12,361,550	9,302,771	9,939,901
Unrestricted	31,828,877	33,840,184	35,598,922	34,872,091
Total Primary Government Net Position	$ 108,099,292	$ 113,952,396	$ 115,877,106	$ 116,021,927

TABLE 1

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 27,474,788	$ 25,962,844	$ 29,557,781	$ 28,477,678	$ 29,749,665	$ 31,162,042
4,703,439	3,574,895	3,442,083	5,554,801	5,683,417	6,622,772
2,687,583	5,258,364	(449,309)	1,856,916	1,810,035	5,169,214
$ 34,865,810	$ 34,796,103	$ 32,550,555	$ 35,889,395	$ 37,243,117	$ 42,954,028
$ 54,371,566	$ 58,587,200	$ 59,411,889	$ 60,155,050	$ 63,105,904	$ 64,036,601
4,255,844	1,268,003	1,825,340	8,162,379	8,910,239	10,382,283
19,981,019	23,016,113	88,370,977	25,963,172	29,238,879	32,116,911
$ 78,608,429	$ 82,871,316	$ 88,370,977	$ 94,280,601	$ 101,255,022	$ 106,535,795
$ 81,846,354	$ 84,550,044	$ 29,557,781	$ 88,632,728	$ 92,855,569	$ 95,198,643
8,959,283	4,842,898	3,442,083	13,717,180	14,593,656	17,005,055
22,668,602	28,274,477	87,921,668	27,820,088	31,048,914	37,286,125
$ 113,474,239	$ 117,667,419	$ 120,921,532	$ 130,169,996	$ 138,498,139	$ 149,489,823

CITY OF NACOGDOCHES, TEXAS

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year 2011	2012	2013	2014
EXPENSES				
Governmental Activities:				
General Government	$ 4,202,671	$ 4,464,799	$ 4,558,649	$ 4,635,539
Public Safety	13,162,688	13,042,618	13,548,211	13,996,948
Highways and Streets	2,658,599	2,577,253	2,699,339	2,520,977
Culture and Recreation	2,451,813	2,321,329	2,414,986	2,422,034
Community Development	1,245,874	1,450,073	937,155	840,759
Interest on Long-Term Debt	414,976	411,907	339,722	289,704
Total Governmental Activities Expenses	24,136,621	24,267,979	24,498,062	24,705,961
Business-type Activities				
Water and Sewer	12,119,007	11,774,421	11,790,936	11,053,329
Sanitation	2,774,451	2,820,738	4,239,189	3,092,057
Airport	565,029	562,001	543,860	539,645
Total Business-type Activities Expenses	15,458,487	15,157,160	16,573,985	14,685,031
Total Primary Government Expenses	$ 39,595,108	$ 39,425,139	$ 41,072,047	$ 39,390,992
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	$ -	$ 21,573	$ 14,843	$ 223,352
Public Safety	1,819,483	1,607,141	1,827,837	1,821,823
Highways and Streets	-	-	-	-
Culture and Recreation	231,946	247,546	285,233	328,510
Community Development	-	-	-	-
Operating Grants and Contributions	567,911	779,057	328,443	247,111
Capital Grants and Contributions	613,708	78,559	165,078	415,309
Total Governmental Activities Program Revenues	3,233,048	2,733,876	2,621,434	3,036,105
Business-type Activities:				
Charges for Services:				
Water and Sewer	19,139,784	17,066,279	16,481,383	15,878,779
Sanitation	5,683,453	5,639,709	5,661,016	5,437,249
Airport	473,232	494,056	424,000	418,044
Capital Grants and Contributions	-	879,477	64,664	259,203
Total Business-type Activities Program Revenues	25,296,469	24,079,521	22,631,063	21,993,275
Total Primary Government Program Revenues	$ 28,529,517	$ 26,813,397	$ 25,252,497	$ 25,029,380
Net (Expense)/Revenue				
Governmental Activities	$(20,903,573)	$(21,534,103)	$(21,876,628)	$(21,669,856)
Business-type Activities	9,837,982	8,922,361	6,057,078	7,308,244
Total Net Expense	$(11,065,591)	$(12,611,742)	$(15,819,550)	$(14,361,612)

		Fiscal Year			
2015	2016	2017	2018	2019	2020
$ 4,443,151	$ 4,347,717	$ 4,700,650	$ 4,955,254	$ 5,586,805	$ 5,130,414
13,977,452	14,121,765	14,693,760	15,332,425	17,248,197	15,868,977
2,300,242	2,769,397	2,831,901	2,892,174	3,065,969	2,932,520
4,953,709	2,530,827	2,893,535	3,087,026	3,252,267	2,654,815
849,113	1,063,112	934,282	755,571	708,802	898,609
276,975	256,422	250,266	222,244	177,094	141,133
26,800,642	25,089,240	26,304,394	27,244,694	30,039,133	27,626,468
10,976,691	10,837,063	11,016,674	11,817,889	11,697,450	11,487,635
2,769,584	2,937,727	3,312,083	3,119,195	3,338,497	3,363,461
450,610	395,863	471,869	495,898	478,199	423,948
14,196,885	14,170,653	14,800,626	15,432,982	15,514,146	15,275,044
$ 40,997,527	$ 39,259,893	$ 41,105,020	$ 42,677,676	$ 45,553,279	$ 42,901,512
$ 316,525	$ 329,215	$ 422,258	$ 540,736	$ 505,866	$ 633,406
1,946,627	1,540,982	1,474,258	1,404,473	1,212,962	1,160,445
-	-	-	502,023	752,788	754,492
354,280	336,818	344,325	392,481	475,127	258,159
-	-	250,000	150,000	-	-
535,337	157,688	462,690	1,271,926	2,646,113	2,641,116
58,270	3,998	27,050	57,338	337,742	84,126
3,211,039	2,368,701	2,980,581	4,318,977	5,930,598	5,531,744
16,646,161	17,184,423	18,939,084	19,841,583	19,422,326	19,062,221
5,398,981	5,457,533	5,659,444	6,163,872	6,363,558	6,305,207
362,886	285,091	400,859	417,681	398,711	372,501
1,005,188	-	-	-	445,838	-
23,413,216	22,927,047	24,999,387	26,423,136	26,630,433	25,739,929
$ 26,624,255	$ 25,295,748	$ 27,979,968	$ 30,742,113	$ 32,561,031	$ 31,271,673
$(23,589,603)	$(22,720,539)	$(23,323,813)	$(22,926,717)	$(24,108,535)	$(22,094,724)
9,216,331	8,756,394	10,198,761	10,990,154	11,116,287	10,464,885
$(14,373,272)	$(13,964,145)	$(13,125,052)	$(11,935,563)	$(12,992,248)	$(11,629,839)

CITY OF NACOGDOCHES, TEXAS

CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2011	2012	2013	2014
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes				
Property Taxes	$ 7,550,954	$ 7,688,903	$ 7,729,854	$ 7,852,946
Franchise Taxes	5,588,122	5,656,111	5,469,337	2,575,624
Sales Taxes	2,742,062	2,682,979	2,536,335	5,460,720
Other Taxes	1,264,270	1,085,231	708,537	799,041
Penalties and Interests on Taxes	141,815	137,135	140,834	123,151
Investment Earnings	52,247	33,510	74,526	52,245
Miscellaneous	425,130	868,151	604,953	83,709
Transfers	4,720,686	5,039,470	5,116,050	5,370,715
Gain on Sale of Capital Assets	11,992	272,632	35,137	28,740
Total Governmental Activities	22,497,278	23,464,122	22,415,563	22,346,891
Business-type Activities:				
Investment Earnings	96,787	82,296	129,168	91,937
Miscellaneous	-	2,038	5,133	364,382
Transfers	(4,720,686)	(5,039,470)	(5,116,050)	(5,370,715)
Gain on Sale of Capital Assets	137,119	102,741	247,890	22,092
Total Business-type Activities	(4,486,780)	(4,852,395)	(4,733,859)	(4,892,304)
Total Primary Government	$ 18,010,498	$ 18,611,727	$ 17,681,704	$ 17,454,587
Change in Net Position				
Governmental Activities	$ 1,593,705	$ 1,930,019	$ 538,935	$ 677,035
Business-type Activities	5,351,202	4,069,966	1,324,219	2,415,940
Total Primary Government	$ 6,944,907	$ 5,999,985	$ 1,863,154	$ 3,092,975

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TABLE 2

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 8,294,720	$ 8,452,800	$ 8,907,696	$ 9,469,354	$ 9,846,630	$ 10,827,222
2,505,532	2,427,859	2,436,424	2,470,495	2,485,322	2,385,315
5,724,160	6,051,628	6,186,513	6,396,954	6,601,004	6,932,275
837,225	818,348	834,874	832,426	865,931	697,921
152,406	174,873	165,216	-	158,448	152,238
58,165	45,270	131,007	145,455	530,652	229,664
101,865	64,044	73,859	324,123	98,005	89,941
5,292,442	5,247,575	5,502,525	79,466	5,757,927	6,427,131
543,293	103,171	41,331	5,736,804	35,638	63,928
23,509,808	23,385,568	24,279,445	25,455,077	26,379,557	27,805,635
82,548	73,697	217,306	-	983,498	489,824
377,105	500,577	557,588	574,894	600,204	713,801
(5,592,442)	(5,247,575)	(5,502,525)	564,961	(5,757,927)	(6,427,131)
62,164	179,794	28,531	(5,736,804)	32,359	39,394
(5,070,625)	(4,493,507)	(4,699,100)	(4,596,949)	(4,141,866)	(5,184,112)
$ 18,439,183	$ 18,892,061	$ 19,580,345	$ 20,858,128	$ 22,237,691	$ 22,621,523
$ 220,205	$ 665,029	$ 955,632	$ 2,529,360	$ 271,022	$ 5,710,911
4,145,706	4,262,887	5,499,661	6,393,205	6,974,421	5,280,773
$ 4,365,911	$ 4,927,916	$ 6,455,293	$ 8,922,565	$ 9,245,443	$ 10,991,684

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2011*	2012	2013	2014
General Fund				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Nonspendable	-	64,320	51,456	38,592
Restricted	238,785	639,492	735,489	695,887
Assigned	-	-	-	-
Unassigned	7,372,947	8,554,470	8,705,190	8,690,538
Total General Fund	$ 7,611,732	$ 9,258,282	$ 9,492,135	$ 9,425,017
All Other Governmental Funds				
Reserved	$ -	$ -	$ -	$ -
Unreserved, reported in:				
Special Revenue Funds	-	-	-	-
Nonspendable	624,864	354,470	266,467	114,214
Restricted	2,557,007	3,207,182	3,239,172	3,491,098
Committed	7,999	152,875	43,979	23,201
Unassigned	-	-	-	-
Total All Other Governmental Funds	$ 3,189,870	$ 3,714,527	$ 3,549,618	$ 3,628,513

Note:
* FY 2011 was the first year of implementation of GASB 54.
The FY 2011 column includes the new fund balance categories.

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
25,728	12,864	-	-	-	-
702,693	761,134	787,993	787,993	833,576	862,941
-	-	-	65,613	905,645	1,099,592
10,264,994	12,741,437	11,288,895	11,732,687	11,277,441	12,690,560
$ 10,993,415	$ 13,515,435	$ 12,076,888	$ 12,586,293	$ 13,016,662	$ 14,653,093
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
427,225	373,187	281,594	284,349	286,563	289,174
2,454,569	2,742,985	3,076,858	4,409,323	4,516,298	5,418,900
59,585	57,247	53,329	52,297	117,957	89,850
-	(77,558)	48,531	(18,398)	-	(11,673)
$ 2,941,379	$ 3,095,861	$ 3,460,312	$ 4,727,571	$ 4,920,818	$ 5,786,251

CITY OF NACOGDOCHES, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2011	2012	2013	2014
Revenue				
Taxes:				
General property taxes	$ 7,537,329	$ 7,703,315	$ 7,734,895	$ 7,802,983
General sales and other taxes	9,594,454	9,424,321	8,714,209	8,958,536
Licenses and permits	330,381	323,367	362,349	245,491
Fines and forfeitures	1,489,102	1,283,774	1,131,190	963,481
Charges for services	231,946	247,546	285,233	296,262
Investment earnings	39,175	28,777	59,025	41,865
Grants	1,181,619	879,189	842,662	854,670
Contributions	-	-	-	-
Miscellaneous	476,134	817,910	540,932	740,548
Total revenues	20,880,140	20,708,199	19,670,495	19,903,836
Expenditures				
General government	4,193,276	4,311,234	4,422,642	4,339,520
Public safety	13,021,070	12,631,331	13,373,945	13,500,225
Highways and streets	1,699,845	1,662,683	1,899,636	1,768,240
Culture and recreation	2,345,598	2,204,851	2,385,704	2,265,852
Community development	1,227,391	1,446,539	995,717	847,276
Debt service:				
Principal	755,000	840,000	825,000	855,000
Interest, fiscal charges, issue cost	423,303	410,961	330,365	307,539
Other capital outlays	6,362	328,247	669,179	1,403,622
Total expenditures	23,671,845	23,835,846	24,902,188	25,287,274
Other financing sources (uses)				
Refunding bond premium	-	537,252	-	-
Payment to escrow agent	-	(6,064,159)	-	-
Refunding bonds issued	-	5,590,000	-	-
Transfers in	5,284,748	5,254,750	5,275,763	5,573,228
Transfers out	(539,562)	(245,217)	(136,856)	(178,013)
Proceeds from sale of bonds	-	-	-	-
Sale of capital assets	-	277,948	1,644	-
Total other financing sources (uses)	4,745,186	5,350,574	5,140,551	5,395,215
Net changes in fund balances	$ 1,953,481	$ 2,222,927	$(91,142)	$ 11,777
Capital outlays included in functions	$ 564,616	$ 570,503	$ 987,656	$ 85,038
Debt service as a percentage of noncapital expenditures calculated as ([a] + [b] / [c] - [d])	5.10%	5.38%	4.83%	4.61%

TABLE 4

Fiscal Year 2015	2016	2017	2018	2019	2020
$ 8,323,689	$ 8,485,231	$ 8,908,920	$ 9,447,895	$ 10,006,617	$ 10,777,313
9,219,323	9,472,708	9,623,027	9,845,330	10,110,705	10,167,749
328,624	241,624	203,319	215,072	192,661	354,996
922,397	1,006,558	992,076	868,610	836,109	787,674
311,837	283,268	306,457	927,027	1,269,060	1,043,554
48,315	40,692	115,909	274,361	441,640	194,589
744,179	419,710	605,391	1,196,244	1,449,775	1,580,231
-	-	-	722,070	2,406,759	143,329
955,828	461,601	767,240	199,935	148,060	135,316
20,854,192	20,411,392	21,522,339	23,696,544	26,861,386	25,184,751
4,197,557	4,302,101	4,582,846	4,751,128	5,331,178	4,935,603
13,256,260	13,460,147	13,948,154	14,755,034	16,480,077	15,331,740
1,610,945	1,727,873	1,656,021	1,777,216	2,658,235	2,392,669
4,665,165	2,311,397	2,681,901	2,852,966	2,969,119	2,643,437
837,041	876,024	763,955	777,275	800,480	926,514
885,000	795,000	1,095,000	1,150,000	1,205,000	1,235,000
282,950	254,850	254,480	220,908	173,061	141,139
530,090	745,548	3,116,603	1,372,157	2,378,547	1,518,663
26,265,008	24,472,940	28,098,960	27,656,684	31,995,697	29,124,765
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,921,689	5,472,500	5,821,585	6,802,919	6,300,652	6,990,842
(329,247)	(224,925)	(319,060)	(1,066,115)	(542,725)	(563,711)
-	1,685,000	-	-	-	-
500,288	4,825	-	-	-	14,747
6,092,730	6,937,400	5,502,525	5,736,804	5,757,927	6,441,878
$ 681,914	$ 2,875,852	$(1,074,096)	$ 1,776,664	$ 623,616	$ 2,501,864
$ 47,337	$ 862,802	$ 96,257	$ -	$ 942,083	$ 859,472
4.54%	4.59%	4.82%	5.22%	4.81%	5.15%

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIC OF ACCOUNTING)
(UNAUDITED)

Fiscal Year	General Property Taxes	General Sales Taxes	Utility Taxes	Other Taxes	Total
2011	$ 7,537,329	$ 5,588,122	$ 2,742,062	$ 1,264,270	$ 17,131,783
2012	7,703,315	5,656,111	2,682,979	1,085,231	17,127,636
2013	7,734,895	5,469,337	2,536,335	708,537	16,449,104
2014	7,802,983	5,460,720	2,575,624	799,041	16,638,368
2015	8,323,689	5,724,160	2,505,532	837,225	17,390,606
2016	8,485,231	6,051,628	2,427,859	818,348	17,783,066
2017	8,908,920	6,186,513	2,436,424	834,874	18,366,731
2018	9,447,895	6,396,954	2,470,495	832,426	19,147,770
2019	10,006,617	6,601,004	2,485,322	865,931	19,958,874
2020	10,777,313	6,932,275	2,385,315	697,921	20,792,824

CITY OF NACOGDOCHES, TEXAS

ASSESSED VALUE AND ESTMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(UNAUDITED)

Tax Year	Real Property	Mineral Property	Less: Tax-Exempt Property	Total Taxable Assessed Value
2011	1,505,687,150	214,370,010	380,474,190	1,339,582,970
2012	1,535,961,610	207,689,960	382,691,710	1,360,959,860
2013	1,550,765,750	219,101,180	381,122,490	1,388,744,440
2014	1,570,237,940	234,107,350	404,697,030	1,399,648,260
2015	1,588,480,170	234,542,480	362,896,840	1,460,125,810
2016	1,591,570,140	237,154,560	329,244,345	1,499,480,355
2017	1,606,822,060	234,623,870	332,892,700	1,508,553,230
2018	1,785,122,740	231,069,950	427,591,070	1,588,601,620
2019	1,967,807,630	233,059,640	432,702,900	1,768,164,370
2020	1,981,488,706	232,178,550	426,707,840	1,786,959,416

Source: Nacogdoches Central Appraisal District

Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
0.5690	1,339,582,970	100.0%
0.5620	1,360,959,860	100.0%
0.5639	1,388,744,440	100.0%
0.5639	1,399,648,260	100.0%
0.5681	1,460,125,810	100.0%
0.5928	1,499,480,355	100.0%
0.5928	1,508,553,230	100.0%
0.6169	1,588,601,620	100.0%
0.6140	1,768,164,370	100.0%
0.6160	1,786,959,416	100.0%

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CITY OF NACOGDOCHES, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS
(UNAUDITED)

	City of Nacogdoches			Nacogdoches Independent School District		
Fiscal Year	Operations and Maintenance	General Obligation Debt Service	Total City Rate	Operations and Maintenance	General Obligation Debt Service	Total NISD Rate
2011	0.48046	0.08890	0.56937	1.17000	0.20000	1.37000
2012	0.48200	0.08700	0.56900	1.17000	0.20000	1.37000
2013	0.47867	0.08333	0.56200	1.17000	0.18750	1.35750
2014	0.48049	0.08341	0.56390	1.17000	0.18750	1.35750
2015	0.48478	0.07912	0.56390	1.17000	0.18750	1.35750
2016	0.49773	0.07038	0.56811	1.17000	0.18750	1.35750
2017	0.50618	0.08663	0.59280	1.17000	0.16250	1.33250
2018	0.53260	0.08430	0.61690	1.17000	0.16250	1.33250
2019	0.53617	0.07783	0.61400	1.17000	0.16250	1.33250
2020	0.53890	0.07710	0.61600	1.05470	0.24500	1.29970

Source: Nacogdoches Central Appraisal District

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Nacogdoches County		
Operations and Maintenance	General Obligation Debt Service	Total County Rate
0.36110	0.07320	0.43430
0.38940	0.06490	0.45430
0.44372	0.06058	0.50430
0.47682	0.05218	0.52900
0.52802	0.05748	0.58550
0.52802	0.05748	0.58550
0.53064	0.05106	0.58170
0.52118	0.04642	0.56760
0.52951	0.02289	0.55240
0.53867	0.02553	0.56420

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CITY OF NACOGDOCHES, TEXAS

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

	2020		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Pilgrims Pride Corp	43,751,440	1	2.1%
Norbord	38,037,220	2	1.9%
SFA 1411 OWNER LP	31,963,850	3	1.4%
Oncor Electric Delivery Co LLC	28,697,150	4	1.1%
Cardinal Street Housing	23,676,000	5	1.0%
Coca Cola Refreshments USA	17,022,880	6	0.9%
NIBCO Inc	16,337,470	7	0.9%
Cooper Power Systems (Eaton)	15,216,690	8	0.8%
Walmart Stores 01-0163	14,572,890	9	0.7%
University Hill Apartments	12,400,000	10	0.6%
Medhorizons LTD	11,784,670	11	0.6%
Graham Robert N LLC	9,500,000	12	0.5%
Total	$ 262,960,260		

Source: Nacogdoches Central Appraisal District

2011		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
20,040,400	2	2.6%
36,550,230	1	1.4%
		0.0%
17,628,320	3	1.0%
-		0.0%
14,042,660	7	0.9%
15,292,120	4	1.0%
15,224,810	5	1.1%
14,445,260	6	1.1%
-		0.0%
11,687,290	10	0.9%
-		0.0%
$ 124,870,690		

CITY OF NACOGDOCHES, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Taxes levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	7,574,992	7,393,636	97.6%	158,663	7,552,299	99.7%
2012	7,744,135	7,383,636	95.5%	332,121	7,715,757	99.6%
2013	7,802,938	7,607,106	97.5%	158,088	7,765,194	99.5%
2014	7,891,454	7,688,174	97.4%	149,661	7,837,835	99.3%
2015	8,378,105	8,221,058	98.1%	85,816	8,306,874	99.1%
2016	8,517,549	8,327,480	97.8%	117,278	8,444,758	99.1%
2017	8,917,473	8,690,490	97.5%	129,971	8,820,461	98.9%
2018	9,454,533	9,317,924	98.6%	98,662	9,416,586	99.6%
2019	10,084,551	9,907,955	98.2%	120,221	9,907,955	98.2%
2020	10,856,529	10,657,092	98.2%	-	10,657,092	98.2%

CITY OF NACOGDOCHES, TEXAS

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	City Direct Rate	Nacogdoches County Hospital	State of Texas	Total Rate
2011	0.01	0.01	0.0625	0.0825
2012	0.01	0.01	0.0625	0.0825
2013	0.01	0.01	0.0625	0.0825
2014	0.01	0.01	0.0625	0.0825
2015	0.01	0.01	0.0625	0.0825
2016	0.01	0.01	0.0625	0.0825
2017	0.01	0.01	0.0625	0.0825
2018	0.01	0.01	0.0625	0.0825
2019	0.01	0.01	0.0625	0.0825
2020	0.01	0.01	0.0625	0.0825

Sources: City Finance Office and County Department of Finance

CITY OF NACOGDOCHES, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS
(UNAUDITED)

	Governmental Activities	Business-type Activities			
Fiscal Year	General Obligation Bonds	General Obligation Bonds	Water and Sewer Systems Bonds	Sanitation System Bonds	Capital Leases
2011	9,610,000	13,331,864	49,615,000	-	-
2012	8,955,256	37,494,239	13,425,000	-	-
2013	8,602,591	36,369,303	11,750,000	-	-
2014	7,658,192	34,699,448	11,780,000	-	-
2015	6,696,912	33,029,715	10,285,000	-	-
2016	7,513,573	31,238,823	9,355,000	-	554,345
2017	6,353,009	29,385,249	8,255,000	-	446,603
2018	5,143,843	27,527,789	7,135,000	-	334,871
2019	3,892,637	25,577,535	5,995,000	-	220,141
2020	2,619,650	23,585,376	4,830,000	-	484,607

Total Primary Government	Percentage of Personal Income	Per Capita
62,670,000	6.4%	1,894.27
59,874,495	6.1%	1,792.38
55,760,017	5.5%	1,644.69
54,137,640	5.4%	1,598.49
50,011,627	4.7%	1,598.49
48,631,741	4.2%	1,434.82
44,439,861	3.9%	1,309.67
40,141,503	3.8%	1,194.19
35,685,313	3.1%	1,063.90
31,519,633	2.6%	958.71

CITY OF NACOGDOCHES, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS
(UNAUDITED)

	General Bonded Debt Outstanding			Percentage of Actual Taxable	
Fiscal Year	General Obligation Bonds	Less Amount Available for Debt Service	Total	Value of Property	Per Capita
2011	13,318,036	235,804	13,082,232	0.98%	262.94
2012	46,441,586	227,043	46,214,543	3.40%	260.68
2013	44,006,433	220,757	43,785,676	3.15%	232.89
2014	41,971,053	215,953	41,755,100	2.98%	219.74
2015	39,726,627	216,054	39,510,573	2.71%	192.38
2016	38,722,396	219,013	38,503,383	2.57%	1135.99
2017	35,738,258	220,953	35,517,305	2.35%	1046.72
2018	32,853,255	245,421	32,607,834	2.05%	970.07
2019	29,470,172	309,368	29,160,804	1.65%	869.38
2020	26,205,026	313,183	25,891,843	1.45%	787.54

CITY OF NACOGDOCHES, TEXAS

ESTIMATED GENERAL OBLIGAGTION OVERLAPPING DEBT STATEMENT

FISCAL YEAR 2020
(UNAUDITED)

Taxing Body	Gross Dollar Amount	Percent Overlapping	Dollar Overlap
Nacogdoches County	$ 3,800,000	48.43%	$ 1,840,340
Nacogdoches Independent School District	107,910,000	80.33%	86,684,103
	Subtotal, overlapping debt		88,524,443
	City of Nacogdoches direct debt		26,205,026
	Total direct and overlapping debt		$ 114,729,469

Overlapping governments are those that coincide at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Nacogdoches, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt borne by the property taxpayers should be taken into the account. However, this doe not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF NACOGDOCHES, TEXAS

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS
(UNAUDITED)

	Water Revenue Bonds					
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	Coverage
2011	19,139,784	10,240,406	8,899,378	3,180,000	1,858,402	1.77
2012	17,066,279	9,953,983	7,112,296	2,435,000	1,792,076	1.68
2013	16,482,678	10,309,639	6,173,039	3,325,000	1,534,332	1.27
2014	16,196,946	9,653,756	6,543,190	3,390,000	1,399,573	1.37
2015	16,928,308	9,608,934	7,319,374	3,480,000	1,367,757	1.51
2016	17,427,115	9,627,539	7,799,576	2,675,000	1,209,524	2.01
2017	19,138,572	9,827,603	9,310,969	2,675,000	1,189,071	2.41
2018	20,042,585	10,696,198	9,346,387	2,820,000	1,121,691	2.37
2019	19,641,928	10,668,990	8,972,938	2,945,000	1,028,460	2.26
2020	19,274,603	10,536,872	8,737,731	3,020,000	1,061,563	2.14

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CITY OF NACOGDOCHES, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment
2011	33,084	974,026,044	29,441	23.30	6,504	7.5%
2012	33,405	986,483,055	29,531	23.30	6,526	6.8%
2013	33,903	1,005,495,174	29,658	24.00	6,435	6.6%
2014	33,868	1,004,457,144	29,658	24.30	6,501	5.1%
2015	33,687	1,064,239,704	31,592	24.40	6,439	4.6%
2016	33,894	1,096,708,158	32,357	24.40	6,448	4.8%
2017	33,932	1,147,308,784	33,812	24.00	6,472	4.6%
2018	33,614	1,056,891,388	31,442	24.40	6,475	4.1%
2019	33,542	1,151,396,234	34,327	24.30	6,481	4.0%
2020	32,877	1,201,752,981	36,553	24.40	6,440	8.0%

Sources: Population proved by the Texas State Data Center.
Personal income and unemployment data provided by the Texas Workforce Commission.
Median age data provided by the American Community Survey of the US Census Bureau.
School enrollment data provided by the Nacogdoches Independent School District.

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CITY OF NACOGDOCHES, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)

	2020		
Employer	Employees	Rank	Percentage of Total City Employment
Stephen F. Austin State University	1,706	1	11%
Pilgrim's Pride	1,451	2	11%
Nacogdoches ISD	1,006	3	7%
Nacogdoches Memorial Hospital	715	4	5%
Etech Global Services	699	5	4%
Nacogdoches Medical Center	546	6	4%
Walmart Supercenter	350	7	4%
City of Nacogdoches	322	8	3%
Nacogdoches County	271	9	2%
Aramark	242	10	2%
Cal-Tex Lumber Co.	195	11	2%
Texas Farm Products	192	12	2%
Bright Coop	184	13	2%
Parker Hannifin Corp	181	14	1%
Elliott Electric Supply	178	15	1%
Total	8,238		61%

Source: City Economic Development Division

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2011		
Employees	Rank	Percentage of Total City Employment
1,388	3	9%
2,573	1	17%
957	4	6%
902	5	6%
1,600	2	11%
480	6	3%
475	7	3%
312	9	2%
300	10	2%
150	T-15	1%
150	T-15	2%
165	13	3%
-		1%
182	12	1%
-		1%
9,634		68%

CITY OF NACOGDOCHES, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS
(UNAUDITED)

	Full-Time-Equivalent Employees as of Year End				
Function	2011	2012	2013	2014	2015
Governmental Funds					
General Government					
Management Services	5.0	5.0	6.5	6.0	6.0
Finance	5.5	4.5	4.5	5.0	5.0
Planning	2.5	2.5	2.5	2.5	2.5
Building Maintenance	7.0	7.0	7.0	7.0	7.0
Animal Control	7.0	7.0	7.0	7.0	7.0
Municipal Court	5.5	5.5	5.5	5.5	5.5
Other Support Services	6.5	7.5	7.5	7.5	7.5
Public Safety					
Police					
Officers	63.5	63.5	65.5	66.5	66.5
Civilians	17.5	17.5	17.5	25.5	25.5
Fire					
Firefighters and Officers	59.0	59.0	59.0	58.0	58.0
Civilians	2.0	2.0	2.0	2.5	2.5
Highways and Streets					
Public Works/Engineering	8.5	8.5	8.5	8.5	8.5
Streets	13.0	13.0	13.0	13.0	13.0
Vehicle Maintenance	5.0	5.0	5.0	5.0	5.0
Culture and Recreation					
Parks and Recreation	26.5	26.5	25.5	26.5	26.5
Library/Historical Sites	11.0	10.5	10.0	10.0	10.0
Urban Development					
Inspections	8.0	6.0	6.0	4.0	4.0
Enterprise Funds					
Water and Sewer					
Water Billings	11.5	10.0	10.0	9.0	9.0
Water Production	11.0	11.0	11.0	8.0	8.0
Utility Construction	13.0	13.0	13.0	13.0	13.0
Wastewater	17.0	17.0	17.0	17.0	17.0
Sanitation					
Collections	17.0	15.0	15.0	14.0	14.0
Disposals	5.5	5.5	5.5	5.5	5.5
Airport FBO Operations					
Airport FBO	2.5	2.5	2.5	2.5	2.5
Total	330.5	324.5	326.5	329.0	329.0

Source: City Finance Office

Full-Time-Equivalent Employees as of Year End				
2016	2017	2018	2019	2020
6.0	6.0	6.0	5.0	5.0
5.0	5.0	5.0	6.0	6.0
2.5	2.0	2.0	2.5	2.5
7.0	6.0	6.0	6.0	6.0
7.0	7.0	7.0	8.0	8.0
5.5	5.5	5.5	5.5	5.5
7.5	8.0	17.0	18.5	18.5
66.5	66.5	66.5	66.5	66.5
25.5	25.5	26.5	26.5	26.5
58.0	58.0	58.0	58.0	58.0
2.5	2.5	2.5	2.5	2.5
8.5	9.0	9.0	7.0	7.0
13.0	13.0	13.0	16.0	16.0
5.0	5.0	5.0	5.0	5.0
26.5	26.0	26.0	22.0	22.0
10.0	9.5	9.5	9.5	9.5
4.0	4.0	4.0	6.0	6.0
9.0	9.0	9.0	9.0	9.0
8.0	7.0	7.0	7.0	7.0
13.0	13.0	13.0	16.0	16.0
16.0	18.0	18.0	13.0	13.0
14.0	14.0	14.0	12.0	12.0
6.0	6.0	6.0	6.0	6.0
2.5	2.5	2.5	2.5	2.5
328.5	328.0	338.0	336.0	336.0

CITY OF NACOGDOCHES, TEXAS

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS
(UNAUDITED)

Function	2011	2012	2013	2014
General Government:				
Planning and Zoning:				
Building Permits Issued	1,654	1,470	1,314	1,280
Building Inspections Conducted	1,961	1,531	1,856	2,063
Public Safety:				
Police				
Physical Arrests	3,027	3,160	4,366	4,508
Parking Violations	6	2	11	19
Traffic Violations	10,390	9,457	9,186	8,638
Fire				
Emergency Responses	3,864	3,785	3,981	4,406
Fires Extinguished	242	155	202	181
Culture and Recreation:				
Parks and Recreation				
Recreation Program Participation	5,204	4,841	5,544	4,109
Recreation Facility Reservations	204	408	475	579
Library				
Volumes in Collection	97,576	98,576	98,373	100,652
Total Volumes Borrowed	153,662	139,856	130,987	132,268
Water and Sewer:				
Water				
Water Customers	12,799	12,790	12,903	13,018
Water Main Breaks	107	79	127	150
Average Daily Consumption (thousands of gallons)	8,217	7,093	6,912	6,582
Peak Daily Consumption (thousands of gallons)	12,695	11,109	15,485	11,327
Wastewater				
Average Daily Sewage Treatment (thousands of gallons)	4,777	7,388	4,407	6,070
Sanitation				
Refuse Collection				
Refuse Collected (cubic yards)	276,158	257,780	221,680	198,705
Recyclables Collected (cubic yards)	2,254	1,818	3,722	3,451

Source: Various City Departments

2015	2016	2017	2018	2019	2020
1,320	1,229	1,202	1,047	1,163	521
2,194	1,294	1,195	1,312	429	782
3,925	2,589	2,927	1,476	1,876	1,997
19	54	85	43	22	63
7,170	6,488	7,612	8,895	8,118	2,789
4,536	4,585	4,492	4,444	4,467	3,676
271	175	128	160	141	108
5,344	5,416	5,675	5,772	6,685	2,657
602	914	1,120	1,077	903	655
102,889	104,502	105,991	108,831	110,309	111,104
128,062	123,840	128,174	132,497	130,248	81,819
13,051	13,079	13,096	13,075	13,169	13,120
101	130	122	115	125	112
3,954	6,717	7,066	6,764	5,874	6,824
11,653	9,365	11,030	12,670	9,874	10,819
7,484	7,275	6,479	6,616	4,319	5,900
221,037	259,266	257,848	267,665	261,879	263,831
1,549	4,229	4,002	4,889	5,487	686

CITY OF NACOGDOCHES, TEXAS DRAFT

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS
(UNAUDITED)

Function	2011	2012	2013	2014
Public Safety:				
Police				
Stations	1	1	1	1
Patrol Units	30	30	34	34
Fire				
Stations	5	5	5	5
Fire Engines	8	8	8	8
Highways and Streets:				
Streets				
Streets (miles)	146	146	146	146
Traffic Signals	3	2	2	2
Culture and Recreation:				
Parks and Recreation				
Parks	17	17	17	13
Swimming Pools	-	-	-	-
Splash Pads	-	-	-	-
Nature Trails	3	3	3	3
Tennis Courts	4	4	4	4
Water and Sewer:				
Water				
Water Wells	8	8	8	8
Water Main (miles)	324	324	324	324
Wastewater				
Sanitary Sewers (miles)	284	284	284	284
Sanitation:				
Refuse Collection				
Collection Trucks	13	13	13	13

Source: Various City Departments

2015	2016	2017	2018	2019	2020
1	1	1	1	1	1
34	34	34	34	34	34
5	5	5	5	5	5
8	8	8	8	8	8
146	146	146	146	146	146
2	2	2	2	2	2
13	13	13	13	13	13
-	-	-	-	-	-
-	-	-	-	-	1
3	3	3	3	3	3
4	4	4	4	4	4
8	8	8	8	8	8
324	324	324	324	324	324
284	284	284	284	284	284
13	13	13	13	13	13

SINGLE AUDIT SECTION

PB&H

PATTILLO, BROWN & HILL, L.L.P.
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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
Members of the City Council
City of Nacogdoches, Texas

We have audited, 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 the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nacogdoches, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Nacogdoches, Texas' basic financial statements and have issued our report thereon dated _________, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control as described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency as described in item 2020-001.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nacogdoches, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would 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*.

City of Nacogdoches, Texas' Response to Findings

The City of Nacogdoches, Texas' response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Nacogdoches, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Waco, Texas
_________, 2021

PATTILLO, BROWN & HILL, L.L.P.
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Waco, Texas 76710
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Honorable Mayor and
Members of the City Council
City of Nacogdoches, Texas

Report on Compliance for Each Major Federal Program

We have audited City of Nacogdoches, Texas' compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of City of Nacogdoches, Texas' major federal programs for the year ended September 30, 2020. The City of Nacogdoches, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Nacogdoches, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Nacogdoches, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Nacogdoches, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, City of Nacogdoches, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of City of Nacogdoches, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Nacogdoches, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Nacogdoches, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Waco, Texas
_________, 2021

CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through Expenditures
U. S. Department of Justice				
Passed through Office of the Texas Governor:				
Edward Byrne Memorial Justice Assistance Grant - Taser Project	16.738	3737502	$ 42,035	-
Total Passed through Office of the Texas Governor			42,035	-
Direct Program:				
Equitable Sharing Program	16.922	TX1740200	28,479	$ -
Total Direct Program			28,479	-
Total U. S. Department of Justice			70,514	-
U. S. Department of Treasury				
Passed through Texas Division of Emergency Management:				
COVID-19 - Coronavirus Relief Fund	21.019	661	1,852,180	-
Total Passed through Texas Division of Emergency Management			1,852,180	-
Total U. S. Department of Treasury			1,852,180	-
U. S. Department of Homeland Security				
Passed through Texas Division of Emergency Management:				
Disaster Grants - Public Assistance	97.036	N/A	222,847	-
Emergency Management Preparedness Grant	97.042	EMT-2020-EP00004	27,619	-
Total Passed through Texas Division of Emergency Management			250,466	-
Passed through Office of the Texas Govenor:				
State Homeland Security Program	97.067	3236101	2,088	-
Total Passed through Office of the Texas Governor			2,088	-
Total U. S. Department of Homeland Security			252,554	-
Total Expenditures of Federal Awards			$ 2,175,248	$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2020

1. GENERAL

The Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all applicable federal award programs of the City of Nacogdoches, Texas. The City's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

2. BASIS OF ACCOUNTING

The SEFA is presented using the modified accrual basis of accounting. The City's significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. INDIRECT COSTS

The City did not elect to use a de minimis cost rate of 10% as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

CITY OF NACOGDOCHES, TEXAS

SCHEDULE AND FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Summary of Auditor's Results

Financial Statements:	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness	2020-001
Material noncompliance to the financial statements noted?	None
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness	None reported
Type of auditor's report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
21.019	COVID-19 - Coronavirus Relief Fund
Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

2020-001

Findings and Questioned Costs for Federal Awards

None

Item 2020-001 (Recurring)

Criteria:	According to the COSO model, effective internal control requires that certain duties be separated between individuals, including authorization of transactions, recording of transactions, and custody of assets. In the context of the payroll cycle, this indicates that maintaining personnel records and processing payroll runs should be performed by separate individuals.
Condition:	During our testing, we noted that individuals processing payroll transactions and those maintaining personnel files are able to perform each others' duties when the need arises. During the current year, turnover in those positions resulted in the duties being performed by one individual on an ongoing basis.
Effect:	Unauthorized or inaccurate changes to personnel records could result in improper payments of payroll.
Recommendation:	We recommend that the duties of personnel file maintenance and processing payroll be separated, or otherwise increase management review of the results of payroll processing.
Management's Response:	Finance Staff has discussed the need for further segregation of duties within the Human Resources Department with both City Management and the Human Resources Director. City Management has approved a plan to bring the financial duties of the human resources function under the control and supervision of Finance Staff. This change will be in effect by fiscal year 2021.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Item 2019-001

Criteria:	According to the COSO model, effective internal control requires that certain duties be separated between individuals, including authorization of transactions, recording of transactions, and custody of assets. In the context of the payroll cycle, this indicates that maintaining personnel records and processing payroll runs should be performed by separate individuals.
Condition:	During our testing, we noted that individuals processing payroll transactions and those maintaining personnel files are able to perform each others' duties when the need arises. During the current year, turnover in those positions resulted in the duties being performed by one individual on an ongoing basis.
Effect:	Unauthorized or inaccurate changes to personnel records could result in improper payments of payroll.
Recommendation:	We recommend that the duties of personnel file maintenance and processing payroll be separated, or otherwise increase management review of the results of payroll processing.
Management's Response:	Finance Staff has discussed the need for further segregation of duties within the Human Resources Department with both City Management and the Human Resources Director. The lack of sufficient personnel in the department necessitates the overlapping of some payroll and personnel duties. The department will attempt to segregate duties as much as possible but there will be times when employees are out of the office that require overlapping job duties to occur. Management will continue to work towards a better solution which could include additional internal auditing of personnel and payroll functions.
Current Status:	Current year finding

City Council Meeting

Date: May 4, 2021

Agenda Item: 9.A.

PRESENTER: Larissa Philpot, Economic Development Director

ITEM/SUBJECT: Deliberation regarding Economic Development negotiations under Government Code Section 551.087 as follows:

A. Discuss or deliberate regarding commercial or financial information the City has received from business projects the City body seeks to have locate in the City of Nacogdoches and with which the City is conducting economic development negotiations; and
B. Deliberate offer of financial or other incentive to business prospects described by Subdivision 1 above.

SUMMARY/BACKGROUND:

FINANCIAL:
No financial impact associated with this item

COUNCIL PRIORITIES: THIS AGENDA ITEM IS CONSISTENT WITH THE FOLLOWING CITY COUNCIL PRIORITIES
Economic Development

CITY CONTACT: Mario Canizares, City Manager
canizaresm@nactx.us
936-559-2501

ATTACHMENTS: