



March 15, 2022

Notice is hereby given of a Regular Meeting of Nacogdoches City Council to be held on the above date in the City Council Chambers of City Hall, 202 E. Pilar Street, Nacogdoches, Texas, beginning at 5:30 p.m. for the purpose of considering the following agenda items.

Some City Council Members may attend via videoconference but a quorum of the City Council and the Presiding Officer will be present at the above-stated physical location. 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.

Members of the public who wish to submit comments on a listed agenda item by telephone 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 must be received by 12:00 p.m. on March 15, 2022. 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. OPEN FORUM. Open Forum is an opportunity for citizens to speak about items not listed on the agenda. In order to address City Council please complete the Open Forum Form and submit it to the City Secretary prior to the start of the meeting. In accordance with the Texas Open Meetings Act, City Council shall not discuss, deliberate, or make any decisions on items discussed during Open Forum. Comments are limited to 3 minutes per person. Open Forum is limited to the first 5 citizens who submit an Open Forum Form.
4. EXECUTIVE SESSION: Executive Sessions are for City Council to receive information and deliberate on matters specified in Subchapter D of the Texas Open Meetings Act. Council may reconvene in open session to vote on the matter.
 - A. A. Deliberation regarding Economic Development negotiations under Government Code Section 551.087 as follows:
 1. 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
 2. Deliberate offer of financial or other incentive to business prospects described by Subdivision 1 above.
5. Open for action, if any, on Executive Session item(s).
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 for February 22, 2022 and March 1, 2022 regular meeting. (City Secretary)
 - B. Consider renewal of Taxicab Franchise No.8 to Samuel Jamison dba Nac Cab for an additional five (5) years. (City Secretary)
8. REGULAR AGENDA: City Council will receive staff recommendations and public input on the following items, and may deliberate and take formal action on the item.
 - A. Receive presentation from Auditors regarding the Annual Comprehensive Financial Report for fiscal year ending 09/30/2021 (Clayton Rogers CPA, Pattillo, Brown, & Hill LLP)
 - B. Consider approval of a proposed inflation cost adjustment for City employees (Human Resources Director)
 - C. Consider an ordinance amending Ordinance No. 1881-09-21 appropriating various amounts in accordance with the budget adopted for the ensuing fiscal year beginning October 1, 2021 and ending September 30, 2022 for employee inflation adjustment payments. (Human Resources Director)
 - D. Consider approval resolution closing East Main Street for the Nacogdoches Music and Arts Festival event, April 23, 2022. (CVB Director of Sales and Promotions)
 - E. Discuss and consider adopting an ordinance amending Chapter 6-Animals, Article II-Care of Animals, of the Code of Ordinances, City of Nacogdoches, Texas to amend the tethering requirements for animals.(City Planner)
 - F. Receive a report, hold a discussion and give staff direction regarding Demolition by Neglect Ordinance. (Director of Community Service)
 - G. Receive a report, hold a discussion, and give staff direction regarding Nacogdoches Code Enforcement. (City Planner)
 - H. Consider approval of an ordinance establishing a residential economic development program pursuant to Chapter 380 of the Local Government Code, to be administered by the Economic Development Department. (Economic Development Director)

- I. Consider approval of a resolution creating a Chapter 380 Economic Development Program and authorizing an agreement by and between the City of Nacogdoches and JBSC Development, LLC regarding development of a residential subdivision and an associated budget amendment. (Economic Development Director)

9. ADJOURN.



Jan Vinson, City Secretary



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 March 10, 2022 at 10:30 a.m. and remained posted until meeting convened.

Jan Vinson, City Secretary



City Council Meeting

Date: March 15, 2022

Agenda Item: 4.A.

PRESENTER: Larissa Philpot, Economic Development Director

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

1. 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
2. Deliberate offer of financial or other incentive to business prospects described by Subdivision 1 above.

SUMMARY/BACKGROUND:

FINANCIAL:

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

CITY CONTACT: Larissa Philpot, Economic Development Director
lphilpot@nedco.org
936-559-1255

ATTACHMENTS:



City Council Meeting

Date: March 15, 2022

Agenda Item: 7.A.

PRESENTER: Jan Vinson, City Secretary

ITEM/SUBJECT: Consider approval of minutes for February 22, 2022 and March 1, 2022 regular meeting. (City Secretary)

SUMMARY/BACKGROUND:

FINANCIAL:

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

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

ATTACHMENTS: 1. Minutes 02.22.22
2. Minutes 03.01.22



Regular Session
Nacogdoches City Council
February 22, 2022 – 5:30 p.m.
City Council Room – City Hall
202 East Pilar Street

DRAFT

City Council present in person: Mayor Jimmy Mize, Council Members Kathleen Belanger, Roy Boldon, Amelia Fischer and Jay Anderson.

1. Called to order at 5:30 p.m.
2. Pledge of Allegiance.
3. No one spoke during Open Forum.
4. Mayor Mize pulled Item 5.C. from the Consent Agenda for more information.
5. **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 for January 18, 2022 and February 1, 2022 Regular Meetings.
 - B. Consider approval of a Memorandum of Understanding between the City of Nacogdoches and the American Red Cross for office space located at City Hall.
 - C. Consider approval of model ground lease at A.L. Mangham, Jr. Regional Airport.
 - D. Consider adoption of a budget amendment for the purchase of a 2023 F-750 Dump Truck for the Parks Department.
 - E. Consider approval of the purchase of one dump truck for the Parks Department through BuyBoard contract.
 - F. Consider adoption of a budget amendment ordinance in the amount of \$75,000 to purchase a new Brush Truck, Rear-Load Compactor Truck, Front-Load Compactor Truck, and a Side-Load Compactor Truck from Heil of Texas.
 - G. Consider approval of the purchase of a new Brush Truck, Rear-Load Compactor Truck, Front-Load Compactor Truck, and a Side-Load Compactor Truck from Heil of Texas, for an amount not to exceed \$1,160,000.

Council Member Jay Anderson moved approval of Consent Agenda Items 5.A, 5.B, 5.D, 5.E, 5.F and 5.G; motion duly seconded by Council Member Roy Boldon and carried by unanimous vote.

5.C Larissa Philpot-Brown, Economic Development Director explained that in the existing lease, the value derived in the appraisal process would be based upon the present value of a ten year lease instead of a twenty year lease.

David Zimmer spoke against changing from twenty year to ten year.

Mayor Mize moved approval of Consent Agenda Items 5.C; motion duly seconded by Council Member Jay Anderson and carried by unanimous vote.

6. REGULAR AGENDA:

- A. **Public Hearing:** Consider a request for approval of a Zone Change from R-3, Two Family to B-2, General Business for a portion of Lot 1-A-1, City Block 60 and 61, generally located at 2824 NW Stallings Drive. This request has been submitted by Genuine BTB, LTD. Case File ZON2022-01.

Mayor Mize opened the public hearing.

Minutes unofficial until approved by City Council

Alaina Helton, City Planner stated the property is currently split zoned with the front half zoned B2 and the back half zoned R3. The RV sales business has been operating at this location since 2003 and has been using the portion zoned R3 as a storage area. The applicant is proposing to replace existing metal shed on the back half of the property with a larger metal building and wash bay.

Planning and Zoning Commission recommended approval at their meeting on February 14, 2022.

City Council discussed length of time the business had been storing RVs on the property zoned R3. City Council also discussed a similar zone change request that was denied.

Public Hearing closed.

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

- B. **Public Hearing:** Consider a request for approval of a Specific Use Permit for Recreational Vehicle Sales for Lot 1-A-1, City Block 60 and 61, generally located at 2824 NW Stallings Drive. This request has been submitted by Genuine LTD, LTD. Case File SUP2022-01.

Mayor Mize opened the Public Hearing.

Alaina Helton, City Planner stated this is a request for a Specific Use Permit to replace an existing metal shed with a new, larger building for the afore mentioned zone change request. The applicant will bring the property in compliance with the City's codes by planting street trees and installing a six foot wooden fence on the north side of the property.

Ann Adams stated she has a problem with the six foot fences separating commercial and residential properties. The wooden fences are not maintained and they obstruct views, airflow and wildlife.

Public Hearing closed.

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

- C. Consider an Ordinance amending Chapter 106 "Utilities" of the City of Nacogdoches, Texas Code of Ordinances providing for bill adjustments in certain instances.

Pam Curbow, Finance Director stated this ordinance amendment will address how staff addresses water and sewer leak adjustments. This amendment will give staff a more uniformed set of procedures to follow both by the customer and staff when addressing high use bills due to defective lines.

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

- D. Consider approval of a resolution to pursue claims for monetary damages, regarding franchise fees against video service providers, as required in the Texas Video Service Providers Act, Texas Utilities Code Sec. 66. **Texas Government Code 2254.1036 Public Notice is attached.**

Steven Kirkland, City Attorney explained that if approved the City would join a lawsuit being filed against streaming services for franchise fees. He also stated streaming services have not been paying franchise fees over the years, and this lawsuit could recover fees owed to the City and require the streaming services to pay franchise fees going forward.

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

- E. Consider a resolution joining the State of Texas and Texas Political Subdivisions' settlement with additional defendants (the ENDO/PAR Defendants) in the Texas opioid litigation, MDL NO. 2018-63587.

On October 19, 2021, City Council approved a resolution supporting the Texas Opioid Abatement Fund Council and Settlement Allocation Term Sheet, which released claims of the City against certain defendants in the Texas Opioid MDL. City Attorney Steven Kirkland stated that Special Council for the State of Texas has reached an additional settlement agreement with Endo/Par. The City will receive a direct allocation of approximately \$9,000.

Chris Englert asked about the number of opioid deaths have been recorded in the City and the County, and if that plays any role in the City receiving money.

City Council discussed how the funds must be used.

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

- F. Discuss and consider resolutions of support, no-opposition, or denial for developers applying for Texas Department of Housing and Community Affairs 2022 Competitive 9% Low-Income Housing Tax Credit Program (LIHTC). Project Name: Maroney Park Crossing, Project Location: Maroney Drive, TDHCA LIHTC 9% Pre-Application Number: 22086

Larissa Philpot-Brown, Economic Development Director reviewed the Housing Tax Credit Program, this application and previous LIHTC developments. She also discussed the options available to City Council regarding the resolutions.

Russ Michaels with Texas Interfaith Housing discussed the site plan and how it had changed. This project will be fifty Class A apartments built for a fixed income community ages 62 and older. He discussed the market study, need for senior living properties and monthly rental fees. He also discussed buffer zones and green space.

The following spoke during public comment:

Chris Englert stated that people can't be discriminate against regarding housing based on prison sentence as the developer alluded to. He also stated the City should take no action on this item and wait until the Comprehensive Plan is finished.

Deanne Knox, who lives on the corner of Ridgewood and Maroney Drive, stated her concern is the increased traffic on Maroney Drive. She asked City Council to take no action or vote no on this item.

Collin Ortiz presented a petition to City Council in opposition to this project. She also feels the Comprehensive Plan should come before this project. She asked that the City Council vote no or take no action.

Sharolyn Stratton stated that based on the census age 62 and over is not the City's target population. She also discussed location of the facility and asked City Council to vote no on both projects.

Charmaine Dickaut stated she is opposed to this project and that the Comprehensive Plan should be completed first. She discussed safety of pedestrians and increased traffic.

City Council discussed the quality of the development, neighboring property values, traffic issues, alternate locations, community engagement, property tax rate, low income senior housing needs, subsidized housing and the planned development process.

City Council took no action.

- G. Discuss and consider resolutions of support, no-opposition, or denial for developers applying for Texas Department of Housing and Community Affairs 2022 Competitive 9% Low-Income Housing Tax Credit Program (LIHTC). Project Name: Pioneer Crossing for Seniors, Project Location: Maroney Drive, TDHCA LIHTC 9% Pre-Application Number: 22188

Larissa Philpot-Brown, Economic Development Director stated she would work with the City Planner to create a review process/policy for these types of developments in the future.

Michael Beard with BETCO Consulting discussed how the timeline affects the ability to engage the community sooner. BETCO Consulting already has an affordable housing project in Lufkin. Mr. Beard stated that Pioneer Crossing for Seniors will be an eighty unit complex with 15% being market rate.

The following spoke during public comment:

Chris Englert stated we need this type of housing but in the right location which the new Comprehensive Plan will address.

Zachary Smith stated the Pioneer Crossings in Lufkin are not located near single family residential areas. He also discussed a fraud charge against the developers using low income housing tax credits.

Milton Moorner stated he is not opposed to either development. He also stated that the development of the property is coming because of the location. He also believes there is a need for low income housing in Nacogdoches.

Tracy Lasater stated it is not the words low income but the word government. She said these developments are being proposed because government bureaucrats have decided what our community needs to look like.

Mary McClary stated R1 residential housing is needed in Nacogdoches and this location is the perfect spot for that. She also stated the development is the most atrocious architecture she has ever seen. She said don't put more ugly buildings in Nacogdoches.

Carolyn Davis stated there are drainage issues here in Nacogdoches and this new development may bring more issues. She also discussed sidewalks, traffic and safety issues.

Mr. Beard discussed drainage concerns, audit process, minimum set aside election and litigation concerns regarding the developer.

Sharolyn Stratton discussed how much of the complex will be low income eligible and how long that would be in effect.

Collin Ortiz submitted a petition to City Council in opposition to this development.

David Cooper who lives in Kenbrook stated he has serious concerns about drainage. He stated our decisions should be made based on the date from the Comprehensive Plan and asked City Council to vote no on this project.

City Council discussed need for low income housing, zoning of the property and how property is chosen.

City Council took no action.

Convened in Executive Session at 8:22 p.m.

7. **EXECUTIVE SESSION:**

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

1. 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
2. Deliberate offer of financial or other incentive to business prospects described by Subdivision 1 above.

8. City Council reconvened in Regular Session at 8:57 p.m. taking no action.

9. Adjourned 8:57 p.m.

ATTEST:

Mayor Jimmy Mize
City Council
City of Nacogdoches

Jan Vinson, City Secretary



Regular Session
Nacogdoches City Council
March 1, 2022 – 4:30 p.m.
City Council Room – City Hall
202 East Pilar Street

DRAFT

City Council present in person: Mayor Jimmy Mize, Council Members Kathleen Belanger, Roy Boldon, Amelia Fischer and Jay Anderson.

1. Called to order at 4:31 p.m.
2. Pledge of Allegiance.
3. **WORK SESSION**: Items included under Work Session are intended to provide opportunities for City Council to study and discuss various issues, and gather and analyze information. Council will not take formal action on matters presented at a work session, but may direct staff to place items relating to the matter on future agendas for formal consideration.

A. Receive the 2021 Racial Profiling Report.

Police Chief Jim Sevey presented a contact report created by Del Carmen Consulting. He discussed the seven standards that law enforcement agencies are expected to meet. He also discussed demographics by population and ethnicity, motor vehicle contacts, searches, arrests and use of force. There was one racial profiling complaint made in 2021 and the officer was exonerated.

Council Member Fischer discussed de-escalation, communication and use of force. She requested that the percentages presented in the report be recalculated based on population and be presented to City Council again at a future City Council meeting. She also about follow-up meetings with Mr. Garrigan last year regarding the 2020 Racial Profiling Report.

Chief Sevey stated that he would contact Dr. Del Carmen in April and request that he recalculate the percentages based on population.

Council Member Belanger stated a racial disproportionality measure would generate the information that Council Member Fischer was asking for. She also stated she would share that information with City staff.

Council Member Anderson discussed searches, and arrests from searches and body camera footage.

City Manager Canizares stated he met with Mr. Garrigan last year and he suggested a more in-depth analysis with a different consultant. Staff did contact the consultant and found that he was already part of Dr. Del Carmen’s consulting team.

Council Member Boldon expressed concern about the number of stops made where the race is not known prior to the stop. He also stated he’d like the police officers to have more input in the report.

Chief Sevey also discussed mental health issues in the community.

B. Nacogdoches Police Department Outreach Program report.

Police Chief Jim Sevey discussed the projects, programs, events, volunteerism, boards and civic groups that are part of the Police Department Outreach Program. New programs for 2022 include “Meet the Police” and officers attending children’s birthday parties. NPD officers attend many events that go unreported and are often involved in activities that go unnoticed.

4. No one spoke during Open Forum.
5. No items removed from the Consent Agenda.
6. **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.

Minutes unofficial until approved by City Council

- A. Consider adoption of a budget amendment ordinance in the amount of \$5,000 to purchase a new backhoe from Doggett Machinery Services.
- B. Consider approval of the purchase of a new backhoe from Doggett Machinery Services for an amount not to exceed \$130,000.
- C. Investment Report for Quarter ended December 31, 2021.
- D. Consider approval of a resolution closing East Main Street for the annual Nacogdoches Main Street Wine Swirl event, April 2, 2022.
- E. Consider approval of a resolution closing East Main Street for the Texas Blueberry Festival event, June 10, 2022 through June 11, 2022.
- F. Consider approval of a resolution closing East Main Street for the Nine Flags Lighted Christmas Parade Festival, December 3, 2022.
- G. Consider approval a resolution closing East Main Street for the Dia de los Muertos Fiesta event, November 5, 2022.

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

7. REGULAR AGENDA:

- A. Receive a report from the American Red Cross.

Melanie Cervenko with the American Red Cross introduced Disaster Program Manager Jeff Burns, Disaster Action Team Member Queen Handy and Red Cross Volunteer Council Member Belanger. Ms. Cervenko also discussed the services provided by volunteers and staff who work to deliver vital services during a crisis, volunteer opportunities, mission and values.

- B. Mayor Mize presented a proclamation recognizing American Red Cross Month to the local Red Cross representative.

Mayor Jimmy Mize presented a proclamation to the American Red Cross recognizing March 2022 as Red Cross Month.

- C. Receive annual report from the Nacogdoches County Exposition and Civic Center.

Anita Scott, Expo and Civic Center Director presented the 2021 Annual Report. She discussed how COVID-19 and the 2021 winter storm affected the Expo and Civic Center. The Expo and Civic Center hosts a variety of events from rodeos, festivals, meetings, trainings, fairs, concerts, and COVID testing and vaccination clinics. Most of these events bring visitors to Nacogdoches who stay in our hotels and shop in our town. Mrs. Scott also reviewed direct business sales and economic impact.

- D. Consider a request by the Nacogdoches Senior Center for reimbursement of \$3,015.00 in building permit fees previously paid to the City.

Case Opperman, Assistant Public Works Director stated the Senior Center paid for the building permits last fall and is asking for reimbursement. The Senior Center is adding on to their facility at 1601 W. Austin and construction is underway.

Mr. Opperman also asked for direction from City Council on creating a policy to address future requests for reimbursement.

Mike Kelley, Chairman of the Nacogdoches County Committee on Aging, discussed funding for the Senior Center through donations. Mr. Kelly stated that the new Senior Center will provide more activities to our more active senior population.

City Council directed staff to create a draft policy to address grants of public funds for public good.

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

- E. Consider a resolution joining the State of Texas and Texas Political Subdivisions' settlement with additional defendants (the Teva Defendants) in the Texas opioid litigation, MDL NO. 2018-63587.

On October 19, 2021, City Council approved a resolution supporting the Texas Opioid Abatement Fund Council and Settlement Allocation Term Sheet, which released claims of the City against certain defendants in the Texas Opioid MDL. City Attorney Steven Kirkland stated that Special Council for the State of Texas has reached an additional settlement agreement with Teva. The City will receive a direct allocation of approximately \$23,000.

Council Member Kathleen Belanger moved approval; motion duly seconded by Council Member Roy Boldon and carried by unanimous vote

Convened in Executive Session at 6:27 p.m.

8. **EXECUTIVE SESSION:**

A. Consultation with City Attorney - Pursuant to Texas Government Code Section 551.071, deliberation regarding attorney's advice concerning pending or contemplated litigation or a settlement offer, or on a matter in which the duty of the attorney to the governmental body under Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter. The subject of this Executive Session relates to Code Enforcement.

9. City Council reconvened in Regular Session at 6:53 p.m. taking no action.

10. Adjourned 6:53 p.m.

ATTEST:

Mayor Jimmy Mize
City Council
City of Nacogdoches

Jan Vinson, City Secretary



City Council Meeting

Date: March 15, 2022

Agenda Item: 7.B.

PRESENTER: Jan Vinson, City Secretary

ITEM/SUBJECT: Consider renewal of Taxicab Franchise No.8 to Samual Jamison dba Nac Cab for an additional five (5) years. (City Secretary)

SUMMARY/BACKGROUND: Nac Cab franchise will expire on March 21, 2022. Mr. Samual Jamison is the owner/operator of Nac Cab and is current on taxicab inspections, fees and insurance. Mr. Jamison operates 2 taxicabs.

Section 28-43 of the City's Code of Ordinances states that taxicab franchises shall continue for a period of five years. Mr. Jamison's original franchise is now expiring and he is requesting the City Council to approve renewal of his franchise for an additional five years to expire in 2027.

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. Nac Cab franchise renewal



**TAXICAB FRANCHISE
NO. 8
(renewal)**

In accordance with the decision and order of the City Council of the City of Nacogdoches, Texas and in accordance with the provisions of the Ordinances of said City passed and approved:

THIS CERTIFIES THAT PERMISSION IS GRANTED TO

Samuel Jamison dba Nac Cab

whose address is 404 West California, Lot 9, Nacogdoches Texas, to operate two (2) taxicabs over the streets and public ways within the corporate limits of said city, said Certificate and authority to remain in effect from and after the date hereof for a period of five (5) year sending **March 21, 2027** to the provisions, limitations, and restrictions of said Ordinance, and the rules and regulations of the City of Nacogdoches heretofore prescribed or which may be hereafter prescribed under and pursuant to the authority conferred upon it by the laws of the State of Texas and its Charter.

Approved this the 15th day of March, 2022.

Mayor Jimmy Mize
City Council
City of Nacogdoches

ATTEST:

Jan Vinson, City Secretary



City Council Meeting

Date: March 15, 2022

Agenda Item: 8.A.

PRESENTER: Pam Curbow, Finance Director

ITEM/SUBJECT: Receive presentation from Auditors regarding the Annual Comprehensive Financial Report for fiscal year ending 09/30/2021 (Clayton Rogers CPA, Pattillo, Brown, & Hill LLP)

SUMMARY/BACKGROUND: The City Council will receive a presentation from the external auditors regarding the Annual Comprehensive Financial Report for the fiscal year ending September 30, 2021. City Council is required to accept the audit report annually.

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 Required Communication with Governance 2021
2. DRAFT Annual Comprehensive Financial Report 2021



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

We have audited the financial statements of the City of Nacogdoches, Texas as of and for the year ended September 30, 2021, and have issued our report thereon dated ____, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 13, 2021, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Nacogdoches, Texas solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

As a part of the engagement, we assisted in preparing the financial statements, schedule of expenditures of federal awards, and related notes to the financial statements of the City of Nacogdoches, Texas in conformity with U.S. generally accepted accounting principles and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) based on information provided by management. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Standards*.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



In order to ensure we maintain our independence for performing these nonaudit services, certain safeguards were applied to this engagement. Management assumed responsibility for the financial statements, the schedule of expenditures of federal awards and related notes to the financial statements and any other nonaudit services we provided. Management acknowledged in the management representation letter our assistance with the preparation of the financial statements, schedule of expenditures of federal awards, and related notes to the financial statements, and that these items were reviewed and approved prior to their issuance and accepted responsibility for them. Further, the nonaudit services were overseen by an individual within management that has the suitable skill, knowledge, or experience; evaluated the adequacy and results of the services; and accepted responsibility for them.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. During Fiscal Year 2021, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This resulted the City's existing fiduciary funds to become reclassified as governmental funds. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the allowance for uncollectible property taxes is based on a historical rate of 35% of outstanding property taxes as of September 30, 2021. We evaluated the key factors and assumptions used to develop the allowance for uncollectible property taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible trade accounts receivable is based on a historical rate of 15% trade accounts receivable at September 30, 2021. We evaluated the key factors and assumptions used to develop the allowance for uncollectible trade accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the OPEB and net pension liabilities were based upon actuarial studies performed by Gabriel, Roeder, Smith & Company and the Texas Municipal Retirement System, respectively. We evaluated the key factors and assumptions used to develop the estimates of the OPEB and net pension liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of capital assets is based on the expected lifespan of the asset in accordance with standard guidelines. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for closure and post-closure costs for the municipal landfill were based upon an engineering study performed by Solid Waste Management Consultants. We evaluated the key factors and assumptions used to develop the estimate of the closure and post-closure costs in determining that they are reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City of Nacogdoches, Texas' financial statements relate to the net pension and OPEB liabilities. The disclosures in the financial statements are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Nacogdoches, Texas' financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated ____, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City of Nacogdoches, Texas, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City of Nacogdoches, Texas' auditors.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statements which become effective for fiscal years 2022 and 2023.

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 classified 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 City in fiscal year 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement will become effective for the City in fiscal year 2023.

Restriction on Use

This report is intended solely for the information and use of the City Council and management of the City of Nacogdoches, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Waco, Texas
_____, 2022



CITY OF NACOGDOCHES, TEXAS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year Ended
September 30, 2021

As Prepared By:
Finance Department
City of Nacogdoches, Texas

CITY OF NACOGDOCHES, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Prepared by: Finance Department
City of Nacogdoches, Texas

CITY OF NACOGDOCHES, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
SEPTEMBER 30, 2021

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INTRODUCTORY SECTION



March 15, 2022

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

The annual comprehensive financial report of the City of Nacogdoches, Texas for the fiscal year ended September 30, 2021 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, 2021. 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 32,147 according to the 2020 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-to-day 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 2021, 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, 2021 the City of Nacogdoches has accumulated the following amounts in support of these policies

<u>Fund</u>	<u>Policy Amount</u>	<u>Reserve Total</u>
Governmental Funds		
General Fund – 25%	\$ 6,541,385	\$ 13,375,774
Proprietary Funds:		
Utility Fund – 25%	\$ 3,852,054	\$ 5,836,524
Sanitation Fund – 25%	\$ 1,228,737	\$ 3,200,293

Major initiatives

Began an engineering review of the SCADA control systems for water and sewer treatment

Began engineering design for a new storm water drainage system in the Summerhill Subdivision

Completed two storm sewer replacement projects on South Fredonia Street and South Church Street

Began engineering design for a new storm sewer system on Logansport Street

Completed the 2020 Street Reconstruction & Paving Project including 12 streets

Completed the 2021 Crack Seal project for 32 streets

Underway with the 2021 Seal Coat Project for 34 streets

Completed the Sewer System Capital Project Study

Underway with the Water Distribution System Capital Project Study

Completed the design of the Filter 7 Replacement Project at the Surface Water Treatment Plant

Continued the Preliminary Engineering Report for the Lanana and Banita Creek Sewer Line Replacement Project

Completed 90% of the construction for new water and sewer utilities along the US 59 Direct Connect Project

Provided point repair and limited length replacement projects of several water and sewer lines in local neighborhoods.

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 annual comprehensive financial report for the fiscal year ended September 30, 2020. This is the twelfth 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 annual comprehensive 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 annual comprehensive 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,

A handwritten signature in blue ink, appearing to read "Mario Canizares". The signature is fluid and cursive, with the first name "Mario" and last name "Canizares" clearly distinguishable.

Mario Canizares
City Manager



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Nacogdoches,
Texas**

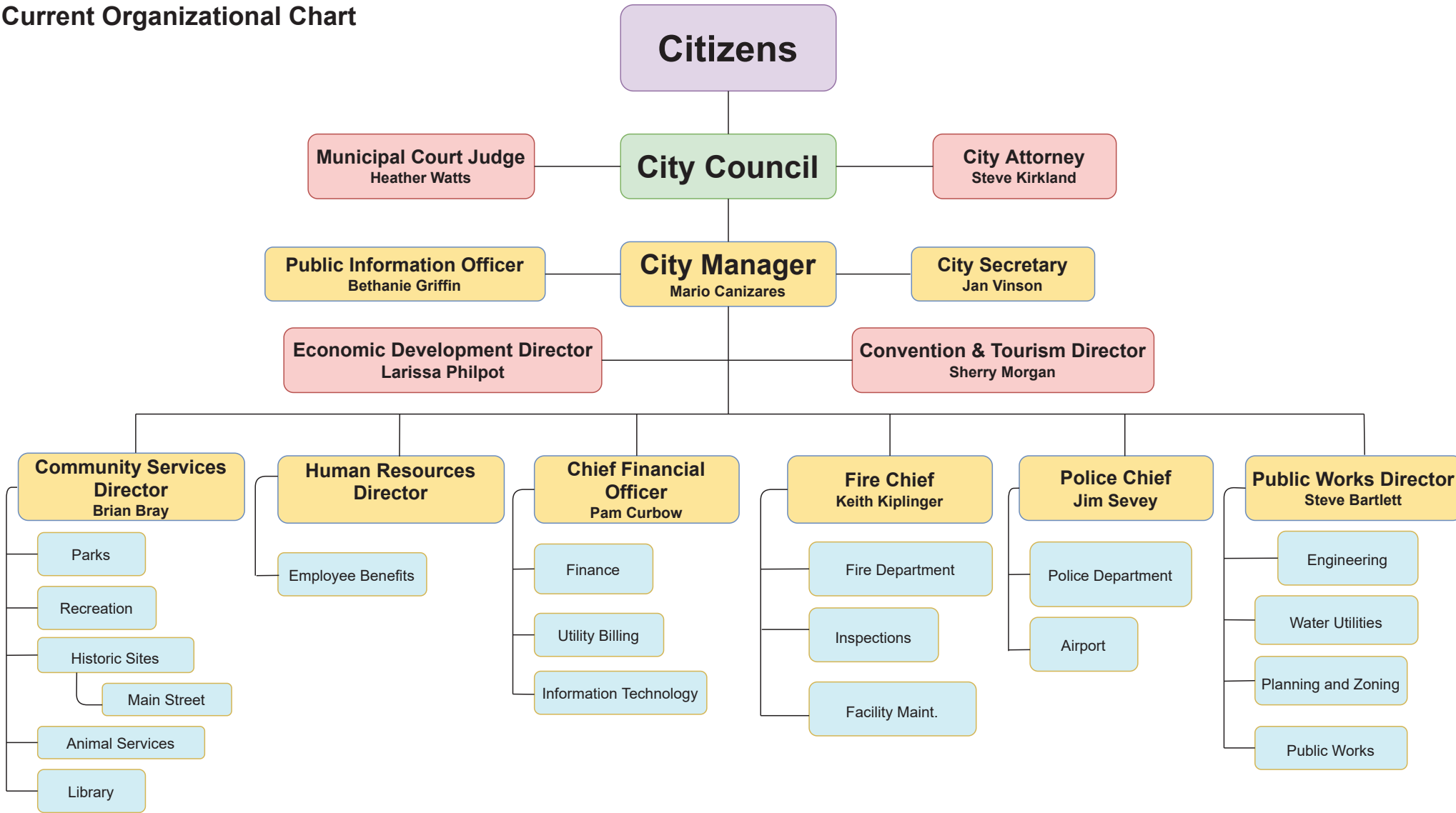
For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

September 30, 2020

A handwritten signature in black ink, reading "Jeffrey R. Enser". The signature is fluid and cursive.

Executive Director/CEO

Current Organizational Chart



October 2021

CITY OF NACOGDOCHES, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2021

Elected Officials

<u>Name</u>	<u>Office</u>
Jimmy Mize	Mayor
Kathleen Belanger	Council Member
Amelia Fischer	Council Member
Jay Anderson	Council Member
Roy Boldon	Council Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Mario Canizares	City Manager
Jan Vinson	City Secretary
Pamela Curbow	Director of Finance

FINANCIAL SECTION



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, 2021, 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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, 2021, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2022, 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
_____, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021.

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 \$158,442,737 (net position). Of this amount, \$19,175,082 (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 \$8,952,914 for the year ended September 30, 2021 from operations, compared to an increase of \$10,991,684 for the year ended September 30, 2020. 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 \$22,250,015. This represents an increase of \$1,810,671 from the prior year; the primary cause of this increase was due to increased intergovernmental revenues and transfers from enterprise funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,372,793 or 46% of total General Fund expenditures.
- The City's total long-term debt decreased by \$3,115,072 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, 2021, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$158,442,737.

The largest portion of the City's net position (70%) 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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 34,686,210	\$ 28,244,061	\$ 54,875,314	\$ 51,805,235	\$ 89,561,524	\$ 80,049,296
Capital assets	35,630,431	33,739,367	90,383,354	91,106,511	126,013,785	124,845,878
Total assets	70,316,641	61,983,428	145,258,668	142,911,746	215,575,309	204,895,174
Total deferred outflows of resources	3,078,615	2,603,933	626,989	677,204	3,705,604	3,281,137
Long-term liabilities	15,450,328	15,978,830	29,383,246	32,837,939	44,833,574	48,816,769
Other liabilities	8,352,494	2,463,472	4,175,263	3,647,383	12,527,757	6,110,855
Total liabilities	23,802,822	18,442,302	33,558,509	36,485,322	57,361,331	54,927,624
Total deferred inflows of resources	2,888,562	3,191,031	588,283	567,833	3,476,845	3,758,864
Net position:						
Net investments in capital assets	32,799,431	31,162,042	77,324,838	64,036,601	110,124,269	95,198,643
Restricted	6,700,094	6,622,772	22,443,292	10,382,283	29,143,386	17,005,055
Unrestricted	7,204,347	5,169,214	11,970,735	32,116,911	19,175,082	37,286,125
Total net position	\$ 46,703,872	\$ 42,954,028	\$ 111,738,865	\$ 106,535,795	\$ 158,442,737	\$ 149,489,823

A portion of the City's net position (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$19,175,082, 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 \$3,749,844. Significant reasons for this increase are as follows:

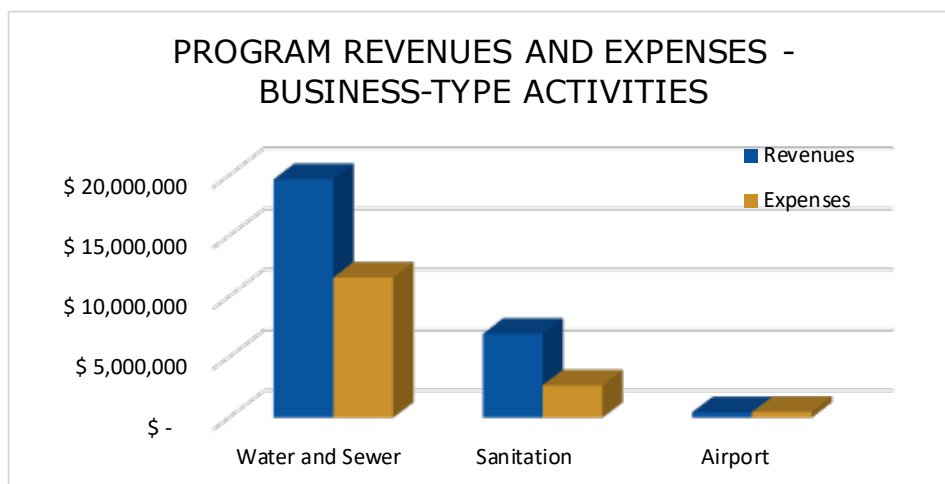
- The increases in intergovernmental revenues from COVID-19 related grants.
- The \$5,602,324 transfer from business-type activities

The following table provides a summary of the City's operations for the year ended September 30, 2021, and 2020.

CITY OF NACOGDOCHES' CHANGES IN NET POSITION

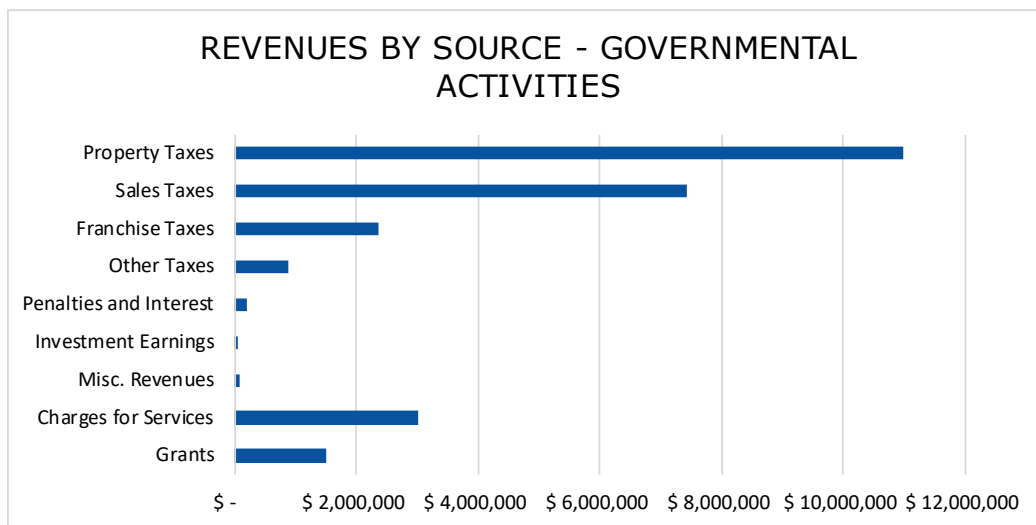
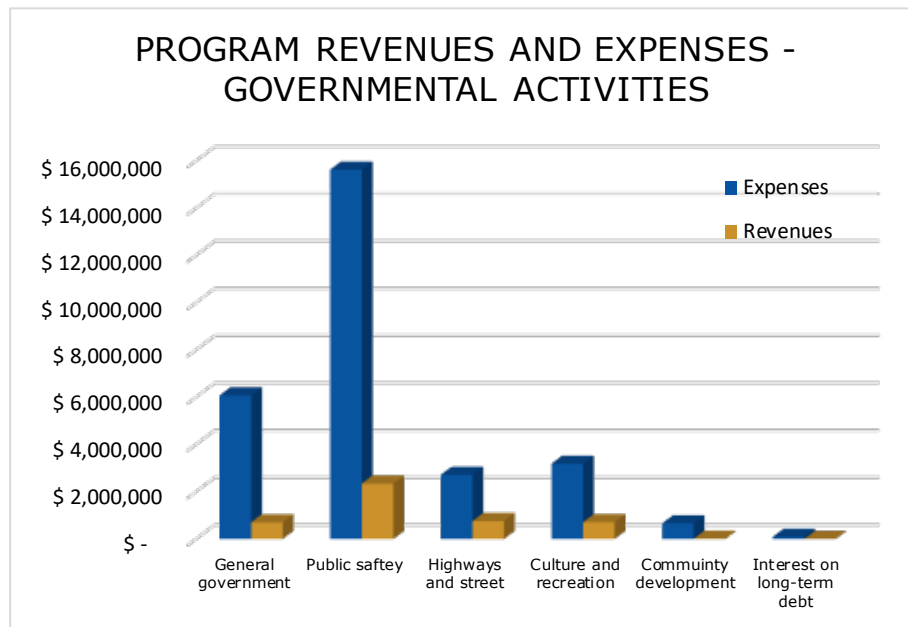
	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 3,028,849	\$ 2,806,502	\$ 26,414,072	\$ 25,739,929	\$ 29,442,921	\$ 28,546,431
Operating grants and contributions	959,430	2,641,116	-	-	959,430	2,641,116
Capital grants and contributions	540,893	84,126	-	-	540,893	84,126
General revenues:						
Property taxes	10,973,148	10,827,222	-	-	10,973,148	10,827,222
Sales taxes	7,434,346	6,932,275	-	-	7,434,346	6,932,275
Franchise taxes	2,350,005	2,385,315	-	-	2,350,005	2,385,315
Other taxes	870,362	697,921	-	-	870,362	697,921
Penalties and interest on taxes	204,101	152,238	-	-	204,101	152,238
Investment earnings	50,523	229,664	147,219	489,824	197,742	719,488
Miscellaneous revenue	73,721	89,941	498,832	713,801	572,553	803,742
Gain (loss) on sale of capital assets	16,923	63,928	-	39,394	16,923	103,322
Total revenues	<u>26,502,301</u>	<u>26,910,248</u>	<u>27,060,123</u>	<u>26,982,948</u>	<u>53,562,424</u>	<u>53,893,196</u>
Expenses:						
General government	6,078,676	5,130,414	-	-	6,078,676	5,130,414
Public safety	15,626,336	15,868,977	-	-	15,626,336	15,868,977
Highways and streets	2,716,850	2,932,520	-	-	2,716,850	2,932,520
Cultural and recreation	3,185,698	2,654,815	-	-	3,185,698	2,654,815
Economic development	659,138	898,609	-	-	659,138	898,609
Debt service	88,083	141,133	-	-	88,083	141,133
Water and sewer	-	-	11,571,780	11,487,635	11,571,780	11,487,635
Sanitation	-	-	4,213,881	3,363,461	4,213,881	3,363,461
Airport	-	-	469,068	423,948	469,068	423,948
Total expenses	<u>28,354,781</u>	<u>27,626,468</u>	<u>16,254,729</u>	<u>15,275,044</u>	<u>44,609,510</u>	<u>42,901,512</u>
Increase in net position before transfers	(1,852,480)	(716,220)	10,805,394	11,707,904	8,952,914	10,991,684
Transfers	<u>5,602,324</u>	<u>6,427,131</u>	<u>(5,602,324)</u>	<u>(6,427,131)</u>	-	-
Increase in net position	3,749,844	5,710,911	5,203,070	5,280,773	8,952,914	10,991,684
Prior period adjustment	-	-	-	-	-	-
Net position - beginning	<u>42,954,028</u>	<u>37,243,117</u>	<u>106,535,795</u>	<u>101,255,022</u>	<u>149,489,823</u>	<u>138,498,139</u>
Net position - ending	<u>\$ 46,703,872</u>	<u>\$ 42,954,028</u>	<u>\$ 111,738,865</u>	<u>\$ 106,535,795</u>	<u>\$ 158,442,737</u>	<u>\$ 149,489,823</u>

Business-type activities. Business type activities increased the City's net position by \$5,203,070. 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 slightly smaller than the increase reported in prior year due to slow recovery after 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, 2021, The City's governmental funds reported combined ending fund balances of \$22,250,015. Of the fiscal year 2021 total fund balance, \$6,653,431 (30%) is classified as restricted to indicate that it 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), \$288,591 is classified as committed to indicate that it has been set aside for specific purposes by resolution of the City Council, \$1,935,200 is classified as assigned because it has been informally earmarked for a specific purpose by management, and the remaining \$13,372,793 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 \$13,372,793, while total fund balance reached \$16,221,404. 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 46% of total general fund expenditures, while total fund balance represents 56% of that same amount.

The special grants fund is used by the City to account for grant and donation receipts and expenditures. At the end of the current fiscal year, fund balance was \$361,980, all of which was restricted for grants. This is an increase of \$373,653 over prior year. This increase was mainly due to large donations received in the current year that are restricted for specific use by the donors as well as the recognition of revenues related to COVID-19 grant funding.

A comparison of key governmental revenues follows:

Revenues Governmental Funds		
	<u>2021</u>	<u>2020</u>
Property tax	\$ 11,004,323	\$ 10,777,313
Sales tax	7,434,346	6,932,275
Franchise tax	2,350,005	2,385,315
Hotel and motel tax	769,673	610,331
Licenses and permits	211,778	354,996
Fines and forfeitures	522,252	787,674
Charges for services	1,082,588	1,043,554
Intergovernmental	3,121,778	1,580,231
Contributions	761,152	143,329
Investment earnings	47,962	194,589
Miscellaneous	<u>414,804</u>	<u>375,144</u>
Total	<u>\$ 27,720,661</u>	<u>\$ 25,184,751</u>

The primary cause for significant changes are as follows:

- Property tax revenue increased as a result of an increase in assessed values.
- Intergovernmental revenues increased primarily through recognition COVID-19 CARES Act funding related to prior year expenditures of \$1.5 million, and FAST Grant funds of approximately \$500,000 for the purchase of a fire truck.

The fund balance of the City's general fund increased by \$1,568,311 during the current fiscal year. The key factor in this increase was the recognition of CARES Act funding received for reimbursement of prior year expenditures, as discussed above.

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 \$11,491,902, total unrestricted net position for the sanitation fund amounted to \$324,281, and total unrestricted net position for the airport operation amounted to \$154,552. The total change in net position for all three funds were \$4,700,085, \$421,708, and \$81,277, 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 \$3,455,221 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, 2021 and September 30, 2020, amounted to \$126,013,785 and \$124,845,878 (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 Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,753,208	\$ 3,753,208	\$ 1,684,592	\$ 1,684,592	\$ 5,437,800	\$ 5,437,800
Buildings and systems	16,143,445	16,064,023	168,159,543	167,316,657	184,302,988	183,380,680
Improvements other than buildings	6,207,538	6,090,503	6,318,663	6,318,663	12,526,201	12,409,166
Machinery and equipment	20,933,145	18,642,069	17,355,503	15,962,036	38,288,648	34,604,105
Infrastructure	50,868,686	49,540,793	-	-	50,868,686	49,540,793
Construction in progress	708,770	299,174	5,161,625	3,432,259	5,870,395	3,731,433
Accumulated depreciation	(62,984,361)	(60,650,403)	(108,296,572)	(103,607,696)	(171,280,933)	(164,258,099)
Total assets	<u>\$ 35,630,431</u>	<u>\$ 33,739,367</u>	<u>\$ 90,383,354</u>	<u>\$ 91,106,511</u>	<u>\$ 126,013,785</u>	<u>\$ 124,845,878</u>

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 \$27,986,000.

CITY OF NACOGDOCHES' OUTSTANDING LONG-TERM OBLIGATIONS

	Outstanding Long-Term Obligations					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 2,831,000	\$ 2,575,000	\$ -	\$ -	\$ 2,831,000	\$ 2,575,000
Revenues bonds	-	-	25,155,000	28,415,376	25,155,000	28,415,376
Capital leases	-	-	422,523	484,607	422,523	484,607
Bond premium (discount)	-	44,650	-	-	-	44,650
Compensated absences payable	1,540,934	1,777,431	347,117	299,890	1,888,051	2,077,321
Landfill closure and post-closure	-	-	4,705,017	4,519,709	4,705,017	4,519,709
Total long-term obligations	<u>\$ 4,371,934</u>	<u>\$ 4,397,081</u>	<u>\$ 30,629,657</u>	<u>\$ 33,719,582</u>	<u>\$ 35,001,591</u>	<u>\$ 38,116,663</u>

The City's total debt decreased by \$3,115,072 during the current fiscal year due to the city making scheduled debt service payments offset by the issuance of Series 2021 Tax Notes and Series 2020 Refunding Bonds. 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 2021-2022 budget, tax rates, and fees that would be charged for business-type activities. While the local economy is always a factor, the impact of the ongoing global pandemic created by the spread of the COVID-19 virus was the most significant factor considered when developing our 2021-2022 annual budget. Although the City did not experience the economic downturn that affected much of the nation, we were still cautious in developing this budget. The City's sales tax revenues have rebounded and greatly exceeded expectations. The City budgeted sales tax receipts for FY 2021-2022 approximately ten percent (10%) higher than FY 2020-2021. The City adopted a property tax rate of \$0.616/\$100 valuation which is higher than the no-new-revenue tax rate of \$0.59378/\$100 valuation. The City's 2021-2022 budgets appropriate reserve funds to replace or repair aging infrastructure, and at the same time, still maintain a 25% reserve requirement.

The 2021-2022 General Fund operating expenditures budget increased by 4% or \$1,077,250 from FY 2020-2021 adopted budget.

The 2021-2022 budget for the Water and Sewer fund did not include any fee increases for Water or Sewer charges.

The 2021-2022 budget for the Sanitation Fund did not include any fee increases for Sanitation charges.

The total operating budget for 2021-2022 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, 2021

	Primary Government		Primary Government	Component Unit
	Governmental Activities	Business-type Activities	Total	Convention and Visitors Bureau
ASSETS				
Cash and investments	\$ 28,280,907	\$ 29,516,026	\$ 57,796,933	\$ 447,008
Receivables (net of allowance for uncollectible):				
Property taxes	342,680	-	342,680	-
Customer accounts	342,090	2,827,851	3,169,941	38,571
Intergovernmental	1,144,173	53,000	1,197,173	-
Inventories	-	35,145	35,145	-
Advances for economic development	127,504	-	127,504	-
Restricted Assets:				
Cash and Cash equivalents	4,448,856	22,443,292	26,892,148	-
Capital Assets:				
Nondepreciable	4,461,978	6,846,217	11,308,195	-
Depreciable, net of accumulated depreciation	<u>31,168,453</u>	<u>83,537,137</u>	<u>114,705,590</u>	<u>126,403</u>
Total Assets	<u>70,316,641</u>	<u>145,258,668</u>	<u>215,575,309</u>	<u>611,982</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	2,145,647	436,981	2,582,628	-
Deferred outflows related to OPEB	<u>932,968</u>	<u>190,008</u>	<u>1,122,976</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>3,078,615</u>	<u>626,989</u>	<u>3,705,604</u>	<u>-</u>
LIABILITIES				
Accounts payable	1,644,039	113,086	1,757,125	11,328
Accrued expenses	860,522	149,606	1,010,128	421
Accrued interest payable	2,296	35,611	37,907	-
Unearned revenues	4,073,229	25,707	4,098,936	-
Other liabilities	60,594	-	60,594	-
Noncurrent Liabilities:				
Due within one year:				
Long-term debt	1,703,681	3,849,596	5,553,277	-
Total OPEB Liability	8,133	1,657	9,790	-
Due in more than one year:				
Long-term debt	2,668,253	26,780,061	29,448,314	-
Net Pension Liability	8,228,611	1,675,831	9,904,442	-
Total OPEB Liability	<u>4,553,464</u>	<u>927,354</u>	<u>5,480,818</u>	<u>-</u>
Total Liabilities	<u>23,802,822</u>	<u>33,558,509</u>	<u>57,361,331</u>	<u>11,749</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	2,554,334	520,214	3,074,548	-
Deferred inflows related to OPEB	<u>334,228</u>	<u>68,069</u>	<u>402,297</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>2,888,562</u>	<u>588,283</u>	<u>3,476,845</u>	<u>-</u>
NET POSITION				
Net Investment in capital assets	32,799,431	77,324,838	110,124,269	126,403
Restricted for:				
Long-term receivable	127,504	-	127,504	-
Capital projects	1,715,829	-	1,715,829	-
Debt service	322,012	1,743,419	2,065,431	-
Construction	-	12,519,007	12,519,007	-
Law enforcement	823,854	-	823,854	-
Public access channel	687,941	-	687,941	-
Promotion of tourism	1,592,352	-	1,592,352	473,830
Economic development	1,068,622	-	1,068,622	-
Federal and state grants	361,980	-	361,980	-
Nonspendable cemetery trust	-	-	-	-
Landfill closure	-	8,180,866	8,180,866	-
Unrestricted	<u>7,204,347</u>	<u>11,970,735</u>	<u>19,175,082</u>	<u>-</u>
Total Net Position	<u>\$ 46,703,872</u>	<u>\$ 111,738,865</u>	<u>\$ 158,442,737</u>	<u>\$ 600,233</u>

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,078,676	\$ 494,274	\$ 211,767	\$ -
Public safety	15,626,336	1,383,555	460,319	499,352
Highways and streets	2,716,850	758,866	-	-
Culture and recreation	3,185,698	388,698	281,302	41,541
Community development	659,138	3,456	6,042	-
Interest on long-term debt	<u>88,083</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>28,354,781</u>	<u>3,028,849</u>	<u>959,430</u>	<u>540,893</u>
Business-type activities:				
Water and sewer	11,571,780	19,389,909	-	-
Sanitation	4,213,881	6,574,239	-	-
Airport fuel operations	<u>469,068</u>	<u>449,924</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>16,254,729</u>	<u>26,414,072</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 44,609,510</u>	<u>\$ 29,442,921</u>	<u>\$ 959,430</u>	<u>\$ 540,893</u>
Component unit:				
Convention and Visitors Bureau	\$ <u>580,822</u>	\$ <u>50,036</u>	\$ <u>639,455</u>	\$ <u>-</u>

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

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

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-type Activities	Total	Convention and Visitors Bureau
\$(5,372,635)	\$ -	\$(5,372,635)	
(13,283,110)	-	(13,283,110)	
(1,957,984)	-	(1,957,984)	
(2,474,157)	-	(2,474,157)	
(649,640)	-	(649,640)	
(88,083)	-	(88,083)	
(23,825,609)	-	(23,825,609)	-
-	7,818,129	7,818,129	
-	2,360,358	2,360,358	
-	(19,144)	(19,144)	
-	10,159,343	10,159,343	-
(23,825,609)	10,159,343	(13,666,266)	-
			108,669
10,973,148	-	10,973,148	-
7,434,346	-	7,434,346	-
2,350,005	-	2,350,005	-
870,362	-	870,362	-
204,101	-	204,101	-
50,523	147,219	197,742	165
16,923	-	16,923	-
73,721	498,832	572,553	-
5,602,324	(5,602,324)	-	-
27,575,453	(4,956,273)	22,619,180	165
3,749,844	5,203,070	8,952,914	108,834
42,954,028	106,535,795	149,489,823	491,399
\$ 46,703,872	\$ 111,738,865	\$ 158,442,737	\$ 600,233

CITY OF NACOGDOCHES, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	General Fund	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,355,415	\$ 4,462,407	\$ 1,586,783	\$ 23,404,605
Property taxes receivable	296,016	-	46,664	342,680
Accounts receivable	283,858	-	58,232	342,090
Due from other funds	108,620	-	-	108,620
Due from other governments	1,135,980	8,193	-	1,144,173
Advances for economic development	-	-	127,504	127,504
Restricted cash	425,892	73,229	3,949,735	4,448,856
Total Assets	<u>19,605,781</u>	<u>4,543,829</u>	<u>5,768,918</u>	<u>29,918,528</u>
LIABILITIES				
Accounts payable	1,588,415	-	55,624	1,644,039
Due to other funds	-	108,620	-	108,620
Accrued expenditures	656,887	-	-	656,887
Due to other governments	60,594	-	-	60,594
Unearned revenue	-	4,073,229	-	4,073,229
Total Liabilities	<u>2,305,896</u>	<u>4,181,849</u>	<u>55,624</u>	<u>6,543,369</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	296,017	-	46,663	342,680
Unavailable revenue - grants	500,746	-	-	500,746
Unavailable revenue - court fines	281,718	-	-	281,718
Total Deferred Inflows of Resources	<u>1,078,481</u>	<u>-</u>	<u>46,663</u>	<u>1,125,144</u>
FUND BALANCES				
Restricted:				
Long-term loans receivable	-	-	127,504	127,504
Retirement of long-term debt	-	-	275,349	275,349
Public access channel	687,941	-	-	687,941
Court appointed balances	225,470	-	598,384	823,854
Promotion of tourism	-	-	1,592,352	1,592,352
Economic development	-	-	1,068,622	1,068,622
Capital Projects	-	-	1,715,829	1,715,829
Grants	-	361,980	-	361,980
Committed:				
Health and welfare	-	-	5,892	5,892
Airport	-	-	282,699	282,699
Assigned:				
Next year's budget	1,935,200	-	-	1,935,200
Unassigned	13,372,793	-	-	13,372,793
Total Fund balances	<u>16,221,404</u>	<u>361,980</u>	<u>5,666,631</u>	<u>22,250,015</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 19,605,781</u>	<u>\$ 4,543,829</u>	<u>\$ 5,768,918</u>	<u>\$ 29,918,528</u>

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

CITY OF NACOGDOCHES, TEXAS

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

SEPTEMBER 30, 2021

Total fund balances - governmental funds	\$ 22,250,015
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.	34,298,700
Certain receivables will 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	342,680
Court fines	281,718
Grants	500,746
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.	1,750,053
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.	4,254,345
Long-term liabilities are not payable in the current period and are not reported in the funds.	
Long-term liabilities:	
Bonds payable	(2,831,000)
Compensated absences	(1,540,934)
Interest payable	(2,296)
Net pension Liability	(8,228,611)
Total OPEB Liability	(4,561,597)
Deferred resources:	
Deferred resources related to pensions	(408,687)
Deferred resources related to OPEB	<u>598,740</u>
Net position of governmental activities	\$ <u>46,703,872</u>

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 9,628,634	\$ -	\$ 1,375,689	\$ 11,004,323
General sale taxes	7,434,346	-	-	7,434,346
Franchise taxes	2,350,005	-	-	2,350,005
Hotel/motel occupancy taxes	-	-	769,673	769,673
Mixed beverage taxes	100,689	-	-	100,689
Licenses and permits	211,778	-	-	211,778
Fines and forfeitures	406,175	-	116,077	522,252
Charges for services	317,680	-	764,908	1,082,588
Penalties on tax collections	204,101	-	-	204,101
Investment earnings	42,314	407	5,241	47,962
Intergovernmental	2,492,620	596,624	32,534	3,121,778
Contributions	48,172	501,213	211,767	761,152
Miscellaneous	110,014	-	-	110,014
Total revenues	<u>23,346,528</u>	<u>1,098,244</u>	<u>3,275,889</u>	<u>27,720,661</u>
EXPENDITURES				
Current:				
General government	5,893,352	-	60,589	5,953,941
Public safety	16,011,793	563,980	21,240	16,597,013
Highways and streets	1,573,118	-	828,515	2,401,633
Culture and recreation	2,997,103	149,354	289,256	3,435,713
Community development	-	-	976,051	976,051
Debt Service:				
Principal	-	-	1,300,000	1,300,000
Interest	-	-	62,145	62,145
Issuance costs	-	-	14,469	14,469
Capital Outlay	2,344,276	11,257	-	2,355,533
Total Expenditures	<u>28,819,642</u>	<u>724,591</u>	<u>3,552,265</u>	<u>33,096,498</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(5,473,114)</u>	<u>373,653</u>	<u>(276,376)</u>	<u>(5,375,837)</u>
OTHER FINANCING SOURCES/(USES)				
Sale of capital assets	2,215	-	-	2,215
Issuance of debt	1,521,000	-	1,055,000	2,576,000
Payment to escrow agent	-	-	(1,040,531)	(1,040,531)
Transfers in	5,748,824	-	453,266	6,202,090
Transfers out	<u>(230,614)</u>	<u>-</u>	<u>(322,652)</u>	<u>(553,266)</u>
Total other financial sources (uses)	<u>7,041,425</u>	<u>-</u>	<u>145,083</u>	<u>7,186,508</u>
Net change in Fund Balances	1,568,311	373,653	(131,293)	1,810,671
Fund Balances - Beginning	<u>14,653,093</u>	<u>(11,673)</u>	<u>5,797,924</u>	<u>20,439,344</u>
Fund Balance - Ending	\$ <u>16,221,404</u>	\$ <u>361,980</u>	\$ <u>5,666,631</u>	\$ <u>22,250,015</u>

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

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds	\$ 1,810,671
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	4,301,651
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,568,414)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(31,175)
Certain municipal court revenues are deferred in the funds. This is the change in these amounts this year.	13,450
Certain grant revenues are deferred in the funds. This is the change in these amounts this year.	(1,220,119)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,300,000
Issuance of bonds is an Other financing source and use in the funds but is not an shown on the SOA.	(1,553,675)
The Net Pension Liability is not recorded in the funds but is an expense in the SOA.	1,453,822
The Total OPEB Liability is not recorded in the funds, but is an expense in the SOA.	(353,686)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	236,497
(Increase) decrease in accrued interest from beginning of period to end of period.	6,737
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	<u>354,085</u>
Change in net position of governmental activities	\$ <u>3,749,844</u>

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2021

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,694,795	\$ 5,618,394
Receivables (net of allowance for uncollectible)		
Accounts	2,367,965	459,886
Due from other governments	-	-
Inventories	-	-
Total Current Assets	<u>26,062,760</u>	<u>6,078,280</u>
Noncurrent assets:		
Restricted assets:		
Construction Funds:		
Cash and cash equivalents	12,519,007	-
Revenue Bond Interest and Sinking Funds:		
Cash and cash equivalents	343,035	-
Revenue Bond Reserve Funds:		
Cash and cash equivalents	1,400,384	-
Landfill:		
Cash and cash equivalents	-	8,180,866
Total Restricted Assets	<u>14,262,426</u>	<u>8,180,866</u>
Capital Assets (net of accumulated depreciation):		
Land	717,701	966,891
Water systems, building, and equipment	131,854,804	-
Sewer systems, building, and equipment	36,304,739	-
Airport improvements	-	-
Buildings and improvements	40,103	6,272,685
Machinery and equipment	7,036,963	9,078,166
Dumpsters	-	1,023,750
Construction in progress	4,983,078	178,547
Less accumulated depreciation	(98,920,577)	(9,176,905)
Total Capital Assets	<u>82,016,811</u>	<u>8,343,134</u>
Total Noncurrent Assets	<u>96,279,237</u>	<u>16,524,000</u>
Total Assets	\$ <u>122,341,997</u>	\$ <u>22,602,280</u>
DEFERRED OUTFLOWS		
Deferred outflows related to pensions	\$ 283,314	\$ 138,429
Deferred outflows related to OPEB	<u>123,190</u>	<u>60,192</u>
Total Deferred Outflow of Resources	\$ <u>406,504</u>	\$ <u>198,621</u>

Business-type Activities		Governmental Activities
Nonmajor Enterprise Fund		
Airport Fuel Operations Fund	Total Enterprise Funds	Internal Service Funds
\$ 202,837	\$ 29,516,026	\$ 4,876,302
-	2,827,851	-
53,000	53,000	-
35,145	35,145	-
<u>290,982</u>	<u>32,432,022</u>	<u>4,876,302</u>
-	12,519,007	-
-	343,035	-
-	1,400,384	-
-	8,180,866	-
<u>-</u>	<u>22,443,292</u>	<u>-</u>
-	1,684,592	-
-	131,854,804	-
-	36,304,739	-
5,875	5,875	-
-	6,312,788	-
216,624	16,331,753	5,594,579
-	1,023,750	-
-	5,161,625	-
(199,090)	(108,296,572)	(4,262,848)
<u>23,409</u>	<u>90,383,354</u>	<u>1,331,731</u>
<u>23,409</u>	<u>112,826,646</u>	<u>1,331,731</u>
\$ <u>314,391</u>	\$ <u>145,258,668</u>	\$ <u>6,208,033</u>
\$ 15,238	\$ 436,981	\$ -
<u>6,626</u>	<u>190,008</u>	<u>-</u>
\$ <u>21,864</u>	\$ <u>626,989</u>	\$ <u>-</u>

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2021

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 57,321	\$ 55,479
Accrued expenses	70,336	74,936
Accrued compensated absences	20,236	9,508
Unearned revenue	-	-
Total OPEB liability	<u>1,074</u>	<u>525</u>
Total Unrestricted Current Liabilities	<u>148,967</u>	<u>140,448</u>
Current Liabilities Payable from Restricted Assets:		
Revenue bonds payable	3,753,840	-
Capital leases payable	-	64,517
Accrued interest payable	<u>35,611</u>	<u>-</u>
Total current Liabilities Payable From Restricted Assets	<u>3,789,451</u>	<u>64,517</u>
Total Current Liabilities	<u>3,938,418</u>	<u>204,965</u>
Noncurrent liabilities:		
Revenue bonds payable	21,401,160	-
Capital leases payable	-	358,006
Accrued compensated absences	204,605	96,146
Total OPEB liability	601,245	293,772
Net pension liability	1,086,517	530,878
Landfill closure costs	<u>-</u>	<u>4,705,017</u>
Total Noncurrent Liabilities	<u>23,293,527</u>	<u>5,983,819</u>
Total Liabilities	<u>27,231,945</u>	<u>6,188,784</u>
DEFERRED INFLOWS		
Deferred inflows related to pensions	337,278	164,796
Deferred inflows related to OPEB	<u>44,132</u>	<u>21,563</u>
Total Deferred Inflows of Resources	<u>381,410</u>	<u>186,359</u>
NET POSITION		
Net Investment in capital assets	69,380,818	7,920,611
Restricted for debt service	1,743,419	-
Restricted for construction	12,519,007	-
Restricted for landfill closure	-	8,180,866
Unrestricted	<u>11,491,902</u>	<u>324,281</u>
Total Net Position	\$ <u>95,135,146</u>	\$ <u>16,425,758</u>

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
\$ 286	\$ 113,086	\$ -
4,334	149,606	203,635
1,495	31,239	-
25,707	25,707	-
58	1,657	-
<u>31,880</u>	<u>321,295</u>	<u>203,635</u>
-	3,753,840	-
-	64,517	-
-	35,611	-
-	3,853,968	-
<u>31,880</u>	<u>4,175,263</u>	<u>203,635</u>
-	21,401,160	-
-	358,006	-
15,127	315,878	-
32,337	927,354	-
58,436	1,675,831	-
-	4,705,017	-
<u>105,900</u>	<u>29,383,246</u>	<u>-</u>
<u>137,780</u>	<u>33,558,509</u>	<u>203,635</u>
18,140	520,214	-
2,374	68,069	-
<u>20,514</u>	<u>588,283</u>	<u>-</u>
23,409	77,324,838	1,331,731
-	1,743,419	-
-	12,519,007	-
-	8,180,866	-
<u>154,552</u>	<u>11,970,735</u>	<u>4,672,667</u>
\$ <u>177,961</u>	\$ <u>111,738,865</u>	\$ <u>6,004,398</u>

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Business-type Activities</u>	
	<u>Enterprise Fund</u>	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>
OPERATING REVENUES		
Charges for sales and services:		
Water	\$ 10,212,346	\$ -
Sewer treatment	8,713,584	-
Sanitation charges	-	5,754,287
Landfill gate receipts	-	819,952
Fuel sales	-	-
Equipment rental	-	-
Intergovernmental	-	-
Employer premiums	-	-
Employee premiums	-	-
Total charges for sales and services	<u>18,925,930</u>	<u>6,574,239</u>
Other:		
Tapping fees- water	28,643	-
Tapping fees- sewer	14,956	-
Service fees	98,612	-
Late fees	285,075	-
Inspections	36,693	-
Miscellaneous revenue	<u>221,065</u>	<u>277,767</u>
Total Operating Revenues	<u>19,610,974</u>	<u>6,852,006</u>
OPERATING EXPENSES		
Customer service	1,234,556	-
Water production	1,826,156	-
Utility Construction	1,314,050	-
Wastewater treatment	2,265,632	-
Sanitation collection	-	1,757,820
Sanitation disposal	-	959,425
Sanitation administration	-	136,159
Cost of fuel	-	-
Non-departmental	403,228	383,589
Depreciation and amortization	<u>3,692,129</u>	<u>959,318</u>
Total Operating Expenses	<u>10,735,751</u>	<u>4,196,311</u>
Operating Income	<u>8,875,223</u>	<u>2,655,695</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	68,405	78,393
Gain (Loss) on sale of assets	-	-
Interest expense	<u>(836,029)</u>	<u>(17,570)</u>
Total Non-operating Revenues (Expenses)	<u>(767,624)</u>	<u>60,823</u>
Income before Transfers and Capital Contributions	8,107,599	2,716,518
Transfers in	150,000	-
Transfers out	<u>(3,557,514)</u>	<u>(2,294,810)</u>
Total Transfers In/Out	<u>(3,407,514)</u>	<u>(2,294,810)</u>
Change in Net Position	4,700,085	421,708
Net Position- Beginning	<u>90,435,061</u>	<u>16,004,050</u>
Net Position- Ending	<u>\$ 95,135,146</u>	<u>\$ 16,425,758</u>

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
\$ -	\$ 10,212,346	\$ -
-	8,713,584	-
-	5,754,287	-
-	819,952	-
396,924	396,924	468
-	-	487,473
53,000	53,000	-
-	-	2,670,025
-	-	647,349
<u>449,924</u>	<u>25,950,093</u>	<u>3,805,315</u>
-	28,643	-
-	14,956	-
-	98,612	-
-	285,075	-
-	36,693	-
-	498,832	-
<u>449,924</u>	<u>26,912,904</u>	<u>3,805,315</u>
-	1,234,556	-
-	1,826,156	-
-	1,314,050	-
-	2,265,632	-
-	1,757,820	-
-	959,425	-
-	136,159	-
431,639	431,639	-
-	786,817	3,136,428
<u>37,429</u>	<u>4,688,876</u>	<u>285,571</u>
<u>469,068</u>	<u>15,401,130</u>	<u>3,421,999</u>
<u>(19,144)</u>	<u>11,511,774</u>	<u>383,316</u>
421	147,219	2,561
-	-	14,708
-	(853,599)	-
<u>421</u>	<u>(706,380)</u>	<u>17,269</u>
(18,723)	10,805,394	400,585
100,000	250,000	-
-	(5,852,324)	(46,500)
<u>100,000</u>	<u>(5,602,324)</u>	<u>(46,500)</u>
81,277	5,203,070	354,085
<u>96,684</u>	<u>106,535,795</u>	<u>5,650,313</u>
<u>\$ 177,961</u>	<u>\$ 111,738,865</u>	<u>\$ 6,004,398</u>

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Business-type Activities</u>	
	<u>Enterprise Fund</u>	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 19,654,869	\$ 6,913,957
Receipts from interfund charges for fleet management services	-	-
Receipts from interfund charges for risk management services	-	-
Cash payments to employees for services	(2,780,027)	(1,310,497)
Cash payments to suppliers for goods and services	(4,285,187)	(1,762,072)
Net Cash Provided (Used) by Operating Activities	<u>12,589,655</u>	<u>3,841,388</u>
Cash Flows from Non-capital Financing Activities:		
Transfers from other funds	150,000	-
Transfers to other funds	(3,557,514)	(2,294,810)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(3,407,514)</u>	<u>(2,294,810)</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and interest paid	(3,947,962)	(17,570)
Acquisition or construction of capital assets	(2,654,988)	(1,125,422)
Proceeds from sale of capital assets	-	-
Change in long-term landfill closures costs	-	(62,084)
Net Cash Used by Capital and Related Financing Activities	<u>(6,602,950)</u>	<u>(1,205,076)</u>
Cash Flows from Investing Activities:		
Interest and dividends on investments	<u>68,405</u>	<u>78,393</u>
Net Cash Provided for Investing Activities	<u>68,405</u>	<u>78,393</u>
Net Increase in Cash and Cash Equivalents	2,647,596	419,895
Cash and Cash Equivalents at Beginning of Year	<u>35,309,625</u>	<u>13,379,365</u>
Cash and Cash Equivalents at End of Year	<u>37,957,221</u>	<u>13,799,260</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	8,875,223	2,655,695
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	3,692,129	959,318
Change in Assets and Liabilities:		
Decrease (increase) in receivables	43,895	61,951
Decrease (increase) in inventories	-	-
Decrease (increase) in deferred outflows	(82,920)	(64,973)
Increase (decrease) in accounts payable	(3,735)	45,343
Increase (decrease) in accrued wages payable	-	-
Increase (decrease) in accrued expenses	8,327	15,507
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in total OPEB liability	78,687	82,026
Increase (decrease) in net pension liability	(63,294)	64,767
Increase (decrease) in deferred outflows	4,179	15,739
Increase (decrease) in compensated absences	37,164	6,015
Total Adjustments	<u>3,714,432</u>	<u>1,185,693</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 12,589,655</u>	<u>\$ 3,841,388</u>

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
\$ 447,362	\$ 27,016,188	\$ -
-	-	487,941
-	-	3,317,374
(161,057)	(4,251,581)	-
(348,494)	(6,395,753)	(3,062,256)
(62,189)	16,368,854	743,059
100,000	250,000	-
-	(5,852,324)	(46,500)
100,000	(5,602,324)	(46,500)
-	(3,965,532)	-
-	(3,780,410)	(443,398)
-	-	14,708
-	(62,084)	-
-	(7,808,026)	(428,690)
420	147,218	2,561
420	147,218	2,561
38,231	3,105,722	270,430
164,606	48,853,596	4,605,872
202,837	51,959,318	4,876,302
(19,144)	11,511,774	383,316
37,429	4,688,876	285,571
(52,800)	53,046	-
(17,403)	(17,403)	-
(2,739)	(150,632)	-
34	41,642	-
689	689	-
-	23,834	74,172
(2,762)	(2,762)	-
821	161,534	-
(10,894)	(9,421)	-
532	20,450	-
4,048	47,227	-
(43,045)	4,857,080	359,743
\$(62,189)	\$ 16,368,854	\$ 743,059

CITY OF NACOGDOCHES, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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 depreciation) 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.

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.

<u>Assets</u>	<u>Years</u>
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, 2021, \$250,000 of the City's \$14,261,483 deposit balance was covered by FDIC insurance. The remaining balance, \$14,011,483, 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, 2021, the City held the following fair value measurements:

		Fair Value Measurement Using			Percent of Total Portfolio	Weighted Average Maturity (Days)
	9/30/2021	(Level 1)	(Level 2)	(Level 3)		
Primary government						
Cash and cash equivalents						
Cash deposits - City	14,261,483					
Total cash and cash equivalents	14,261,483					
Investments measured at amortized cost:						
Certificates of Deposit	18,194,419				25.83%	6
Investments measured at net asset value per share:						
Investment pools:						
TexPool	45,734,104				64.94%	37
Investments measured at fair value:						
Veritex Money Market	6,499,075	6,499,075	-	-	9.23%	25
Total investments	70,427,598	6,499,075	-	-		
Total cash and investments of the primary government	\$ 84,689,081	\$ 6,499,075	\$ -	\$ -		
Portfolio weighted average maturity (days)						28
Discretely Presented Component unit:						
Cash deposits	\$ 447,008					
Total cash and investments of the reporting entity	\$ 85,136,089	\$ 6,499,075	\$ -	\$ -		

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, 2021, 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 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 (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 \$184,521	\$ 342,680	\$ -
Court fines, net of allowance of \$2,535,456	281,718	-
Customer accounts, net of allowance of \$289,258	60,372	1,616,106
Unbilled utility receivable	-	1,211,745
Economic development loans, net of allowance of \$135,458	<u>127,504</u>	<u>-</u>
Total	<u>\$ 812,274</u>	<u>\$ 2,827,851</u>

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 \$175,000 remains as September 30, 2021. Future transfers into the Revolving Loan Fund are:

<u>Year Ending September 30,</u>	<u>Transfer</u>
2022	\$ 100,000
2023	<u>75,000</u>
	<u>\$ 175,000</u>

The activity of the City's outstanding Revolving Loans at September 30, 2021:

	<u>Balance at Beginning of Fiscal Year</u>	<u>New Loans</u>	<u>Debt Repayments</u>	<u>Balance at End of Fiscal Year</u>
Effective Teleservices, Inc.	\$ 162,922	\$ -	\$ 35,418	\$ 127,504
Southwest Scooters	135,458	-	-	135,458
Less allowance for collection	(135,458)	-	-	(135,458)
Totals	<u>\$ 162,922</u>	<u>\$ -</u>	<u>\$ 35,418</u>	<u>\$ 127,504</u>

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, 2021, was as follows:

Primary Government

	<u>Beginning Balance 10/1/2020</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance 9/30/2021</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,753,208	\$ -	\$ -	\$ 3,753,208
Construction in progress	<u>299,174</u>	<u>409,596</u>	<u>-</u>	<u>708,770</u>
Total assets not being depreciated	<u>4,052,382</u>	<u>409,596</u>	<u>-</u>	<u>4,461,978</u>
Capital assets, being depreciated:				
Buildings	16,064,023	79,422	-	16,143,445
Improvement other than buildings	6,090,503	117,035	-	6,207,538
Machinery and equipment	18,642,069	2,811,102	(520,026)	20,933,145
Infrastructure	<u>49,540,793</u>	<u>1,327,893</u>	<u>-</u>	<u>50,868,686</u>
Total capital assets being depreciated	<u>90,337,388</u>	<u>4,335,452</u>	<u>(520,026)</u>	<u>94,152,814</u>
Less accumulated depreciation:				
Buildings	(8,288,332)	(400,893)	-	(8,689,225)
Improvement other than buildings	(2,662,819)	(283,579)	-	(2,946,398)
Machinery and equipment	(15,652,657)	(1,415,555)	520,026	(16,548,186)
Infrastructure	<u>(34,046,595)</u>	<u>(753,957)</u>	<u>-</u>	<u>(34,800,552)</u>
Total accumulated depreciation	<u>(60,650,403)</u>	<u>(2,853,984)</u>	<u>520,026</u>	<u>(62,984,361)</u>
Total capital assets being depreciated, net	<u>29,686,985</u>	<u>1,481,468</u>	<u>-</u>	<u>31,168,453</u>
Governmental activities capital assets, net	<u>\$ 33,739,367</u>	<u>\$ 1,891,064</u>	<u>\$ -</u>	<u>\$ 35,630,431</u>

	Beginning Balance 10/1/2020	Additions	Transfers and Retirements	Ending Balance 9/30/2021
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,684,592	\$ -	\$ -	\$ 1,684,592
Construction in progress	<u>3,432,259</u>	<u>2,537,254</u>	<u>(807,888)</u>	<u>5,161,625</u>
Total assets not being depreciated	<u>5,116,851</u>	<u>2,537,254</u>	<u>(807,888)</u>	<u>6,846,217</u>
Capital assets, being depreciated:				
Utility system and buildings	167,640,869	34,998	807,888	168,483,755
Improvement other than buildings	5,994,451	-	-	5,994,451
Machinery and equipment	<u>15,962,036</u>	<u>1,393,467</u>	<u>-</u>	<u>17,355,503</u>
Total capital assets being depreciated	<u>189,597,356</u>	<u>1,428,465</u>	<u>807,888</u>	<u>191,833,709</u>
Less accumulated depreciation:				
Utility system and buildings	(89,254,627)	(3,701,430)	-	(92,956,057)
Improvement other than buildings	(1,779,719)	(139,743)	-	(1,919,462)
Machinery and equipment	<u>(12,573,350)</u>	<u>(847,703)</u>	<u>-</u>	<u>(13,421,053)</u>
Total accumulated depreciation	<u>(103,607,696)</u>	<u>(4,688,876)</u>	<u>-</u>	<u>(108,296,572)</u>
Total capital assets being depreciated, net	<u>85,989,660</u>	<u>(3,260,411)</u>	<u>807,888</u>	<u>83,537,137</u>
Business-type activities capital assets, net	<u>\$ 91,106,511</u>	<u>\$ (723,157)</u>	<u>\$ -</u>	<u>\$ 90,383,354</u>

	Beginning Balance 10/1/2020	Additions	Transfers and Retirements	Ending Balance 9/30/21
Discretely Presented Component Unit:				
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 256,659	\$ -	\$ -	\$ 256,659
Total capital assets being depreciated	<u>256,659</u>	<u>-</u>	<u>-</u>	<u>256,659</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	(113,905)	(16,351)	-	(130,256)
Total accumulated depreciation	<u>(113,905)</u>	<u>(16,351)</u>	<u>-</u>	<u>(130,256)</u>
Total capital assets being depreciated, net	<u>142,754</u>	<u>(16,351)</u>	<u>-</u>	<u>126,403</u>
Discretely presented component unit capital assets, net	<u>\$ 142,754</u>	<u>\$ (16,351)</u>	<u>\$ -</u>	<u>\$ 126,403</u>

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

General Government	\$ 310,056
Public safety	825,395
Highways and streets	1,401,077
Culture and recreation	<u>317,456</u>
	<u>\$ 2,853,984</u>

The City's commitments as of September 30, 2021 on active construction projects are summarized as follows:

Project	Total Cost	Spent to Date	Remaining Commitment
South Street Direct Connect	\$ 4,120,000	\$ 2,665,822	\$ 1,454,178
Banita Creek Sewer	11,800,000	54,529	11,745,471
Well Improvements	905,000	389,263	515,737
Fredonia & Church St Storm Sewer	850,000	827,810	22,190
Misc Storm Sewer Replacements	836,000	729,823	106,177
Landfill Expansion	<u>1,000,000</u>	<u>178,548</u>	<u>821,452</u>
Totals	<u>\$ 19,511,000</u>	<u>\$ 4,845,795</u>	<u>\$ 14,665,205</u>

5. INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2021, is as follows:

A. Due To and From Other Funds

Due from Fund	Due to Fund	Amount	Purpose
General Fund	Special Grant Fund	\$ 108,620	Short-term pooled cash loan
	Total	<u>\$ 108,620</u>	

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	\$ 180,614	Supplemental sources of funds and to fund the ORCA economic development agreement
General Fund	Airport Fuel Operations	50,000	Supplement other funds sources
Water and Sewer Fund	General Fund	3,457,514	Supplement sources of funds and remit franchise fees
Water and Sewer Fund	Nonmajor Governmental	50,000	Supplement other funds sources
Water and Sewer Fund	Airport Fuel Operations	50,000	Supplement other funds sources
Sanitation Fund	General Fund	2,244,810	Supplement sources of funds and remit franchise fees
Sanitation Fund	Nonmajor Governmental	50,000	Supplement other funds sources
Internal Service Fund	General Fund	46,500	General Fund purchased equipment that it had already paid resources to the equipment replacement fund to purchase
Nonmajor Governmental	Water and Sewer Fund	150,000	Supplement other funds sources
Nonmajor Governmental	Nonmajor Governmental	<u>172,652</u>	Supplement other funds sources
Total		<u>\$ 6,452,090</u>	

6. LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity

Long-term obligations include bonds, leases, and compensated absences. Changes in long-term obligations for the year ended September 30, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 1,995,000	\$ 1,055,000	\$ 2,030,000	\$ 1,020,000	\$ 1,020,000
General obligation bonds -					
Direct Borrowing	580,000	1,521,000	290,000	1,811,000	502,000
Bond premium (discount)	44,650	-	44,650	-	-
Compensated absences	<u>1,777,431</u>	<u>396,653</u>	<u>160,156</u>	<u>2,013,928</u>	<u>181,681</u>
Total Governmental Activities	<u>\$ 4,397,081</u>	<u>\$ 2,972,653</u>	<u>\$ 2,524,806</u>	<u>\$ 4,844,928</u>	<u>\$ 1,703,681</u>
Business-type Activities:					
General obligation bonds	\$ 22,785,000	\$ 21,915,000	\$ 23,185,000	\$ 21,515,000	\$ 2,335,000
Water and sewer system bonds -					
Direct Borrowing	4,830,000	-	1,190,000	3,640,000	1,290,000
Capital lease	484,607	-	62,084	422,523	64,517
Bond premium (discount)	800,376	-	800,376	-	-
Compensated absences	299,890	74,217	26,990	347,117	31,241
Landfill closure costs	<u>4,519,709</u>	<u>185,308</u>	<u>-</u>	<u>4,705,017</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 33,719,582</u>	<u>\$ 22,174,525</u>	<u>\$ 25,264,450</u>	<u>\$ 30,629,657</u>	<u>\$ 3,720,758</u>

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, 2021:

Series	Interest Rates	Date Issued	Maturity Date	Original Amount	Principal Outstanding
Governmental Activities:					
2016 Tax Note	1.49%	June 2016	Sep 2022	1,685,000	\$ 290,000
2020 Refunding	.0457-.527%		Sep 2022	1,055,000	1,020,000
2021 Tax Notes	1.05%		Aug 2028	1,521,000	1,521,000
Total					<u>\$ 2,831,000</u>
Business-type Activities:					
2004 Water and Sewer SRF	1.05-2.65%	Mar 2004	Mar 2025	10,365,000	\$ 2,200,000
2006 Water and Sewer SRF	2.15-2.42%	Mar 2006	Mar 2024	8,210,000	1,440,000
2020 Refunding	.0457-.527%		Sep 2022	21,915,000	21,515,000
Total					<u>\$ 25,155,000</u>

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, 2021 are as follows:

Year Ending September 30,	Governmental Activities General Obligation Bonds		
	Principal	Interest	Total
2022	\$ 1,020,000	\$ 10,127	\$ 1,030,127
Total	<u>\$ 1,020,000</u>	<u>\$ 10,127</u>	<u>\$ 1,030,127</u>

Year Ending September 30,	General Obligation Bonds - Direct Borrowing		
	Principal	Interest	Total
2022	\$ 502,000	\$ 18,384	\$ 520,384
2023	212,000	13,775	225,775
2024	215,000	11,519	226,519
2025	217,000	9,261	226,261
2026	219,000	6,983	225,983
2027-2028	<u>446,000</u>	<u>7,035</u>	<u>453,035</u>
Total	<u>\$ 1,811,000</u>	<u>\$ 66,957</u>	<u>\$ 1,877,957</u>

Year Ending September 30,	Business-Type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2022	\$ 2,335,000	\$ 264,222	\$ 2,599,222
2023	2,195,000	251,917	2,446,917
2024	2,140,000	237,078	2,377,078
2025	2,085,000	218,846	2,303,846
2026	2,030,000	198,996	2,228,996
2027-2031	8,435,000	596,684	9,031,684
2032-2034	<u>2,295,000</u>	<u>91,155</u>	<u>2,386,155</u>
Total	<u>\$ 21,515,000</u>	<u>\$ 1,858,898</u>	<u>\$ 23,373,898</u>

Year Ending September 30,	Water and Sewer System Bonds - Direct Borrowing		
	Principal	Interest	Total
2022	\$ 1,290,000	\$ 80,660	\$ 1,370,660
2023	1,250,000	46,108	1,296,108
2024	550,000	21,726	571,726
2025	<u>550,000</u>	<u>7,288</u>	<u>557,288</u>
Total	<u>\$ 3,640,000</u>	<u>\$ 155,782</u>	<u>\$ 3,795,782</u>

Future capital lease requirements are as follows:

Year Ending September 30,	Business-Type Activities
2022	\$ 79,654
2023	79,654
2024	79,654
2025	<u>221,288</u>
Total Minimum Rentals	460,250
Less: amount representing interest	(37,717)
Future minimum lease payments	<u>\$ 422,533</u>

In October 2020, the City issued General Obligation Refunding Bonds, Taxable Series 2020 in the amount of \$22,970,000, for the purpose of refunding a portion of existing bonds at a present value savings. The bonds mature in 2034 with interest rates ranging from 0.457% to 2.061%. The proceeds were used to advance refund \$21,885,000 of General Obligation Refunding Bonds, Series 2012 that had interest rates ranging from 2 - 5%.

The net proceeds of \$22,680,624 from the new debt were placed in an irrevocable escrow account to be paid when the bonds became callable in September 2021. Thus, the old bonds are considered defeased and have been removed from the City's financial statements. The advance refunding reduced the City's total debt service payments by \$2,177,478 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,973,340.

During fiscal year 2021, the City issued Tax Notes, Series 2021 in the amount of \$1,521,000 for the purpose of funding various City projects. The Notes have an interest rate of 1.050% and matures in August 2028.

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, 2021, 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. 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, 2021, the City had recorded a liability of \$203,635 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
September 30, 2021	129,463	3,001,881	2,927,709	203,635

8. DEFINED BENEFIT PENSION PLAN

Plan Descriptions

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an 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 annual comprehensive financial report (ACFR) 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	244
Inactive employees entitled to but not yet receiving benefits	137
Active employees	<u>297</u>
	<u>678</u>

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 14.35% and 14.60% in calendar years 2020 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2021, were \$2,681,203, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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	10.0%	1.25%
Non-Core Fixed Income	20.0%	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 12/31/2019	\$ 108,833,858	\$ 98,167,709	\$ 11,956,428
Changes for the year:			
Service cost	2,722,527	-	2,722,527
Interest	7,225,704	-	7,225,704
Difference between expected and actual experience	547,511	-	547,511
Contributions - employer	-	2,633,120	(2,633,120)
Contributions - employee	-	1,227,888	(1,227,888)
Net investment income	-	7,446,538	(7,446,538)
Benefit payments, including refunds of employee contributions	(6,295,316)	(6,295,316)	-
Administrative expense	-	(48,217)	48,217
Other changes	-	(1,880)	1,880
Net changes	<u>4,200,426</u>	<u>\$ 4,962,133</u>	<u>(761,707)</u>
Balance at 12/31/2020	<u>\$ 113,034,284</u>	<u>\$ 103,129,842</u>	<u>\$ 9,904,442</u>

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	\$ 25,275,267	\$ 9,904,442	\$(2,772,294)

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, 2021, the City recognized pension expense of \$1,223,822.

At September 30, 2021, 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	\$ 509,747	\$ 231,797
Changes in actuarial assumptions	124,478	-
Difference between projected and actual investment earnings	-	2,842,751
Contributions subsequent to the measurement date	1,948,403	-
Total	\$ 2,582,628	\$ 3,074,548

\$1,948,403 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended September 30</u>	
2022	\$(894,364)
2023	138,799
2024	(1,552,923)
2025	(131,835)
Total	\$(2,440,323)

9. 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. Neither OPEB plan has fiduciary net position and thus all future benefit payments will be paid with City funds. As such, management has estimated the amount due within one year that is reported as a current liability in the statement of net position.

For the fiscal year 2021, city had OPEB expenses for \$145,217 and 332,167 for TMRS SDBF and Retiree Benefit Plan, respectively, for an aggregate OPEB expense of \$477,384. 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	\$ 280,580	\$ 69,695	\$ 1,279,237	\$ 33,056
Retiree Benefit Plan	652,388	264,533	3,282,360	(24,923)
Total	\$ 932,968	\$ 334,228	\$ 4,561,597	\$ 8,133

Business-type activities:	Deferred outflows of resources	Deferred inflows of resources	Total OPEB Liability	Due within one year
TMRS SDBF	\$ 57,143	\$ 14,194	\$ 260,528	\$ 6,732
Retiree Benefit Plan	132,865	53,875	668,483	(5,076)
Total	\$ 190,008	\$ 68,069	\$ 929,011	\$ 1,656

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	194
Inactive employees entitled to but not yet receiving benefits	43
Active employees	297
Total	<u>534</u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.29% for 2021 and 0.20% for 2020, of which 0.19% 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, 2021 and 2020 were \$46,773 and \$33,300, 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 \$1,539,765 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions	
Measurement year ended December 31,	2020
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, 2020 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 2.00% 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, 2020.

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 (2.00%) in measuring the total OPEB Liability.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's Total OPEB liability	\$ 1,873,145	\$ 1,539,765	\$ 1,280,937

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2021, the City reported a liability of \$1,539,765 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, 2021, the City recognized OPEB expense of \$145,217. 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 12/31/2019	\$ 1,295,655
Changes for the year:	
Service cost	47,333
Interest	36,137
Difference between expected and actual experience	(28,828)
Changes of assumptions	199,986
Benefit payments	(10,518)
Net changes	244,110
Balance at 12/31/2020	\$ 1,539,765

At September 30, 2021, 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	\$ -	\$ 48,909
Changes in actuarial assumptions	313,387	34,980
Contributions subsequent to the measurement date	<u>24,336</u>	<u>-</u>
Totals	\$ <u>337,723</u>	\$ <u>83,889</u>

\$24,336 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, 2022. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	<u>OPEB Expense Amount</u>
2022	\$ 61,747
2023	54,592
2024	53,690
2025	46,788
2026	<u>12,681</u>
Total	\$ <u>229,498</u>

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 2020-2021 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, 2021, 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	<u>283</u>
Total	<u>296</u>

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 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

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 2.00% 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, 2020.

Changes in the Total OPEB Liability

The City's total OPEB liability of \$3,950,843 was measured as of December 31, 2020 and was determined by an actuarial valuation as of December 31, 2019. Rollforward procedures were used to update the total OPEB liability to the current measurement date.

	<u>Total OPEB Liability</u>
Balance at 12/31/2019	\$ 3,561,793
Changes for the year:	
Service cost	163,097
Interest	100,911
Changes of assumptions	266,548
Difference between expected and actual experience	(193,800)
Benefit payments	<u>52,294</u>
Net changes	<u>389,050</u>
Balance at 12/31/2020	\$ <u><u>3,950,843</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.75% to 2.00%.

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 (2.00%) in measuring the total OPEB liability.

	<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Discount Rate (2.00%)</u>	<u>1% Increase in Discount Rate (3.00%)</u>
City's Total OPEB liability	\$ 4,331,663	\$ 3,950,843	\$ 3,599,409

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.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's Total OPEB liability	\$ 3,470,922	\$ 3,950,843	\$ 4,522,629

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$332,167. At September 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 246,957	\$ 244,940
Changes in actuarial assumptions	543,036	73,468
Contributions subsequent to the measurement date	<u>(4,740)</u>	<u>-</u>
Totals	\$ <u><u>785,253</u></u>	\$ <u><u>318,408</u></u>

\$(4,740) 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, 2022. Other amounts of the reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	<u>OPEB Expense Amount</u>
2022	\$ 68,159
2023	68,159
2024	68,159
2025	68,159
2026	65,062
Thereafter	133,887

10. 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.

11. 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 \$4,705,017 reported as landfill closure and postclosure care liability at September 30, 2021, 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 2021. 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, 2021, 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.

12. 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 2021, the City abated hotel/motel sales taxes of \$140,023.

13. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) issued the following statements which become effective for fiscal years 2022 and 2024.

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.

Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement will become effective for the City in fiscal year 2024.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property taxes	\$ 9,473,882	\$ 9,473,882	\$ 9,628,634	\$ 154,752
General sales taxes	6,350,000	6,350,000	7,434,346	1,084,346
Franchise taxes	2,387,000	2,387,000	2,350,005	(36,995)
Mixed beverage taxes	90,000	90,000	100,689	10,689
Licenses and permits	205,000	205,000	211,778	6,778
Fines and forfeitures	559,250	559,250	406,175	(153,075)
Charges for services	293,860	293,860	317,680	23,820
Penalties on tax collections	132,000	132,000	204,101	72,101
Investments earnings	35,280	35,280	42,314	7,034
Intergovernmental	895,563	2,377,307	2,492,620	115,313
Contributions	33,000	34,000	48,172	14,172
Miscellaneous	120,000	120,000	110,014	(9,986)
Total revenues	<u>20,574,835</u>	<u>22,057,579</u>	<u>23,346,528</u>	<u>1,288,949</u>
Expenditures:				
General government:				
City Council	27,425	27,425	23,979	3,446
City Manager	384,332	399,643	320,399	79,244
Municipal Court	209,358	242,783	233,878	8,905
City Secretary/Grant Administrator	122,841	124,466	117,057	7,409
Finance	637,694	680,294	517,997	162,297
Information Technology	439,795	469,995	443,906	26,089
Human Resources	291,217	319,117	276,415	42,702
Legal	275,628	341,153	267,123	74,030
Planning and Zoning	188,968	195,028	189,636	5,392
Building Maintenance	369,237	373,312	339,476	33,836
Main Street	131,883	131,883	57,424	74,459
Vehicle Maintenance	308,066	310,266	294,354	15,912
Economic Development	251,462	256,787	253,763	3,024
Non-Departmental	1,835,962	2,576,329	2,550,027	26,302
Restricted	42,211	42,211	7,918	34,293
Total General Government	<u>5,516,079</u>	<u>6,490,692</u>	<u>5,893,352</u>	<u>597,340</u>
Public Safety:				
Police Department	8,594,193	8,850,803	8,538,571	312,232
Fire Protection	6,041,206	6,768,056	6,593,645	174,411
Inspection	425,482	433,982	372,850	61,132
Animal Control	500,504	538,704	506,727	31,977
Total Public Safety	<u>15,561,385</u>	<u>16,591,545</u>	<u>16,011,793</u>	<u>579,752</u>
Highways and Streets:				
Public Works	123,948	133,473	133,191	282
Street Maintenance	1,164,837	1,208,137	938,481	269,656
Engineering	492,919	501,669	501,446	223
Total Highways and Streets	<u>\$ 1,781,704</u>	<u>\$ 1,843,279</u>	<u>\$ 1,573,118</u>	<u>\$ 270,161</u>

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Culture and Recreation:				
Historic Sites	\$ 248,482	\$ 273,532	\$ 245,616	\$ 27,916
Library	555,325	569,675	558,678	10,997
Recreation	605,475	644,625	525,378	119,247
Parks	1,077,318	1,338,680	1,304,618	34,062
Cemetery	221,082	-	-	-
Conventions and Tourism	390,901	394,326	362,813	31,513
Total Cultural and Recreation	<u>3,098,583</u>	<u>3,220,838</u>	<u>2,997,103</u>	<u>223,735</u>
Capital Outlay	<u>1,093,500</u>	<u>4,128,509</u>	<u>2,344,276</u>	<u>1,784,233</u>
Total Expenditures	<u>27,051,251</u>	<u>32,274,863</u>	<u>28,819,642</u>	<u>3,455,221</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,476,416)</u>	<u>(10,217,284)</u>	<u>(5,473,114)</u>	<u>4,744,170</u>
Other Financing Sources (Uses):				
Sale of capital assets	-	-	2,215	2,215
Issuance of bonds	-	1,521,000	1,521,000	-
Transfers in	5,702,324	5,752,324	5,748,824	(3,500)
Transfers out	<u>(250,000)</u>	<u>(255,000)</u>	<u>(230,614)</u>	<u>24,386</u>
Total other financing sources (uses)	<u>5,452,324</u>	<u>7,018,324</u>	<u>7,041,425</u>	<u>23,101</u>
Net Change in Fund Balances	<u>(1,024,092)</u>	<u>(3,198,960)</u>	1,568,311	4,767,271
Fund Balances - Beginning	<u>14,653,093</u>	<u>14,653,093</u>	<u>14,653,093</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 13,629,001</u>	<u>\$ 11,454,133</u>	<u>\$ 16,221,404</u>	<u>\$ 4,767,271</u>

CITY OF NACOGDOCHES, TEXAS

SPECIAL GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 100	\$ 407	\$ 307
Intergovernmental	1,308,316	596,624	(711,692)
Contributions	<u>-</u>	<u>501,213</u>	<u>501,213</u>
Total revenues	<u>1,308,416</u>	<u>1,098,244</u>	<u>(210,172)</u>
Expenditures:			
Public Safety:			
Police Department	55,482	63,981	(8,499)
Fire Department	<u>499,999</u>	<u>499,999</u>	<u>-</u>
Total Public Safety	<u>555,481</u>	<u>563,980</u>	<u>(8,499)</u>
Culture and Recreation:			
Library	44,335	45,420	(1,085)
Parks	<u>682,647</u>	<u>103,934</u>	<u>578,713</u>
Total Culture and Recreation	<u>726,982</u>	<u>149,354</u>	<u>577,628</u>
Capital Outlay	<u>11,257</u>	<u>11,257</u>	<u>-</u>
Total Expenditures	<u>1,293,720</u>	<u>724,591</u>	<u>569,129</u>
Net Change in Fund Balances	14,696	373,653	358,957
Fund Balances - Beginning	<u>(11,673)</u>	<u>(11,673)</u>	<u>-</u>
Fund Balances - Ending	\$ <u>3,023</u>	\$ <u>361,980</u>	\$ <u>358,957</u>

CITY OF NACOGDOCHES, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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	<u>83,902,812</u>	<u>87,023,172</u>
Total pension liability - ending (a)	<u>87,023,172</u>	<u>91,706,806</u>
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	<u>72,192,504</u>	<u>75,518,301</u>
Plan fiduciary net position - ending (b)	<u>75,518,301</u>	<u>74,495,423</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 11,504,871</u>	<u>\$ 17,211,383</u>
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	2020
\$ 2,326,673	\$ 2,377,386	\$ 2,551,847	\$ 2,558,176	\$ 2,722,527
6,126,265	6,360,472	6,676,870	6,971,668	7,225,704
(508,839)	647,737	34,859	(427,405)	547,511
-	-	-	229,523	-
(4,221,317)	(4,778,122)	(4,792,774)	(5,005,967)	(6,295,316)
3,722,782	4,607,473	4,470,802	4,325,995	4,200,426
<u>91,706,806</u>	<u>95,429,588</u>	<u>100,037,061</u>	<u>104,507,863</u>	<u>108,833,858</u>
<u>95,429,588</u>	<u>100,037,061</u>	<u>104,507,863</u>	<u>108,833,858</u>	<u>113,034,284</u>
2,276,718	2,347,677	4,465,374	2,504,811	2,633,120
1,059,643	1,098,208	1,163,709	1,168,060	1,227,888
5,033,454	10,888,177	(2,637,128)	13,326,741	7,446,538
(4,221,317)	(4,778,122)	(4,792,774)	(5,005,967)	(6,295,316)
(56,859)	(56,444)	(50,992)	(75,345)	(48,217)
(3,063)	(2,862)	22,850	(2,263)	(1,880)
4,088,576	9,496,634	(1,828,961)	11,916,037	4,962,133
<u>74,495,423</u>	<u>78,583,999</u>	<u>88,080,633</u>	<u>86,251,672</u>	<u>98,167,709</u>
<u>78,583,999</u>	<u>88,080,633</u>	<u>86,251,672</u>	<u>98,167,709</u>	<u>103,129,842</u>
\$ <u>16,845,589</u>	\$ <u>11,956,428</u>	\$ <u>18,256,191</u>	\$ <u>10,666,149</u>	\$ <u>9,904,442</u>
82.35%	88.05%	82.53%	90.20%	91.24%
\$ 15,137,756	\$ 15,477,773	\$ 16,624,411	\$ 16,675,505	\$ 17,530,755
111.28%	77.25%	109.82%	63.96%	56.50%

CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Fiscal Year ended September 30,	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarial determined contribution	\$ <u>2,253,284</u>	\$ <u>2,212,042</u>	\$ <u>2,367,346</u>
Contributions in relation to the actuarially determined contribution	\$ <u>2,253,284</u>	\$ <u>2,212,042</u>	\$ <u>2,367,346</u>
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.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ <u>2,338,917</u>	\$ <u>2,434,502</u>	\$ <u>2,450,531</u>	\$ <u>2,499,804</u>	\$ <u>2,681,203</u>
\$ <u>2,338,917</u>	\$ <u>2,434,502</u>	\$ <u>4,486,676</u>	\$ <u>2,499,804</u>	\$ <u>2,681,203</u>
-	-	(2,036,145)	-	-
15,137,756	16,398,754	16,876,057	16,650,069	17,622,882
15.45%	14.85%	26.59%	15.01%	15.21%

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, 2021

Plan Year ended December 31,	2017	2018	2019	2020
A. Total OPEB liability				
Service Cost	\$ 29,408	\$ 38,236	\$ 31,685	\$ 47,333
Interest (on the Total OPEB Liability)	36,185	36,562	39,913	36,137
Difference between expected and actual experience	-	(14,028)	(29,869)	(28,828)
Changes of assumptions	86,187	(76,296)	198,957	199,986
Benefit payments, including refunds of employee contributions	(7,739)	(9,975)	(10,006)	(10,518)
Net change in Total OPEB liability	144,041	(25,501)	230,680	244,110
Total OPEB liability - beginning	<u>946,435</u>	<u>1,090,476</u>	<u>1,064,975</u>	<u>1,295,655</u>
Total OPEB liability - ending (a)	<u>1,090,476</u>	<u>1,064,975</u>	<u>1,295,655</u>	<u>1,539,765</u>
B. Covered - employee payroll	\$ 15,477,773	\$ 16,624,411	\$ 16,675,505	\$ 17,530,755
C. Total OPEB liability as a percentage of covered - employee payroll	7.05%	6.41%	7.77%	8.78%

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.

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Measurement Date December 31,	2017	2018	2019	2020
A. Total OPEB liability				
Service Cost	\$ 103,294	\$ 118,099	\$ 111,709	\$ 163,097
Interest (on the Total OPEB Liability)	97,834	95,856	105,257	100,911
Changes of assumptions	135,665	(111,475)	299,321	266,548
Difference between expected and actual experience	-	(109,737)	319,127	(193,800)
Benefit payments, including refunds of employee contributions	(45,201)	13,067	(109,791)	52,294
Net change in Total OPEB liability	291,592	5,810	725,623	389,050
Total OPEB liability - beginning	2,538,768	2,830,360	2,836,170	3,561,793
Total OPEB liability - ending (a)	2,830,360	2,836,170	3,561,793	3,950,843
B. Covered-employee payroll	\$ 15,520,715	\$ 16,624,407	\$ 16,676,505	\$ 17,530,755
C. Total OPEB liability as a percentage of covered-employee payroll	18.24%	17.06%	21.36%	22.54%

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.

CITY OF NACOGDOCHES, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

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.

Fire Department expenditures in the Special Grants Fund exceeded budget appropriations by \$8,499. 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.

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, 2021

	Special Revenue			
	Economic Development Fund	Community Development Fund	Special Airport Fund	Forfeiture Fund
ASSETS				
Cash and cash equivalents	\$ 1,068,585	\$ -	\$ 82,699	\$ -
Property taxes receivable	-	-	-	-
Customers accounts receivable	-	-	-	-
Advances for economic development	127,504	-	-	-
Due from other governments	-	-	-	-
Restricted cash	37	-	200,000	582,123
Total assets	<u>1,196,126</u>	<u>-</u>	<u>282,699</u>	<u>582,123</u>
LIABILITIES				
Accounts payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted:				
Long-term loans receivable	127,504	-	-	-
Retirement of long-term debt	-	-	-	-
Court appointed balances	-	-	-	582,123
Promotion of tourism	-	-	-	-
Economic development	1,068,622	-	-	-
Capital projects	-	-	-	-
Committed:				
Health and welfare	-	-	-	-
Airport	-	-	282,699	-
Total Fund Balances	<u>1,196,126</u>	<u>-</u>	<u>282,699</u>	<u>582,123</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,196,126</u>	<u>\$ -</u>	<u>\$ 282,699</u>	<u>\$ 582,123</u>

Historical Fund	Special Revenue				Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Hotel and Motel Fund	Public Safety Fund	Mayor's Committee on Disabilities	Debt Service Fund		Sunset Cemetery Fund	
\$ 78,117	\$ 243,069	\$ -	\$ -	\$ 114,313	\$ -	\$ -	\$ 1,586,783
-	-	-	-	46,664	-	-	46,664
-	-	-	-	-	58,232	-	58,232
-	-	-	-	-	-	-	127,504
-	-	-	-	-	-	-	-
<u>3,263</u>	<u>1,323,519</u>	<u>16,261</u>	<u>5,892</u>	<u>161,035</u>	<u>1,657,605</u>	-	<u>3,949,735</u>
<u>81,380</u>	<u>1,566,588</u>	<u>16,261</u>	<u>5,892</u>	<u>322,012</u>	<u>1,715,837</u>	-	<u>5,768,918</u>
-	55,616	-	-	-	8	-	55,624
-	<u>55,616</u>	-	-	-	<u>8</u>	-	<u>55,624</u>
-	-	-	-	46,663	-	-	46,663
-	-	-	-	<u>46,663</u>	-	-	<u>46,663</u>
-	-	-	-	-	-	-	127,504
-	-	-	-	275,349	-	-	275,349
-	-	16,261	-	-	-	-	598,384
81,380	1,510,972	-	-	-	-	-	1,592,352
-	-	-	-	-	-	-	1,068,622
-	-	-	-	-	1,715,829	-	1,715,829
-	-	-	5,892	-	-	-	5,892
-	-	-	-	-	-	-	282,699
<u>81,380</u>	<u>1,510,972</u>	<u>16,261</u>	<u>5,892</u>	<u>275,349</u>	<u>1,715,829</u>	-	<u>5,666,631</u>
\$ <u>81,380</u>	\$ <u>1,566,588</u>	\$ <u>16,261</u>	\$ <u>5,892</u>	\$ <u>322,012</u>	\$ <u>1,715,837</u>	\$ -	\$ <u>5,768,918</u>

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds			
	Economic Development Fund	Community Development Fund	Special Airport Fund	Forfeiture Fund
REVENUES				
Taxes:				
Hotel/motel occupancy taxes	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Charges for services	-	6,042	-	-
Fines and forfeitures	-	-	-	116,077
Investment earnings	2,337	-	87	271
Intergovernmental	-	-	28,739	-
Contributions	-	10,417	200,000	-
Total revenues	<u>2,337</u>	<u>16,459</u>	<u>228,826</u>	<u>116,348</u>
EXPENDITURES				
Current:				
General government	-	-	60,589	-
Public safety	-	-	-	20,494
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Community development	-	6,042	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Issuance costs	-	-	-	-
Total expenditures	<u>-</u>	<u>6,042</u>	<u>60,589</u>	<u>20,494</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,337</u>	<u>10,417</u>	<u>168,237</u>	<u>95,854</u>
OTHER FINANCING SOURCES/(USES)				
Refunding bonds issued	-	-	-	-
Payment to escrow agent	-	-	-	-
Transfers in	250,000	-	25,614	-
Transfers out	(137,235)	(10,417)	-	-
Total other financing sources (uses)	<u>112,765</u>	<u>(10,417)</u>	<u>25,614</u>	<u>-</u>
Net Change in Fund Balances	115,102	-	193,851	95,854
Fund Balances - Beginning	<u>1,081,024</u>	<u>-</u>	<u>88,848</u>	<u>486,269</u>
Fund Balances - Ending	<u>\$ 1,196,126</u>	<u>\$ -</u>	<u>\$ 282,699</u>	<u>\$ 582,123</u>

Special Revenue Funds						Permanent Fund	Total Nonmajor Governmental Funds
Historical Fund	Hotel and Motel Fund	Public Safety Fund	Mayor's Committee on Disabilities	Debt Service Fund	Capital Projects Fund	Sunset Cemetery Fund	
\$ -	\$ 769,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 769,673
-	-	-	-	1,375,689	-	-	1,375,689
-	-	-	-	-	758,866	-	764,908
-	-	-	-	-	-	-	116,077
41	962	23	9	379	1,050	82	5,241
-	-	3,795	-	-	-	-	32,534
-	1,350	-	-	-	-	-	211,767
<u>41</u>	<u>771,985</u>	<u>3,818</u>	<u>9</u>	<u>1,376,068</u>	<u>759,916</u>	<u>82</u>	<u>3,275,889</u>
-	-	-	-	-	-	-	60,589
-	-	746	-	-	-	-	21,240
-	-	-	-	-	828,515	-	828,515
-	-	-	-	-	-	289,256	289,256
11,287	958,603	-	119	-	-	-	976,051
-	-	-	-	1,300,000	-	-	1,300,000
-	-	-	-	62,145	-	-	62,145
-	-	-	-	14,469	-	-	14,469
<u>11,287</u>	<u>958,603</u>	<u>746</u>	<u>119</u>	<u>1,376,614</u>	<u>828,515</u>	<u>289,256</u>	<u>3,552,265</u>
(11,246)	(186,618)	3,072	(110)	(546)	(68,599)	(289,174)	(276,376)
-	-	-	-	1,055,000	-	-	1,055,000
-	-	-	-	(1,040,531)	-	-	(1,040,531)
25,000	-	-	5,000	-	147,652	-	453,266
-	(25,000)	-	-	-	(150,000)	-	(322,652)
<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>5,000</u>	<u>14,469</u>	<u>(2,348)</u>	<u>-</u>	<u>145,083</u>
13,754	(211,618)	3,072	4,890	13,923	(70,947)	(289,174)	(131,293)
<u>67,626</u>	<u>1,722,590</u>	<u>13,189</u>	<u>1,002</u>	<u>261,426</u>	<u>1,786,776</u>	<u>289,174</u>	<u>5,797,924</u>
\$ <u>81,380</u>	\$ <u>1,510,972</u>	\$ <u>16,261</u>	\$ <u>5,892</u>	\$ <u>275,349</u>	\$ <u>1,715,829</u>	\$ <u>-</u>	\$ <u>5,666,631</u>

CITY OF NACOGDOCHES, TEXAS

ECONOMIC DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Investment earnings	\$ 38,248	\$ 2,337	\$(35,911)
Total revenues	<u>38,248</u>	<u>2,337</u>	<u>(35,911)</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>38,248</u>	 <u>2,337</u>	 <u>(35,911)</u>
Other Financing Sources (Uses):			
Transfers in	250,000	250,000	-
Transfers out	<u>(137,248)</u>	<u>(137,235)</u>	<u>13</u>
Total other financing sources (uses)	<u>112,752</u>	<u>112,765</u>	<u>13</u>
 Net Change in Fund Balances	 151,000	 115,102	 (35,898)
Fund Balances - Beginning	<u>1,081,024</u>	<u>1,081,024</u>	<u>-</u>
Fund Balances - Ending	\$ <u>1,232,024</u>	\$ <u>1,196,126</u>	\$(<u>35,898</u>)

CITY OF NACOGDOCHES, TEXASCOMMUNITY DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Charges for services	\$ 6,042	\$ 6,042	\$ -
Contributions	<u>-</u>	<u>10,417</u>	<u>10,417</u>
Total revenues	<u>6,042</u>	<u>16,459</u>	<u>10,417</u>
Expenditures:			
Community Development	<u>6,042</u>	<u>6,042</u>	<u>-</u>
Total Expenditures	<u>6,042</u>	<u>6,042</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>10,417</u>	<u>10,417</u>
Other Financing Sources (Uses):			
Transfers out	<u>-</u>	<u>(10,417)</u>	<u>(10,417)</u>
Total other financing sources (uses)	<u>-</u>	<u>(10,417)</u>	<u>(10,417)</u>
Net Change in Fund Balances	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NACOGDOCHES, TEXAS

SPECIAL AIRPORT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ 150	\$ 87	\$(63)
Intergovernmental	50,000	28,739	(21,261)
Contributions	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total revenues	<u>250,150</u>	<u>228,826</u>	<u>(21,324)</u>
Expenditures:			
General government:			
Airport	<u>100,000</u>	<u>60,589</u>	<u>39,411</u>
Total General Government	<u>100,000</u>	<u>60,589</u>	<u>39,411</u>
Capital Outlay	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total Expenditures	<u>300,000</u>	<u>60,589</u>	<u>239,411</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(49,850)</u>	<u>168,237</u>	<u>218,087</u>
Other Financing Sources (Uses):			
Transfers in	<u>50,000</u>	<u>25,614</u>	<u>(24,386)</u>
Total other financing sources (uses)	<u>50,000</u>	<u>25,614</u>	<u>(24,386)</u>
Net Change in Fund Balances	150	193,851	193,701
Fund Balances - Beginning	<u>88,848</u>	<u>88,848</u>	<u>-</u>
Fund Balances - Ending	\$ <u>88,998</u>	\$ <u>282,699</u>	\$ <u>193,701</u>

CITY OF NACOGDOCHES, TEXAS

FORFEITURE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Fines and forfeitures	\$ 60,000	\$ 116,077	\$ 56,077
Investment earnings	<u>1,500</u>	<u>271</u>	<u>(1,229)</u>
Total revenues	<u>61,500</u>	<u>116,348</u>	<u>54,848</u>
Expenditures:			
Public safety	<u>60,320</u>	<u>20,494</u>	<u>39,826</u>
Total Expenditures	<u>60,320</u>	<u>20,494</u>	<u>39,826</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,180</u>	<u>95,854</u>	<u>94,674</u>
Net Change in Fund Balances	1,180	95,854	94,674
Fund Balances - Beginning	<u>486,269</u>	<u>486,269</u>	<u>-</u>
Fund Balances - Ending	\$ <u>487,449</u>	\$ <u>582,123</u>	\$ <u>94,674</u>

CITY OF NACOGDOCHES, TEXASHISTORICAL FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ 150	\$ 41	\$ (109)
Total revenues	<u>150</u>	<u>41</u>	<u>(109)</u>
Expenditures:			
Community Development	<u>61,365</u>	<u>11,287</u>	<u>50,078</u>
Total Expenditures	<u>61,365</u>	<u>11,287</u>	<u>50,078</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(61,215)</u>	<u>(11,246)</u>	<u>49,969</u>
Other Financing Sources (Uses):			
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net Change in Fund Balances	<u>(36,215)</u>	<u>13,754</u>	<u>49,969</u>
Fund Balance- Beginning	<u>67,626</u>	<u>67,626</u>	<u>-</u>
Fund Balance- Ending	<u>\$ 31,411</u>	<u>\$ 81,380</u>	<u>\$ 49,969</u>

CITY OF NACOGDOCHES, TEXAS

HOTEL AND MOTEL FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Taxes:			
Hotel/motel occupancy taxes	\$ 472,500	\$ 769,673	\$ 297,173
Investment earning	3,000	962	(2,038)
Contributions	<u>-</u>	<u>1,350</u>	<u>1,350</u>
Total revenues	<u>475,500</u>	<u>771,985</u>	<u>296,485</u>
Expenditures:			
Community development	<u>1,936,429</u>	<u>958,603</u>	<u>977,826</u>
Total Expenditures	<u>1,936,429</u>	<u>958,603</u>	<u>977,826</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,460,929)</u>	<u>(186,618)</u>	<u>1,274,311</u>
Other Financing Sources (Uses):			
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,485,929)</u>	<u>(211,618)</u>	<u>1,274,311</u>
Fund Balances - Beginning	<u>1,722,590</u>	<u>1,722,590</u>	<u>-</u>
Fund Balances - Ending	\$ <u>236,661</u>	\$ <u>1,510,972</u>	\$ <u>1,274,311</u>

CITY OF NACOGDOCHES, TEXAS

PUBLIC SAFETY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ -	\$ 23	\$ 23
Intergovernmental	<u>5,350</u>	<u>3,795</u>	<u>(1,555)</u>
Total revenues	<u>5,350</u>	<u>3,818</u>	<u>(1,532)</u>
Expenditures:			
Public Safety:			
Police Department	5,000	-	5,000
Fire Protection	<u>1,000</u>	<u>746</u>	<u>254</u>
Total Public Safety	<u>6,000</u>	<u>746</u>	<u>5,254</u>
Total Expenditures	<u>6,000</u>	<u>746</u>	<u>5,254</u>
Net Change in Fund Balances	(650)	3,072	3,722
Fund Balances - Beginning	<u>13,189</u>	<u>13,189</u>	<u>-</u>
Fund Balances- Ending	\$ <u>12,539</u>	\$ <u>16,261</u>	\$ <u>3,722</u>

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Investment earnings	\$ -	\$ 9	\$ 9
Miscellaneous	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Total revenues	<u>2,000</u>	<u>9</u>	<u>(1,991)</u>
Expenditures:			
Community Development	<u>2,000</u>	<u>119</u>	<u>1,881</u>
Total Expenditures	<u>2,000</u>	<u>119</u>	<u>1,881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(110)</u>	<u>(110)</u>
Other Financing Sources (Uses):			
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balances	-	4,890	(110)
Fund Balances - Beginning	<u>1,002</u>	<u>1,002</u>	<u>-</u>
Fund Balances - Ending	\$ <u>1,002</u>	\$ <u>5,892</u>	\$ <u>4,890</u>

CITY OF NACOGDOCHES, TEXAS

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Taxes:			
Property taxes	\$ 1,373,392	\$ 1,375,689	\$ 2,297
Investment earnings	<u>5,000</u>	<u>379</u>	<u>(4,621)</u>
Total revenues	<u>1,378,392</u>	<u>1,376,068</u>	<u>(2,324)</u>
Expenditures:			
Debt Services:			
Principal	1,300,000	1,300,000	-
Interest	73,392	62,145	11,247
Issuance costs	<u>-</u>	<u>14,469</u>	<u>(14,469)</u>
Total Debt Service	<u>1,373,392</u>	<u>1,376,614</u>	<u>(3,222)</u>
Total Expenditures	<u>1,373,392</u>	<u>1,376,614</u>	<u>(3,222)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,000</u>	<u>(546)</u>	<u>(5,546)</u>
Net Change in Fund Balances	5,000	(546)	(5,546)
Other Financing Sources (Uses):			
Refunding bonds issued	-	1,055,000	(1,055,000)
Payment to escrow agent	<u>-</u>	<u>(1,040,531)</u>	<u>(1,040,531)</u>
Total other financing sources (uses)	<u>-</u>	<u>14,469</u>	<u>(2,095,531)</u>
Net Change in Fund Balances	5,000	13,923	(2,101,077)
Fund Balances - Beginning	<u>261,426</u>	<u>261,426</u>	<u>-</u>
Fund Balances - Ending	\$ <u>266,426</u>	\$ <u>275,349</u>	\$ <u>(2,101,077)</u>

CITY OF NACOGDOCHES, TEXAS**SUNSET CEMETARY FUND
PERMANENT FUND
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Investments earnings	\$ <u>-</u>	\$ <u>82</u>	\$ <u>82</u>
Total revenues	<u>-</u>	<u>82</u>	<u>82</u>
Expenditures:			
Culture and recreation	<u>285,373</u>	<u>289,256</u>	<u>(3,883)</u>
Total Expenditures	<u>285,373</u>	<u>289,256</u>	<u>(3,883)</u>
Net Change in Fund Balances	(285,373)	(289,174)	(3,801)
Fund Balances - Beginning	<u>289,174</u>	<u>289,174</u>	<u>-</u>
Fund Balances - Ending	\$ <u>3,801</u>	\$ <u>-</u>	\$ <u>(3,801)</u>

CITY OF NACOGDOCHES, TEXAS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2021

	<u>Equipment Replacement Fund</u>	<u>Health Insurance Fund</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,922,614	\$ 1,953,688	\$ 4,876,302
Total Current Assets	<u>2,922,614</u>	<u>1,953,688</u>	<u>4,876,302</u>
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Machinery and equipment	5,594,579	-	5,594,579
Less accumulated depreciation	<u>(4,262,848)</u>	<u>-</u>	<u>(4,262,848)</u>
Total Capital Assets	<u>1,331,731</u>	<u>-</u>	<u>1,331,731</u>
Total Noncurrent Assets	<u>1,331,731</u>	<u>-</u>	<u>1,331,731</u>
Total Assets	<u>4,254,345</u>	<u>1,953,688</u>	<u>6,208,033</u>
LIABILITIES			
Current Liabilities:			
Accrued expenses	<u>-</u>	<u>203,635</u>	<u>203,635</u>
Total Current Liabilities	<u>-</u>	<u>203,635</u>	<u>203,635</u>
Total Liabilities	<u>-</u>	<u>203,635</u>	<u>203,635</u>
NET POSITION			
Net Investment in capital assets	1,331,731	-	1,331,731
Unrestricted	<u>2,922,614</u>	<u>1,750,053</u>	<u>4,672,667</u>
Total Net Position	<u>4,254,345</u>	<u>1,750,053</u>	<u>6,004,398</u>
Total Liabilities and Net Position	\$ <u>4,254,345</u>	\$ <u>1,953,688</u>	\$ <u>6,208,033</u>

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Equipment Replacement Fund	Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for sales and services	\$ 468	\$ -	\$ 468
Equipment rental	487,473	-	487,473
Employer premiums	-	2,670,025	2,670,025
Employee premiums	<u>-</u>	<u>647,349</u>	<u>647,349</u>
Total charges for sales and services	<u>487,941</u>	<u>3,317,374</u>	<u>3,805,315</u>
Other:			
Miscellaneous revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>487,941</u>	<u>3,317,374</u>	<u>3,805,315</u>
OPERATING EXPENSES			
Contributions and premiums	-	3,136,428	3,136,428
Depreciation and amortization	<u>285,571</u>	<u>-</u>	<u>285,571</u>
Total Operating Expenses	<u>285,571</u>	<u>3,136,428</u>	<u>3,421,999</u>
Operating Income	<u>202,370</u>	<u>180,946</u>	<u>383,316</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	1,550	1,011	2,561
Gain on sales of assets	14,708	-	14,708
Transfers out	<u>(46,500)</u>	<u>-</u>	<u>(46,500)</u>
Total Non-operating Revenues (Expenses)	<u>(30,242)</u>	<u>1,011</u>	<u>(29,231)</u>
Change in Net Position	172,128	181,957	354,085
Net Positon - Beginning	<u>4,082,217</u>	<u>1,568,096</u>	<u>5,650,313</u>
Net Positon - Ending	\$ <u>4,254,345</u>	\$ <u>1,750,053</u>	\$ <u>6,004,398</u>

CITY OF NACODOCHES, TEXAS

COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Equipment Replacement Fund	Health Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities:			
Interfund charges for fleet management services	\$ 487,941	\$ -	\$ 487,941
Interfund charges for risk management services	-	3,317,374	3,317,374
Cash payments to suppliers for goods and services	<u>-</u>	<u>(3,062,256)</u>	<u>(3,062,256)</u>
Net Cash Provided by Operating Activities	<u>487,941</u>	<u>255,118</u>	<u>743,059</u>
Cash Flows from Noncapital Financing Activities:			
Transfer to other funds	<u>(46,500)</u>	<u>-</u>	<u>(46,500)</u>
Net Cash Used for Noncapital Financing Activities	<u>(46,500)</u>	<u>-</u>	<u>(46,500)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisitions or construction of capital assets	<u>(443,398)</u>	<u>-</u>	<u>(443,398)</u>
Proceeds from the sale of capital assets	<u>14,708</u>	<u>-</u>	<u>14,708</u>
Net Cash Used for Capital and Related Financing Activities	<u>(428,690)</u>	<u>-</u>	<u>(428,690)</u>
Cash Flows from Investing Activities:			
Interest and dividends on investments	<u>1,550</u>	<u>1,011</u>	<u>2,561</u>
Net Cash Provided for Investing Activities	<u>1,550</u>	<u>1,011</u>	<u>2,561</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,301	256,129	270,430
Cash and Cash Equivalents at Beginning of Year	<u>2,908,313</u>	<u>1,697,559</u>	<u>4,605,872</u>
Cash and Cash Equivalents at End of Year	<u>2,922,614</u>	<u>1,953,688</u>	<u>4,876,302</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	202,370	180,946	383,316
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	285,571	-	285,571
Increase/(Decrease) in accrued expenses	<u>-</u>	<u>74,172</u>	<u>74,172</u>
Total Adjustments	<u>285,571</u>	<u>74,172</u>	<u>359,743</u>
Net Cash Provided by Operating Activities	<u>\$ 487,941</u>	<u>\$ 255,118</u>	<u>\$ 743,059</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Nacogdoches' annual comprehensive 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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	79 – 88
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	89 – 97
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	98 – 102
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	103 – 107
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services the City provides and the activities it performs.	108 – 111

CITY OF NACOGDOCHES, TEXAS

NET POSITION BY COMPONENT

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

	Fiscal Year			
	2012	2013	2014	2015
Governmental activities:				
Net Investment in				
Capital Assets	\$ 27,337,224	\$ 27,241,042	\$ 25,820,583	\$ 27,474,788
Restricted	4,201,144	4,241,128	5,709,616	4,703,439
Unrestricted	<u>9,931,806</u>	<u>10,349,319</u>	<u>9,315,464</u>	<u>2,687,583</u>
Total Governmental Activities Net Position	<u>\$ 41,470,174</u>	<u>\$ 41,831,489</u>	<u>\$ 40,845,663</u>	<u>\$ 34,865,810</u>
Business-type activities:				
Net Investment in				
Capital assets	\$ 40,413,438	\$ 43,734,371	\$ 45,389,352	\$ 54,371,566
Restricted	8,160,406	5,061,643	4,230,285	4,255,844
Unrestricted	<u>23,908,378</u>	<u>25,249,603</u>	<u>25,556,627</u>	<u>19,981,019</u>
Total Business-type Activities Net Position	<u>\$ 72,482,222</u>	<u>\$ 74,045,617</u>	<u>\$ 75,176,264</u>	<u>\$ 78,608,429</u>
Primary Government				
Net Investment in				
Capital Assets	\$ 67,750,662	\$ 70,975,413	\$ 71,209,935	\$ 81,846,354
Restricted	12,361,550	9,302,771	9,939,901	8,959,283
Unrestricted	<u>33,840,184</u>	<u>35,598,922</u>	<u>34,872,091</u>	<u>22,668,602</u>
Total Primary Government Net Position	<u>\$ 113,952,396</u>	<u>\$ 115,877,106</u>	<u>\$ 116,021,927</u>	<u>\$ 113,474,239</u>

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 25,962,844	\$ 29,557,781	\$ 28,477,678	\$ 29,749,665	\$ 31,162,042	\$ 32,799,431
3,574,895	3,442,083	5,554,801	5,683,417	6,622,772	6,700,094
<u>5,258,364</u>	<u>(449,309)</u>	<u>1,856,916</u>	<u>1,810,035</u>	<u>5,169,214</u>	<u>7,204,347</u>
<u>\$ 34,796,103</u>	<u>\$ 32,550,555</u>	<u>\$ 35,889,395</u>	<u>\$ 37,243,117</u>	<u>\$ 42,954,028</u>	<u>\$ 46,703,872</u>
\$ 58,587,200	\$ 59,411,889	\$ 60,155,050	\$ 63,105,904	\$ 64,036,601	\$ 77,324,838
1,268,003	1,825,340	8,162,379	8,910,239	10,382,283	22,443,292
<u>23,016,113</u>	<u>88,370,977</u>	<u>25,963,172</u>	<u>29,238,879</u>	<u>32,116,911</u>	<u>11,970,735</u>
<u>\$ 82,871,316</u>	<u>\$ 88,370,977</u>	<u>\$ 94,280,601</u>	<u>\$ 101,255,022</u>	<u>\$ 106,535,795</u>	<u>\$ 111,738,865</u>
\$ 84,550,044	\$ 29,557,781	\$ 88,632,728	\$ 92,855,569	\$ 95,198,643	\$ 110,124,269
4,842,898	3,442,083	13,717,180	14,593,656	17,005,055	29,143,386
<u>28,274,477</u>	<u>87,921,668</u>	<u>27,820,088</u>	<u>31,048,914</u>	<u>37,286,125</u>	<u>19,175,082</u>
<u>\$ 117,667,419</u>	<u>\$ 120,921,532</u>	<u>\$ 130,169,996</u>	<u>\$ 138,498,139</u>	<u>\$ 149,489,823</u>	<u>\$ 158,442,737</u>

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

	Fiscal Year			
	2012	2013	2014	2015
EXPENSES				
Governmental Activities:				
General Government	\$ 4,464,799	\$ 4,558,649	\$ 4,635,539	\$ 4,443,151
Public Safety	13,042,618	13,548,211	13,996,948	13,977,452
Highways and Streets	2,577,253	2,699,339	2,520,977	2,300,242
Culture and Recreation	2,321,329	2,414,986	2,422,034	4,953,709
Community Development	1,450,073	937,155	840,759	849,113
Interest on Long-Term Debt	<u>411,907</u>	<u>339,722</u>	<u>289,704</u>	<u>276,975</u>
Total Governmental				
Activities Expenses	<u>24,267,979</u>	<u>24,498,062</u>	<u>24,705,961</u>	<u>26,800,642</u>
Business-type Activities				
Water and Sewer	11,774,421	11,790,936	11,053,329	10,976,691
Sanitation	2,820,738	4,239,189	3,092,057	2,769,584
Airport	<u>562,001</u>	<u>543,860</u>	<u>539,645</u>	<u>450,610</u>
Total Business-type Activities Expenses	<u>15,157,160</u>	<u>16,573,985</u>	<u>14,685,031</u>	<u>14,196,885</u>
Total Primary Government Expenses	<u>\$ 39,425,139</u>	<u>\$ 41,072,047</u>	<u>\$ 39,390,992</u>	<u>\$ 40,997,527</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 21,573	\$ 14,843	\$ 223,352	\$ 316,525
Public Safety	1,607,141	1,827,837	1,821,823	1,946,627
Highways and Streets	-	-	-	-
Culture and Recreation	247,546	285,233	328,510	354,280
Community Development	-	-	-	-
Operating Grants and Contributions	779,057	328,443	247,111	535,337
Capital Grants and Contributions	<u>78,559</u>	<u>165,078</u>	<u>415,309</u>	<u>58,270</u>
Total Governmental				
Activities Program Revenues	<u>2,733,876</u>	<u>2,621,434</u>	<u>3,036,105</u>	<u>3,211,039</u>
Business-type Activities:				
Charges for Services:				
Water and Sewer	17,066,279	16,481,383	15,878,779	16,646,161
Sanitation	5,639,709	5,661,016	5,437,249	5,398,981
Airport	494,056	424,000	418,044	362,886
Capital Grants and Contributions	<u>879,477</u>	<u>64,664</u>	<u>259,203</u>	<u>1,005,188</u>
Total Business-type				
Activities Program Revenues	<u>24,079,521</u>	<u>22,631,063</u>	<u>21,993,275</u>	<u>23,413,216</u>
Total Primary Government				
Program Revenues	<u>\$ 26,813,397</u>	<u>\$ 25,252,497</u>	<u>\$ 25,029,380</u>	<u>\$ 26,624,255</u>
Net (Expense)/Revenue				
Governmental Activities	\$(21,534,103)	\$(21,876,628)	\$(21,669,856)	\$(23,589,603)
Business-type Activities	<u>8,922,361</u>	<u>6,057,078</u>	<u>7,308,244</u>	<u>9,216,331</u>
Total Net Expense	<u>\$(12,611,742)</u>	<u>\$(15,819,550)</u>	<u>\$(14,361,612)</u>	<u>\$(14,373,272)</u>

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 4,347,717	\$ 4,700,650	\$ 4,955,254	\$ 5,586,805	\$ 5,130,414	\$ 6,078,676
14,121,765	14,693,760	15,332,425	17,248,197	15,868,977	15,626,336
2,769,397	2,831,901	2,892,174	3,065,969	2,932,520	2,716,850
2,530,827	2,893,535	3,087,026	3,252,267	2,654,815	3,185,698
1,063,112	934,282	755,571	708,802	898,609	659,138
<u>256,422</u>	<u>250,266</u>	<u>222,244</u>	<u>177,094</u>	<u>141,133</u>	<u>88,083</u>
<u>25,089,240</u>	<u>26,304,394</u>	<u>27,244,694</u>	<u>30,039,133</u>	<u>27,626,468</u>	<u>28,354,781</u>
10,837,063	11,016,674	11,817,889	11,697,450	11,487,635	11,571,780
2,937,727	3,312,083	3,119,195	3,338,497	3,363,461	4,213,881
<u>395,863</u>	<u>471,869</u>	<u>495,898</u>	<u>478,199</u>	<u>423,948</u>	<u>469,068</u>
<u>14,170,653</u>	<u>14,800,626</u>	<u>15,432,982</u>	<u>15,514,146</u>	<u>15,275,044</u>	<u>16,254,729</u>
\$ <u>39,259,893</u>	\$ <u>41,105,020</u>	\$ <u>42,677,676</u>	\$ <u>45,553,279</u>	\$ <u>42,901,512</u>	\$ <u>44,609,510</u>
\$ 329,215	\$ 422,258	\$ 540,736	\$ 505,866	\$ 633,406	\$ 494,274
1,540,982	1,474,258	1,404,473	1,212,962	1,160,445	1,383,555
-	-	502,023	752,788	754,492	758,866
336,818	344,325	392,481	475,127	258,159	388,698
-	250,000	150,000	-	-	3,456
157,688	462,690	1,271,926	2,646,113	2,641,116	959,430
<u>3,998</u>	<u>27,050</u>	<u>57,338</u>	<u>337,742</u>	<u>84,126</u>	<u>540,893</u>
<u>2,368,701</u>	<u>2,980,581</u>	<u>4,318,977</u>	<u>5,930,598</u>	<u>5,531,744</u>	<u>4,529,172</u>
17,184,423	18,939,084	19,841,583	19,422,326	19,062,221	19,389,909
5,457,533	5,659,444	6,163,872	6,363,558	6,305,207	6,574,239
285,091	400,859	417,681	398,711	372,501	449,924
<u>-</u>	<u>-</u>	<u>-</u>	<u>445,838</u>	<u>-</u>	<u>-</u>
<u>22,927,047</u>	<u>24,999,387</u>	<u>26,423,136</u>	<u>26,630,433</u>	<u>25,739,929</u>	<u>26,414,072</u>
\$ <u>25,295,748</u>	\$ <u>27,979,968</u>	\$ <u>30,742,113</u>	\$ <u>32,561,031</u>	\$ <u>31,271,673</u>	\$ <u>30,943,244</u>
\$(22,720,539)	\$(23,323,813)	\$(22,926,717)	\$(24,108,535)	\$(22,094,724)	\$(23,825,609)
<u>8,756,394</u>	<u>10,198,761</u>	<u>10,990,154</u>	<u>11,116,287</u>	<u>10,464,885</u>	<u>10,159,343</u>
\$(<u>13,964,145</u>)	\$(<u>13,125,052</u>)	\$(<u>11,935,563</u>)	\$(<u>12,992,248</u>)	\$(<u>11,629,839</u>)	\$(<u>13,666,266</u>)

CITY OF NACOGDOCHES, TEXAS

TABLE 2

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

	Fiscal Year			
	2012	2013	2014	2015
General Revenues and Other				
Changes in Net Position				
Governmental Activities				
Taxes				
Property Taxes	\$ 7,688,903	\$ 7,729,854	\$ 7,852,946	\$ 8,294,720
Franchise Taxes	5,656,111	5,469,337	2,575,624	2,505,532
Sales Taxes	2,682,979	2,536,335	5,460,720	5,724,160
Other Taxes	1,085,231	708,537	799,041	837,225
Penalties and Interests on Taxes	137,135	140,834	123,151	152,406
Investment Earnings	33,510	74,526	52,245	58,165
Miscellaneous	868,151	604,953	83,709	101,865
Transfers	5,039,470	5,116,050	5,370,715	5,292,442
Gain on Sale of Capital Assets	<u>272,632</u>	<u>35,137</u>	<u>28,740</u>	<u>543,293</u>
Total Governmental Activities	<u>23,464,122</u>	<u>22,415,563</u>	<u>22,346,891</u>	<u>23,509,808</u>
Business-type Activities:				
Investment Earnings	82,296	129,168	91,937	82,548
Miscellaneous	2,038	5,133	364,382	377,105
Transfers	(5,039,470)	(5,116,050)	(5,370,715)	(5,592,442)
Gain on Sale of Capital Assets	<u>102,741</u>	<u>247,890</u>	<u>22,092</u>	<u>62,164</u>
Total Business-type Activities	<u>(4,852,395)</u>	<u>(4,733,859)</u>	<u>(4,892,304)</u>	<u>(5,070,625)</u>
Total Primary Government	<u>\$ 18,611,727</u>	<u>\$ 17,681,704</u>	<u>\$ 17,454,587</u>	<u>\$ 18,439,183</u>
Change in Net Position				
Governmental Activities	\$ 1,930,019	\$ 538,935	\$ 677,035	\$ 220,205
Business-type Activities	<u>4,069,966</u>	<u>1,324,219</u>	<u>2,415,940</u>	<u>4,145,706</u>
Total Primary Government	<u>\$ 5,999,985</u>	<u>\$ 1,863,154</u>	<u>\$ 3,092,975</u>	<u>\$ 4,365,911</u>

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 8,452,800	\$ 8,907,696	\$ 9,469,354	\$ 9,846,630	\$ 10,827,222	\$ 10,973,148
2,427,859	2,436,424	2,470,495	2,485,322	2,385,315	2,350,005
6,051,628	6,186,513	6,396,954	6,601,004	6,932,275	7,434,346
818,348	834,874	832,426	865,931	697,921	870,362
174,873	165,216	-	158,448	152,238	204,101
45,270	131,007	145,455	530,652	229,664	50,523
64,044	73,859	324,123	98,005	89,941	73,721
5,247,575	5,502,525	79,466	5,757,927	6,427,131	5,602,324
<u>103,171</u>	<u>41,331</u>	<u>5,736,804</u>	<u>35,638</u>	<u>63,928</u>	<u>16,923</u>
<u>23,385,568</u>	<u>24,279,445</u>	<u>25,455,077</u>	<u>26,379,557</u>	<u>27,805,635</u>	<u>27,575,453</u>
73,697	217,306	-	983,498	489,824	147,219
500,577	557,588	574,894	600,204	713,801	498,832
(5,247,575)	(5,502,525)	564,961	(5,757,927)	(6,427,131)	(5,602,324)
<u>179,794</u>	<u>28,531</u>	<u>(5,736,804)</u>	<u>32,359</u>	<u>39,394</u>	<u>-</u>
<u>(4,493,507)</u>	<u>(4,699,100)</u>	<u>(4,596,949)</u>	<u>(4,141,866)</u>	<u>(5,184,112)</u>	<u>(4,956,273)</u>
\$ <u>18,892,061</u>	\$ <u>19,580,345</u>	\$ <u>20,858,128</u>	\$ <u>22,237,691</u>	\$ <u>22,621,523</u>	\$ <u>22,619,180</u>
\$ 665,029	\$ 955,632	\$ 2,529,360	\$ 271,022	\$ 5,710,911	\$ 3,749,844
<u>4,262,887</u>	<u>5,499,661</u>	<u>6,393,205</u>	<u>6,974,421</u>	<u>5,280,773</u>	<u>5,203,070</u>
\$ <u>4,927,916</u>	\$ <u>6,455,293</u>	\$ <u>8,922,565</u>	\$ <u>9,245,443</u>	\$ <u>10,991,684</u>	\$ <u>8,952,914</u>

CITY OF NACOGDOCHES, TEXAS

TABLE 3

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

	Fiscal Year			
	2012	2013	2014	2015
General Fund				
Nonspendable	\$ 64,320	\$ 51,456	\$ 38,592	\$ 25,728
Restricted	639,492	735,489	695,887	702,693
Assigned	-	-	-	-
Unassigned	<u>8,554,470</u>	<u>8,705,190</u>	<u>8,690,538</u>	<u>10,264,994</u>
Total General Fund	<u>\$ 9,258,282</u>	<u>\$ 9,492,135</u>	<u>\$ 9,425,017</u>	<u>\$ 10,993,415</u>
All Other Governmental Funds				
Nonspendable	\$ 354,470	\$ 266,467	\$ 114,214	\$ 427,225
Restricted	3,207,182	3,239,172	3,491,098	2,454,569
Committed	152,875	43,979	23,201	59,585
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 3,714,527</u>	<u>\$ 3,549,618</u>	<u>\$ 3,628,513</u>	<u>\$ 2,941,379</u>

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 12,864	\$ -	\$ -	\$ -	\$ -	\$ -
761,134	787,993	787,993	833,576	862,941	913,411
-	-	65,613	905,645	1,099,592	1,935,200
<u>12,741,437</u>	<u>11,288,895</u>	<u>11,732,687</u>	<u>11,277,441</u>	<u>12,690,560</u>	<u>13,372,793</u>
\$ <u>13,515,435</u>	\$ <u>12,076,888</u>	\$ <u>12,586,293</u>	\$ <u>13,016,662</u>	\$ <u>14,653,093</u>	\$ <u>16,221,404</u>
\$ 373,187	\$ 281,594	\$ 284,349	\$ 286,563	\$ 289,174	\$ -
2,742,985	3,076,858	4,409,323	4,516,298	5,418,900	5,378,040
57,247	53,329	52,297	117,957	89,850	288,591
(77,558)	48,531	(18,398)	-	(11,673)	-
\$ <u>3,095,861</u>	\$ <u>3,460,312</u>	\$ <u>4,727,571</u>	\$ <u>4,920,818</u>	\$ <u>5,786,251</u>	\$ <u>5,666,631</u>

CITY OF NACOGDOCHES, TEXAS

TABLE 4

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

	Fiscal Year			
	2012	2013	2014	2015
Revenue				
Taxes:				
General property taxes	\$ 7,703,315	\$ 7,734,895	\$ 7,802,983	\$ 8,323,689
General sales and other taxes	9,424,321	8,714,209	8,958,536	9,219,323
Licenses and permits	323,367	362,349	245,491	328,624
Fines and forfeitures	1,283,774	1,131,190	963,481	922,397
Charges for services	247,546	285,233	296,262	311,837
Investment earnings	28,777	59,025	41,865	48,315
Grants	879,189	842,662	854,670	744,179
Contributions	-	-	-	-
Miscellaneous	817,910	540,932	740,548	955,828
Total revenues	<u>20,708,199</u>	<u>19,670,495</u>	<u>19,903,836</u>	<u>20,854,192</u>
Expenditures				
General government	4,311,234	4,422,642	4,339,520	4,197,557
Public safety	12,631,331	13,373,945	13,500,225	13,256,260
Highways and streets	1,662,683	1,899,636	1,768,240	1,610,945
Culture and recreation	2,204,851	2,385,704	2,265,852	4,665,165
Community development	1,446,539	995,717	847,276	837,041
Debt service:				
Principal	840,000	825,000	855,000	885,000
Interest, fiscal charges, issue cost	410,961	330,365	307,539	282,950
Other capital outlays	328,247	669,179	1,403,622	530,090
Total expenditures	<u>23,835,846</u>	<u>24,902,188</u>	<u>25,287,274</u>	<u>26,265,008</u>
Other financing sources (uses)				
Refunding bond premium	537,252	-	-	-
Payment to escrow agent	(6,064,159)	-	-	-
Refunding bonds issued	5,590,000	-	-	-
Transfers in	5,254,750	5,275,763	5,573,228	5,921,689
Transfers out	(245,217)	(136,856)	(178,013)	(329,247)
Proceeds from sale of bonds	-	-	-	-
Sale of capital assets	277,948	1,644	-	500,288
Total other financing sources (uses)	<u>5,350,574</u>	<u>5,140,551</u>	<u>5,395,215</u>	<u>6,092,730</u>
Net changes in fund balances	<u>\$ 2,222,927</u>	<u>\$ (91,142)</u>	<u>\$ 11,777</u>	<u>\$ 681,914</u>
Capital outlays included in functions	<u>\$ 570,503</u>	<u>\$ 987,656</u>	<u>\$ 85,038</u>	<u>\$ 47,337</u>
Debt service as a percentage of noncapital expenditures calculated as ([a] + [b] / [c] - [d])	5.38%	4.83%	4.61%	4.54%

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 8,485,231	\$ 8,908,920	\$ 9,447,895	\$ 10,006,617	\$ 10,777,313	\$ 11,004,323
9,472,708	9,623,027	9,845,330	10,110,705	10,167,749	10,858,814
241,624	203,319	215,072	192,661	354,996	211,778
1,006,558	992,076	868,610	836,109	787,674	522,252
283,268	306,457	927,027	1,269,060	1,043,554	1,082,588
40,692	115,909	274,361	441,640	194,589	47,962
419,710	605,391	1,196,244	1,449,775	1,580,231	3,121,778
-	-	722,070	2,406,759	143,329	761,152
461,601	767,240	199,935	148,060	135,316	110,014
<u>20,411,392</u>	<u>21,522,339</u>	<u>23,696,544</u>	<u>26,861,386</u>	<u>25,184,751</u>	<u>27,720,661</u>
4,302,101	4,582,846	4,751,128	5,331,178	4,935,603	5,953,941
13,460,147	13,948,154	14,755,034	16,480,077	15,331,740	16,597,013
1,727,873	1,656,021	1,777,216	2,658,235	2,392,669	2,401,633
2,311,397	2,681,901	2,852,966	2,969,119	2,643,437	3,435,713
876,024	763,955	777,275	800,480	926,514	976,051
795,000	1,095,000	1,150,000	1,205,000	1,235,000	1,300,000
254,850	254,480	220,908	173,061	141,139	76,614
745,548	3,116,603	1,372,157	2,378,547	1,518,663	2,355,533
<u>24,472,940</u>	<u>28,098,960</u>	<u>27,656,684</u>	<u>31,995,697</u>	<u>29,124,765</u>	<u>33,096,498</u>
-	-	-	-	-	-
-	-	-	-	-	(1,040,531)
-	-	-	-	-	2,576,000
5,472,500	5,821,585	6,802,919	6,300,652	6,990,842	6,202,090
(224,925)	(319,060)	(1,066,115)	(542,725)	(563,711)	(553,266)
1,685,000	-	-	-	-	-
4,825	-	-	-	14,747	2,215
<u>6,937,400</u>	<u>5,502,525</u>	<u>5,736,804</u>	<u>5,757,927</u>	<u>6,441,878</u>	<u>7,186,508</u>
\$ <u>2,875,852</u>	\$ <u>(1,074,096)</u>	\$ <u>1,776,664</u>	\$ <u>623,616</u>	\$ <u>2,501,864</u>	\$ <u>1,810,671</u>
\$ <u>862,802</u>	\$ <u>96,257</u>	\$ <u>-</u>	\$ <u>942,083</u>	\$ <u>859,472</u>	\$ <u>1,946,118</u>
4.59%	4.82%	5.22%	4.81%	5.15%	4.78%

CITY OF NACOGDOCHES, TEXAS**TABLE 5**

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

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>General Sales Taxes</u>	<u>Utility Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
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
2021	11,004,323	7,434,346	2,350,005	870,362	21,659,036

CITY OF NACOGDOCHES, TEXAS

**ASSESSED VALUE AND ESTMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Mineral Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>
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
2021	2,130,252,337	268,884,110	654,439,903	1,744,696,544

Source: Nacogdoches Central Appraisal District

TABLE 6

Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
0.5690	1,360,959,860	100.0%
0.5620	1,388,744,440	100.0%
0.5639	1,399,648,260	100.0%
0.5639	1,460,125,810	100.0%
0.5681	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%
0.6160	1,744,696,544	100.0%

CITY OF NACOGDOCHES, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	City of Nacogdoches			Nacogdoches Independent School District		
	Operations and Maintenance	General Obligation Debt Service	Total City Rate	Operations and Maintenance	General Obligation Debt Service	Total NISD Rate
2012	0.48200	0.08700	0.56900	1.17000	0.20000	1.37000
2013	0.47867	0.08333	0.56200	1.17000	0.20000	1.37000
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	1.06835	0.16250	1.23085
2020	0.53890	0.07710	0.61600	1.05470	0.24500	1.29970
2021	0.53371	0.08229	0.61600	1.02130	0.24500	1.26630

Source: Nacogdoches Central Appraisal District

TABLE 7

Nacogdoches County		
Operations and Maintenance	General Obligation Debt Service	Total County Rate
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
0.54020	0.02400	0.56420

CITY OF NACOGDOCHES, TEXAS

**PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Taxpayer	2021		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	
Norbord Texas LP	39,345,760	1	2.3%
Oncor Electric Delivery Co LLC	36,882,480	2	2.1%
SFA 1411 Owner LP	33,236,090	3	1.9%
Pilgrim's Pride (Processing Plant)	31,485,320	4	1.8%
Cardinal Street Housing	23,019,000	5	1.3%
Walmart Stores #01-0163	16,749,380	6	1.0%
SSG East Texas LLC	14,820,611	7	0.8%
NIBCO Inc	13,876,890	8	0.8%
Cooper Power Systems (Eaton)	12,976,900	9	0.7%
University Hill Apartments	11,603,376	10	0.7%
Total	<u>\$ 233,995,807</u>		

Source: Nacogdoches Central Appraisal District

TABLE 8

2012		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
31,524,950	1	2.3%
15,234,540	6	1.1%
-	-	0.0%
16,791,100	3	1.2%
-	-	0.0%
16,598,460	4	1.2%
15,292,120	-	1.1%
19,342,620	-	1.4%
14,408,680	7	1.1%
7,551,540	13	0.6%
\$ 136,744,010		

CITY OF NACOGDOCHES, TEXAS

TABLE 9

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
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	10,028,176	99.4%
2020	10,856,529	10,657,092	98.2%	189,567	10,846,659	99.9%
2021	10,934,218	10,861,420	99.3%	-	10,861,420	99.3%

CITY OF NACOGDOCHES, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Governmental Activities	Business-type Activities		
	General Obligation Bonds	General Obligation Bonds	Water and Sewer Systems Bonds	Sanitation System Bonds
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	-
2017	6,353,009	29,385,249	8,255,000	-
2018	5,143,843	27,527,789	7,135,000	-
2019	3,892,637	25,577,535	5,995,000	-
2020	2,619,650	23,585,376	4,830,000	-
2021	2,831,000	21,515,000	3,640,000	-

TABLE 11

<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
<u>Capital Leases</u>			
-	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
554,345	48,631,741	4.2%	1,434.82
446,603	44,439,861	3.9%	1,309.67
334,871	40,141,503	3.8%	1,194.19
220,141	35,685,313	3.1%	1,063.90
484,607	31,519,633	2.6%	958.71
422,523	28,408,523	2.4%	883.71

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable	
	General Obligation Bonds	Less Amount Available in Debt Service Fund	Total	Value of Property	Per Capita
2012	46,441,586	227,043	46,214,543	3.33%	260.68
2013	44,006,433	220,757	43,785,676	3.13%	232.89
2014	41,971,053	215,953	41,755,100	2.86%	219.74
2015	39,726,627	216,054	39,510,573	2.63%	192.38
2016	38,722,396	219,013	38,503,383	2.55%	1135.99
2017	35,738,258	220,953	35,517,305	2.24%	1046.72
2018	32,853,255	245,421	32,607,834	1.84%	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
2021	24,346,000	322,012	24,070,651	1.35%	748.77

ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT
FISCAL YEAR 2021
(UNAUDITED)

Taxing Body	Gross Dollar Amount	Percent Overlapping	Dollar Overlap
Nacogdoches County	\$ 3,045,000	51.19%	\$ 1,558,739
Nacogdoches Independent School District	101,960,000	87.12%	88,827,552
			<u>90,386,291</u>
			<u>24,346,000</u>
			<u>\$ 114,732,291</u>

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 does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Water Revenue Bonds		Net Available Revenue	Debt Service Principal	Interest	Coverage
	Utility Service Charges	Less: Operating Expenses				
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
2021	19,610,974	10,735,751	8,875,223	3,510,000	468,442	2.23

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment</u>
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%
2021	32,147	1,175,069,291	36,553	24.40	5,940	6.8%

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.

CITY OF NACOGDOCHES, TEXAS**TABLE 10****DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Nacogdoches County Hospital</u>	<u>State of Texas</u>	<u>Total Rate</u>
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
2021	0.01	0.01	0.0625	0.0825

Sources: City Finance Office and County Department of Finance

CITY OF NACOGDOCHES, TEXAS

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Employer	2021		Percentage of Total City Employment
	Employees	Rank	
Stephen F. Austin State University	1,636	1	12%
Pilgrim's Pride	1,471	2	11%
Nacogdoches ISD	1,034	3	8%
Nacogdoches Medical Center	554	4	4%
Etech, Inc.	550	5	4%
Nacogdoches Memorial Hospital*	550	6	4%
Walmart Supercenter	390	7	3%
Eaton*	339	8	3%
City of Nacogdoches	325	9	2%
Nacogdoches County	277	11	2%
Chartwell*	230	10	2%
Foretravel	214	12	2%
Elliott Electric Supply	203	13	2%
TFP Nutrition*	197	14	2%
Cal-Tex Lumber Co.	<u>195</u>	15	<u>1%</u>
Total	<u>8,165</u>		<u>62%</u>

*Nacogdoches County Hospital split into Nacogdoches Memorial Hospital & Nacogdoches County Hospital District in 2021

*Cooper Power became Eaton in 2013

*Aramark became Chartwell in 2021

*Texas Farm Products became TFP Nutrition in 2016

TABLE 16

2012		
<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
1,609	2	11%
1,725	1	12%
985	3	7%
512	6	4%
455	5	3%
694	4	5%
345	7	2%
185	12	1%
311	8	2%
300	9	2%
-	-	-
137	18	1%
-	-	-
179	13	1%
<u>175</u>	16	<u>1%</u>
<u>7,612</u>		<u>52%</u>

CITY OF NACOGDOCHES, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Function	Full-Time-Equivalent Employees as of Year End				
	2012	2013	2014	2015	2016
Governmental Funds					
General Government					
Management Services	5.0	6.5	6.0	6.0	6.0
Finance	4.5	4.5	5.0	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	7.5	7.5	7.5	7.5	7.5
Public Safety					
Police					
Officers	63.5	65.5	66.5	66.5	66.5
Civilians	17.5	17.5	25.5	25.5	25.5
Fire					
Firefighters and Officers	59.0	59.0	58.0	58.0	58.0
Civilians	2.0	2.0	2.5	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	25.5	26.5	26.5	26.5
Library/Historical Sites	10.5	10.0	10.0	10.0	10.0
Urban Development					
Inspections	4.0	4.0	4.0	4.0	2.0
Code Enforcement	2.0	2.0	2.0	2.0	2.0
Enterprise Funds					
Water and Sewer					
Water Billings	10.0	10.0	9.0	9.0	9.0
Water Production	11.0	11.0	8.0	8.0	8.0
Distribution and Collections	13.0	13.0	13.0	13.0	13.0
Wastewater	17.0	17.0	17.0	17.0	16.0
Sanitation					
Collections	15.0	15.0	14.0	14.0	14.0
Disposals	5.5	5.5	5.5	5.5	6.0
Administration	0.0	0.0	0.0	0.0	0.0
Airport FBO Operations					
Airport FBO	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>
Total	<u>324.5</u>	<u>326.5</u>	<u>331.0</u>	<u>331.0</u>	<u>328.5</u>

Source: City Finance Office

TABLE 17

Full-Time-Equivalent Employees as of Year End				
2017	2018	2019	2020	2021
6.0	6.0	5.0	5.5	5.5
5.0	5.0	6.0	6.0	7.0
2.0	2.0	2.5	2.5	2.0
6.0	6.0	6.0	6.0	6.0
7.0	7.0	8.0	8.0	8.0
5.5	5.5	5.5	5.5	3.5
8.0	17.0	18.5	18.0	14.5
66.5	66.5	66.5	66.5	62.5
25.5	26.5	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
9.0	9.0	7.0	7.0	5.0
13.0	13.0	16.0	16.0	12.0
5.0	5.0	5.0	5.0	4.0
26.0	26.0	22.0	22.0	21.5
9.5	9.5	9.5	9.5	10.5
2.0	2.0	2.0	3.0	3.0
2.0	2.0	2.0	2.0	2.0
9.0	9.0	9.0	9.0	9.0
7.0	7.0	7.0	7.0	7.0
13.0	13.0	16.0	17.0	17.0
18.0	18.0	13.0	13.0	12.0
14.0	14.0	12.0	12.0	16.0
6.0	6.0	6.0	6.0	6.0
0.0	0.0	0.0	0.0	2.0
<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>
<u>328.0</u>	<u>338.0</u>	<u>334.0</u>	<u>336.0</u>	<u>325.5</u>

CITY OF NACOGDOCHES, TEXAS

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Function	2012	2013	2014	2015
General Government:				
Planning and Zoning:				
Building Permits Issued	1,470	1,314	1,280	1,320
Building Inspections Conducted	1,531	1,856	2,063	2,194
Public Safety:				
Police				
Physical Arrests	3,160	4,366	4,508	3,925
Parking Violations	2	11	19	19
Traffic Violations	9,457	9,186	8,638	7,170
Fire				
Emergency Responses	3,785	3,981	4,406	4,536
Fires Extinguished	155	202	181	271
Culture and Recreation:				
Parks and Recreation				
Recreation Program Participation	4,841	5,544	4,109	5,344
Recreation Facility Reservations	408	475	579	602
Library				
Volumes in Collection	98,576	98,373	100,652	102,889
Total Volumes Borrowed	139,856	130,987	132,268	128,062
Water and Sewer:				
Water				
Water Customers	12,790	12,903	13,018	13,051
Water Main Breaks	79	127	150	101
Average Daily Consumption (thousands of gallons)	7,093	6,912	6,582	3,954
Peak Daily Consumption (thousands of gallons)	11,109	15,485	11,327	11,653
Wastewater				
Average Daily Sewage Treatment (thousands of gallons)	7,388	4,407	6,070	7,484
Sanitation				
Refuse Collection				
Refuse Collected (cubic yards)	257,780	221,680	198,705	221,037
Recyclables Collected (cubic yards)	1,818	3,722	3,451	1,549

Source: Various City Departments

TABLE 18

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1,229	1,202	1,047	1,163	521	1,174
1,294	1,195	1,312	429	782	1,761
2,589	2,927	1,476	1,876	1,997	2,034
54	85	43	22	63	7
6,488	7,612	8,895	8,118	2,789	4,883
4,585	4,492	4,444	4,467	3,676	4,149
175	128	160	141	108	151
5,416	5,675	5,772	6,685	2,657	2,629
914	1,120	1,077	903	655	553
104,502	105,991	108,831	110,309	111,104	124,058
123,840	128,174	132,497	130,248	81,819	85,447
13,079	13,096	13,075	13,169	13,120	13,315
130	122	115	125	112	127
6,717	7,066	6,764	5,874	6,824	6,413
9,365	11,030	12,670	9,874	10,819	12,219
7,275	6,479	6,616	4,319	5,900	6,555
259,266	257,848	267,665	261,879	263,831	389,145
4,229	4,002	4,889	5,487	686	61,395

CITY OF NACOGDOCHES, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Function	2012	2013	2014	2015
Public Safety:				
Police				
Stations	1	1	1	1
Patrol Units	30	34	34	34
Unmarked Vehicles	*	*	*	*
Fire				
Stations	5	5	5	5
Fire Engines	8	8	8	8
Highways and Streets:				
Streets				
Streets (miles)	146	146	146	146
Traffic Signals	2	2	2	2
Culture and Recreation:				
Parks and Recreation				
Parks	17	17	13	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

*For FY21 split between marked & unmarked vehicles

Source: Various City Departments

TABLE 19

2016	2017	2018	2019	2020	2021
1 34	1 34	1 34	1 34	1 34	1 44
*	*	*	*	*	29
5 8	5 8	5 8	5 8	5 8	5 10
146 2	146 2	146 2	146 2	146 2	146 2
13	13	13	13	13	13
-	-	-	-	-	-
-	-	-	-	1	2
3	3	3	3	3	3
4	4	4	4	4	4
8	8	8	8	8	9
324	324	324	324	324	324
284	284	284	284	284	284
13	13	13	13	13	13

SINGLE AUDIT SECTION

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

Honorable Mayor and
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, 2021, 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 ____, 2022.

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 2021-001.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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
_____, 2022

**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, 2021. 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, 2021.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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
_____, 2022

CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through Expenditures
<u>U.S. Department of Housing and Urban Development (HUD)</u>				
Passed through Texas Department of Agriculture				
Community Development Block Grant - Fire, Ambulance and Services Truck (FAST) Grant	14.228	7219196	\$ 494,999	-
Total Passed through Texas Department of Agriculture			<u>494,999</u>	-
Total U.S. Department of Housing and Urban Development (HUD)			<u>494,999</u>	-
<u>U. S. Department of Justice</u>				
Passed through Office of the Texas Governor:				
Edward Byrne Memorial Justice Assistance Grant - TASER Project	16.738	3737502	<u>53,380</u>	-
Total Passed through Office of the Texas Governor			<u>53,380</u>	-
Direct Program:				
Equitable Sharing Program	16.922	TX1740200	<u>18,531</u>	-
Total Direct Program			<u>18,531</u>	-
Total U. S. Department of Justice			<u>71,911</u>	-
<u>U. S. Department of Transportation</u>				
Passed through Texas Department of Transportation:				
COVID-19 - Airport Improvements Program	20.106	20CRNACOG1	<u>53,000</u>	-
Total Passed through Texas Department of Transportation			<u>53,000</u>	-
Total U. S. Department of Transportation			<u>53,000</u>	-
<u>National Endowment for the Humanities (NEH)</u>				
Passed through Texas State Library and Archives Commission:				
COVID-19 - Grants to States Program - TSLAC	45.310	n/a	<u>20,003</u>	-
Total passed through Texas State Library and Archives Commission			<u>20,003</u>	-
Total National Endowment for the Humanities (NEH)			<u>20,003</u>	-
<u>U. S. Department of Homeland Security</u>				
Passed through Texas Division of Emergency Management:				
Disaster Grants - Public Assistance	97.036	N/A	<u>217,653</u>	-
Total Passed through Texas Division of Emergency Management			<u>217,653</u>	-
Total U. S. Department of Homeland Security			<u>217,653</u>	-
Total Expenditures of Federal Awards			\$ <u>857,566</u>	\$ -

CITY OF NACOGDOCHES, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2021

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, 2021

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:

Assistance Listing Numbers:
14.228

Name of Federal Program or Cluster:
Community Development Block Grant - Fire,
Ambulance and Services Truck (FAST) Grant

Dollar threshold used to distinguish between type A
and type B programs

\$750,000

Auditee qualified as low-risk auditee?

Yes

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

None

Findings and Questioned Costs for Federal Awards

None

CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Item 2021-001 (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:

This matter has been resolved. City Management has implemented a plan to bring payroll processing duties under the control and supervision of Finance Staff. Maintenance of personnel records remains under the control of Human Resources Staff.

CITY OF NACOGDOCHES, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

PRESENTER: Bonita Hall, Director of Human Resources, Mario Canizares, City Manager, Pam Curbow, Finance Director

ITEM/SUBJECT: Consider approval of a proposed inflation cost adjustment for City employees (Human Resources Director)

SUMMARY/BACKGROUND: In December 2020, City Council approved a revamped compensation program for City employees. The compensation plan made City wages and salaries competitive when recruiting talent to the organization. In September 2021, the City Council approved a 1% Cost of Living Adjustment (COLA) for all City employees as part of the fiscal year 2021-2022 budget.

The approved COLA at the time was appropriate given that the adjustment was made within a year of the revamped compensation plan. It was also thought that the COLA would keep up with inflation even though there were already signs of price increases due to supply chain issues as the economy rebounded from the pandemic. Unfortunately, as we transition into 2022, prices have increased dramatically because of continued supply chain issues and instability overseas. As a result, most day to day commodities are at extremely high prices, placing a severe squeeze on employees. The 1% COLA has been completely eroded and employees are worried about the future and what relief, if any, is possible.

The U.S. Bureau of Labor Statistics states in part "The annual inflation rate in the US accelerated to 7.5% in January of 2022, the highest since February of 1982 and well above market forecasts of 7.3%, as soaring energy costs, labor shortages, and supply disruptions coupled with strong demand. Energy remained the biggest contributor (27% vs 29.3% in December), with gasoline prices surging 40% (49.6% in December). Inflation accelerated for shelter (4.4% vs 4.1%); food (7% vs 6.3%), namely food at home (7.4% vs 6.5%); new vehicles (12.2% vs 11.8%); used cars and trucks (40.5% vs 37.3%); and medical care services (2.7% vs 2.5%). Excluding volatile energy and food categories, the CPI rose 6%, the most since August of 1982. On a monthly basis, consumer prices increased 0.6%, in line with forecasts. The January figure includes changes in seasonal adjustment factors, with a bigger weight given to used cars and trucks and a smaller one for food away from home, but the calculations did not affect unadjusted data."

The intent of this proposal is to provide an inflationary cost adjustment for City employees. The structure of the adjustment is to impact the lower paid employees the most. The following tiered structure is being recommended:

Base Salary:	# of Employees	Adjustment Amount:
-FT Up to \$49,999	141	\$1,000
-FT \$50,000-\$74,000	132	\$ 750
-FT \$75,000-up	27	\$ 500
Part-time	24	\$ 100

*the City Manager and City Attorney would not be eligible for the adjustment program.

Total amount of the adjustment:	\$ 245,513
TMRS:	\$ 18,766
City Fica/Medicare:	<u>\$ 37,032</u>
Total Expenditure:	\$ 301,111

It is proposed that a portion of the City's remaining unspent CARES Act funds be utilized for this payment. As you may recall, the City received \$1,852,180 in prior years in reimbursement for Public Safety salaries during the beginning of the pandemic. As of 3/8/2022, \$804,298 of those funds have been spent on pandemic related items, leaving a restricted cash balance of \$1,047,882 available. If the Council approves this item, the funds will be dispersed in a special check run on April 1, 2022.

FINANCIAL:

Item is not budgeted

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

Not Applicable

CITY CONTACT: Bonita Hall, Human Resources Director
hallb@nactx.us
936-559-2565

ATTACHMENTS:

1. April Inflation Cost Adjustment Calculation
2. Inflation Cost Adjustment for Employees Presentation - March 2022

**Proposed Inflation Cost Adjustment
for all Employees
April 2022**

Base Salary	No. of Employees	Level 1 Hire Date		Level 2 Hire Date		Level 3 Hire Date	
		Prior to	10/1/21	10/1/21-12/31/21		1/1/22-3/31/22	
FT Up to \$49,999	141	\$	1,000.00	\$	750.00	\$	250.00
FT \$50,000-\$74,999	132	\$	750.00	\$	562.50	\$	187.50
FT \$75,000 & up	27	\$	500.00	\$	375.00	\$	125.00
Part Time	24	\$	100.00	\$	75.00	\$	25.00
Total of Incentive Pmts	\$	245,313					
TMRS	\$	18,766					
City FICA/Med	\$	37,032					
Total Expenditure	\$	301,111					

*Existing balance in the CARES Restricted Cash Account is \$1,047,882

Propose to fund this incentive payment with remaining CARES funds.



Proposed Inflation Cost Adjustment for City Employees

Background

- 2019 Council commissioned a study of employee salaries compared with survey cities
- December 2020 Council approved the revised compensation program for City employees
- September 2021 Council approved a 1% Cost of Living Adjustment (COLA) as part of the budget

What's Happening?

- The Bureau of Labor Statistics states in part “the annual inflation rate in the US accelerated to 7.5% in January 2022, the highest since February of 1982...”
- Food Prices are up 7.0%
- Energy Prices are up 27.0%
- Social Security Administration announced a 5.9% benefit increase for beneficiaries for the year 2022

Proposed Adjustment

Base Salary	No. Employees	Prior to 10/01/21	10/01/21-12/31/21	01/01/22-3/31/22
FT to \$49,999	141	1,000	750	250
FT \$50,000-\$74,999	132	750	562.50	187.50
FT \$75,000-up	27	500	375	125
Part Time	24	100	75	25
Total of Incentive Pmts		\$245,313		
TMRS		\$18,766		
City FICA/Med		\$37,032		
Total Expenditure		\$301,111		

Existing balance in the CARES Restricted Cash Account is \$1,047,882

Propose to fund this payment with remaining CARES funds

Disbursement Stipulations

- The adjustment will not be added to the employees' base pay.
- Employees who have resigned as of March 15, 2022, and their resignation accepted will not be eligible for the adjustment.
- It is understood that those employees who receive the adjustment and later decide to separate from employment with City will have a deduction made from their final check to the extent allowed by law to cover the value remaining that is owed or the employee shall make a cash payment to the City for the balance remaining. The amount of the adjustment needing to be repaid is the following:
 - 0 to 30 days after receipt – 100% of the adjustment
 - 31 to 60 days after receipt – 50% of the adjustment
 - 61 to 90 days after receipt – 25% of the adjustment

PRESENTER: Bonita Hall, Director of Human Resources

ITEM/SUBJECT: Consider an ordinance amending Ordinance No. 1881-09-21 appropriating various amounts in accordance with the budget adopted for the ensuing fiscal year beginning October 1, 2021 and ending September 30, 2022 for employee inflation adjustment payments. (Human Resources Director)

SUMMARY/BACKGROUND: As stated in the previous agenda item the intent of this proposal is to provide an inflationary cost adjustment for City employees. The structure of the adjustment is to impact the lower paid employees the most. The following tiered structure is being recommended:

Base Salary:	# of Employees	Adjustment Amount:
-FT Up to \$49,999	141	\$1,000
-FT \$50,000-\$74,000	132	\$ 750
-FT \$75,000-up	27	\$ 500
Part-time	24	\$ 100

*the City Manager and City Attorney would not be eligible for the adjustment program.

Total amount of the adjustment:	\$ 245,513
TMRS:	\$ 18,766
City Fica/Medicare:	\$ 37,032
Total Expenditure:	\$ 301,111

If approved, a portion of the City's remaining unspent CARES Act funds be utilized for this payment. As you may recall, the City received \$1,852,180 in prior years in reimbursement for Public Safety salaries during the beginning of the pandemic. As of 3/8/2022, \$804,298 of those funds have been spent on pandemic related items, leaving a restricted cash balance of \$1,047,882 available.

If the Council approves this item, the funds will be dispersed in a special check run on April 1, 2022.

FINANCIAL:

Item is not budgeted (*Budget Amendment required – see attached*)

Account No.: 01.75.601.65

Account Name: *General Fund Non-Departmental COLA Adjustments*

Amount: \$245,313

Account No.: 01.75.601.70

Account Name: *General Fund Non-Departmental SS/Medicare*

Amount: \$18,766

Account No.: 01.75.601.80
Account Name: *General Fund Non-Departmental TMRS*
Amount: \$37,032

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

Not Applicable

CITY CONTACT: Bonita Hall
hallb@nactx.us
936-559-2565

ATTACHMENTS: 1. Ordinance for Inflation Cost Adjustment - 2022

AN ORDINANCE AMENDING ORDINANCE NO. 1881-09-21 APPROPRIATING VARIOUS AMOUNTS IN ACCORDANCE WITH BUDGET ADOPTED FOR THE ENSUING FISCAL YEAR BEGINNING OCTOBER 1, 2021 AND ENDING SEPTEMBER 30, 2022.

WHEREAS, the City Council of the City of Nacogdoches, Texas has approved and adopted the budget for said city for the ensuing fiscal year beginning October 1, 2021 and ending September 30, 2022; and

WHEREAS, with the adoption of this ordinance, the City is granting an employee inflation adjustment for City employees effective on April 1, 2022; and

WHEREAS, the above listed employee inflation adjustment does not pertain to base pay and will have an April 1, 2022 pay date; and

WHEREAS, with the adoption of this ordinance, the Finance Department is authorized to issue employee inflation adjustment payments.

NOW, THEREFORE BE IT ORDAINED by the City Council of the City of Nacogdoches that sums of money as herein set forth in said budget are hereby appropriated and amended for the payment of operations of the city government of the City of Nacogdoches as follows:

Fund	Dept.	Acct.	Department	Description	Amt.
01	75	601.65	Gen Fd Non-Dept COLA Adj	Employee Inflation Adjustment Payments	\$245,313
01	75	601.70	Gen Fd Non-Dept SS/Medicare	SS/Medicare Expense	\$18,766
01	75	601.80	Gen Fd Non-Dept TMRS	TMRS Expense	\$37,032

PASSED AND APPROVED this the 15th day of March, 2022.

Jimmy Mize, Mayor
City of Nacogdoches

ATTEST:

Jan Vinson, City Secretary

Approved as to form: _____
Steven Kirkland, City Attorney

Approved as to content: _____
Pamela Curbow, Director of Finance

Approved as to content: _____
Bonita Hall, Human Resources Director



City Council Meeting

Date: March 15, 2022

Agenda Item: 8.D.

PRESENTER: Joanna Temple

ITEM/SUBJECT: Consider approval resolution closing East Main Street for the Nacogdoches Music and Arts Festival event, April 23, 2022. (CVB Director of Sales and Promotions)

SUMMARY/BACKGROUND: On April 23rd from 11 am to 7 pm, Downtown Nacogdoches will welcome the Nacogdoches Music and Arts Festival. This new event will feature over 200 student art, music, and dance performers from Stephen F. Austin State University (SFASU) Music Preparatory, SFA Fine Arts, Nacogdoches Independent School Districts, and local dance studios. The concept is to create a community-wide festival highlighting the cultural arts scene in and around Nacogdoches.

Food vendors, food trucks, retail vendors, and downtown shopping will be an integral part of the festival. The event organizer (SFA Preparatory) anticipates a minimum of 2000 parents, grandparents, family members and visitors to be in attendance. SFA Preparatory has partnered with Visit Nacogdoches to assist in promoting the event to draw visitors in from around the state. Vendor fees and sponsorships will go towards festival logistical costs; proceeds will go back to the SFA Preparatory program.

The Nacogdoches Music and Arts Festival promoters and Visit Nacogdoches staff are presenting to Main Street and the downtown merchants at its upcoming March 10th meeting in an effort to receive support and participation in the festival. Parking and transportation solutions are being discussed for both downtown merchant employees and guests.

For this event, East Main Street will be closed from the intersection at North Street to the intersection at Mound Street. In order to do this, City Council must pass a resolution to temporarily close East Main Street which will be included in the Agreement for the Temporary Closure of State Right of Way with TxDot (attached). East Main will be closed, if approved, from 8am on Saturday, April 23rd and re-open at 9pm on Saturday, April 23rd.

FINANCIAL:

No financial impact associated with this item

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

Downtown Entertainment and Destination District

CITY CONTACT: Joanna Temple, Director of Sales and Promotions
joanna@visitnacogdoches.org
936.564.7351

ATTACHMENTS: 1. Event Poster

2. TxDOT Agreement for Temporary Closure
3. Nac Music and Arts Festival Agreement Exhibit B - Resolution
4. Nac Music & Art Festival Exhibit C-map

STEPHEN F. AUSTIN STATE UNIVERSITY
THE NACOGDOCHES CONVENTION AND VISITORS BUREAU



MUSIC and Arts

Festival

Be a Sponsor!

Be a Sponsor!

Saturday
April 23

11 a.m. - 7 p.m.
On the Square
Downtown Nacogdoches

936.468.1291
musicprep@sfasu.edu
sfamusicprep.com

Join us for a family-friendly outdoor music festival featuring student performances, local artists, food vendors, exhibit booths, children's games and much, much more!



STATE OF TEXAS §
COUNTY OF TRAVIS §

AGREEMENT FOR THE TEMPORARY CLOSURE OF STATE RIGHT OF WAY

THIS AGREEMENT is made by and between the State of Texas, acting by and through the Texas Department of Transportation, hereinafter called the “State,” and the City of NACOGDOCHES, a municipal corporation, acting by and through its duly authorized officers, hereinafter called the “local government.”

W I T N E S S E T H

WHEREAS, the State owns and operates a system of highways for public use and benefit, including State Highway 21, in Nacogdoches, County; and

WHEREAS, the local government has requested the temporary closure of State Highway 21 for the purpose of Nacogdoches (NAC) Music and Arts Festival, from 8am to 9pm on Saturday, April 23, 2022 as described in the attached “Exhibit A,” hereinafter identified as the “Event;” and

WHEREAS, the Event will be located within the local government’s incorporated area; and

WHEREAS, the State, in recognition of the public purpose of the Event, wishes to cooperate with the City so long as the safety and convenience of the traveling public is ensured and that the closure of the State’s right of way will be performed within the State’s requirements; and

WHEREAS, on the 15th day of March 2022, the Nacogdoches City Council passed Resolution / Ordinance No 1297-03-22, attached hereto and identified as “Exhibit B,” establishing that the Event serves a public purpose and authorizing the local government to enter into this agreement with the State; and

WHEREAS, 43 TAC, Section 22.12 establishes the rules and procedures for the temporary closure of a segment of the State highway system: and

WHEREAS, this agreement has been developed in accordance with the rules and procedures of 43 TAC, Section 22.12;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements of the parties hereto, to be by them respectively kept and performed as hereinafter set forth, it is agreed as follows:

A G R E E M E N T

Article 1. CONTRACT PERIOD

This agreement becomes effective upon final execution by the State and shall terminate upon completion of the Event or unless terminated or modified as hereinafter provided.

Article 2. EVENT DESCRIPTION

The physical description of the limits of the Event, including county names and highway numbers, the number of lanes the highway has and the number of lanes to be used, the proposed schedule of start and stop times and dates at each location, a brief description of the proposed activities involved, approximate number of people attending the Event, the number and types of animals and equipment, planned physical modifications of any man-made or natural features in or adjacent to the right of way involved shall be attached hereto along with a location map and identified as "Exhibit C."

Article 3. OPERATIONS OF THE EVENT

A. The local government shall assume all costs for the operations associated with the Event, to include but not limited to, plan development, materials, labor, public notification, providing protective barriers and barricades, protection of highway traffic and highway facilities, and all traffic control and temporary signing.

B. The local government shall submit to the State for review and approval the construction plans, if construction or modifications to the State's right of way is required, the traffic control and signing plans, traffic enforcement plans, and all other plans deemed necessary by the State. The State may require that any traffic control plans of sufficient complexity be signed, sealed and dated by a registered professional engineer. The traffic control plan shall be in accordance with the latest edition of the Texas Manual on Uniform Traffic Control Devices. All temporary traffic control devices used on state highway right of way must be included in the State's Compliant Work Zone Traffic Control Devices List. The State reserves the right to inspect the implementation of the traffic control plan and if it is found to be inadequate, the local government will bring the traffic control into compliance with the originally submitted plan, upon written notice from the State noting the required changes, prior to the event. The State may request changes to the traffic control plan to ensure public safety due to changing or unforeseen circumstances regarding the closure.

C. The local government will ensure that the appropriate law enforcement agency has reviewed the traffic control for the closures and that the agency has deemed them to be adequate. If the law enforcement agency is unsure as to the adequacy of the traffic control, it will contact the State for consultation no less than 10 workdays prior to the closure.

D. The local government will complete all revisions to the traffic control plan as requested by the State within the required timeframe or that the agreement will be terminated upon written notice from the State to the local government. The local government hereby agrees that any failure to cooperate with the State may constitute reckless endangerment of the public and that the Texas Department of Public Safety may be notified of the situation as soon as possible for the appropriate action and failing to follow the traffic control plan or State instructions may result in a denial of future use of the right of way for three years.

E. The local government will not initiate closure prior to 24 hours before the scheduled Event and all barriers and barricades will be removed, and the highway reopened to traffic within 24 hours after the completion of the Event.

F. The local government will provide adequate enforcement personnel to prevent vehicles from stopping and parking along the main lanes of highway right of way and otherwise prevent interference with the main lane traffic by both vehicles and pedestrians. The local government will prepare a traffic enforcement plan, to be approved by the State in writing at least 48 hours prior to the scheduled Event. Additionally, the local government shall provide to the State a letter of certification from the law enforcement agency that will be providing traffic control for the Event, certifying that they agree with the enforcement plan and will be able to meet its requirements.

G. The local government hereby assures the State that there will be appropriate passage

allowance for emergency vehicle travel and adequate access for abutting property owners during construction and closure of the highway facility. These allowances and accesses will be included in the local government's traffic control plan.

H. The local government will avoid or minimize damage, and will, at its own expense, restore or repair damage occurring outside the State's right of way and restore or repair the State's right of way, including, but not limited to, roadway and drainage structures, signs, overhead signs, pavement markings, traffic signals, power poles and pavement, etc. to a condition equal to that existing before the closure, and, to the extent practicable, restore the natural and cultural environment in accordance with federal and state law, including landscape and historical features.

Article 4. OWNERSHIP OF DOCUMENTS

Upon completion or termination of this agreement, all documents prepared by the local government will remain the property of the local government. All data prepared under this agreement shall be made available to the State without restriction or limitation on their further use. At the request of the State, the Local Government shall submit any information required by the State in the format directed by the State.

Article 5. TERMINATION

A. This agreement may be terminated by any of the following conditions:

- (1) By mutual written agreement and consent of both parties.
- (2) By the State upon determination that use of the State's right of way is not feasible or is not in the best interest of the State and the traveling public.
- (3) By either party, upon the failure of the other party to fulfill the obligations as set forth herein.
- (4) By satisfactory completion of all services and obligations as set forth herein.

B. The termination of this agreement shall extinguish all rights, duties, obligations, and liabilities of the State and local government under this agreement. If the potential termination of this agreement is due to the failure of the local government to fulfill its contractual obligations as set forth herein, the State will notify the local government that possible breach of contract has occurred. The local government must remedy the breach as outlined by the State within ten (10) days from receipt of the State's notification. In the event the local government does not remedy the breach to the satisfaction of the State, the local government shall be liable to the State for the costs of remedying the breach and any additional costs occasioned by the State.

Article 6. DISPUTES

Should disputes arise as to the parties' responsibilities or additional work under this agreement, the State's decision shall be final and binding.

Article 7. RESPONSIBILITIES OF THE PARTIES

The State and the Local Government agree that neither party is an agent, servant, or employee of the other party and each party agrees it is responsible for its individual acts and deeds as well as the acts and deeds of its contractors, employees, representatives, and agents.

Article 8. INSURANCE

A. Prior to beginning any work upon the State's right of way, the local government and/or its contractors shall furnish to the State a completed "Certificate of Insurance" (TxDOT Form 1560, latest edition) and shall maintain the insurance in full force and effect during the period

that the local government and/or its contractors are encroaching upon the State right of way.
B. In the event the local government is a self-insured entity, the local government shall provide the State proof of its self-insurance. The local government agrees to pay any and all claims and damages that may occur during the period of this closing of the highway in accordance with the terms of this agreement.

Article 9. AMENDMENTS

Any changes in the time frame, character, agreement provisions or obligations of the parties hereto shall be enacted by written amendment executed by both the local government and the State.

Article 10. COMPLIANCE WITH LAWS

The local government shall comply with all applicable federal, state and local environmental laws, regulations, ordinances and any conditions or restrictions required by the State to protect the natural environment and cultural resources of the State's right of way.

Article 11. LEGAL CONSTRUCTION

In case one or more of the provisions contained in this agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof and this agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

Article 12. NOTICES

All notices to either party by the other required under this agreement shall be delivered personally or sent by certified U.S. mail, postage prepaid, addressed to such party at the following respective addresses:

Local Government:	State:
City of Nacogdoches c/o Joanna Temple 200 E. Main Street Nacogdoches, TX 75965	Texas Department of Transportation 1805 N. Timberland Dr. Lufkin, TX 75901

All notices shall be deemed given on the date so delivered or so deposited in the mail, unless otherwise provided herein. Either party hereto may change the above address by sending written notice of such change to the other in the manner provided herein.

Article 13. SOLE AGREEMENT

This agreement constitutes the sole and only agreement between the parties hereto and supersedes any prior understandings or written or oral agreements respecting the within subject matter.

IN TESTIMONY WHEREOF, the parties hereto have caused these presents to be executed in duplicate counterparts.

THE CITY OF NACOGDOCHES

Executed on behalf of the local government by:

By _____ Date _____
Mario Canizares
City Manager, Nacogdoches, TX

THE STATE OF TEXAS

Executed for the Executive Director and approved for the Texas Transportation Commission for the purpose and effect of activating and/or carrying out the orders, established policies or work programs heretofore approved and authorized by the Texas Transportation Commission.

By _____ Date _____
District Engineer

Exhibit A

Organizers of the Nac Music and Arts Festival are requesting the city of Nacogdoches close Main Street (SH 21) from its intersection with North Street eastwardly to its intersection at Mound Street from 8:00 am, Saturday, April 23, 2022, until 9:00 pm, Saturday, April 23, 2022, to provide safety for the vendors and participants. The proposed activities for the Nac Music and Arts Festival include cultural food vendors, live music, and entertainers. The expected number of attendees is 2000. There will be no physical modification of any features in or adjacent to the right of way of State Highway 21. Traffic control will be handled by the City of Nacogdoches Police Department and Public Works Department.

Exhibit B

Exhibit C

RESOLUTION NO. 1297-03-22

WHEREAS organizers of the Nacogdoches (NAC) Music and Arts Festival event desire to have a safe and successful event for all vendors and participants and

WHEREAS organizers of the Nac Music and Arts Festival event are requesting that the city of Nacogdoches close Main Street (SH 21) from its intersection with North Street eastward to its intersection at Mound Street from 8:00 a.m., Saturday, April 23, 2022, until 9:00 p.m., Saturday, April 23, 2022, in order to provide safety for the vendors and participants; and

WHEREAS, after duly considering such a request, it is the consent of the City Council that a resolution be adopted requesting the Texas Department of Transportation to allow the closing of Main Street for the Nac Music and Arts Festival event.

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Nacogdoches, Texas that this resolution be adopted requesting the Texas Department of Transportation to allow the closing of Main Street (SH 21) from its intersection with North Street eastwardly to its intersection at Mound Street from 8:00 a.m., Saturday, April 23, 2022, until 9:00 p.m. Saturday, April 23, 2022, for the Nac Music and Arts Festival of event.

BE IT FURTHER RESOLVED that Mario Canizares, City Manager be authorized to execute an agreement with the Texas Department of Transportation for the closing of Main Street (SH 21).

PASSED AND APPROVED this DATE.

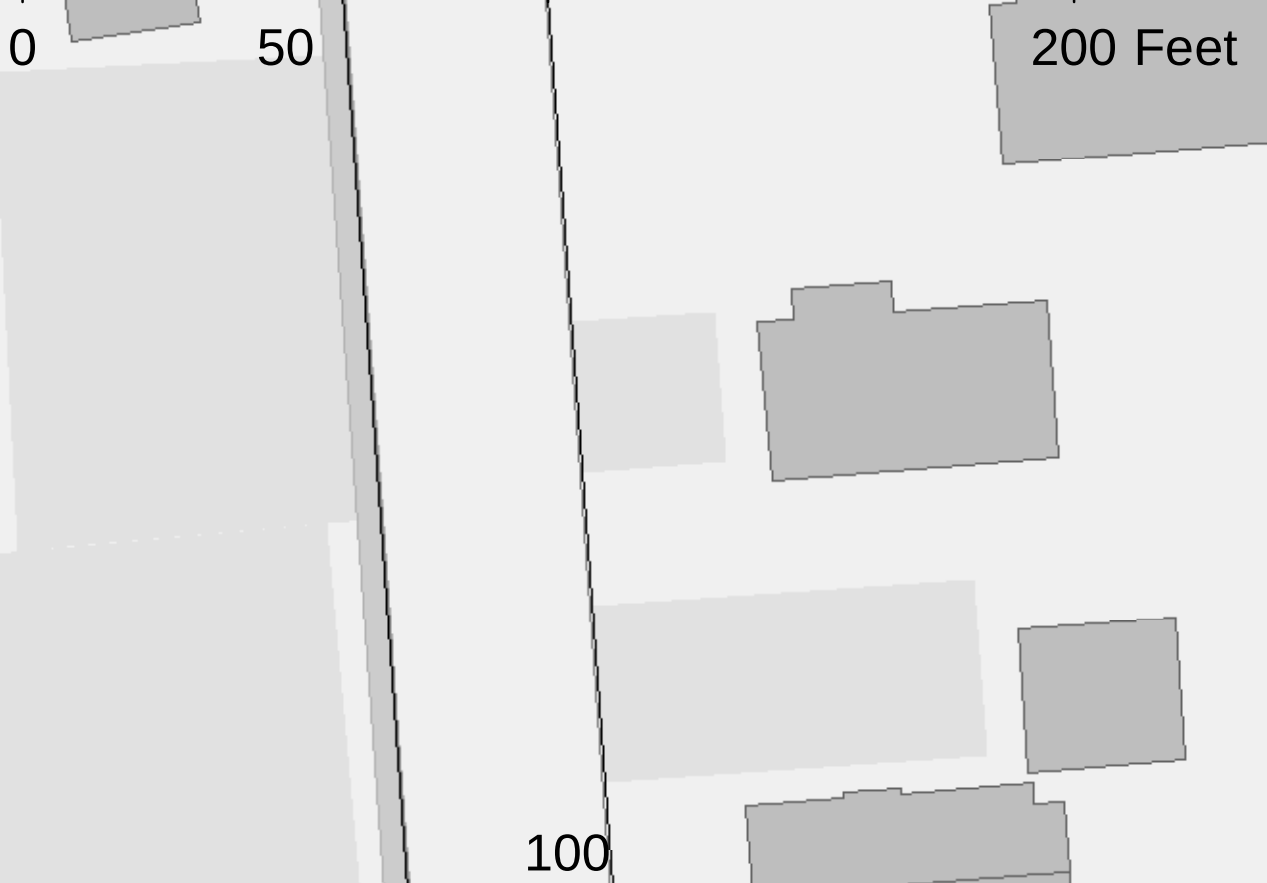
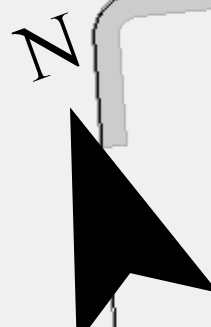
Mayor Jimmy Mize
City of Nacogdoches

ATTEST:

Jan Vinson, City Secretary

Nac Music & Art Festival

Sat. April 23rd, 2022



RESTROOM

COLE
ART
CENTER

STAGE 2

STAGE 2

STAGE 1

Vendor Entrance

Vendor Entrance

Notice: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.

PRESENTER: Alaina Helton, City Planner

ITEM/SUBJECT: Discuss and consider adopting an ordinance amending Chapter 6-Animals, Article II-Care of Animals, of the Code of Ordinances, City of Nacogdoches, Texas to amend the tethering requirements for animals.(City Planner)

SUMMARY/BACKGROUND: In 2021, the Texas Legislature passed SB 5 - the Safe Outdoor Dogs Act - to protect unattended dogs restrained outdoors. SB 5 protects dogs and improves public safety by doing the following:

- Defines adequate shelter to protect dogs from exposure to extreme temperatures, standing water and ensures the dog can stand, turn around, and lie down.
- Requires access to drinkable water.
- Prohibits the use of chain restraints which cause pain and injuries.
- Strikes the 24-hour waiting period so animal services and law enforcement can take immediate action for dogs in distress.

Exemptions to the law include tethering when animals in the following scenarios:

- Herding livestock or assisting in farming tasks.
- When hunting or field training.
- While temporarily unattended in a stationary, open-air truck bed.

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: Alaina Helton, AICP, Director of Planning & Neighborhood Services
heltona@nactx.us
936-559-2572

ATTACHMENTS:

1. Ch. 6 - Animals Ordinance Amendment
2. SB5 Proper Restraint Flyer (English & Spanish)
3. SB5 Key Exceptions Flyer (English & Spanish)

ORDINANCE NO. 1901-03-22

ORDINANCE AMENDING CHAPTER 6 OF THE CODE OF ORDINANCES TO AMEND THE TETHERING REQUIREMENTS FOR ANIMALS.

WHEREAS, the City of Nacogdoches, Texas (the “City”) has promulgated a Code of Ordinances providing for the health and safety of the community by regulating the keeping of animals within the City; and

WHEREAS, Sec. 6-18 of the Code provides for the care of animals,

WHEREAS, the City Council desires to amend the Code for tethering requirements to comply with State law outlined in the Chapter,

WHEREAS, the City owns and operates an animal shelter; and

WHEREAS, the City desires to provide for the safe and humane treatment and care for animals; and

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

SECTION I

All of the above recitals are found to be true and correct legislative and factual findings.

SECTION II

That section 6-3 of the Code of Ordinances, City of Nacogdoches, Texas is amended to read as follows:

Sec. 6-18. - Tethering; restrictions and requirements.

- (a) No unattended animal shall be tethered by any means on any public property such as city parks or utility easements, or public access private property without property owner's consent.
- (b) Any tethered animal ~~in an enclosure~~ shall have continuous access to shade and water, and have unrestricted access to ~~a wind and moisture proof~~ shelter with dimensions that allow the animal while in the shelter to stand erect, sit, turn around and lie down in a normal position and that provides protection from inclement weather.
- (c) ~~Any tethered animal shall be arranged so that the tethering device cannot become entangled in such a way as to prevent access to shade, water and shelter.~~ The tether used may not be a chain or have weights attached.

- (d) The tether used must be at least ten feet in length or five times the length of the dog, as measured from the tip of the dog's nose to the base of the dog's tail, whichever is greater;
- 1) It is an affirmative defense to this sub-section that a tether ~~it must be~~ is attached to a running line, pulley or trolley system, and equipped with swivel ends, that allows the animal to move along the running line for a length of ten feet or five times the length of the dog as measured from the tip of the dog's nose to the base of the dog's tail, whichever is greater.
- (e) The tether must be positioned in such a manner as to prevent the animal from becoming entangled with any obstruction, from partially or totally jumping any fence, or from leaving any part of its owner's property. ~~and must be secured to the animal using a properly fitted collar or harness.~~
- (f) The tether must be attached to a properly fitted collar or harness, that is appropriately sized for the animal based on the animal's measurements and body weight and does not choke the animal or impede the animal's normal breathing or cause pain or injury to the animal. Choke type, pinch type or prong type collars may not be used to tether the animal.

SECTION III

All ordinances, resolutions, or parts thereof, that are inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matter regulated.

SECTION IV

If any word, article, phrase, paragraph, sentence, clause, or provision of this Ordinance shall be held to be invalid or unconstitutional, such holding shall in no way affect other provisions or applications of this Ordinance which can be given effect without the invalid provision, and to this end the provisions of this Ordinance are declared to be severable.

SECTION V

All provisions of Chapter 6 of the Code of Ordinances of the City of Nacogdoches not specifically amended or repealed herein remain in full force and effect. This ordinance shall be and is hereby declared to be cumulative of all other ordinances of the City of Nacogdoches, and this ordinance shall not operate to repeal or affect any of such other ordinances except insofar as the provisions thereof might be inconsistent or in conflict with the provisions of this ordinance, in which event such conflicting provisions, if any, in such other ordinance or ordinances are hereby repealed.

SECTION VI

This Ordinance shall take effect immediately upon its passage.

SECTION VII

Proper Notice & Open Meeting. It is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, Chapter 551 of the Texas Government Code.

SECTION VIII

The City Secretary is hereby authorized and instructed to file a signed and sealed copy of this Ordinance in and among the records of the City of Nacogdoches.

PASSED AND APPROVED, this the ____ day of _____, 2022, by a vote of ____ (ayes) to _____ (nays) of the City Council of the City of Nacogdoches, Texas.

CITY OF NACOGDOCHES

By: _____
JIMMY MIZE, Mayor

ATTEST:

JAN VINSON, City Secretary

APPROVED AS TO FORM:

STEVEN KIRKLAND, City Attorney



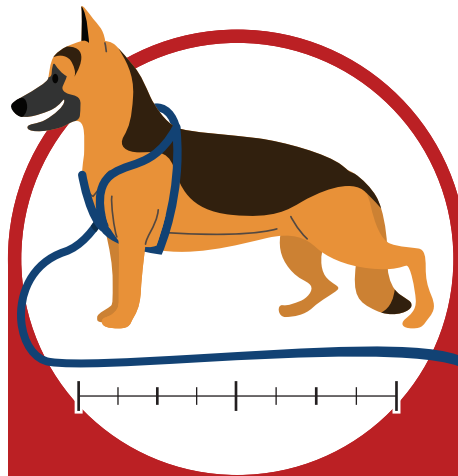
TEXAS HUMANE
LEGISLATION
NETWORK®

HOW TO PROPERLY RESTRAIN YOUR DOG OUTDOORS

The Safe Outdoor Dogs Act gives owners, animal services personnel and law enforcement easy-to-understand guidelines for restraining dogs outside. Proper restraint under this law means:



The dog has access to shelter and drinkable water.



Restraints must allow the dog to stand, turn around, and lie down.



Prohibits chain restraints which cause injury.

Observing proper restraint means protecting your dog and the people around them!

FOR MORE INFORMATION:

Contact Our Director of Government Relations, Stacy Sutton Kerby, at stacy@thln.org



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Legislative advertising paid for by the Texas Humane Legislation Network, PO Box 685283, Austin, TX 78768



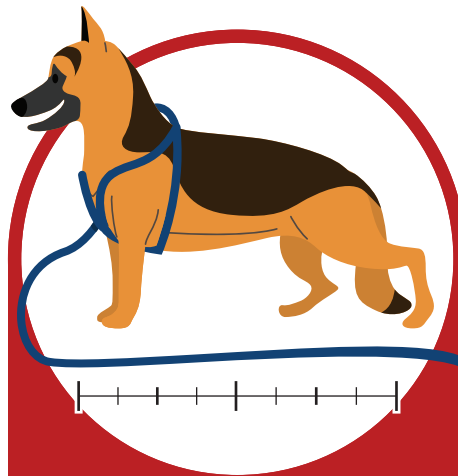
TEXAS HUMANE
LEGISLATION
NETWORK®

COMO PUEDES RESTRINGIR A TU PERRO ADECUADAMENTE AL AIRE LIBRE

La ley de perros seguros al aire libre le da a los dueños, al personal de servicios de animales y a los oficiales que aplican la ley, una guía fácil de como restringir a un perro de manera segura al aire libre. La manera apropiada de restringir a tu perro bajo esta ley significa:



El perro tiene acceso a refugio y a agua potable.



La correa debe permitir al perro que pueda pararse, darse vuelta y poder acostarse sin problema.



Prohíbe el uso de cadenas. Las cadenas causan heridas.

¡Usar lo propio para restringir un perro significa protección al perro y al público en general!

CONTACTAR Y CONECTAR:

Directora de Relaciones Gubernamentales, Stacy Sutton Kerby, at stacy@thln.org



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Publicidad legislativa pagada por Texas Humane Legislation Network, PO Box 685283, Austin, TX 78768

KEY EXCEPTIONS TO THE SAFE OUTDOOR DOGS ACT

**Many dog owners wonder, "How does the Safe Outdoor Dogs Act affect me and my dog?"
In most cases, not at all!**

The Safe Outdoor Dogs Act does not prevent owners from restraining their dogs outside. The law simply requires that restrained dogs are tethered in a way that keeps them and the people around them safe.

THE SAFE OUTDOOR DOGS ACT DOES NOT AFFECT:

TROLLEY SYSTEM



When a dog's restraint is attached to a trolley system along a running line.

CAMPING



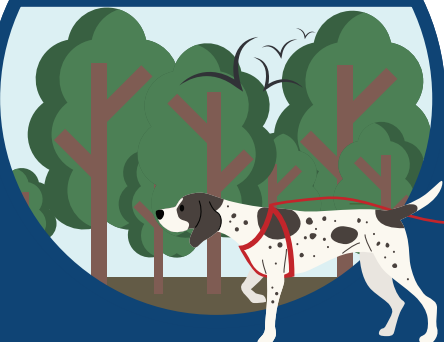
When in a public campground/other recreational areas.

HERDING/ FARMING



When herding livestock, or assisting with farming tasks.

HUNTING



When hunting or participating in field trials.

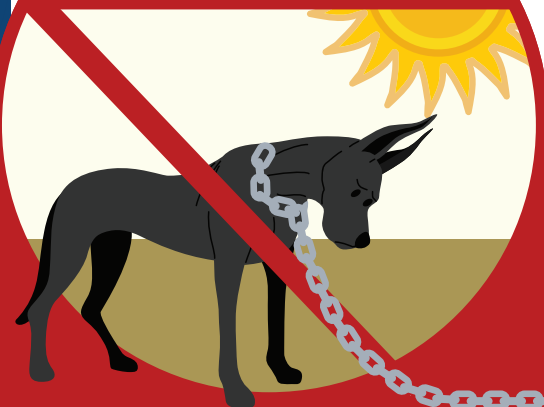
TRUCK BED



While temporarily unattended in a stationary, open-air truck bed.

THE SAFE OUTDOOR DOGS ACT PROHIBITS:

INHUMANE RESTRAINT



Dogs must have adequate shelter, access to drinkable water, and must not be restrained with chains.

CONTACT & CONNECT:

Director of Government Relations,
Stacy Sutton Kerby, at stacy@thln.org



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EXCEPCIONES CLAVE PARA LA LEY DE PERROS SEGUROS AL AIRE LIBRE

Muchos dueños se preguntan, “Como afecta la ley de perros al aire libre a mí y a mi perro”?
¡En la mayoría de los casos, para nada!

La ley de perros al aire libre no impide a los dueños restringir los perros al aire libre. Esta ley simplemente requiere que los perros estén restringidos de una manera que mantenga seguridad para ellos y para el público.

LA LEY DE PERROS AL AIRE LIBRE NO AFECTA:

SISTEMA DE POLEA



Cuando un perro está atado a un sistema de polea con su respectiva correa.

CAMPAMENTO



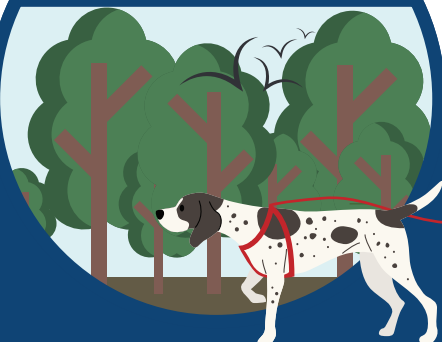
Durante un determinado tiempo en un área para acampar u otras áreas recreativas.

PASTOREO/ AGRICULTURA



Cuando los perros asisten en tareas de pastoreo o acarreo de ganado.

CACERIA



Cuando acompañen en actividades de cacería o participando en pruebas de campo.

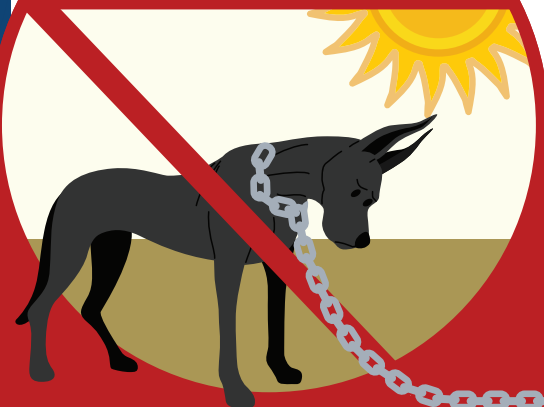
LA CAJA DE LA TROCA



Mientras esta temporalmente en la caja de una troca estacionada sin supervisión.

LA LEY DE PERROS AL AIRE LIBRE PROHIBE:

RESTRICCIÓN INHUMANA



Los perros deben tener refugio adecuado, acceso a agua potable, y no deben estar restringidos con cadena.

CONTACTAR Y CONECTAR:

Directora de Relaciones Gubernamentales, Stacy Sutton Kerby, at stacy@thln.org



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PRESENTER: Brian Bray, Community Services Director

ITEM/SUBJECT: Receive a report, hold a discussion and give staff direction regarding Demolition by Neglect Ordinance. (Director of Community Service)

SUMMARY/BACKGROUND: Demolition by Neglect (DBN) is an ordinance outlined in Chapter 50 of the City of Nacogdoches Code of Ordinances. This ordinance was adopted in 1998 and applies only to structures within one of the five historic overlay districts or those that are individually designated. The goal of DBN is to prevent a property owner from neglecting a building to a point where demolition is the only alternative. Our goal is to intervene as soon as the building starts falling into disrepair and assist the owner to bring the building into compliance.

The Historic Sites Department and the City's Historic Preservation Officer (HPO) successfully used this tool in 2010-2011 to rehabilitate the Hoya Building (now Dolli's Dinner) and the Old Main Theater.

The DBN process was presented to the Historic Landmark Preservation Committee (HLPC) on Monday, March 7th. The committee discussed the intent behind the ordinance, enforcement and the process of working with the property owner before bringing the case to HLPC. HLPC was unanimously in support of enforcing the ordinance and asked staff to continue the process of working with the property owners to abate the violations before bringing the case to HLPC.

The procedure for using Demolition by Neglect is as follows:

1. When a violation (broken window, hole in roof, etc.) on the exterior of a building is reported to the HPO or any City staff, the HPO reaches out to the property owner and informs them of the violation. This is done by a phone call or an in-person visit whenever possible. If the property owner responds and takes steps towards fixing the violation, the case stops. *When a violation is reported and the owner is contacted, the HPO starts a correspondence log that is shared with Code Enforcement staff. This keeps all parties informed of the progress.*
2. If no steps have been taken to rectify the problem, the HPO sends a letter to the property owner formalizing the violation and requests they make contact within 30 days.
3. If no steps have been taken to rectify the problem and staff has not been contacted by the property owner, a certified letter is sent to the property owner notifying them of the violation and a meeting date for them to appear before the HLPC.
4. At the HLPC Meeting, the committee has the option to find no violation and stop the process or find the owner in violation of the DBN.
5. If HLPC finds the owner to be in violation of the DBN ordinance, the HPO notifies the property owner that their DBN case is being referred to Code Enforcement and citations may be filed.

If, at any point during this process, the owner starts to take steps to rectify the violation, the “clock” stops. Steps taken to fix a violation can include, applying for a Certificate of Appropriateness, hiring a contractor or architect, filing plans with inspections or consultation with the HPO. Additionally, all correspondence regarding violations is directed to the property owner, not the tenant.

The HLPC also approved temporary measures to secure the building from the weather and to secure abandoned residential properties within a historic overlay district. The purpose of this is to secure these buildings so no further deterioration happens while the property owner works to bring the building into code compliance. These measures are meant to be temporary. HLPC pre-approved certain criteria so city staff could direct property owners on what could be done to secure these buildings without the owners having to bring these items to HLPC.

FINANCIAL:

No financial impact associated with this item

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

Neighborhood Revitalization and Attainable Housing

CITY CONTACT: Brian Bray, Community Services Director
brayb@nactx.us
936-559-2935

ATTACHMENTS:

1. Demolition by Neglect Ordinance
2. Initial Contact Violation Letter
3. Correspondence Record
4. Structure Inspection Form
5. PowerPoint Presentation

DEMOLITION BY NEGLIGENCE

CITY OF NACOGDOCHES CODE OF ORDINANCES

Sec. 50-32. Demolition by neglect.

No owner or person with an interest in real property designated as a landmark or included within a historic district shall permit the property to fall into a serious state of disrepair so as to result in the deterioration of any exterior architectural feature which would, in the judgment of the historic landmark preservation committee, produce a detrimental effect upon the character of the historic district as a whole or the life and character of the property itself. Examples of such deterioration include the following:

- (1) Deterioration of exterior walls or other vertical supports.
- (2) Deterioration of roofs or other horizontal members.
- (3) Deterioration of exterior chimneys.
- (4) Deterioration or crumbling of exterior stucco or mortar.
- (5) Ineffective waterproofing of exterior walls, roofs, or foundations, including broken windows or doors.
- (6) Deterioration of any feature so as to create a hazardous condition which could lead to the claim that demolition is necessary for the public safety.

(Ord. No. 1130, art. XI, § 14, 11-3-1998)

Sec. 1-14. General penalty; continuing violations.

- (a) Whenever in this Code or in any city ordinance an act is prohibited or is declared to be unlawful or an offense or a misdemeanor or whenever in this Code or city ordinance the doing of any act is required or the failure to do any act is declared to be unlawful or an offense or a misdemeanor, where no specific penalty is provided therefore, the violation of any such provision of this Code or any such ordinance that governs or regulates fire safety, zoning or public health shall be punished by a fine of not exceeding \$2,000.00. The violation of any other provision of this Code or any other ordinance shall be punished by a fine not exceeding \$500.00. No penalty shall be greater or less than the penalty provided for the same or a similar offense under state laws.
- (b) Each day any violation of this Code or any ordinance shall continue shall constitute a separate offense.

(Code 1971, § 1-8)



NACOGDOCHES HISTORIC LANDMARK PRESERVATION COMMITTEE

DATE

NAME

ADDRESS

CITY

RE: Demolition by Neglect Notice of Violation

Mr. OR MRS XYZ:

According to our records you own the structure located at XYZ STREET and is located in the Historic Overlay. This overlay district denotes a special designation by the city Council as an area with historic or cultural merit to the community. There are specifically tailored development standards in overlay districts, which govern building and construction. The property has been viewed by the Historic Preservation Officer and has been found to be in violation of:

Sec. 50-32. Demolition by neglect.

No owner or person with an interest in real property designated as a landmark or included within a historic district shall permit the property to fall into a serious state of disrepair so as to result in the deterioration of any exterior architectural feature which would, in the judgment of the historic landmark preservation committee, produce a detrimental effect upon the character of the historic district as a whole or the life and character of the property itself. Examples of such deterioration include the following:

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- (5) Ineffective waterproofing of exterior walls, roofs, or foundations, including broken windows or doors.
- (6) Deterioration of any feature so as to create a hazardous condition which could lead to the claim that demolition is necessary for the public safety.

(Ord. No. 1130, art. XI, § 14, 11-3-1998)

This letter is to serve as an initial contact regarding the violation. Our office tries to work with property owners to abate the violations prior to filing a citation. Please let me know how and when you plan on correcting these issues. Violations causing the structure to not be in compliance are outlined on the enclosed inspection report.



NACOGDOCHES HISTORIC LANDMARK PRESERVATION COMMITTEE

It is necessary for you to contact the Historic Preservation Officer at (936) 559-2935, upon receipt of this letter, in order that we may direct the proceedings in the appropriate manner.

Respectfully,

Brian W. Bray,
Community Services Director,
Historic Preservation Officer
brayb@nactx.us

Enclosure: Photograph(s)
Inspections Report

cc: file

Demolition by Neglect Correspondence Record
DBN 20XX-XXX (case number)
XYZ Street

Date	Time	Violation	Action	Outcome

DBN STRUCTURE INSPECTION FORM

LOCATION: _____ DATE: _____

INSPECTOR: _____

The sections below which are checked indicate an area which is in violation of the Demolition by Neglect Ordinance.

EXTERIOR

Foundation

- ☐ Structural Supports
- ☐ Foundation Cracks
- ☐ Ineffective Waterproofing

Windows

- ☐ Missing or Damaged
- ☐ Weather Tight

Roof

- ☐ Weather Tight
- ☐ Structurally Sound
- ☐ Collapse

Doors

- ☐ Missing or Damaged
- ☐ Required Hardware
- ☐ Weather Tight

Walls

- ☐ Termite Damage
- ☐ Rotten Wood
- ☐ Missing Siding
- ☐ Protective Treatment
- ☐ Peeling or Chipping Paint
- ☐ Crumbling of Stucco or Mortar

Stairs & Railings

- ☐ Structurally Sound
- ☐ Railing Required

Chimney(s)

- ☐ Inefficient Waterproofing
- ☐ Peeling or Chipping Paint
- ☐ Crumbling of Stucco or Mortar

Miscellaneous

Deterioration of any feature so as to create a hazardous condition which could lead to the claim that demolition is necessary for the public safety.

☐ _____

Demolition by Neglect

Ordinance

CITY OF NACOGDOCHES CODE OF ORDINANCES

Sec. 50-32. Demolition by neglect.

No owner or person with an interest in real property designated as a landmark or included within a historic district shall permit the property to fall into a serious state of disrepair so as to result in the deterioration of any exterior architectural feature which would, in the judgment of the historic landmark preservation committee, produce a detrimental effect upon the character of the historic district as a whole or the life and character of the property itself. Examples of such deterioration include the following:

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- (4) Deterioration or crumbling of exterior stucco or mortar.
- (5) Ineffective waterproofing of exterior walls, roofs, or foundations, including broken windows or doors.
- (6) Deterioration of any feature so as to create a hazardous condition which could lead to the claim that demolition is necessary for the public safety.

(Ord. No. 1130, art. XI, § 14, 11-3-1998)

Demolition by Neglect (DBN) Process:

1. Property owner notified of violation. (30 days)
2. Written notice if no progress. (30 days)
3. Certified letter sent notifying owner of HLPC Meeting. (30 days)
4. HLPC meeting to determine if there is a DBN violation.
 - a. No violation = case stops
 - b. Violation = case is referred to Code Enforcement for possible citations and fines
 - c. Violation = set number of days to abate violation, or sent to Code Enforcement.

If, at any point, steps are made to rectify the violations, the “clock” stops on the DBN case.

All correspondence is directed to the property owner and not to the tenant.

Successful
use of
Demolition
by Neglect
Ordinance.





City Council Meeting

Date: March 15, 2022

Agenda Item: 8.G.

PRESENTER: Alaina Helton, City Planner

ITEM/SUBJECT: Receive a report, hold a discussion, and give staff direction regarding Nacogdoches Code Enforcement. (City Planner)

SUMMARY/BACKGROUND: Staff will present information regarding Code Enforcement activities, statistics, and additional community programs. They will discuss why code enforcement is important, their mission statement, common code violations, violation process and possible solutions.

FINANCIAL:

No financial impact associated with this item

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

Neighborhood Revitalization and Attainable Housing
Community Engagement/Diverse Environment

CITY CONTACT: Alaina Helton, AICP, Director of Planning & Neighborhood Services
heltona@nactx.us
(936) 559-2572

ATTACHMENTS: 1. PowerPoint Presentation

CODE ENFORCEMENT

- What is Code Enforcement?
- Why is it important?
- Process & Common Violations
- Statistics & Maps
- Alternative Programs

WHAT IS CODE ENFORCEMENT?

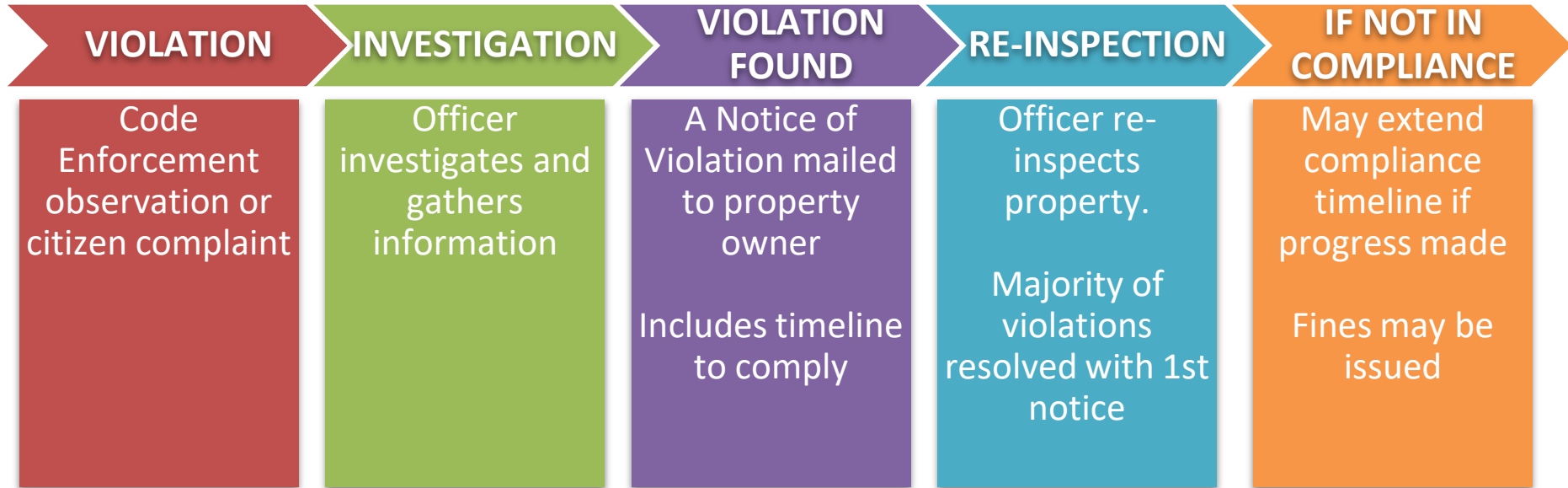
- **Preserve and promote a high quality of life.**
- **Ensure proper use and maintenance of private property.**
- **Provide education.**
- **Promote voluntary compliance.**

OUR MISSION STATEMENT



“Promote, protect and improve the health, safety and welfare of the citizens of Nacogdoches by encouraging compliance with the...Code of Ordinances; to enhance the appearance of neighborhoods and business districts, to prevent blight, protect property values and enhance economic conditions. It is our goal to work with our citizens to achieve compliance through an efficient and fair process.”

GENERAL VIOLATION PROCESS



COURTESY LETTER SAMPLE

01/01/2022

COURTESY NOTICE

PROPERTY OWNER NAME
HOME ADDRESS
NACOGDOCHES TX 75961-7905

CASE NO: CE22-
CERTIFIED RECEIPT # 7020 3160 0001 2793 8229

Dear PROPERTY OWNER NAME:

The City of Nacogdoches has learned of a code violation on your property located at **STREET ADDRESS AND PROPERTY LEGAL DESCRIPTION**. Understanding that you might not be aware of what the City Code Ordinances requires, We are sending you this Courtesy Notice to give you an opportunity to correct this matter.

Below you will find the conditions that must be corrected as they are in violation of City Code.

Junked Vehicle Sec. 34-119. - Public nuisance declared.

A junked vehicle, including a part of a junked vehicle, that is visible from a public place or public right-of-way:

- (1) Is detrimental to the safety and welfare of the public;
- (2) Tends to reduce the value of private property;
- (3) Invites vandalism;
- (4) Creates a fire hazard;
- (5) Is an attractive nuisance creating a hazard to the health and safety of minors;
- (6) Produces urban blight adverse to the maintenance and continuing development of the city; and
- (7) Is a public nuisance.

(b) The location or presence of any junked vehicle on any lot, tract or parcel of land or any portion thereof, occupied or unoccupied, improved or unimproved, private or public land or public right-of-way, within the city is prohibited and deemed a public nuisance. It shall be unlawful for any person to create or maintain such a public nuisance or to permit or allow the nuisance to exist on his property or by him on the property of another.

(Code 1971, § 16-27(a))

Sec. 34-116. - Definitions.

The following words, terms and phrases, when used in this division, shall have the ascribed to them in this section, except where the context clearly indicates a different meaning:

- Antique vehicle means a passenger car or truck that is at least 35 years old.

Junked vehicle means a vehicle that is self-propelled and:

- (1) Does not have lawfully attached to it:
 - a. An unexpired license plate; or
 - b. A valid motor vehicle inspection certificate;
- (2) Is wrecked, dismantled or partially dismantled or discarded; or
- (3) Is inoperable and has remained inoperable for more than:
 - a. Seventy-two consecutive hours, if the vehicle is on public property; or
 - b. Thirty consecutive days, if the vehicle is on private property.

We are giving you the opportunity to correct this violation. Please correct the violation within **7 working days** after receiving this letter. A Code Enforcement Officer will check after this date to determine if the violation has been corrected. Please call the City of Nacogdoches Code Enforcement Office at **(936) 559 -2520**, if you have any questions regarding this notice or if you can't get the violation corrected by this time. We are happy to work with you in resolving this matter.

Thank you for your cooperation and support in keeping our community an enjoyable place to live.

Respectfully,

COURTESY NOTICE

TOP CODE VIOLATIONS



WEEDED
LOTS

JUNK
VEHICLES

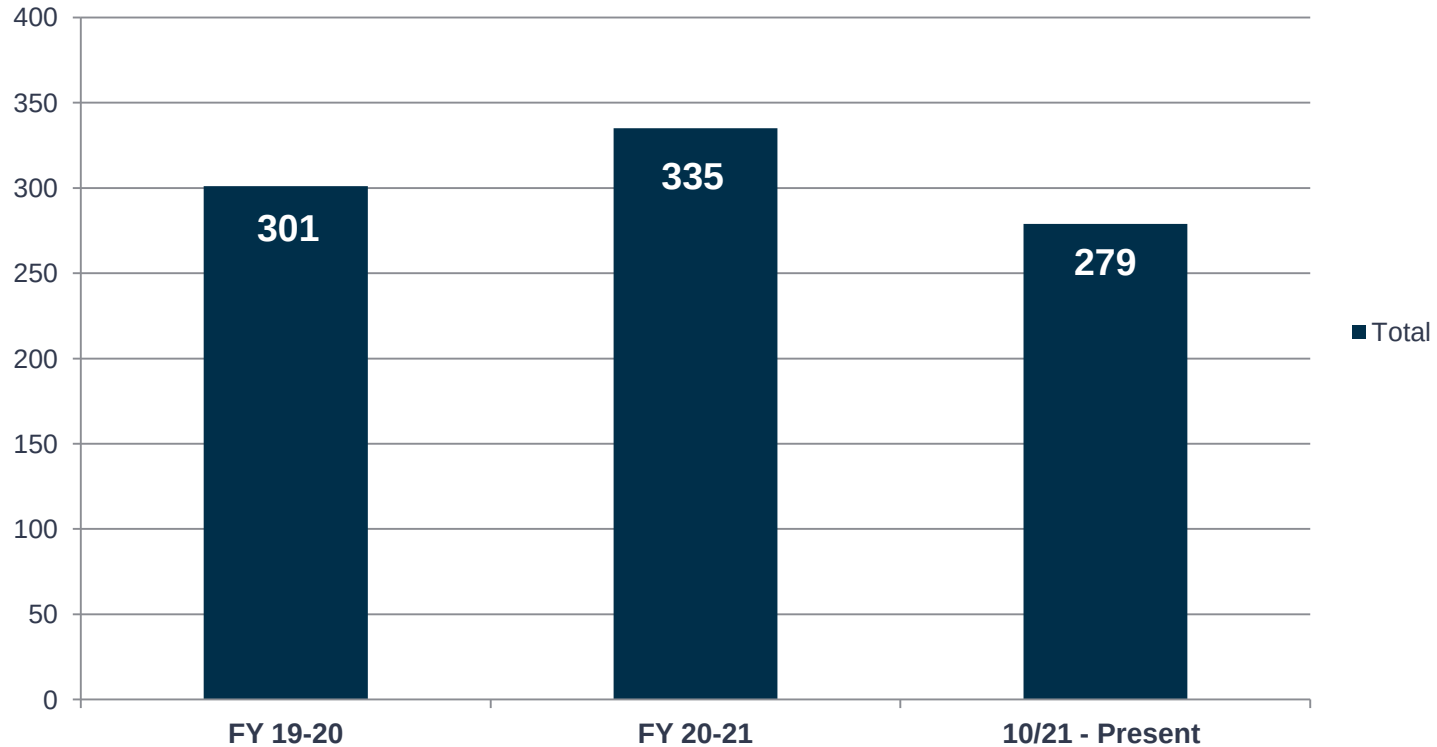


UNSAFE
STRUCTURE

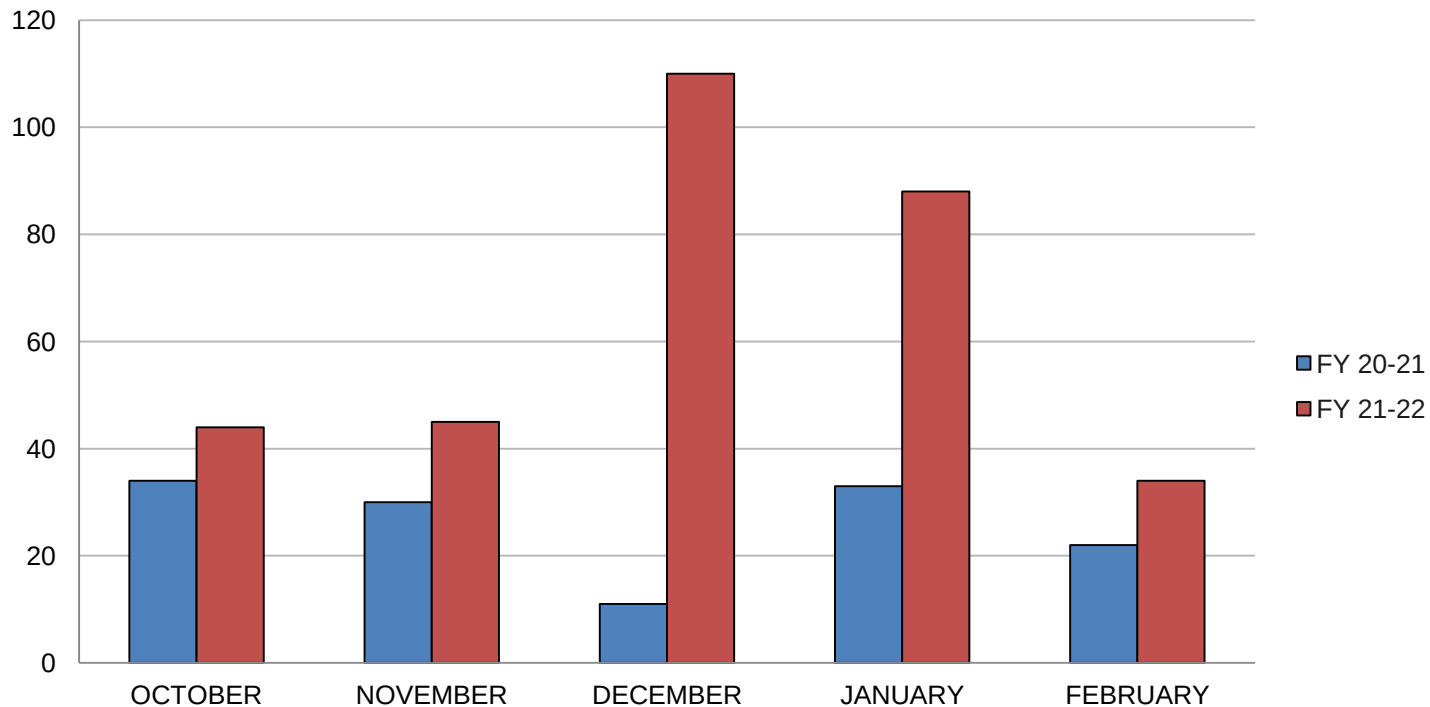
RUBBISH/
TRASH



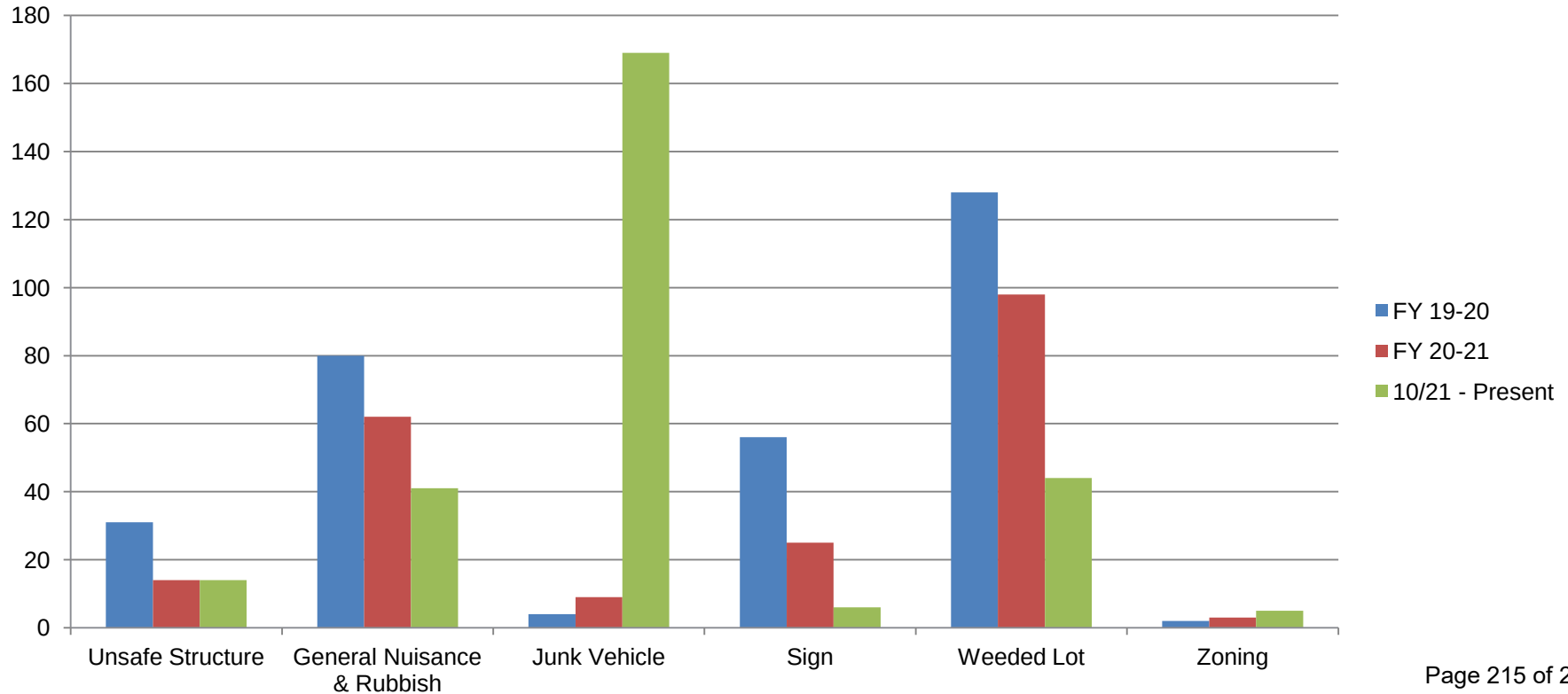
TOTAL CASES BY FISCAL YEAR



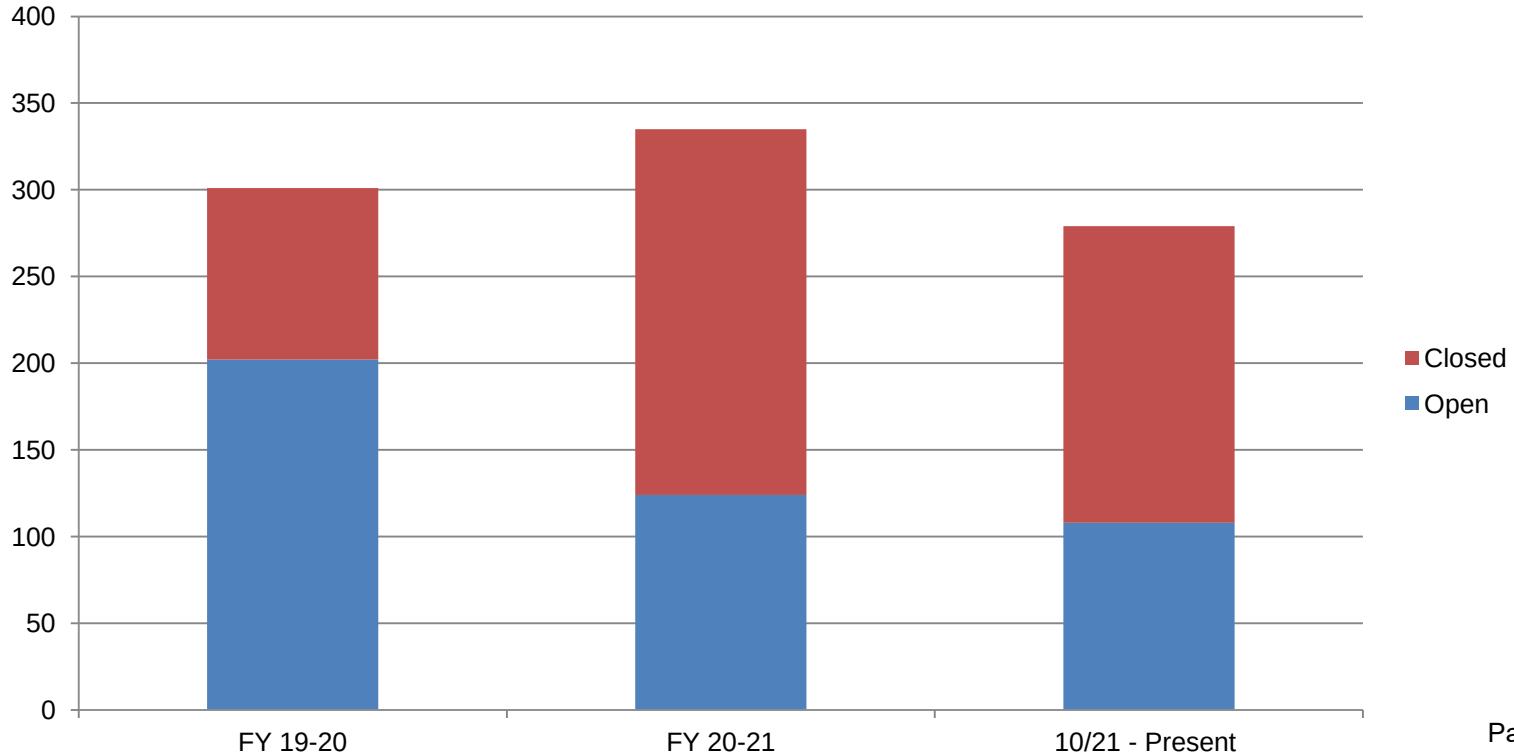
MONTHLY COMPARISON TO PRIOR YEAR



CODE CASES BY TYPE



CLOSURE RATE



WINDSHIELD SURVEY - FALL 2021

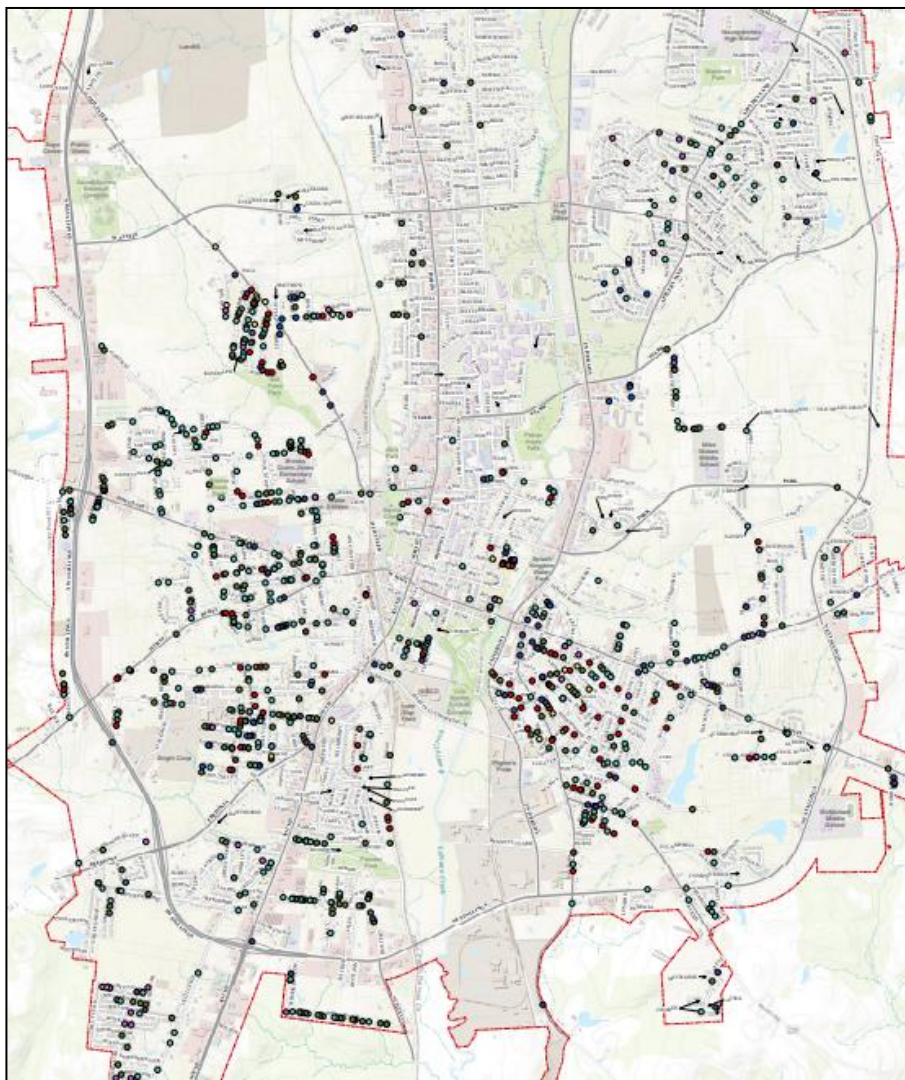
Legend

Windshield Survey

- Other Violations

Violation

- Abandoned/Junk Vehicle (Driveway)
- Abandoned/Junk Vehicle (Street)
- Fence
- General Nuisance
- Grass Growing in Street
- Grass Overhanging in Street
- Illegal Sign
- Litter/Rubbish
- Sub-Standard (Unsafe) Building
- Tall Grass/Weeds



- Tall Grass/Weeds

WINDSHIELD SURVEY – NW

Legend

Windshield Survey

● Other Violations

Violation

● Abandoned/Junk Vehicle (Driveway)

● Abandoned/Junk Vehicle (Street)

● Fence

● General Nuisance

● Grass Growing in Street

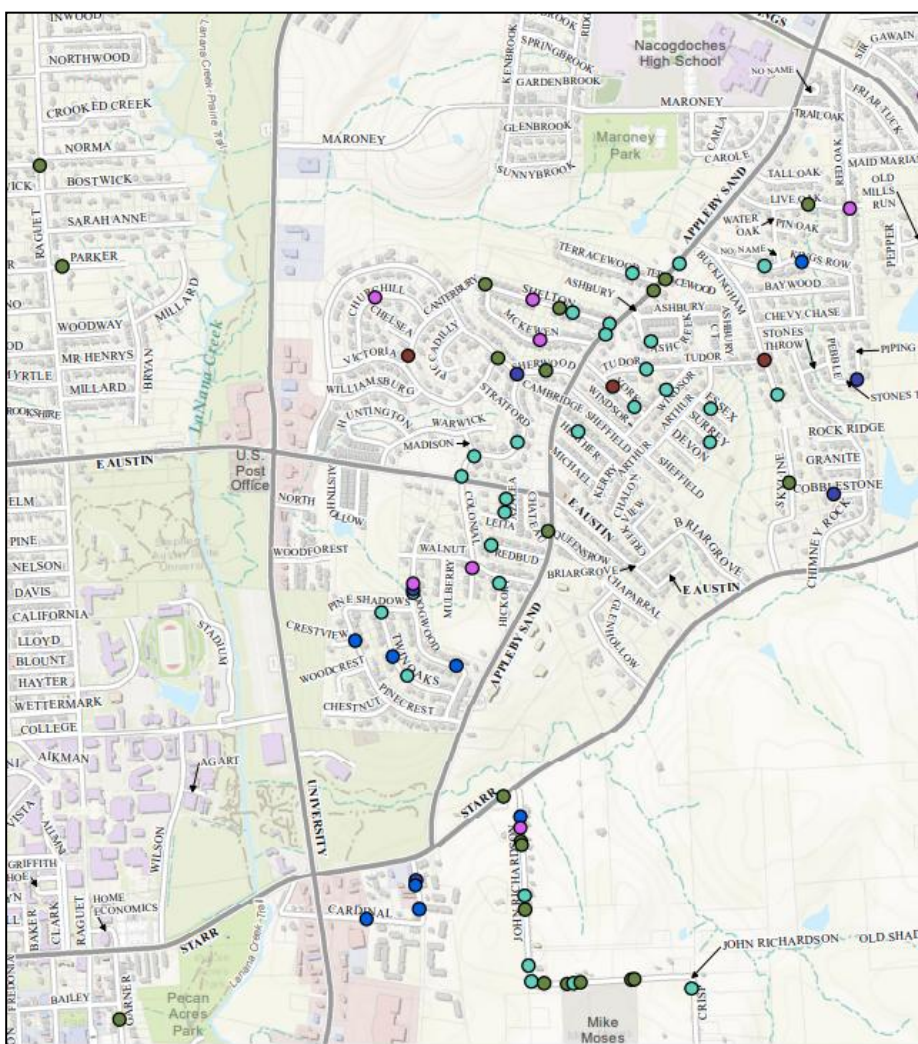
● Grass Overhanging in Street

● Illegal Sign

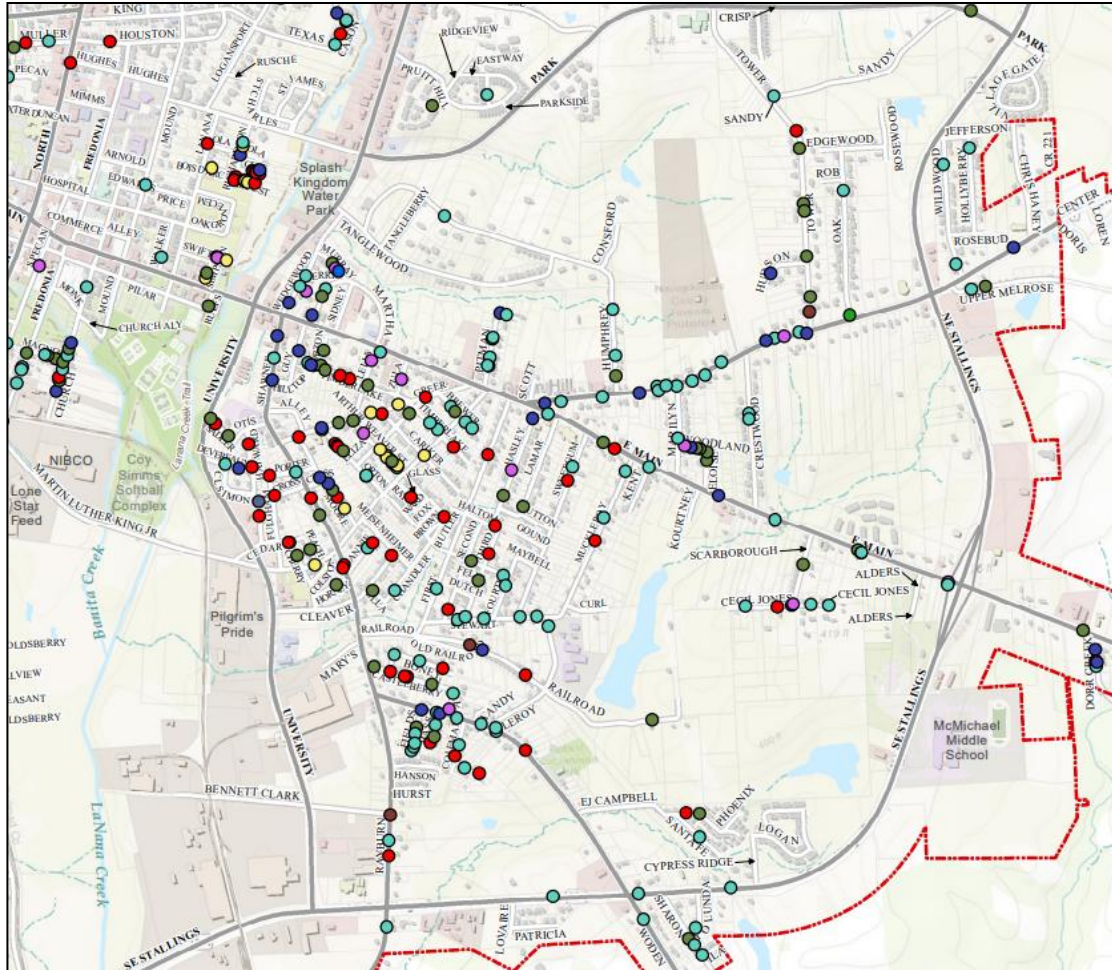
● Litter/Rubbish

● Sub-Standard (Unsafe) Building

● Tall Grass/Weeds



WINDSHIELD SURVEY – SE



Legend

Windshield Survey

● Other Violations

Violation

● Abandoned/Junk Vehicle (Driveway)

● Abandoned/Junk Vehicle (Street)

● Fence

● General Nuisance

● Grass Growing in Street

● Grass Overhanging in Street

● Illegal Sign

● Litter/Rubbish

● Sub-Standard (Unsafe) Building

● Tall Grass/Weeds

WINDSHIELD SURVEY – SW

Legend

Windshield Survey

● Other Violations

Violation

● Abandoned/Junk Vehicle (Driveway)

● Abandoned/Junk Vehicle (Street)

● Fence

● General Nuisance

● Grass Growing in Street

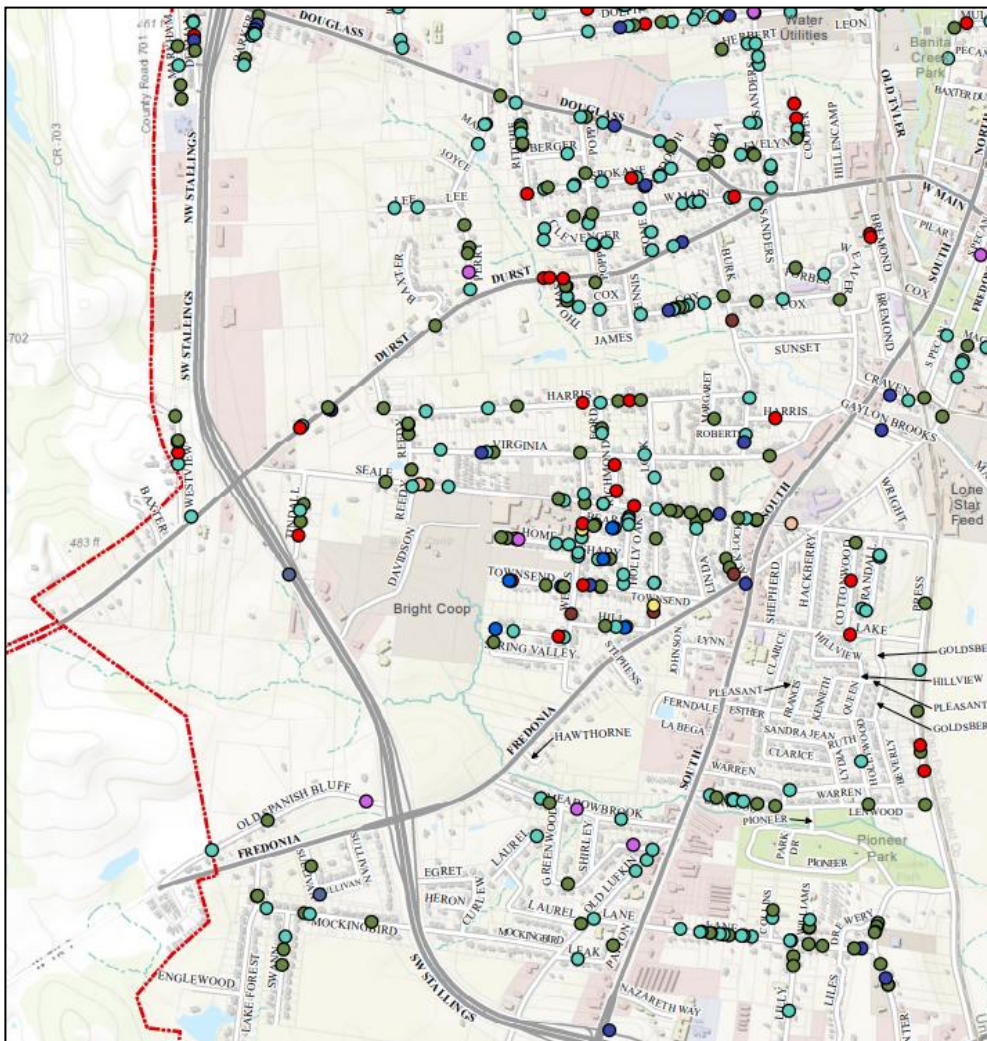
● Grass Overhanging in Street

● Illegal Sign

● Litter/Rubbish

● Sub-Standard (Unsafe) Building

● Tall Grass/Weeds



CODE ENFORCEMENT SOLUTIONS

- **Tool Lending Program**
- **Community Clean-Up Day**
- **Abandoned Property Program**

Tool Lending Program



- Residents submit and application to check out tools
- Donated Tools and Equipment
- Designated Funds/ Budget
- Community beautification grants: Lowe's and Home Depot

Community Clean-Up Day



- General day of community clean-up
- Designated dumpsters
- Community service for student organizations
- Targeted at overaccumulation of unwanted items

Abandoned Property Program



- Tax foreclosure of abandoned & tax delinquent property
- Property Criteria:
 - ≤ 1 acre
 - Abandoned 1+ years
 - Tax delinquent 5+ years
 - Sale proceeds $\leq$ Taxes + Liens + Foreclosure costs
- Properties sold by private/public sale for redevelopment
- 28+ potential properties

DISCUSSION

- **Direction on day-to-day operations**
- **Second windshield survey in late Spring**
- **Direction on alternative programs**
- **Abandoned property program**

PRESENTER: Larissa Philpot, Economic Development Director

ITEM/SUBJECT: Consider approval of an ordinance establishing a residential economic development program pursuant to Chapter 380 of the Local Government Code, to be administered by the Economic Development Department. (Economic Development Director)

SUMMARY/BACKGROUND: Through a limitation on cities' expenditures of public funds, the Constitution of the State of Texas generally states cities in Texas cannot spend public tax dollars for a private purpose. However, in 1987, the Constitution was amended to allow the Legislature to authorize economic development programs to make loans and grants of public monies to support projects that lead to the creation and retention of jobs, increased capital investment, and increased ad valorem and sales tax. In 1989, the Legislature then added Chapter 380 to the Local Government Code. Chapter 380 allows cities to adopt economic development programs to incentivize investment in the community, leading to economic growth.

Agreements between cities and economic development prospects, commonly referred to as Chapter 380 agreements, arose out of this legislation. Essentially, as long as a nexus can be shown between the project and the economic growth of the City, the City may offer grants and other assistance to support the project. Each agreement is reviewed on a case-by-case basis.

Chapter 380 programs are specific to the goals of each community they serve. Council recently adopted a Chapter 380 program in August of 2021 focused on business and industry attraction and retention.

Since approximately the 1980's, residential development in the City limits has required subdivision developers to finance and install the necessary infrastructure to support the development of lots. After construction, this infrastructure is then dedicated to the City (water, sewer, streets, drainage) or the private utility providers (electricity, natural gas, telephone, cable, internet) for ownership and maintenance. The model essentially requires developers to finance the construction of both private and public infrastructure. Nacogdoches has experienced a considerable slowing down of single family home construction under this financial model.

Increasing the number of homes inside the City limits benefits the community by not only increasing the tax base, meaning each resident is responsible for a smaller share of the cost of providing City services, but also by providing housing for new residents. Increases in population can also lead to higher retail sales and construction of additional retail stores.

The attached residential economic development program seeks to offset the cost of infrastructure development in a large subdivision by allowing an advanced incentive package of up to \$8000 or 20% (the lesser amount) of the infrastructure cost of each house constructed. The grant would be provided upon the issuance of a certificate of occupancy. Thus, the financial risk to the city is minimal. The estimated tax revenue return on investment can be seen in the chart below.

The proposed policy also allows approval of a basic incentive to develop "small" (less than 6 lots) developments by providing a reimbursement of fees. The reimbursement would be made upon issuance of a certificate of occupancy. There are many undeveloped areas of potential residential development within the City limits that have some or all of the necessary infrastructure in place. Utilizing existing infrastructure is an efficient way to increase the tax base. Examples of the approximate fees that may be waived by the City can be seen in the chart below.

Staff recommends reviewing and updating this policy upon completion of the housing needs study.

Home Valuation	Annual Ad Valorem Tax Revenue	Potential Fee Reimbursement
\$150,000	\$739	\$1,800
\$200,000	\$986	\$2,000
\$250,000	\$1,232	\$2,100
\$300,000	\$1,478	\$2,300
\$350,000	\$1,725	\$2,400
\$400,000	\$1,971	\$2,600
\$450,000	\$2,218	\$2,700

FINANCIAL:

No financial impact associated with this item

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

Neighborhood Revitalization and Attainable Housing, Infrastructure, Economic Development

CITY CONTACT: Larissa Philpot-Brown, Economic Development Director, 936-559-1255, lphilpot@nedco.org

ATTACHMENTS: 1. Residential Infill Development Program Ordinance
2. PowerPoint Presentation

CITY OF NACOGDOCHES, TEXAS
ORDINANCE NO. 1900-03-22

AN ORDINANCE ESTABLISHING A RESIDENTIAL DEVELOPMENT PROGRAM PURSUANT TO CHAPTER 212 AND 380 OF THE LOCAL GOVERNMENT CODE, TO BE ADMINISTERED BY THE ECONOMIC DEVELOPMENT DEPARTMENT; CONTAINING FINDINGS AND OTHER PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EMERGENCY.

WHEREAS, Article 3, Section 52-a of the Texas Constitution authorized the legislature to provide for the creation of programs and the making of loans and grants of public money for certain specified purposes; and

WHEREAS, pursuant to such authorization, the legislature passed Chapter 380 of the Texas Local Government Code ("Local Government Code"), which contains certain statutes authorizing municipalities to establish certain economic development programs (hereinafter referred to as a "Chapter 380 Program"); and

WHEREAS, under Section 380.001 of the Local Government Code, the governing body of a municipality may administer a Chapter 380 Program by the use of municipal personnel, and may accept contributions, gifts, or other resources to develop and administer the Chapter 380 Program; and

WHEREAS, under Section 380.003 of the Local Government Code, a municipality may, as an agent of the State, provide matching funds for a federal program that requires local matching funds from a state agency, to the extent state agencies that are eligible decline to participate or do not fully participate in the program; and

WHEREAS, under Chapter 212, Subchapter C of the Texas Local Government Code the City is authorized to enter into Developer Participation Contracts to construct public improvements related to a development without competitive sealed bidding if the City's participation is no more than 100% of the costs of oversizing the Improvements, if needed or desired, or 30% of the total costs of the Improvements; and,

WHEREAS, the Economic Development Director has recommended that the City of Nacogdoches establish a Residential Development Program which will permit the City to provide loans, grants, and/or matching funds under any or all sections of Chapter 380 of the Local Government Code to qualified developers of residential properties; and

WHEREAS, in order to establish guidelines for Chapter 380 assistance eligibility, the Economic Development Director has recommended that City Council adopt the "Residential Development Program" set forth in Exhibit A to this Ordinance; and

WHEREAS, the proposed "Residential Development Program" will benefit the City by stimulating business and commercial activity within the City of Nacogdoches, offsetting the cost of providing new public infrastructure to residential developments, promoting infill development, promoting the development of new residences, and increasing the tax base;

NOW, THEREFORE, be it ordained by the City Council of the City of Nacogdoches, Texas that:

Section 1. The City Council adopts the findings set out in the preamble hereof and hereby establishes the Program under the provisions of Chapter 212 and 380 of the Local Government Code. The purposes of the Chapter Program shall be;

- (i) to make loans and/or grants of public money and to provide personnel and/or services of the City of Nacogdoches for the purpose of promoting state or local economic development and to stimulate business and commercial activity in the City of Nacogdoches, pursuant to Section 380.001 of the Local Government Code;
- (ii) to accept contributions, gifts or other resources pursuant to Section 380.001 of the local Government Code, for the purpose of developing and administering the program;
- (iii) to provide matching funds under Section 380.003 of the Local Government Code for a federal program that requires local matching funds from a state agency to the extent state agencies that are eligible decline to participate or do not fully participate in the program.
- (iv) to provide for Developer Participation Contracts as defined and regulated by 212.071 - 212.074 of the Local Government Code, (*Municipal Regulation of Subdivisions and Property Development*) and Sections 106.671 - 106.678 of the Code of Ordinances of the City of Nacogdoches, (*Chapter 106, Article VII, Extension of Water and Sanitary Sewer Systems*).

Section 2. The Program shall be administered by the Economic Development Director (the "Director"). Qualified applicants for Chapter 380 assistance shall generally meet the "Residential Development Program" guidelines attached hereto as Exhibit "A"; provided, however, that the Director may propose an application for assistance which does not meet all the criteria if, in the opinion of the Director, the application is otherwise meritorious. Except for certain small scale projects, proposals which are recommended shall be presented to City Council for consideration and approval, and for appropriation of any necessary funds. Funding for the Program's loans, grants and matching funds shall be provided on a case by case basis, based upon the recommendations of the Director, as approved by City Council. City Council approval and appropriation of Chapter 380 assistance for an applicant shall constitute an offer of assistance which shall terminate if the transaction is not closed within 180 days after the effective date of the authorizing ordinance.

Section 3. This Ordinance shall take effect immediately upon its adoption by the City Council of Nacogdoches, Texas and shall remain in full force and effect until such time as the City Council chooses to amend or invalidate the Ordinance.

PASSED AND APPROVED THIS 15TH DAY OF MARCH, 2022

CITY OF NACOGDOCHES, TEXAS

Jimmy Mize, Mayor

ATTEST:

APPROVED AS TO FORM:

Jan Vinson, City Secretary

Steven Kirkland, City Attorney

EXHIBIT A

Chapter 380 Residential Development Program

Section 1. Residential Development Program Criteria

- (a) Each applicant for a Chapter 380 Residential Development Grant will be reviewed individually and a decision will be made based on the following:
1. The amount of tax revenue the City expects to be generated by the building of the structure(s); and
 2. The extent of economic enhancement and stimulation the City will derive from the location and/or operation of the development; and
 3. The quality of the proposed development; and
 4. The location of the proposed development; and
 5. The extent to which the enterprise will hire local workers; and
 6. The availability and priority of funding and resources the City currently has available to participate in an economic development incentive program.
- (b) In order to qualify for a Chapter 380 Residential Development Grant, the project must meet the following specific criteria:
1. The completed structure(s) must be a single-family residence.
 2. Manufactured and/or mobile and/or industrialized homes are not eligible to participate in the incentive program.
 3. Construction for each structure shall begin within 180 days after the building permit is issued and shall be completed within one-year from the date the building permit is issued.

Section 3. Application Procedures

Business enterprises or individuals with an interest in participation in the Chapter 380 Residential Development Program shall apply to the City of Nacogdoches' Economic Development Director or his/her designee. Said application shall include all information herein requested plus any additional information deemed necessary by the Economic Development Director or his/her designee.

The application shall include the following:

- a) Request:
1. The proposed economic incentives being requested from the City
- b) Background:
1. Applicant's official name and contact information;
 2. A brief history of the business;
 3. If available, the last three (3) years of operating expenses and revenues;
 4. A list of single-family homes built within the last three (3) years;
 5. A description of how the project is being financed;
 6. Current employee counts and average wage; and
- b) Construction Information:
1. Location of the development
 2. Draft plat of the development, including:
 - A. Proposed street location
 - B. Proposed lot sizes and design

- C. Proposed buffers
 - D. Proposed drainage areas
 - E. Proposed common areas
- c) Sample floor plans of the structure(s) to be built
- d) Timeline for construction
- e) Anticipated sales price for the structure(s)
- f) Estimated hard and soft costs associated with the development:
 - 1. Site work
 - 2. Street paving
 - 3. Sanitary sewer
 - 4. Water distribution
 - 5. Drainage
 - 6. Natural gas
 - 7. Electrical
 - 8. Cable
 - 9. Telephone
 - 10. Internet
 - 11. Design
 - 12. Geotechnical
 - 13. Topographical surveying
 - 14. Boundary surveying and platting
 - 15. Construction administration
 - 16. Staking
 - 17. Land cost

The City of Nacogdoches reserves the right to waive any of these requirements and/or the right to require additional information.

Section 4. Incentives

Applicants that meet the above criteria may qualify for various incentives established by the City Council. It is important to note that the City has complete discretion when deciding whether to grant a 380 agreement and what incentives to include in any agreement. Qualifying applicants may be eligible for the following incentives:

Basic Incentives

- a) Reimbursement of some or all of tap fees
- b) Reimbursement of some or all of building permit fees and other construction related permit fees
- c) Reimbursement of some or all of platting and replatting fees

Advanced Incentives

- a) Utility Infrastructure Incentives. Reimbursement of hard and soft cost of infrastructure construction and/or extension. Utility and infrastructure extensions are subject to the availability of funding. Such reimbursement shall not exceed 20% of the cost of the extension or \$8,000 per lot, whichever is the lesser amount.
- b) Other Incentives. Depending upon the size and potential added value of a development, the City may negotiate with a developer for additional incentives.

Section 5. Procedures, Criteria, and Limitation on Payment

- (a) The nature, scope, and procedure for the implementation of an economic incentive will be developed in conjunction with and will be based upon the merits of each individual project.

- (i) Developments Consisting of Six (6) or Fewer Lots:

The City Manager, or his/her designee, has authority to approve or deny any request for Basic Incentives (as outlined above) for developments consisting of six or fewer lots. The City Manager, or his/her designee, may choose to alter the value, terms, or nature of the basic incentives. The City Manager, or his/her designee, is authorized to sign a Chapter 380 agreement with the applicant on behalf of the City of Nacogdoches. Applications denied by the City Manager may be appealed to the City of Nacogdoches City Council. Nothing in this program shall prevent the City Manager from bringing a grant agreement for developments consisting of six or fewer lots to the City Council for approval.

- (ii) Developments Larger than Six (6) Lots:

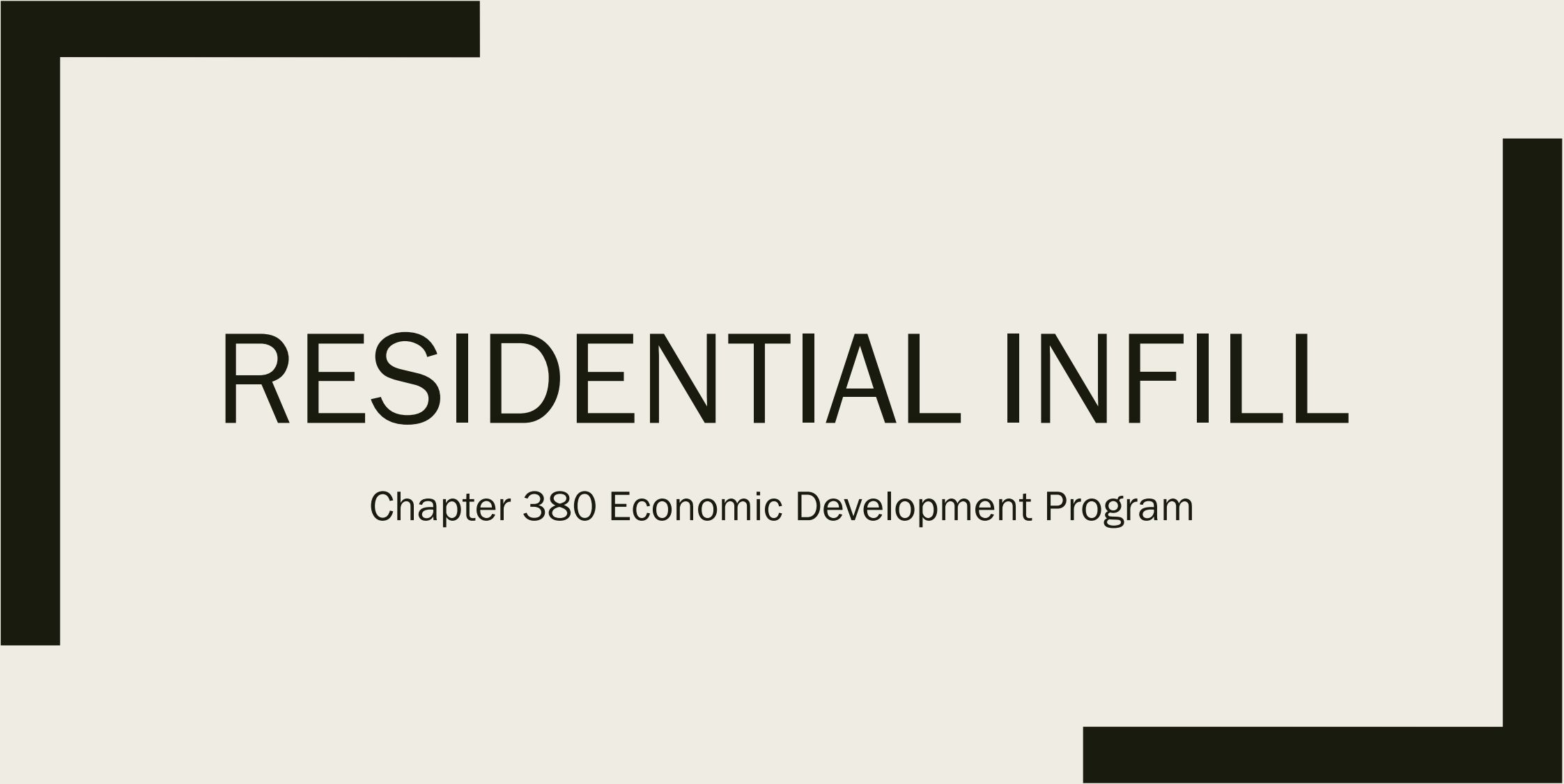
Developments larger than six (6) lots may be eligible for advanced incentives in addition to the basic incentives. For these large developments, the City Council shall review the applications and make a determination regarding any possible grant award based on the recommendation of the City Manager. The applicant shall enter into a Chapter 380 agreement with the City based on the determination made by the City Council.

- (b) Payment of incentives meeting the requirements of a Chapter 380 Residential Program grant agreement shall be made on a pro rata basis upon the approval of a certificate of occupancy by the City of Nacogdoches and filing of a completed request for reimbursement.
 - (c) In determining what incentives to provide, if any, the City Manager or City Council, as applicable, will consider to what extent such incentives are necessary to attract and/or generally assist the development. Additionally, the City Manager or City Council, as applicable, shall consider what type of incentive would provide the City with the most benefit for the cost while also meeting the needs of the developer. Other areas to be considered by the City shall be City budgetary limitations, and the financial participation by the business.
 - (d) Nothing within these procedures shall imply or suggest that the City of Nacogdoches is under any obligation to provide any incentive to an applicant as it reserves the right to decline to participate in the Program with any business or individual for any reason allowed by law.**
 - (e) Payment shall be made to the project developer as described in the Chapter 380 Residential Program grant agreement, or to the appropriate assignee as designated in the Chapter 380 Residential Program grant agreement.
 - (f) Annual reports shall be made as specified in the Chapter 380 Residential Program grant agreement.

Section 6. Economic Development Agreement

Any incentives the City deems to be appropriate shall be reflected in a Chapter 380 Residential Program grant agreement with the developer. Said agreement shall specify the following:

- a) The amount, character, and type of incentives to be paid or provided, and the terms, limitations and qualifications contained in said Agreement; and
- b) Such terms and conditions as the City determines necessary and prudent to ensure the incentives will be used for the purposes intended and will stimulate activity in the City consistent with the objectives and purposes of Chapter 380 of the Texas Local Government Code; and
- c) Any status or performance reporting of the project, as a condition of the incentive or as deemed appropriate by the City Council or their designee; and
- d) The nature, level, and timing of participation or performance by the individual, business, subdivision, or housing developer; and
- e) The method of recapture of all incentive values provided in the event of default by the party of the Agreement.

A large, thick, black L-shaped graphic that frames the central text. It starts at the top left, goes down, then turns right and goes across the bottom. Another L-shaped graphic is positioned on the right side, starting from the top and going down, then turning left and going across the bottom.

RESIDENTIAL INFILL

Chapter 380 Economic Development Program

History

- City constructed streets and installed infrastructure – until 1980s
- 1980s Developer constructs streets and infrastructure and dedicates to City
- City owns and maintains

Chapter 380 Programs

- Generally, cities cannot spend tax dollars for a private purpose
- 1987 – amendment to allow economic development loans and grants (Chapter 380)
- Specific to each city
 - *Existing program: attract and retain business*

Benefits of a Residential 380 Program

- Utilize infrastructure
- Diminish sprawl
- Directly increase tax base
- Indirectly increase tax base
 - *More houses = more residents*
 - *More residents = more retail locations and sales tax*

Proposed Program

■ Basic Incentive:

- *Less than 6 lots*
- *Provide a fee waiver*
 - ~\$1,800 for \$250,000 house
 - ~\$2,300 for \$300,000 house
- *Fees reimbursed upon Certificate of Occupancy*
- *City Manager approval*
- *Utilizes existing infrastructure*

Proposed Program

- Advanced Incentive:
 - *More than 6 lots*
 - *Reimbursement for infrastructure cost*
 - Up to 20% or \$8000 (whichever is less)
 - State law allows for up to 30%
 - *Payment made upon issuance of certificate of occupancy*
 - *Greater impact*

Home Valuation	Potential Fee Waiver	Maximum Grant	Approximate Annual Ad Valorem Revenue
\$150,000	\$1,800	\$8,000	\$739
\$200,000	\$2,000	\$8,000	\$986
\$250,000	\$2,100	\$8,000	\$1,232
\$300,000	\$2,300	\$8,000	\$1,478
\$350,000	\$2,400	\$8,000	\$1,724
\$400,000	\$2,600	\$8,000	\$1,971
\$450,000	\$2,7000	\$8,000	\$2,218

Criteria for Approval

- Each applicant reviewed individually
- Amount of tax revenue to be generated
- Extent of economic impact
- Quality of proposed development
- Location of proposed development
- Hiring of local workers
- Availability and priority of funding
- Can approve or deny any request

Criteria for Approval

- Each applicant reviewed individually
- Amount of tax revenue to be generated
- Extent of economic impact
- Quality of proposed development
- Location of proposed development
- Hiring of local workers
- Availability and priority of funding

Questions to Answer

- Minimum number of lots
- Lot breakdown between basic and advanced incentives
- Approval method for basic incentives
- Review upon completion of housing needs study

PRESENTER: Larissa Philpot, Economic Development Director

ITEM/SUBJECT: Consider approval of a resolution creating a Chapter 380 Economic Development Program and authorizing an agreement by and between the City of Nacogdoches and JBSC Development, LLC regarding development of a residential subdivision and an associated budget amendment. (Economic Development Director)

SUMMARY/BACKGROUND: JBSC Development, LLC, represented by Jake Crawford, has requested an \$8,000 per lot incentive to assist with the development of a 143 lot single family residential subdivision on the south side of the eastern end of Park Street. Crawford is proposing to build the subdivision over 5 years. The homes to be constructed will be 1500 to 1650 square foot homes and will be marketed at \$300,000 and above, adding more than \$38 million to the tax rolls upon completion of the entire subdivision. Crawford currently employs 27 people and anticipates hiring additional subcontractors to complete this development.

This is a greenfield subdivision, meaning all new utilities must be constructed within the subdivision. There are City water and sewer lines in the area capable of servicing the early phases of the subdivision. The sewer line in the area is in need of replacement and expansion to service the later phases of this subdivision in addition to future development in this sector of the City. The sewer line replacement and expansion will be included by staff in future capital improvement requests.

The table below shows the design and construction cost of the subdivision.

Item	Developer Expenses	Potential Reimbursement	Financial Funding Category
Sitework	\$719,900	\$134,583	Economic Development Fund
Sewer	\$966,000	\$180,591	CIP Misc. Sewer
Water	\$631,580	\$118,072	CIP Misc. Water
Paving	\$2,104,500	\$393,430	CIP Street Capital General Fund
Drainage	\$777,400	\$145,332	CIP Misc Sewer
Natural Gas, Cable, Phone, Internet	\$460,000	\$85,996	Economic Development Fund
Soft Costs (design, surveying, construction administration)	\$460,000	\$85,996	Economic Development Fund
Total	\$6,119,380	\$1,144,000	

Cost per lot	\$42,793	\$8,000	
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Per the residential economic development policy, Council may approve a grant of up to 20% of the lot cost or \$8,000, whichever is less. Crawford has requested \$8,000 per lot, which is 18.7% of the lot cost.

The proposed agreement states the grant would be issued upon issuance of a certificate of occupancy and a request for grant payment. The agreement also requires an annual report from Crawford containing the:

- taxable appraised value of all properties within the subdivision,
- ad valorem taxes paid to the City for all properties within the subdivision,
- total gross payroll and number of employees of JB Crawford,
- total number of houses within the subdivision with Certificates of Occupancy to date, and
- total number of houses with active building permits within the subdivision

The property in question is currently zoned PD, Planned Development. The property was zoned Planned Development upon its annexation in 2001. No development plan nor site plan was ever filed for this property, making it an empty Planned Development. The concept plan approved in 2001 indicated this area was to be used for single family development. Approval of the proposed economic development agreement does not circumvent the zoning process. In addition to completing the platting process, Crawford will still need to apply for a rezoning to R-1, Single Family or will need to file a development plan and site plan.

FINANCIAL:

Item is budgeted:

Account No.: 30.179.02
Account Name: *CIP Misc Water Line Additions/Replacements*
Amount: \$118,072

Account No.: 30.179.03
Account Name: *CIP Misc Sewer Line Additions/Replacements*
Amount: \$325,923

Item is not budgeted (*Budget Amendment required – see attached*)

Account No.: 01.86.680.30
Account Name: *CIP Street Capital General Fund*
Amount: \$393,430

Account No.: 12.75.630.70
Account Name: *Economic Development Fund Special Services*
Amount: \$306,575

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

Infrastructure, Neighborhood Revitalization and Attainable Housing, Economic Development

CITY CONTACT: Larissa Philpot-Brown, Economic Development Director
lphilpot@nedco.org

- ATTACHMENTS:**
1. Resolution 1298-03-22 - JBSC Development 380
 2. JB Crawford Construction Chapter 380 agreement Packet Version
 3. Budget Amendment Ordinance Project Craftsman
 4. Project Craftsman Chapter 380 Agreement - Presentation

**CITY OF NACOGDOCHES, TEXAS
RESOLUTION NO. 1298-03-22**

A RESOLUTION CREATING A CHAPTER 380 ECONOMIC DEVELOPMENT PROGRAM AND APPROVING AND AUTHORIZING AGREEMENT BY AND BETWEEN THE CITY OF NACOGDOCHES AND JBSC DEVELOPMENT, LLC REGARDING DEVELOPMENT OF A SINGLE FAMILY RESIDENTIAL SUBDIVISION ON THE EASTERN END OF PARK STREET.

WHEREAS, The City possesses the legal and statutory authority under Chapter 380 of the Texas Local Government Code to make loans and grants of public funds for the purposes of promoting local economic development and stimulating and enhancing business and commercial activity within the City;

WHEREAS, the City possesses the legal and statutory authority under Chapter 212, Subchapter C of the Texas Local Government Code to enter into Developer Participation Contract to construct public improvements related to a development without competitive sealed bidding if the City's participation is 30% or less than the total costs of the Improvements.

WHEREAS, JBSC Development, LLC has agreed to construct or cause to be constructed, improvements to include an approximate 143 lot subdivision and associated infrastructure, located on the south side of the eastern end of Park Street.

WHEREAS, the City has established an economic development program which authorizes the City to make such economic development loans and grants.

WHEREAS, the City has determined that construction of an approximate 143 lot single family subdivision will serve the public purposes of promoting local economic development, helping eliminate unemployment and underemployment in the City, stimulating and enhancing business and commercial activity within the City, offsetting the cost of infill development inside the City, and increasing the tax base by promoting construction of new single family residential homes inside the city limits.

WHEREAS, the City finds it appropriate to leverage the investment that JBSC Development, LLC is willing to provide to install infrastructure necessary to support new single family homes, and,

WHEREAS, the City has concluded and hereby finds that this Agreement clearly promotes economic development in the City, and, as such, meets the requisites under Chapter 380 of the Texas Local Government Code, and further, is in the best interests of the City and JBSC Development, LLC and

WHEREAS, the City has concluded and hereby finds that the JBSC Development, LLC Economic Development Program and this JBSC Development, LLC Chapter 380 Economic Development Agreement clearly promote economic development in the City, and, as such, meet the requirements under Chapter 380 of the Texas Local Government Code and Article III, Chapter 52-a of the Texas Constitution under which the City has the authority to use public funds for public purposes of

promoting economic development and stimulating business and commercial activity within the City, and further, is in the best interests of the City and JBSC Development, LLC.

NOW, THEREFORE, be it resolved by the City Council of the City of Nacogdoches, Texas that:

1. The findings and recitations contained in the preamble of this Resolution are found and declared to be true and correct and are hereby adopted as part of this Resolution.
2. There is hereby established the JBSC Development, LLC Economic Development Program pursuant to Chapter 380 of the Texas Local Government Code.
3. The City Council hereby approves and authorizes the JBSC Development, LLC Chapter 380 Economic Development Agreement in substantially the form as shown in the document which is attached hereto and incorporated herein by this reference.
4. The City Manager is authorized to execute such document and related documents on behalf of the City, and the City Secretary is authorized to attest to all such signatures and the City Attorney is authorized to take all action necessary to enforce all legal obligations as may arise hereunder.
5. This resolution is effective immediately upon its passage.

PASSED AND APPROVED, this the 15th day of March, 2022, by a vote of ____ (ayes) to ____ (nays) of the City Council of the City of Nacogdoches, Texas.

CITY OF NACOGDOCHES

By: _____
JIMMY MIZE, Mayor

ATTEST:

APPROVED AS TO FORM:

Jan Vinson, City Secretary

Steven Kirkland, City Attorney

CITY OF NACOGDOCHES, TEXAS

AND

JBSC DEVELOPMENT, LLC

CHAPTER 380 ECONOMIC DEVELOPMENT AGREEMENT

This **CHAPTER 380 ECONOMIC DEVELOPMENT AGREEMENT** (hereinafter referred to as the "Agreement") is made and entered into by and between the **CITY OF NACOGDOCHES, TEXAS**, a Texas home-rule municipality (the "City"), and **JBSC Development, LLC**, a Texas limited liability company, its successors and assigns ("Developer").

RECITALS:

- A.** Developer has agreed to construct or cause to be constructed, improvements to include an approximate 143 lot subdivision and associated infrastructure, (the "Improvements") located on the south side of the eastern end of Park Street, generally as seen in Exhibit A, and herein referred to as the "Property".
- B.** The City possesses the legal and statutory authority under Chapter 212, Subchapter C of the Texas Local Government Code to enter into Developer Participation Contract to construct public improvements related to a development without competitive sealed bidding if the City's participation is 30% or less than the total costs of the Improvements.
- C.** The City possesses the legal and statutory authority under Chapter 380 of the Texas Local Government Code to make loans and grants of public funds for the purposes of promoting local economic development and stimulating and enhancing business and commercial activity within the City.
- D.** The City has established an economic development program which authorizes the City to make such economic development loans and grants.
- E.** The City has determined that a grant of funds to Developer will serve the public purposes of promoting local economic development, helping eliminate unemployment and underemployment in the City, stimulating and enhancing business and commercial activity within the City, offsetting the cost of infill development inside the City, and increasing the tax base by promoting construction of new single family residential homes.
- F.** The City has concluded and hereby finds that this Agreement clearly promotes economic development in the City, and, as such, meets the requisites under Chapter 380 of the Texas Local Government Code, and further, is in the best interests of the City and Developer.
- G.** The City has concluded and hereby finds that this Agreement clearly promotes economic development in the City, and, as such, meets the requirements of Article III, Section 52-a of the Texas Constitution, by assisting in the development and diversification of the economy of the State, by helping to eliminate unemployment or underemployment in the State, and by the development or expansion of commerce within the State.
- H.** The City desires and agrees to enter into this Agreement with Developer in order to implement the economic development program described herein and shall follow all applicable rules and procedures prescribed by the City's Charter and the laws of the State in providing Developer the economic development incentives described herein.

NOW, THEREFORE, for and in consideration of the agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and Developer agree as follows:

SECTION 1. RECITALS INCORPORATED.

The foregoing Recitals are hereby incorporated into the body of this Agreement and shall be considered part of the mutual covenants and consideration that bind the parties.

SECTION 2. TERM.

This Agreement shall be effective as of this date, and shall continue until all obligations of both parties are met unless terminated sooner under the provisions, hereof. This Agreement shall terminate on December 31, 2027.

SECTION 3. DEFINITIONS.

The following words shall have the following meanings when used in this Agreement.

- (a) **Certificate of Occupancy.** The words "Certificate of Occupancy" mean the certificate of occupancy issued by the City for Developer at the Project, which certificate the City shall not unreasonably withhold, condition or delay.
- (b) **Full-Time Equivalent Employment Positions.** The words "Full-Time Equivalent Employment Position" or "Full-Time Employment Equivalent Positions" mean and include a job requiring a minimum of Two Thousand Eighty (2,080) hours of work averaged over a twelve (12) month period, with such hours to include any vacation, sick leave, personal days, and similar time off benefits. Full and part-time worker positions may be aggregated to form a Full-Time Equivalent Position.
- (c) **Personalty.** The word "Personalty" means the tangible personal property, including inventory and supplies, located on the property other than tangible personal property that was located on the Property prior to the period covered by this Agreement, and which is otherwise subject to a tax abatement consistent with section 312.204(a) of the Texas Tax Code, as amended.
- (d) **Program Grant or Program Grant Payment.** The words "Program Grant" or "Program Grant Payment" mean the economic development grants provided by the City to Developer in accordance with this Agreement.
- (e) **Qualified Expenditures.** The words "Qualified Expenditures" mean those expenditures consisting of and contributing to the hard and soft costs associated with the development and construction of the Improvements for the Project including design and construction of public infrastructure.
- (f) **Related Documents.** The words "Related Documents" mean and include without limitation any and all promissory notes, loan agreements, grant agreements, performance agreements, tax abatement agreements, and other instruments and documents, whether now or hereafter existing, entered by and between the City and Developer in connection with this Agreement.
- (g) **Sales and Use Tax.** The words "Sales and Use Tax" or "Sales and Use Taxes" mean the City's municipal sales and use tax, pursuant to Section 321.103(a) of the Texas Tax Code, as amended. The current Sales and Use Tax rate is one percent (1%).
- (h) **State.** The word "State" means the State of Texas.

- (i) **State Comptroller.** The words “State Comptroller” mean the Office of the Texas Comptroller of Public Accounts, or any successor agency.
- (j) **Term.** The word “Term” means the term of this Agreement as specified in Section 2 of this Agreement.

SECTION 4. AFFIRMATIVE OBLIGATIONS OF DEVELOPER.

Developer covenants and agrees with the City that while this Agreement is in effect, Developer shall comply with the following terms and conditions:

- (a) Developer understands and agrees that City approval of this agreement does not alleviate the requirement to submit and obtain approvals of a subdivision plat and zone change application and does not create any vested rights to build. If the required approvals reduces or increases the number of lots that can be developed, the per lot reimbursement contemplated by the agreement shall be adjusted to the approved number of lots.
- (b) **Construction of the Improvements.**
- i. Developer shall construct or cause to be constructed the Improvements as described on Table 1 below and as seen in Exhibit B and shall submit to the City invoices, receipts, or other similar documentation for the Qualified Expenditures in a form reasonably acceptable to the City for each program grant payment request, and no later than December 31, 2027.

Table 1

Item	Approximate Qualified Expenditure Not to Exceed
General Sitework	\$626,000
Sanitary Sewer	\$840,000
Water Lines	\$549,200
Street Paving, Curb, & Gutter	\$1,830,000
Drainage System	\$676,000
Natural Gas	\$205,000
Cable TV	\$35,000
Telephone/Internet	\$160,000
Soft Costs (Design, surveying, platting, construction administration, staking)	\$400,000
15% Contingency	\$798,150
Total	\$6,119,350

- ii. Developer represents that Developer has the present capacity to construct the Improvements. The Improvements shall be completed on or before December 31, 2027. Only those Improvements listed in Table 1 which are completed prior to December 31, 2027 will be considered by the City for reimbursement.
- iii. All Improvements constructed shall be built to the minimum requirements of the City of Nacogdoches Standards for the Design and Construction of Public Improvements, the International Building Code, as amended, as adopted by the City of Nacogdoches from time to time and the current revision of Title 30, Chapters 285 and 290, of the Texas Administrative Code.
- iv. In addition to the insurance requirements set out in the other agreements, Developer, his contractors and agents, shall procure and maintain, at their sole cost and expense for the duration of the construction contemplated herein, insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the Construction hereunder by Lessee, its agents, representatives, volunteers, employees, or subcontractors. Said insurance shall name Nacogdoches, its employees, and officials as additional insureds. See Exhibit “C” for insurance requirements. Certificates of insurance evidencing the required insurance coverages shall be attached hereto as Exhibit “D.”

- v. Pursuant to Section 2253.021 of the Texas Government Code, for all public works contracts with governmental entities, a payment bond is required if the Contract Amount exceeds \$50,000, and a performance bond is required if the Contract Amount exceeds \$100,000. Prior to start of construction, Developer will execute a performance bond for the construction of the Improvements to ensure completion of the project in accordance with Chapter 2253 of the Government Code as described in Exhibit E.

(c) **Certificate of Construction Completion.**

Developer shall present a Certificate of Construction Completion signed by a Texas Registered Professional Engineer accompanied by a set of as-built drawings in digital format, prior to requesting reimbursement for completed improvements.

(d) **Job Creation and Retention.**

- i. On or before December 31, 2023, and during the Term of this Agreement, the Developer shall employ and maintain 22 Full-time Equivalent Positions working at the Project. It is understood and agreed that Developer and/or his lessees, may satisfy the foregoing requirement by an aggregation of all hours worked at all employment positions at the Project, both full time and part time, over the subject twelve-month period. The Full-Time Equivalent Employment Provision shall be continuously maintained through the Term of this Agreement.

(e) **City Sales Tax Matters.** As a portion of the consideration for this Agreement, and to the maximum extent permitted under applicable law, Developer covenants and agrees with City to structure all contracts to which Developer or related person or entity is a party relating to the construction of the Improvements and facilities to be constructed on the Property pursuant to this Agreement that are not purchased for resale, in a manner that requires City sales and use taxes to be collected and remitted to the City of Nacogdoches with respect to the purchase of all materials and other taxable items for such improvements and facilities. Without limiting the generality of the immediately preceding sentence, Developer shall cause each contract with a contractor to:

- i. be structured as a “separated contract” as such term is defined in 34 Texas Administrative Code 3.291(a)(13) with the result that:
 - i. the agreed contract price under the contract is divided into (A) a separately stated agreed contract price for incorporated materials, and (B) a separately stated amount for all skill and labor that includes fabrication, installation, another other labor that is performed by the contractor; and
 - ii. the contractor is required under 34 Texas Administrative Code 3.291(a)(13) to collect City sales and use taxes on the charge to Developer for materials and other taxable items based on the location of the Improvements and facilities to be constructed in the City; and
- ii. contain provisions requiring such contractor to issue, and to cause each subcontractor and each sub-subcontractor to issue, properly completed Texas Sales and Use Tax Resale Certificates and/or other certifications or documentation, as appropriate, to all subcontractors and sub-subcontractors, and to take such other actions as are necessary or advisable, in order to claim, obtain and/or evidence that the materials and other taxable items for the improvements and facilities to be constructed on the Property.

Notwithstanding any other provision hereof, the sole remedy of the City with regard to any failure of the Developer to comply with this Section 4(d) shall be to require the Developer to pay to the City the sales and use tax revenue lost by the City as a result of the Developer’s failure to comply with this Section. Developer shall not be liable for sales and use tax revenue lost by any taxing authority other than the City for failure to comply with this Section 4(d).

- (f) **Annual Compliance Verification.** Beginning on January 1, 2023 and each January 1st for the following five years for a total of ten occurrences until January 1, 2028 Developer shall deliver to the City an Annual Compliance verification signed by a duly authorized representative of Developer that shall certify the following:
- (1) The taxable appraised value of the Property and Personalty located on the Property for the applicable prior tax year;
 - (2) The ad valorem taxes paid to the City for the Property and Personalty located on the Property for the applicable prior tax year; and
 - (3) The total gross payroll and number of employees of JB Crawford Construction, LLC.
 - (4) The total number of houses issued a Certificate of Occupancy in the previous year and the total number of houses with active building permits.
- (g) **Payment of Ad Valorem Taxes.** Developer, at Developer's sole cost, covenants and agrees to pay by January 31st of each year all of the real and business personal ad valorem taxes due for the previous tax year on the Property. Developer shall not protest said taxes during the term of this agreement.
- (h) **Engineering Requirements.** Developer covenants and agrees to promptly provide to City suitable engineering plans, specifications and necessary documents for bidding purposes related to and necessary for City's provision of Program Grant Payments.
- (i) **Performance.** Developer agrees to perform and comply with all applicable terms, conditions, and provisions set forth in this Agreement, and in all other instruments and agreements by and between Developer and the City.

SECTION 5. AFFIRMATIVE OBLIGATIONS OF THE CITY.

City covenants and agrees with the Developer that while this Agreement is in effect, City shall comply with the following terms and conditions:

(a) Program Grant Payments

1. Timing of Payments

The City shall make Program Grant Payments as described in Section 5(a)(2) below within 30 days of the issuance of a final Certificate of Occupancy by the City of Nacogdoches and receipt of a request for Program Grant Payment by Developer.

2. Reimbursement of Qualified Expenditures

- a. The Total Qualified Expenditures will be divided by the total number of units described in Recital A above to determine a pro rata costs for each residential unit constructed. The City shall reimburse the Developer the lesser amount of twenty percent (20%) of the pro rata cost for the Improvements as shown on Exhibit B subject to the limitation in Table 1 and any revision thereof to which the City has agreed to in writing and in conformance with the process described in Article VIII Section 106-674, Refunding Procedure, of the City of Nacogdoches Code of Ordinances, or \$8,000 per lot.
- b. In no event shall the total reimbursement received by the developer under this agreement exceed 20% of the Total Qualified Expenditures.
- c. The Developer shall initially pay for all cost associated with the design and construction of the Improvements described in Exhibit B including, but not limited to, easements, surveying, engineering, materials, and labor. The City will not be responsible for any costs, labor, or materials during the time period prior to the Effective Date of this agreement other than reasonable surveying and engineering costs necessary to prepare this agreement.
- d. The Developer understands the request for reimbursement from the City will require the submission and verification of all appropriate associated costs for public bid advertisements, maintenance bonds, engineering, surveying, labor and materials. Reimbursement will also require

a Certificate of Construction Completion sealed by a registered Texas Professional Engineer and written acceptance by the City Engineer.

- e. The Developer understands and agrees that payment by the City of the agreed reimbursement will be as soon as practical but not to exceed 6 months after the final acceptance by the City provided such funds are appropriated by the City.
- (b) **Performance.** The City agrees to perform and comply with all applicable terms, conditions, and provisions set forth in this Agreement, and in all other instruments and agreements by and between Developer and the City.

SECTION 6. EVENTS OF DEFAULT.

- (a) Each of the following shall constitute an Event of Default under this Agreement by Developer:
 - (1) **Construction of Qualified Expenditures.** Failure of Developer to provide copies of the invoices, receipts or other documentation to the City regarding said Qualified Expenditures made to the Property consistent with Section 4(a) of this Agreement within ten (10) days after written notice of the default from the City to the Developer.
 - (2) **Certificate of Occupancy.** Failure of Developer to obtain or cause to be obtained a Certificate of Occupancy from the City for the Project consistent with Section 4(b) of this Agreement and such failure continues for ten (10) days after the written notice of the default from the City to Developer (provided the failure to obtain the Certificate of Occupancy is not due to wrongful or negligent delay or other action or inaction by the City).
 - (3) **Payroll.** Failure of Developer to provide a gross payroll as identified in Table 3 in Section 4(c).
 - (4) **Insolvency.** Developer's insolvency, appointment of receiver for any part of Developer's property, any assignment for the benefit of creditors of Developer, any type of creditor workout for Developer, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Developer.
 - (5) **Other Defaults.** Failure of Developer to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement, or in any of the Related Documents, or failure of Developer to comply with or to perform any other term, obligation, covenant or condition contained in any other agreement by and between the City and Developer, and such failure is not cured within ten (10) days after written notice of the default from the City to Developer.
- (b) Each of the following shall constitute an Event of Default under this Agreement by the City:
 - (1) **Program Grant Payments.** Failure of the City to make the Program Grant Payments consistent with Section 5 of this Agreement within ten (10) days after written notice of the default from Developer to the City.
 - (2) **Other Defaults.** Failure of the City to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents, or failure of the City to comply with or to perform any other term, obligation, covenant, or condition contained in any other agreement by and between the City and Developer, and such failure is not cured within ten (10) days after written notice of the default from Developer to the City.

SECTION 7. EFFECT OF AN EVENT OF DEFAULT.

If an Event of Default occurs, the non-defaulting party shall give written notice to the other party of the specific Event of Default, and the defaulting party shall have thirty (30) days to cure said default (as to defaults reasonably curable within such period) or commences to cure alleged default within said thirty (30) days and diligently pursues the cure to its conclusion (as to defaults not reasonably curable within thirty (30) days). In the event Developer defaults and is unable or unwilling to cure said default within the prescribed time period, the amounts of financial assistance provided by the City to Developer to date pursuant to Section 5(a)(1) of this Agreement shall become immediately due and payable by Developer to the City as shown on Table 4 below. In the event the City defaults and is unable or unwilling to cure said

default within the prescribed time period, the Developer may terminate this agreement. Defaults by City shall not waive, terminate, or offset repayment obligations of Developer under Section 4(f) or indemnities under Section 8.

SECTION 8. INDEMNIFICATION.

Developer shall indemnify, save, and hold harmless the City, its council members, officers, agents, and employees (collectively, the “indemnitees”) from and against” (i) any and all claims, demands, actions or causes of action that are asserted against any indemnitee if the claim, demand, action or cause of action is a result of or related to Developer’s performance under this agreement, Developer’s tortious interference with contract or business interference, or Developer’s wrongful or negligent use of the City’s financial assistance by Developer or its agents and employees; (ii) any claim, demand, action or cause of action which contests or challenges the legal authority of Developer to enter into this Agreement; and (iii) any and all liabilities, losses, costs, or expenses (including reasonable attorneys’ fees and disbursements) that any indemnitee suffers or incurs as a result of any of the foregoing; provided, however, that Developer shall have no obligation under this Section to the City with respect to any of the foregoing arising out of the gross negligence or willful misconduct of any indemnitee or the breach by the City of this Agreement. If any claim, demand, action or cause of action is asserted against any indemnitee, such indemnitee shall promptly notify Developer, and failure to so promptly notify Developer shall release Developer’s obligations under this Section if such failure prejudices Developer’s right to participate in the contest of such claim, demand, action or cause of action, as hereinafter provided. As so long as no Default or Event of Default shall have occurred and be continuing, if requested by Developer in writing, an indemnitee shall in good faith contest the validity, applicability and amount of such claim, demand, action or cause of action and shall permit Developer to participate in such contest. Any indemnitee that proposes to settle or compromise any claim, demand, action, cause of action or proceeding for which Developer may be liable for payment of indemnity hereunder shall give Developer written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain Developer’s concurrence thereto.

SECTION 9. MISCELLANEOUS PROVISIONS.

The following miscellaneous provisions are a part of this Agreement:

(a) **Amendments.** This Agreement, together with the Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

(b) **Applicable Law and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Nacogdoches County, Texas. Venue for any action arising under this Agreement shall lie in the state district courts of Nacogdoches County, Texas.

(c) **Assignment.** This Agreement may not be assigned without the express written consent of the City, which consent will not be unreasonably withheld but which may be conditioned on adequate assurances that the assignee has the resources and expertise necessary to operate the Project for the remainder of the term and honoring the provisions of the Agreement. Assignment shall not release Developer from any obligation under this Agreement.

(d) **Binding Obligation.** This Agreement shall become a binding obligation on the signatories upon execution by all signatories hereto. The City warrants and represents as follows: that the individual executing this Agreement on behalf of the City has full authority to execute this Agreement and bind the City to the same; and the Agreement is authorized by State law, including but not limited to, Chapter 380 of the Texas Local Government Code, is within the authority of the City, and constitutes a legal and binding obligation of the City. Developer warrants and represents that the individual executing this Agreement on Developer’s behalf has full authority to execute this Agreement and bind Developer to the same.

(e) **Caption Heading.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of the Agreement.

(f) **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same document.

(g) **Force Majeure.** It is expressly understood and agreed by the parties to this Agreement that if the performance of any obligations hereunder is delayed by reason of war, civil commotion, acts of God, inclement weather, fire or other casualty, court injunction or other cause outside the control of the party who is to perform, the party so obligated or permitted shall be excused from doing or performing the same during such period of delay, so that the time period applicable to such obligation or requirement shall be extended for a period of time equal to the period such party was delayed.

(h) **Notices.** Any notice or other communication required or permitted by this Agreement (hereinafter referred to as the "Notice") is effective when in writing and (i) personally delivered by hand or by express courier such as Federal Express, UPS, DHL, or Lone Star Overnight, or (ii) three (3) days after notice is deposited with the U.S. Postal Service, postage prepaid, certified with return receipt requested, and addressed as follows:

If to Developer: JB Crawford Construction, LLC
 Attn: Jake Crawford
 2802 Durst Street
 Nacogdoches, TX 75964
 936-553-1806

If to the City: City of Nacogdoches
 Attn: City Manager
 202 East Pillar Street
 Nacogdoches, TX 75961
 936-559-2501

With a copy to: City of Nacogdoches
 Attn: City Attorney
 202 East Pillar Street
 Nacogdoches, TX 75961
 936-559-2503

(i) **Revenue Sharing Agreement.** The City designated this Agreement as a revenue sharing agreement, thereby entitling the City to request Sales and Use Tax information from the State Comptroller, pursuant to Section 321.3022 of the Texas Tax Code, as amended.

(j) **Severability.** The provisions of this Agreement are severable. If any paragraph, section, subdivision, sentence, clause or phrase of this Agreement is for any reason held by a court of competent jurisdiction to be contrary to law or contrary to any rule or regulation having the force and effect of law, the remaining portions of the Agreement shall be enforced as if the invalid provision had never been included.

(k) **Contractor Affirmations:** If this contract is funded in whole or in part by money from the State of Texas, State law requires the following certifications, representations and/or warranties. Regardless of funding by the State, by signature hereon affixed, the Developer hereby certifies that:

1. Developer has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with this Contract

2. Developer represents and warrants that it has no actual or potential conflicts of interest in the goods and or services described in the scope of work to this contract.
3. Antitrust. Pursuant to 15 U.S.C. §1, et seq. and Tex. Bus. & Comm. Code §15.01, et seq. neither the Developer nor the firm, corporation, partnership, or institution represented by the Developer, or anyone acting for such a firm, corporation or institution has violated the antitrust laws of this state, federal antitrust laws, nor communicated directly or indirectly the bid made to any competitor or any other person engaged in such line of business.
4. Child Support. Pursuant to §231.006(d), Texas Family Code, regarding child support, the Developer certifies that the individual or business entity named in this Contract is not ineligible to receive the specified payment and acknowledges that the contract may be terminated, and payment may be withheld if this certification is inaccurate.
5. Debarment. Developer certifies that Developer and its principals are eligible to participate in this transaction and have not been subjected to suspension, debarment, or similar ineligibility determined by any federal, state or local governmental entity and that Developer is in compliance with the State of Texas statutes and rules relating to procurement. Entities ineligible for state procurement are listed on the State of Texas Debarred Vendor List maintained by the Texas Comptroller of Public Accounts and the System for Award Management (SAM) maintained by the General Services Administration. Entities ineligible for federal procurement are listed at <http://www.sam.gov/content/exclusions>.
6. Terrorism Watch List. Developer represents and warrants that it does not do business with Iran, Sudan or a foreign terrorist organization as prohibited by Texas Government Code 2252.152. Developer certifies that it is not listed on the federal government's terrorism watch list as described in Executive Order 13224.
7. Critical Infrastructure. If Developer will be granted direct or indirect access to a communication infrastructure system, cybersecurity system, electric grid, hazardous waste treatment system, or water treatment facility, Developer certifies that neither it or its parent company, is (1) majority owned by citizens or governmental entities of China, North Korea, Russia or any other country designated by the Governor under Government Code 2274.0103, or (2) headquartered in any of those countries.
8. Convictions. Under Sections 2155.006, 23155.0061 and 2261.053 of the Texas Government Code, Developer certifies that it is not ineligible to receive the specified contract and may be terminated and payment withheld if this certification is inaccurate. These sections prohibit contracts that include proposed financial participation by an individual or business entity who has been convicted in the past five years of (a) violating a federal law or assessed a penalty in connection with a contract involving relief for Hurricane Rita, Hurricane Katrina, or any other disaster, as defined by §418.004, Gov't Code, occurring after September 24, 2005; and (b) of any offense related to the direct support or promotion of human trafficking.
9. COVID Vaccinations. Developer certifies that it does not require its customers to provide any documentation certifying the Customer's COVID-19 vaccination or post-transmission recovery on entry to, or to receive service from the Developer's business.
10. Boycotts. (1) To the extent this Contract is considered a Contract for goods or services subject to § 2270.002 Texas Government Code, Developer verifies that it: (i) does not boycott Israel; and (ii) will not boycott Israel during the term of this Contract. (2) To the extent this Contract has a value of \$100,000 or more and Developer is an organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, or limited liability company, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations, that exists to make a profit that employs 10 or more full time employees, Developer certifies that it: (i) does not and will not boycott energy companies during the term of the contract (See Texas Government Code 2274.002, et seq.); and (ii) does not and will not discriminate against a firearm entity or firearm trade association (*See Texas Government Code 2274.002, et seq.*).

(I) **Undocumented Workers.** Developer certifies that Developer does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. If during the Term of this Agreement, developer is convicted of a violation under 8 U.S.C. § 1324a(f), Developer shall repay the amount of

any public subsidy provided under this Agreement plus interest, at the rate of two and one-half percent (2.5%), not later than the 120th day after the date the City notifies Developer of the violation.

(m) **Mutual Assistance.** The parties shall do all things reasonably necessary or appropriate to carry out the terms and provisions of this Agreement and to aid and assist each other in carrying out such terms and provisions, including, but not limited to, executing and delivering any additional documents and agreements reasonably necessary to implement this Agreement.

(n) **Attorney's Fees.** In the event any legal proceeding is commenced to enforce or interpret provisions of this Agreement, the prevailing party in any such legal action shall be entitled to recover its reasonable attorney's fees and expenses incurred by reason of such action.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed.

CITY:
CITY OF NACOGDOCHES, TEXAS
a Texas home-rule municipality

By: _____
Jimmy Mize, Mayor

Date: _____

ATTEST:

Jan Vinson, City Secretary

APPROVED AS TO FORM:

Steven Kirkland, City Attorney

DEVELOPER:
JBSC Development, LLC

By: _____
Jake Crawford

Date: _____

Exhibit C
INSURANCE REQUIREMENTS

During the term of this Agreement Developer's insurance policies shall meet the following requirements:

I. Standard Insurance Policies Required:

- A. Commercial General Liability
- B. Business Automobile Liability
- C. Umbrella / Excess Liability – required for contract amounts exceeding \$1,000,000
- D. Workers' Compensation
- E. Builder's Risk – provides coverage for Developer's labor and materials for a project during construction that involves a structure such as a building or garage. builder's risk policy shall be written on "all risks" form.

II. General Requirements Applicable to All Policies:

- A. Only Insurance Carriers licensed and admitted to do business in the State of Texas will be accepted.
- B. Deductibles shall be listed on the Certificate of Insurance and are acceptable only on a per occurrence basis for property damage only.
- C. "Claims Made" policies are not accepted.
- D. Each insurance policy shall be endorsed to state that coverage shall not be suspended, voided, canceled, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City of Nacogdoches.
- E. Upon request, certified copies of all insurance policies shall be furnished to the City of Nacogdoches.
- F. The City of Nacogdoches, its officials, employees and volunteers, are to be named as "Additional Insured" to the Commercial General, Umbrella and Business Automobile Liability policies. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officials, employees or volunteers.
- G. Waiver of subrogation in a form at least as broad as ISO form 2404 shall be provided in favor of the City on all policies obtained by the Developer in compliance with the terms of this Agreement.

III. Commercial General Liability

- A. General Liability insurance shall be written by a carrier with a "A: VIII" or better rating in accordance with the current Best Key Rating Guide.
- B. Limit of \$500,000.00 per occurrence for bodily injury and property damage with an annual aggregate limit of \$1,000,000.00 which limits shall be endorsed to be per Project.
- C. Coverage shall be at least as broad as ISO form GC 00 01.
- D. No coverage shall be excluded from the standard policy without notification of individual exclusions being attached for review and acceptance.
- E. The coverage shall include but not be limited to the following: premises/operations with separate aggregate; independent contracts; products/completed operations; contractual liability (insuring the

indemnity provided herein) Host Liquor Liability, Personal & Advertising Liability; and Explosion, Collapse, and Underground coverage.

IV. Business Automobile Liability

- A. Business Automobile Liability insurance shall be written by a carrier with a "A: VIII" or better rating in accordance with the current Best Key Rating Guide.
- B. Minimum Combined Single Limit of \$1,000,000.00 per occurrence for bodily injury and property damage.
- C. Coverage shall be at least as broad as Insurance Service's Office Number CA 00 01.
- D. The Business Auto Policy must show Symbol 1 in the Covered Autos Portion of the liability section in Item 2 of the declarations page.
- E. The coverage shall include owned autos, leased or rented autos, non-owned autos, any autos and hired autos.
- F. Pollution Liability coverage shall be provided by endorsement MCS-90, with a limit of \$1,000,000.00.

V. Excess Liability

Umbrella form excess liability coverage following the form of the underlying coverage with a minimum limit of \$5,000,000.00 or the total value of the contract, whichever is greater, per occurrence/aggregate when combined with the lowest primary liability coverage, is required for contracts exceeding \$1,000,000 in total value.

VI. Those policies set forth in Paragraphs III, IV, and V shall contain an endorsement naming the City as Additional Insured and further providing that the Developer's policies are primary to any self-insurance or insurance policies procured by the City. The additional insured endorsement shall be in a form at least as broad as ISO form GC 2026. Waiver of subrogation in a form at least as broad as ISO form 2404 shall be provided in favor of the City on all policies obtained by the Developer in compliance with the terms of this Agreement. Developer shall be responsible for all deductibles which may exist on any policies obtained in compliance with the terms of this Agreement. All coverage for subcontractors shall be subject to the requirements stated herein. All Certificates of Insurance and endorsements shall be furnished to the City's Representative at the time of execution of this Agreement, attached hereto as Exhibit D, and approved by the City before work commences.

VII. Workers Compensation Insurance

- A. Pursuant to the requirements set forth in Title 28, Section 110.110 of the Texas Administrative Code, all employees of the Developer, all employees of any and all subcontractor, and all other persons providing services on the Project must be covered by a workers compensation insurance policy: either directly through their employer's policy (the Developer's or subcontractor's policy) or through an executed coverage agreement on an approved Texas Department of Insurance Division of Workers Compensation (DWC) form. Accordingly, if a subcontractor does not have his or her own policy and a coverage agreement is used, contractors and subcontractors must use that portion of the form whereby the hiring contractor agrees to provide coverage to the employees of the subcontractor. The portion of the form that would otherwise allow them not to provide coverage for the employees of an independent contractor may not be used.
- B. Workers compensation insurance shall include the following terms:

1. Employer's Liability minimum limits of \$1,000,000.00 for each accident/each disease/each employee are required.
2. "Texas Waiver of Our Right to Recover From Others Endorsement, WC 42 03 04" shall be included in this policy.
3. Texas must appear in Item 3A of the Workers Compensation coverage or Item 3C must contain the following: All States except those listed in Item 3A and the States of NV, ND, OH, WA, WV, and WY.

C. Pursuant to the explicit terms of Title 28, Section 110.110(c) (7) of the Texas Administrative Code, the bid specifications, this Agreement, and all subcontracts on this Project must include the following terms and conditions in the following language, without any additional words or changes, except those required to accommodate the specific document in which they are contained or to impose stricter standards of documentation:

"A. Definitions:

Certificate of coverage ("certificate") – An original certificate of insurance, a certificate of authority to self-insure issued by the Division of Workers Compensation, or a coverage agreement (DWC-81, DWC-83, or DWC-84), showing statutory workers' compensation insurance coverage for the person's or entity's employees providing services on a project, for the duration of the project.

Duration of the project - includes the time from the beginning of the work on the project until the Developer's/person's work on the project has been completed and accepted by the governmental entity. Persons providing services on the project ("subcontractors" in § 406.096 [of the Texas Labor Code]) - includes all persons or entities performing all or part of the services the Developer has undertaken to perform on the project, regardless of whether that person contracted directly with the Developer and regardless of whether that person has employees. This includes, without limitation, independent Contractors, subcontractors, leasing companies, motor carriers, owner-operators, employees of any such entity, or employees of any entity which furnishes persons to provide services on the project. "Services" include, without limitation, providing, hauling, or delivering equipment or materials, or providing labor, transportation, or other service related to a project. "Services" does not include activities unrelated to the project, such as food/beverage vendors, office supply deliveries, and delivery of portable toilets.

- B. *The Developer shall provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements, that meets the statutory requirements of Texas Labor Code, Section 401.011(44) for all employees of the Developer providing services on the project, for the duration of the project.*
- C. *The Developer must provide a certificate of coverage to the governmental entity prior to being awarded the contract.*
- D. *If the coverage period shown on the Developer's current certificate of coverage ends during the duration of the project, the Developer must, prior to the end of the coverage period, file a new certificate of coverage with the governmental entity showing that coverage has been extended.*
- E. *The Developer shall obtain from each person providing services on a project, and provide to the governmental entity:*
 - (1) *a certificate of coverage, prior to that person beginning work on the project, so the governmental entity will have on file certificates of coverage showing coverage for all persons providing services on the project; and*

- (2) *no later than seven calendar days after receipt by the Developer, a new certificate of coverage showing extension of coverage, if the coverage period shown on the current certificate of coverage ends during the duration of the project.*
- F. *The Developer shall retain all required certificates of coverage for the duration of the project and for one year thereafter.*
- G. *The Developer shall notify the governmental entity in writing by certified mail or personal delivery, within 10 calendar days after the Developer knew or should have known, or any change that materially affects the provision of coverage of any person providing services on the project.*
- H. *The Developer shall post on each project site a notice, in the text, form and manner prescribed by the Division of Workers Compensation, informing all persons providing services on the project that they are required to be covered, and stating how a person may verify coverage and report lack of coverage.*
- I. *The Developer shall contractually require each person with whom it contracts to provide services on a project, to:*
- (1) *provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements, that meets the statutory requirements of Texas Labor Code, Section 401.011(44) for all of its employees providing services on the project, for the duration of the project;*
 - (2) *provide to the Developer, prior to that person beginning work on the project, a certificate of coverage showing that coverage is being provided for all employees of the person providing services on the project, for the duration of the project;*
 - (3) *provide the Developer, prior to the end of the coverage period, a new certificate of coverage showing extension of coverage, if the coverage period shown on the current certificate of coverage ends during the duration of the project;*
 - (4) *obtain from each other person with whom it contracts, and provide to the Developer:*
 - (a) *A certificate of coverage, prior to the other person beginning work on the project; and*
 - (b) *A new certificate of coverage showing extension of coverage, prior to the end of the coverage period, if the coverage period shown on the current certificate of coverage ends during the duration of the project;*
 - (5) *retain all required certificates of coverage on file for the duration of the project and for one year thereafter;*
 - (6) *notify the governmental entity in writing by certified mail or personal delivery, within 10 calendar days after the person knew or should have known, of any change that materially affects the provision of coverage of any person providing services on the project; and*
 - (7) *Contractually require each person with whom it contracts to perform as required by paragraphs (a) - (g), with the certificates of coverage to be provided to the person for whom they are providing services.*
- J. *By signing this contract, or providing, or causing to be provided a certificate of coverage, the Developer is representing to the governmental entity that all employees of the Developer who will provide services on the project will be covered by workers' compensation coverage for the duration of the project; that the coverage will be based on proper reporting of classification codes and payroll amounts; and that all coverage agreements will be filed with the appropriate insurance carrier or, in the case of a self-insured, with the Commission's Division of Self-Insurance Regulation. Providing false or misleading information may subject the Developer to administrative penalties, criminal penalties, civil penalties, or other civil actions.*

K. *The Developer's failure to comply with any of these provisions is a breach of contract by the Developer that entitles the governmental entity to declare the contract void if the Developer does not remedy the breach within ten calendar days after receipt of notice of breach from the governmental entity."*

VIII. Certificates of Insurance shall be prepared and executed by the insurance company or its authorized agent, and shall contain the following provisions and warranties:

- A. The company is licensed and admitted to do business in the State of Texas.
- B. The insurance policies provided by the insurance company are underwritten on forms that have been provided by the Texas State Board of Insurance or ISO.
- C. All endorsements and insurance coverages according to requirements and instructions contained herein.
- D. The form of the notice of cancellation, termination, or change in coverage provisions to the City of Nacogdoches.
- E. Original endorsements affecting coverage required by this section shall be furnished with the certificates of insurance.

Exhibit C
INSURANCE Certificates

Exhibit E
BOND PROVISIONS

In the event a performance or payment bond or both is required either by law or in the City's discretion, such bonds shall be executed in accordance with all requirements of Article 7.19-1 of the Texas Insurance Code, all other applicable law, and the following:

- (a) The Developer shall execute performance and payment bonds for the full Contract Amount.
- (b) The bond surety shall be authorized under the laws of the State of Texas to provide a performance and payment bond and shall have attached proof of authorization of the surety to act in the performance and payment of bonds.
- (c) The Developer shall provide original, sealed, and complete counterparts of the executed bonds in the forms required by the Contract Documents, **prior** to the commencement of work.
- (d) The performance and payment bonds shall remain in effect for a period of one (1) year after Final Completion of the work and shall be extended for any warranty work to cover the warranty period.
- (e) If at any time during the execution of this Agreement in the required period thereafter, the bond or bonds become invalid or ineffective for any reason, the Developer shall promptly supply within ten (10) days such other bond or bonds, which bond or bonds shall assure performance or payment as required.

The Developer may make such changes and alterations as the City may require in the work or any part thereof without affecting the validity of this Agreement and any accompanying bond. If such changes or alterations diminish the quantity of the work to be done, they shall not constitute the basis for any claim for damages or anticipated profits.

AN ORDINANCE AMENDING ORDINANCE NO. 1881-09-21 APPROPRIATING VARIOUS AMOUNTS IN ACCORDANCE WITH BUDGET ADOPTED FOR THE ENSUING FISCAL YEAR BEGINNING OCTOBER 1, 2021 AND ENDING SEPTEMBER 30, 2022.

WHEREAS, the City Council of the City of Nacogdoches, Texas has approved and adopted the budget for said city for the ensuing fiscal year beginning October 1, 2021 and ending September 30, 2022.

WHEREAS, The City possesses the legal and statutory authority under Chapter 380 of the Texas Local Government Code to make loans and grants of public funds for the purposes of promoting local economic development and stimulating and enhancing business and commercial activity within the City;

WHEREAS, the City possesses the legal and statutory authority under Chapter 212, Subchapter C of the Texas Local Government Code to enter into Developer Participation Contract to construct public improvements related to a development without competitive sealed bidding if the City's participation is 30% or less than the total costs of the Improvements.

WHEREAS, JBSC Development, LLC has agreed to construct or cause to be constructed, improvements to include an approximate 143 lot subdivision and associated infrastructure, located on the south side of the eastern end of Park Street.

WHEREAS, the City has established an economic development program which authorizes the City to make such economic development loans and grants.

WHEREAS, the City has determined that construction of an approximate 143 lot single family subdivision will serve the public purposes of promoting local economic development, helping eliminate unemployment and underemployment in the City, stimulating and enhancing business and commercial activity within the City, offsetting the cost of infill development inside the City, and increasing the tax base by promoting construction of new single family residential homes inside the city limits.

WHEREAS, the City finds it appropriate to leverage the investment that JBSC Development, LLC is willing to provide to install infrastructure necessary to support new single family homes, and,

WHEREAS, the City has concluded and hereby finds that this Agreement clearly promotes economic development in the City, and, as such, meets the requisites under Chapter 380 of the Texas Local Government Code, and further, is in the best interests of the City and JBSC Development, LLC and

WHEREAS, the City has concluded and hereby finds that the JBSC Development, LLC Economic Development Program and this JBSC Development, LLC Chapter 380 Economic Development Agreement clearly promote economic development in the City, and, as such, meet the requirements under Chapter 380 of the Texas Local Government Code and Article III, Chapter 52-a of the Texas Constitution under which the City has the authority to use public funds for public purposes of promoting economic development and stimulating business and commercial activity within the City, and further, is in the best interests of the City and JBSC Development, LLC.

WHEREAS, with the adoption of this ordinance, the Engineering Department is authorized to proceed with reimbursement to JBSC Development, LLC of up to \$8,000 per lot upon receipt of a Certificate of Occupancy for a single family home constructed on the lot and a complete request for reimbursement application.

NOW, THEREFORE BE IT ORDAINED by the City Council of the City of Nacogdoches that sums of money as herein set forth in said budget are hereby appropriated and amended for the payment of operations and/or capital outlays of the city government of the City of Nacogdoches as follows:

Fund	Dept.	Acct.	Department	Description	Amt.
01	86	680.30	Gen Fd CIP Street Capital	Project Craftsman 380 Agreement-Streets	\$393,430
12	75	630.70	Eco. Dev. Fd	Project Craftsman 380 Agreement-Misc	\$306,575

PASSED AND APPROVED this the 15th day of March.

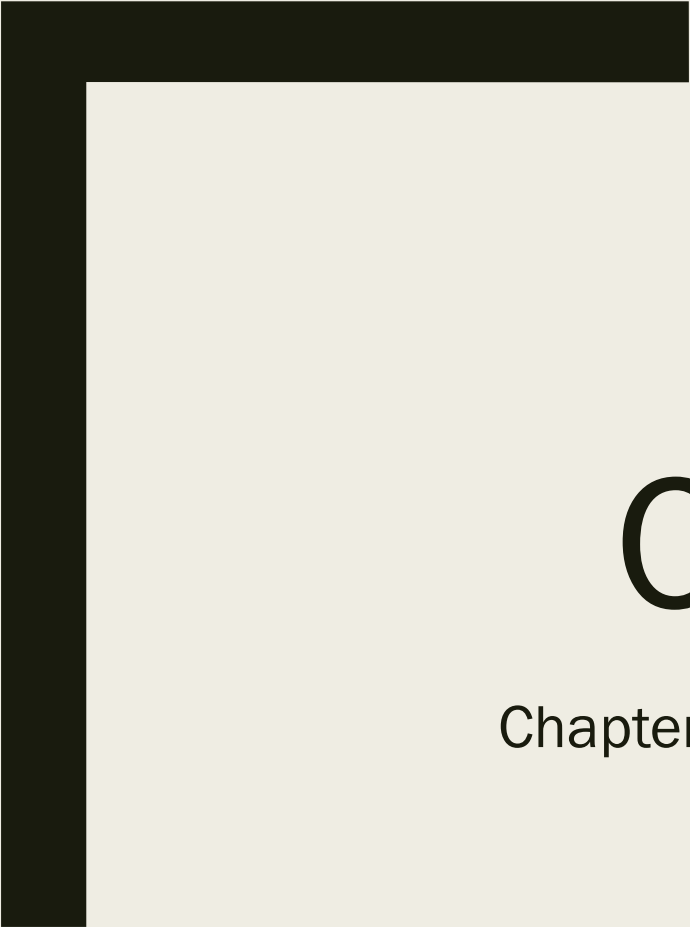
Jimmy Mize, Mayor
City of Nacogdoches

ATTEST:

Jan Vinson, City Secretary

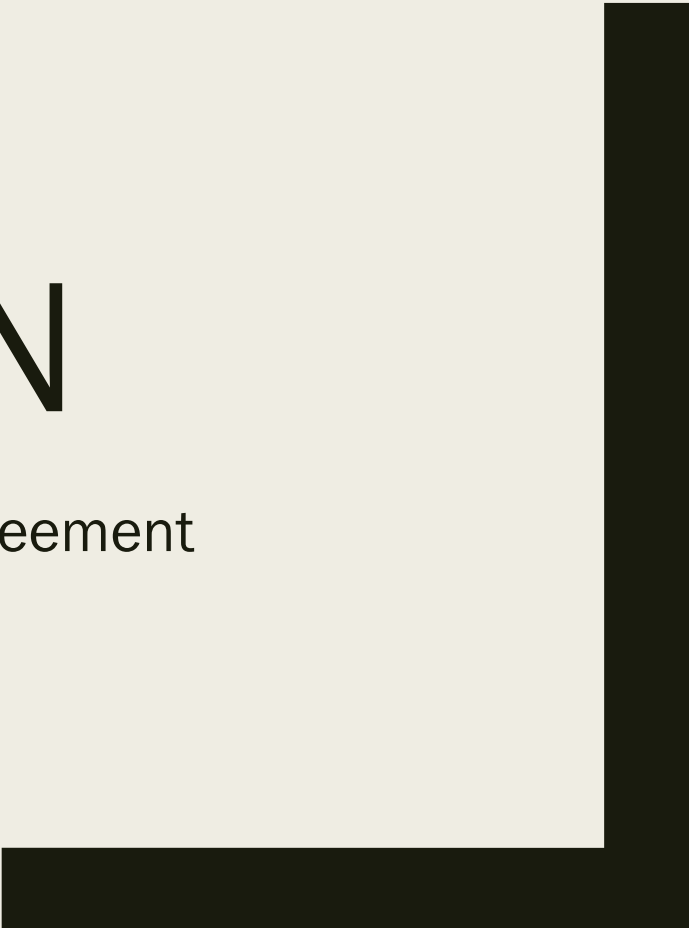
Approved as to form: _____
Steven Kirkland, City Attorney

Approved as to content: _____
Pamela Curbow, Director of Finance



PROJECT CRAFTSMAN

Chapter 380 Economic Development Agreement



Proposed Project

- 143 lot subdivision
- Eastern end of Park Street
- Phase of Village Gate, as planned in 2000's.
- Zoned PD – separate zoning process
 - *Existing PD Concept Plan – single family*
- \$300,000+ homes
- 1,500 to 1,600 square foot homes

Agreement

- Reimbursement for hard and soft costs
- Associated with infrastructure
- Advanced Incentive:
 - \$8,000 *per lot*
- 5 year term
- Payment upon issuance of Certificate of Occupancy and request for payment

Item	Total Cost	% of Total	Reimbursement
Sewer	\$966,000	15.79%	\$180,591
Drainage	\$777,400	12.70%	\$145,332
Water	\$631,580	10.32%	\$118,072
Paving	\$2,104,500	34.39%	\$393,430
Sitework	\$719,900	11.76%	\$134,853
Phone, Cable, Internet, Natural Gas	\$460,00	7.52%	\$85,996
Soft Costs	\$460,000	7.52%	\$85,996
Total	\$6,119,380		\$1,144,000

Funding Sources

Item	Total Cost	Reimbursement	Funding Source
Sewer	\$966,000	\$180,591	CIP Misc Sewer
Drainage	\$777,400	\$145,332	CIP Misc Sewer
Water	\$631,580	\$118,072	CIP Misc Water
Paving	\$2,104,500	\$393,430	CIP Street Capital General Fund
Sitework	\$719,900	\$134,853	Economic Development Fund
Phone, Cable, Internet, Natural Gas	\$460,00	\$85,996	Economic Development General Fund
Soft Costs	\$460,000	\$85,996	Economic Development General Fund
Total	\$6,119,380	\$1,144,000	