Nacogdoches
the oldest town in Texas

April 29, 2024

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 12:00 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 in person in Council Chambers.

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 address the City Council about items listed on the agenda, as well as on matters that are not specifically listed on the agenda. Alternatively, a citizen may address the City Council about an agenda item when the item comes up for consideration during the meeting. In order to address the City Council, please complete the Public Comment Form and submit it to the City Secretary prior to the start of the meeting. In accordance with the Texas Open Meetings Act, the City Council will not discuss, deliberate, or make any decisions on items not listed on the agenda. Comments are limited to 3 minutes per person.

4. 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 and accept the Annual Financial Audit for FY ended September 30, 2023, prepared by independent auditors, Pattillo, Brown & Hill, LLP. (Interim Finance Director)

5. ADJOURN.

Rhonda K. Lewis

Rhonda Lewis
City Secretary

THE CITY OF NACOGDOCHES TEXAS

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

CERTIFICATION

I certify the notice of meeting was posted in the directory outside of City Hall, 202 E. Pilar Street, Nacogdoches, Texas on April 25, 2024, at 12:00 p.m., and remained posted until the meeting convened.

____

Rhonda Lewis, City Secretary

Nacogdoches
the oldest town in Texas

City Council Meeting

Date: April 29, 2024

Agenda Item: 4.A.

PRESENTER:

ITEM/SUBJECT: Receive and accept the Annual Financial Audit for FY ended September 30, 2023, prepared by independent auditors, Pattillo, Brown & Hill, LLP. (Interim Finance Director)

SUMMARY/BACKGROUND:

FINANCIAL:

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

CITY CONTACT:

ATTACHMENTS: 1. Annual Comprehensive Financial Report 2023

CITY OF NACOGDOCHES, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2023

As Prepared By:

Finance Department

City of Nacogdoches, Texas

CITY OF NACOGDOCHES, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Prepared by: Finance Department
City of Nacogdoches, Texas

CITY OF NACOGDOCHES, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2023

TABLE OF CONTENTS

	Page Number
INTRODUCTORY SECTION	
Letter of Transmittal	i – iv
Certificate of Achievement for Excellence in Financial Reporting	v
Organization Chart	vi
List of Principal Officials	vii
FINANCIAL SECTION	
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13 – 14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position – Proprietary Funds	19 – 22
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	23 – 24
Statement of Cash Flows – Proprietary Funds	25 – 26
Statement of Fiduciary Net Position – Fiduciary Fund	27
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	28
Notes to Financial Statements	29 – 53

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	54 – 55
Budgetary Comparison Schedule – Special Grants Fund	56
Schedule of Changes in Net Pension Liability and Related Ratios	57 – 58
Schedule of Pension Contributions	59 – 60
Schedule of Changes in total OPEB liability – Texas Municipal Retirement System Supplemental Death Benefits Fund	61 – 62
Schedule of Changes in total OPEB liability – City Retiree Health Plan	63 – 64
Notes to Required Supplementary Information	65

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds	
Combining Balance Sheet	66 – 67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	68 – 69
Budgetary Comparison Schedule – Economic Development Fund	70
Budgetary Comparison Schedule – Special Airport Fund	71
Budgetary Comparison Schedule – Forfeiture Fund	72
Budgetary Comparison Schedule – Historical Fund	73
Budgetary Comparison Schedule – Hotel and Motel Fund	74
Budgetary Comparison Schedule – Public Safety Fund	75
Budgetary Comparison Schedule – Mayor's Committee On Disabilities Fund	76
Budgetary Comparison Schedule – Debt Service Fund	77
Internal Service Funds	
Combining Statement of Net Position Internal Service Funds	78
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Internal Service Funds	79
Combining Statements of Cash Flows Internal Service Funds	80

STATISTICAL SECTION (Unaudited)

Net Position by Component	1	81 – 82
Changes in Net Position	2	83 – 86
Fund Balances of Governmental Funds	3	87 – 88

Changes in Fund Balances – Governmental Funds	4	89 – 90
Tax Revenues by Sources – Governmental Funds	5	91
Assessed Value and Estimated Actual Value of Taxable Property	6	92 – 93
Direct and Overlapping Property Tax Rates	7	94 – 95
Principal Property Tax Payers	8	96 – 97
Property Tax Levies and Collections	9	98
Direct and Overlapping Sales Tax Rates	10	99
Ratios of Outstanding Debt by Type	11	100 – 101
Ratios of General Bonded Debt Outstanding	12	102
Estimated General Obligation Overlapping Debt Statement	13	103
Pledged-Revenue Coverage	14	104
Demographic and Economic Statistics	15	105
Principal Employers	16	106 – 107
Full-Time-Equivalent City Government Employees by Function	17	108 – 109
Operating Indicators by Function	18	110 – 111
Capital Asset Statistics by Function	19	112 – 113
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*		114 – 115
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance		116 – 118
Schedule of Expenditures of Federal Awards		119
Notes to Schedule of Expenditures of Federal Awards		120
Schedule of Findings and Questioned Costs		121 - 122
Summary Schedule of Prior Audit Findings		123

INTRODUCTORY SECTION

Nacogdoches
the oldest town in Texas

April 29, 2024

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, 2023, 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, 2023. 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-today operations, and appointing the City department heads.

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

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

Local economy

The City currently enjoys a stable economy and even experienced a continued increase in sales tax in 2023. 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, 2023 the City of Nacogdoches has accumulated the following amounts in support of these policies:

Fund	Policy Amount	Reserve Total
Governmental Funds		
General Fund – 25%	$ 6,810,698	$ 12,404,087
Proprietary Funds:		
Utility Fund – 25%	$ 3,944,279	$ 6,619,550
Sanitation Fund – 25%	$ 1,308,051	$ 4,185,607

Major initiatives

Completed an engineering review of the SCADA control systems for water and sewer treatment and are planning for implementation of identified projects

Underway with engineering design for storm water drainage improvements using ARPA funds

Underway with engineering design for sanitary sewer improvements using ARPA funds

Completed the 2023 Street Paving Project

Underway with design for 2024 Street Paving Project

Contract awarded for construction on Park Street Paving Project

Continued construction of the Filter 7 Rehabilitation Project at the Surface Water Treatment Plant

Completed construction of the Filter 9 Rehabilitation Project at the Surface Water Treatment Plant

Completed sludge removal project for the Surface Water Treatment Plant

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

Underway with engineering design for Martin Luther King, Jr. Boulevard Water Line Replacement Project using CDBG grant

Underway with construction of Clarifiers 3 & 4 Rehabilitation at the Wastewater Treatment Plant

Completed construction of Bar Screen Replacements at the Wastewater Treatment Plant

Anticipating bond sales in the amount of approx. $15.3 million for Tranche 1 of voter-approved bond projects to begin this year

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 financial report for the fiscal year ended September 30, 2022. This is the fourteenth consecutive year that the City has received the award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current 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,

Rick Beverlin
City Manager

Todd Simoneaux, CPA
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Nacogdoches
Texas

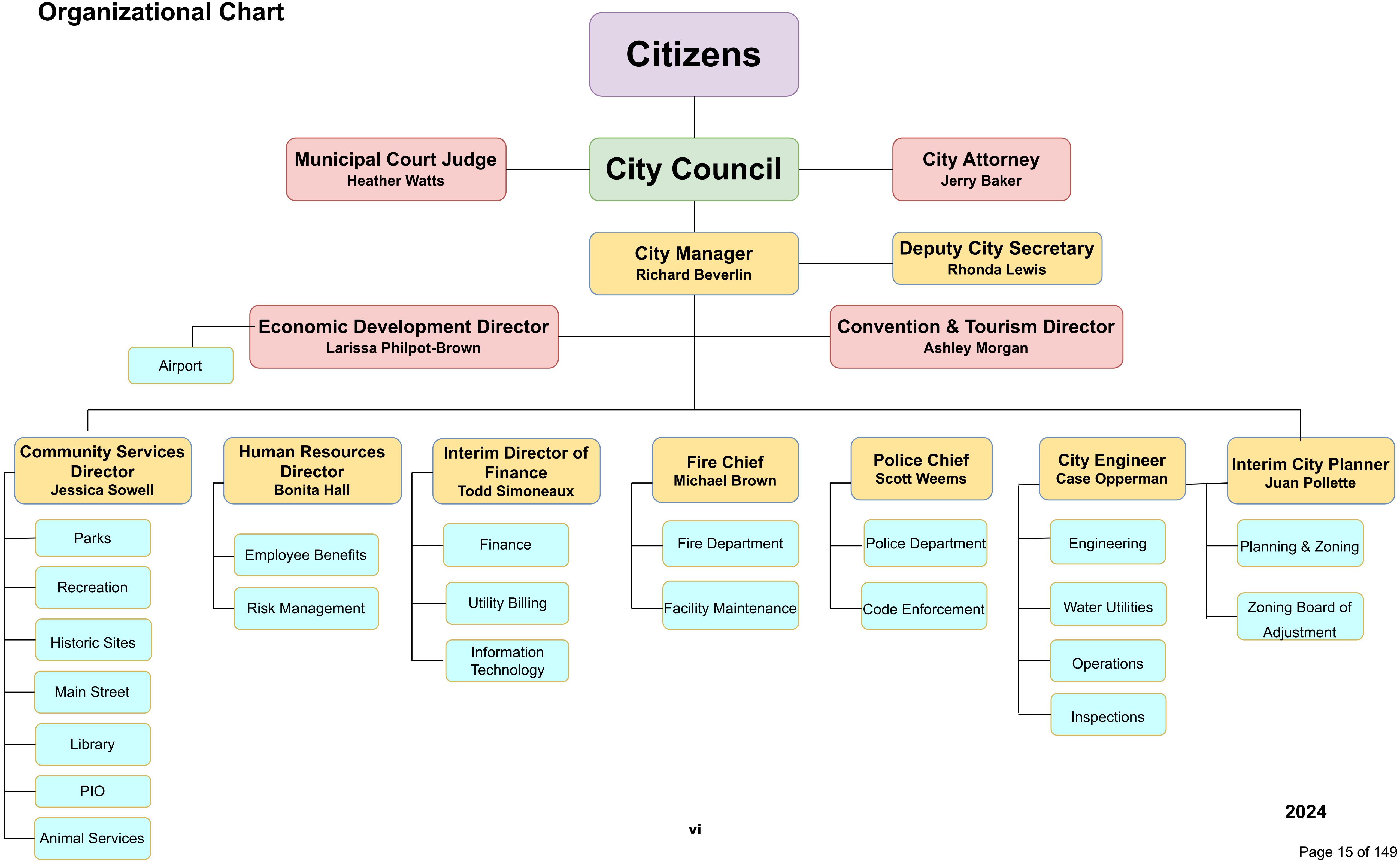
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

Organizational Chart



2024

CITY OF NACOGDOCHES, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2023

Elected Officials

Name	Office
Randy Johnson	Mayor
Kathleen Belanger	Council Member
Brad Maule	Council Member
Chad Huckaby	Council Member
Roy Boldon	Council Member

Appointed Officials

Name	Position
Rick Beverlin	City Manager
Rhonda Lewis	City Secretary
Todd Simoneaux	Interim Director of Finance

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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 (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque
AICPA GAQC Member

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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.

Other Information included in the Annual Comprehensive Financial Report

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 29, 2024

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, 2023.

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 $178,984,447 (net position). Of this amount, $37,379,979 (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 $8,396,798 for the year ended September 30, 2023 from operations, compared to an increase of $12,617,906 for the year ended September 30, 2022. The primary cause of this increase was increases in revenue, particularly from ad valorem and sales tax revenues as well as investment earnings.
- As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $24,095,760. This represents an increase of $1,445,845 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 $15,805,226 or 51% of total General Fund expenditures.
- The City's total long-term debt decreased by $3,600,621 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, proprietary, and fiduciary funds. The fund financial statements for these funds can be found in the financial section of this report, immediately following the government-wide financial statements.

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 11 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 special grants 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.

Fiduciary funds – This fund type is used to account for resources held for the benefit of parties outside the City. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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, 2023, the City's assets and deferred outflows exceeded liabilities and deferred inflows by $178,984,447.

The largest portion of the City's net position (58%) reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	Govermental Activites		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 35,710,755	$ 35,108,493	$ 71,151,749	$ 65,987,749	$ 106,862,504	$ 101,096,242
Capital assets	37,417,885	35,887,033	86,521,944	87,547,312	123,939,829	123,434,345
Total assets	73,128,640	70,995,526	157,673,693	153,535,061	230,802,333	224,530,587
Total deferred outflows of resources	9,636,331	3,255,597	1,920,794	644,255	11,557,125	3,899,852
Long-term liabilities	22,966,306	10,333,082	25,121,724	25,159,018	48,088,030	35,492,100
Other liabilities	5,395,617	6,355,166	7,666,716	7,739,688	13,062,333	14,094,854
Total liabilities	28,361,923	16,688,248	32,788,440	32,898,706	61,150,363	49,586,954
Total deferred inflows of resources	1,551,319	6,560,186	673,329	1,695,650	2,224,648	8,255,836
Net position:						
Net investments in capital assets	36,320,885	34,578,033	68,145,983	65,659,306	104,466,868	100,237,339
Restricted	6,125,102	6,555,606	31,012,498	24,940,722	37,137,600	31,496,328
Unrestricted	10,405,742	9,869,050	26,974,237	28,984,932	37,379,979	38,853,982
Total net position	$ 52,851,729	$ 51,002,689	$ 126,132,718	$ 119,584,960	$ 178,984,447	$ 170,587,649

A portion of the City's net position (21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $37,379,979, 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 $1,849,040. Significant reasons for this increase are as follows:

- Increases to property and sales tax revenues resulted from increased economic activity in the City that also resulted in higher appraised property values.
- The $5,866,324 transfer from business-type activities for franchise fees and administrative cost recovery.

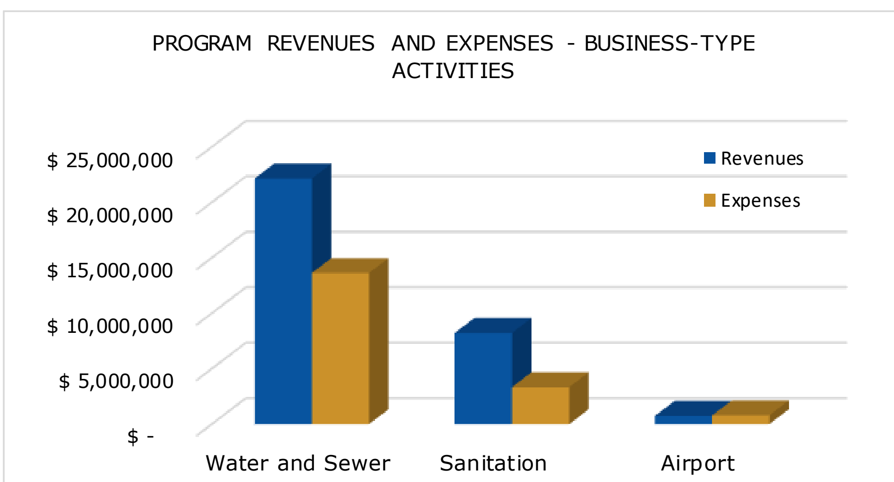
The following table provides a summary of the City's operations for the years ended September 30, 2023, and 2022.

CITY OF NACOGDOCHES' CHANGES IN NET POSITION

Changes in Net Position

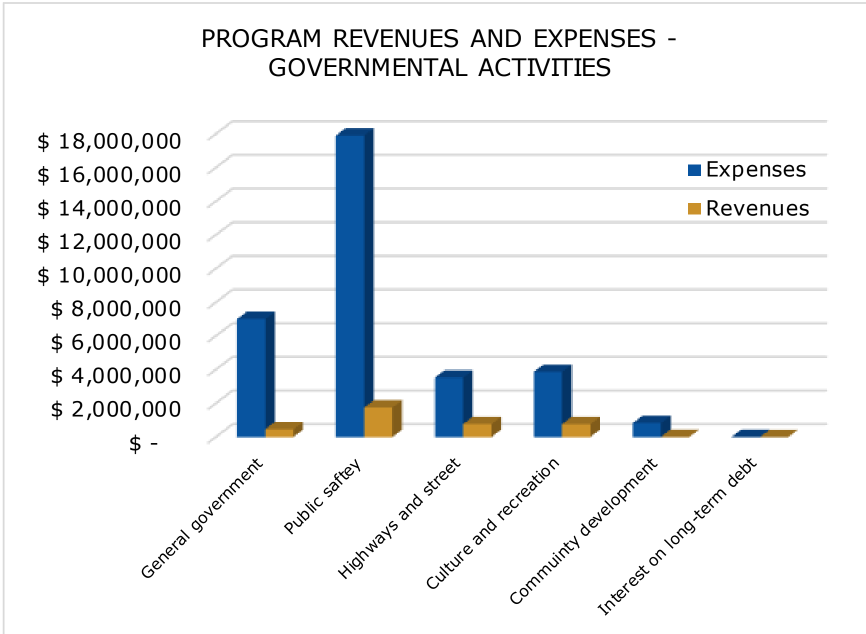
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revnues:						
Program revenues:						
Charges for services	$ 2,866,731	$ 3,753,711	$ 27,799,990	$ 27,996,981	$ 30,666,721	$ 31,750,692
Operating grants and contributions	858,471	2,053,268	47,512	527,543	905,983	2,580,811
Capital grants and contributions	26,452	50,278	-	-	26,452	50,278
General revenues:						
Property taxes	11,018,559	11,529,711	-	-	11,018,559	11,529,711
Sales taxes	9,387,605	8,346,355	-	-	9,387,605	8,346,355
Franchise taxes	2,376,431	2,365,765	-	-	2,376,431	2,365,765
Other taxes	1,144,770	980,411	-	-	1,144,770	980,411
Penalties and interest on taxes	146,973	189,000	-	-	146,973	189,000
Investment earnings	1,205,890	256,704	2,390,337	428,638	3,596,227	685,342
Miscellaneous revenue	101,144	73,991	923,920	1,046,544	1,025,064	1,120,535
Gain (loss) on sale of capital assets	22,227	142,710	-	-	22,227	142,710
Total revenues	29,155,253	29,741,904	31,161,759	29,999,706	60,317,012	59,741,610
Expenses:						
General government	7,007,651	5,883,941	-	-	7,007,651	5,883,941
Public safety	17,914,623	16,246,931	-	-	17,914,623	16,246,931
Highways and streets	3,532,349	3,000,433	-	-	3,532,349	3,000,433
Cultural and recreation	3,871,183	3,340,616	-	-	3,871,183	3,340,616
Econimic development	833,264	1,371,916	-	-	833,264	1,371,916
Debt service	13,467	23,181	-	-	13,467	23,181
Water and sewer	-	-	13,631,526	11,590,975	13,631,526	11,590,975
Sanitation	-	-	4,330,295	3,966,391	4,330,295	3,966,391
Airport	-	-	785,856	699,320	785,856	699,320
Total expenses	33,172,537	29,867,018	18,747,677	16,256,686	51,920,214	46,123,704
Increase in net position before tranfers	(4,017,284)	(1,125,114)	12,414,082	13,743,020	8,396,798	12,617,906
Transfers	5,866,324	5,896,925	(5,866,324)	(5,896,925)	-	-
Increase in net position	1,849,040	4,771,811	6,547,758	7,846,095	8,396,798	12,617,906
Net position - beginning	51,002,689	46,230,878	119,584,960	111,738,865	170,587,649	157,969,743
Net position - ending	$ 52,851,729	$ 51,002,689	$ 126,132,718	$ 119,584,960	$ 178,984,447	$ 170,587,649

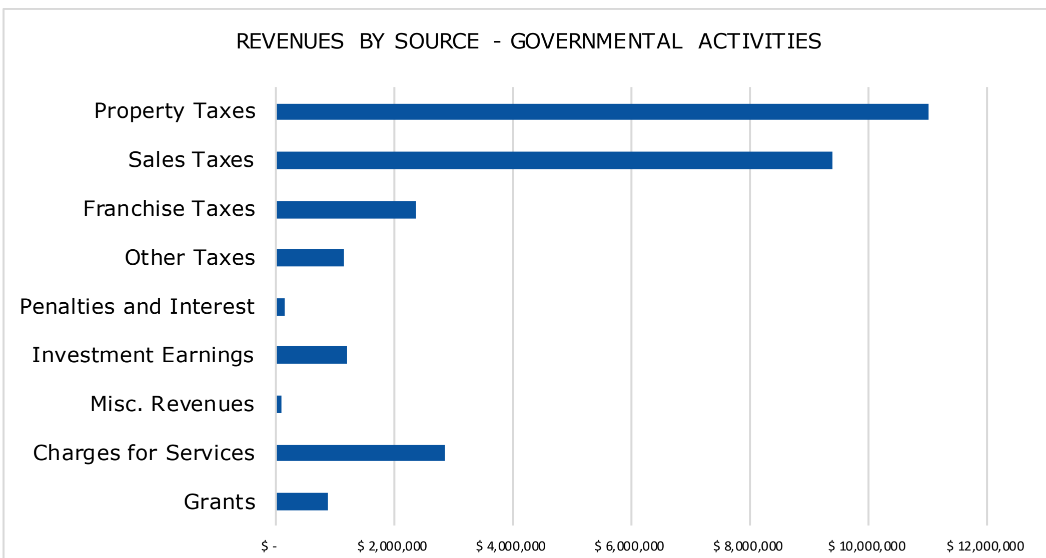
<u>Business-type activities.</u> Business type activities increased the City's net position by $6,547,758. The increase is primarily due to Water, Sewer and Sanitation rate revenues raising consistently more revenue than is needed to cover regular operating costs; management plans to accumulate these overages to fund future capital projects without the need to issue debt. The increase in net position is larger than the increase reported in the prior year due to increased billed consumption.



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, 2023, The City's governmental funds reported combined ending fund balances of $24,095,760. Of the fiscal year 2023 total fund balance, $6,082,674 (25%) is classified as restricted to indicate that is can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments), $239,402 is classified as committed to indicate that it has been set aside for specific purposes by resolution of the City Council, $1,968,458 is classified as assigned because it has been informally earmarked for a specific purpose by management, and the remaining $15,805,226 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 $15,805,226, while total fund balance reached $18,707,229. 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 51% of total general fund expenditures, while total fund balance represents 60% 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 $421,395, all of which was restricted for grants. This is a decrease of $180,169 over prior year. This decrease was mainly due to large donations received in the prior year that were 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

	2023	2022
Property tax	$ 11,011,062	$ 11,514,611
Sales tax	9,387,605	8,346,355
Franchise tax	2,376,431	2,365,765
Hotel and motel tax	1,013,430	864,318
Licenses and permits	211,818	217,669
Fines and forfeitures	623,546	495,356
Charges for services	1,163,041	1,134,349
Intergovernmental	2,639,130	1,961,614
Contributions	240,496	408,724
Investment earnings	1,023,145	217,434
Miscellaneous	437,532	426,839
Total	$ 30,127,236	$ 27,953,034

The primary cause for significant changes are as follows:

- Property tax revenue increased as a result of an increase in assessed values.
- Intergovernmental revenues decreased primarily because COVID-19 funds recognized in the prior year were one-time and not expected to recur.

The fund balance of the City's general fund increased by $1,934,780 during the current fiscal year. The key factor in this increase was the increases in tax revenues, 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 $20,293,176, total unrestricted net position for the sanitation fund amounted to $6,596,855 , and total unrestricted net position for the airport operation amounted to $84,206. The total change in net position for all three funds were $5,009,714, $1,581,690, and ($43,646), 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 $5,021,066 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, 2023 and September 30, 2022, amounted to $123,939,829 and $123,434,345 (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 $1.9 million were completed and transferred from construction-in-progress into completed assets. An additional $3.3 million in projects were added including improvements to water wells, utility relocations and various city park and building renovations.

- Purchase of fleet vehicles totaling $70,610.

- Sidewalk repair and improvements as well as the Zion Hill Church renovation project were completed totaling $1.9 million.

CITY OF NACOGDOCHES' CAPITAL ASSETS AT YEAR-END

Capital Assets

	Governmental Activities		Business-Type Activites		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 3,751,248	$ 3,751,248	$ 1,683,492	$ 1,683,492	$ 5,434,740	$ 5,434,740
Buildings and systems	18,167,580	16,303,467	172,328,173	171,861,696	190,495,753	188,165,163
Improvements other than buildings	6,793,869	6,459,839	6,318,663	6,318,663	13,112,532	12,778,502
Machinery and equipment	21,128,176	19,700,474	19,093,128	16,961,140	40,221,304	36,661,614
Infrastructure	52,729,250	52,097,709	-	-	52,729,250	52,097,709
Construction in progress	1,645,792	1,354,883	3,875,679	2,993,328	5,521,471	4,348,211
Accumulated depreciation	(66,798,030)	(63,780,587)	(116,777,191)	(112,271,007)	(183,575,221)	(176,051,594)
Total assets	$ 37,417,885	$ 35,887,033	$ 86,521,944	$ 87,547,312	$ 123,939,829	$ 123,434,345

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 $19,182,000.

CITY OF NACOGDOCHES' OUTSTANDING LONG-TERM OBLIGATIONS

Outstanding Long-Term Obligations

	Governmental Activites		Business-Type Activites		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	$ 1,097,000	$ 1,309,000	$ -	$ -	$ 1,097,000	$ 1,309,000
Revenues bonds	-	-	18,085,000	21,530,000	18,085,000	21,530,000
Capital leases	-	-	290,961	358,006	290,961	358,006
Compensated absences payable	2,002,097	2,002,059	275,777	333,628	2,277,874	2,335,687
Landfill closure and post-closure	-	-	5,215,606	5,034,369	5,215,606	5,034,369
Total long-term obligations	$ 3,099,097	$ 3,311,059	$ 23,867,344	$ 27,256,003	$ 26,966,441	$ 30,567,062

The City's total debt decreased by $3,600,621 during the current fiscal year due to the City making scheduled debt service payments without issuing any new debt. Additional information on the City's long-term obligations can be found in Note 6 - Long-Term Obligations in the financial statements.

The City of Nacogdoches maintained an "Aa3" rating for general obligation bonds from Moody's.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Nacogdoches considered many factors when setting the fiscal year 2023-2024 budget, tax rates, and fees that would be charged for business-type activities. While the local economy is always a factor, the ongoing recovery from both a global pandemic and increased inflation were the most significant factors considered when developing our 2023-2024 annual budget. The City budgeted sales tax receipts for FY 2023-2024 approximately nine percent (9%) higher than the FY 2022-2023 Budget. The City adopted a property tax rate of $0.47445/$100 valuation which is the no-new-revenue tax rate but less than the voter approval rate of $0.50604/$100 valuation. The City's 2023-2024 budgets appropriate reserve funds to replace or repair aging infrastructure, and at the same time, still maintain a 25% reserve requirement.

The 2023-2024 General Fund operating expenditures budget increased by 1.5% or $440,697 from FY 2022-2023 adopted budget.

The 2023-2024 budget for the Water and Sewer fund did not include any fee increases for Water or Sewer charges.

The 2023-2024 budget for the Sanitation Fund did not include any fee increases for Sanitation charges.

The total operating budget for 2023-2024 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, 2023

	Primary Government		Primary Government	Component Unit
	Governmental Activities	Business-type Activities	Total	Convention and Visitors
ASSETS				
Cash and investments	$ 28,969,078	$ 31,367,490	$ 60,336,568	$ 712,619
Receivables (net of allowance for uncollectible):				
Property taxes	394,084	-	394,084	-
Accounts	324,618	3,522,680	3,847,298	60,413
Due from other governments	1,538,334	-	1,538,334	-
Inventories	-	33,475	33,475	-
Advances for economic development	55,329	-	55,329	-
Restricted Assets:				
Cash and Cash equivalents	4,429,312	36,228,104	40,657,416	-
Capital Assets:				
Nondepreciable	5,397,040	5,559,171	10,956,211	-
Depreciable, net of accumulated depreciation	32,020,845	80,962,773	112,983,618	95,758
Total Assets	73,128,640	157,673,693	230,802,333	868,790
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	8,980,619	1,790,092	10,770,711	-
Related to OPEB	655,712	130,702	786,414	-
Total Deferred Outflows of Resources	9,636,331	1,920,794	11,557,125	-
LIABILITIES				
Accounts payable	338,194	374,367	712,561	18,788
Accrued expenses	885,894	176,174	1,062,068	410
Accrued interest payable	1,440	27,590	29,030	-
Unearned revenues	3,663,364	4,294,815	7,958,179	-
Other liabilities	64,986	-	64,986	-
Noncurrent Liabilities:				
Due within one year:				
Long-term debt	395,189	2,784,491	3,179,680	-
Total OPEB Liabilities	46,550	9,279	55,829	-
Due in more than one year:				
Long-term debt	2,703,908	21,082,853	23,786,761	-
Net Pension Liability	16,700,819	3,328,947	20,029,766	-
Total OPEB Liabilities	3,561,579	709,924	4,271,503	-
Total Liabilities	28,361,923	32,788,440	61,150,363	19,198
DEFERRED INFLOWS OF RESOURCES				
Related to leases	-	364,107	364,107	-
Related to pensions	30,173	6,015	36,188	-
Related to OPEB	1,521,146	303,207	1,824,353	-
Total Deferred Inflows of Resources	1,551,319	673,329	2,224,648	-
NET POSITION				
Net Investment in capital assets	36,320,885	68,145,983	104,466,868	95,758
Restricted for:				
Capital projects	2,586,065	-	2,586,065	-
Debt service	342,649	4,492,732	4,835,381	-
Construction	-	20,951,617	20,951,617	
Law enforcement	700,197	-	700,197	-
Public access channel	696,967	-	696,967	-
Promotion of tourism	541,273	-	541,273	753,834
Economic development	836,556	-	836,556	-
Federal and state grants	421,395	-	421,395	-
Landfill closure	-	5,568,149	5,568,149	-
Unrestricted	10,405,742	26,974,237	37,379,979	-
Total Net Position	$ 52,851,729	$126,132,718	$178,984,447	$ 849,592

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 7,007,651	$ 460,972	$ -	$ -
Public safety	17,914,623	1,174,889	577,049	-
Highways and streets	3,532,349	764,050	-	-
Culture and recreation	3,871,183	453,469	281,422	26,452
Community development	833,264	13,351	-	-
Interest on long-term debt	13,467	-	-	-
Total governmental activities	33,172,537	2,866,731	858,471	26,452
Business-type activities:				
Water and sewer	13,631,526	20,074,058	47,512	-
Sanitation	4,330,295	6,995,157	-	-
Airport fuel operations	785,856	730,775	-	-
Total business-type activities	18,747,677	27,799,990	47,512	-
Total primary government	$ 51,920,214	$ 30,666,721	$ 905,983	$ 26,452
Component unit:				
Convention and Visitors Bureau	$ 658,683	$ 112,216	$ 803,809	$ -

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
$ (6,546,679)	$ -	$ (6,546,679)	
(16,162,685)	-	(16,162,685)	
(2,768,299)	-	(2,768,299)	
(3,109,840)	-	(3,109,840)	
(819,913)	-	(819,913)	
(13,467)	-	(13,467)	
(29,420,883)	-	(29,420,883)	-
-	6,490,044	6,490,044	
-	2,664,862	2,664,862	
-	(55,081)	(55,081)	
-	9,099,825	9,099,825	-
(29,420,883)	9,099,825	(20,321,058)	-
			257,342
11,018,559	-	11,018,559	-
9,387,605	-	9,387,605	-
2,376,431	-	2,376,431	-
1,144,770	-	1,144,770	-
146,973	-	146,973	-
1,205,890	2,390,337	3,596,227	1,669
22,227	-	22,227	-
101,144	923,920	1,025,064	-
5,866,324	(5,866,324)	-	-
31,269,923	(2,552,067)	28,717,856	1,669
1,849,040	6,547,758	8,396,798	259,011
51,002,689	119,584,960	170,587,649	590,581
$ 52,851,729	$ 126,132,718	$ 178,984,447	$ 849,592

CITY OF NACOGDOCHES, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General Fund	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 16,822,224	$ 4,214,296	$ 1,677,057	$ 22,713,577
Property taxes receivable	351,057	-	43,027	394,084
Accounts receivable	199,900	-	124,718	324,618
Due from other funds	108,620	-	-	108,620
Due from other governments	1,533,652	4,682	-	1,538,334
Advances for economic development	-	-	55,329	55,329
Restricted cash	1,224,472	8,660	3,196,180	4,429,312
Total Assets	20,239,925	4,227,638	5,096,311	29,563,874
LIABILITIES				
Accounts payable	162,366	34,259	86,747	283,372
Due to other funds	-	108,620	-	108,620
Accrued expenditures	792,693	-	-	792,693
Due to other governments	64,986	-	-	64,986
Unearned revenue	-	3,663,364	-	3,663,364
Total Liabilities	1,020,045	3,806,243	86,747	4,913,035
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	322,849	-	42,428	365,277
Unavailable revenue - court fines	189,802	-	-	189,802
Total Deferred Inflows of Resources	512,651	-	42,428	555,079
FUND BALANCES				
Restricted:				
Retirement of long-term debt	-	-	300,221	300,221
Public access channel	696,967	-	-	696,967
Court appointed balances	236,578	-	463,619	700,197
Promotion of tourism	-	-	541,273	541,273
Economic development	-	-	836,556	836,556
Capital Projects	-	-	2,586,065	2,586,065
Grants	-	421,395	-	421,395
Committed:				
Health and welfare	-	-	5,165	5,165
Airport	-	-	234,237	234,237
Assigned:				
Next year's budget	1,968,458	-	-	1,968,458
Unassigned	15,805,226	-	-	15,805,226
Total Fund balances	18,707,229	421,395	4,967,136	24,095,760
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 20,239,925	$ 4,227,638	$ 5,096,311	$ 29,563,874

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, 2023

Total fund balances - governmental funds	$ 24,095,760
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.	35,679,197
Certain receivables wil not be collected soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. However, in the statement of net position, these amounts have been recognized and are included in net position.	
Property taxes	365,277
Court fines	189,802
Internal service funds are 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.	2,608,731
Internal service funds are 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.	5,237,435
Long-term liabilities are not payable in the current period and are not reported in the funds.	
Long-term liabilities:	
Bonds payable	(1,097,000)
Compensated absences	(2,002,097)
Interest payable	(1,440)
Net pension Liability	(16,700,819)
Total OPEB Liability	(3,608,129)
Deferred resources:	
Deferred resources related to pensions	8,950,446
Deferred resources related to OPEB	(865,434)
Net position of governmental activities	$ 52,851,729

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

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	$ 10,783,938	$ -	$ 227,124	$ 11,011,062
General sale taxes	9,387,605	-	-	9,387,605
Franchise taxes	2,376,431	-	-	2,376,431
Hotel/motel occupancy taxes	-	-	1,013,430	1,013,430
Mixed beverage taxes	131,340	-	-	131,340
Licenses and permits	211,818	-	-	211,818
Fines and forfeitures	439,762	-	183,784	623,546
Charges for services	398,991	-	764,050	1,163,041
Penalties on tax collections	146,973	-	-	146,973
Investment earnings	595,757	193,825	233,563	1,023,145
Intergovernmental	2,409,790	226,077	3,263	2,639,130
Contributions	32,791	207,705	-	240,496
Miscellaneous	159,219	-	-	159,219
Total revenues	27,074,415	627,607	2,425,214	30,127,236
EXPENDITURES				
Current:				
General government	6,712,356	-	57,506	6,769,862
Public safety	16,816,333	79,105	9,967	16,905,405
Highways and streets	1,707,126	-	9,521	1,716,647
Culture and recreation	3,530,394	23,552	-	3,553,946
Community development	-	-	868,716	868,716
Debt Service:				
Principal	-	-	212,000	212,000
Interest	-	-	13,745	13,745
Capital Outlay	2,252,784	770,119	1,225,569	4,248,472
Total Expenditures	31,018,993	872,776	2,397,024	34,288,793
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,944,578)	(245,169)	28,190	(4,161,557)
OTHER FINANCING SOURCES/(USES)				
Insurance recoveries	22,227	-	-	22,227
Transfers in	6,333,280	65,000	367,500	6,765,780
Transfers out	(476,149)	-	(704,456)	(1,180,605)
Total other financial sources (uses)	5,879,358	65,000	(336,956)	5,607,402
Net change in Fund Balances	1,934,780	(180,169)	(308,766)	1,445,845
Fund Balances - Beginning	16,772,449	601,564	5,275,902	22,649,915
Fund Balance - Ending	$ 18,707,229	$ 421,395	$ 4,967,136	$ 24,095,760

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, 2023

Net change in fund balances - total governmental funds	$ 1,445,845
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,791,827
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,679,153)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	7,497
Certain municipal court revenues are deferred in the funds. This is the change in these amounts this year.	5,002
Certain grant revenues are deferred in the funds. This is the change in these amounts this year.	(1,189,454)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	212,000
The Net Pension Liability is not recorded in the funds but is an expense in the SOA.	(1,245,684)
The Total OPEB Liability is not recorded in the funds, but is an expense in the SOA.	(179,696)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(38)
(Increase) decrease in accrued interest from beginning of period to end of period.	278
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	1,680,616
Change in net position of governmental activities	$ 1,849,040

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,221,360	$ 6,940,586
Receivables (net of allowance for uncollectible accounts)	2,520,369	634,271
Inventories	-	-
Total Current Assets	26,741,729	7,574,857
Noncurrent assets:		
Restricted cash and cash equivalents:		
Construction Funds	20,951,617	-
Revenue Bond Interest and Sinking Funds	3,017,146	-
Revenue Bond Reserve Funds	1,475,586	-
Landfill closure	-	10,783,755
Capital Assets (net of accumulated depreciation):		
Land	717,701	965,791
Water systems, building, and equipment	135,507,901	-
Sewer systems, building, and equipment	36,820,272	-
Airport improvements	-	-
Buildings and improvements	40,103	6,272,685
Machinery and equipment	7,641,669	10,168,285
Dumpsters	-	1,023,750
Construction in progress	3,693,543	182,136
Less accumulated depreciation	(106,015,499)	(10,496,393)
Total Capital Assets	78,405,690	8,116,254
Total Noncurrent Assets	103,850,039	18,900,009
Total Assets	$ 130,591,768	$ 26,474,866
DEFERRED OUTFLOWS		
Related to pensions	$ 1,172,930	$ 554,692
Related to OPEB	85,640	40,501
Total Deferred Outflow of Resources	$ 1,258,570	$ 595,193

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
$ 205,544	$ 31,367,490	$ 6,255,501
368,040	3,522,680	-
33,475	33,475	-
607,059	34,923,645	6,255,501
-	20,951,617	-
-	3,017,146	-
-	1,475,586	-
-	10,783,755	-
-	1,683,492	-
-	135,507,901	-
-	36,820,272	-
5,875	5,875	-
-	6,312,788	-
259,424	18,069,378	5,822,621
-	1,023,750	-
-	3,875,679	-
(265,299)	(116,777,191)	(4,083,933)
-	86,521,944	1,738,688
-	122,750,048	1,738,688
$ 607,059	$ 157,673,693	$ 7,994,189
$ 62,470	$ 1,790,092	$ -
4,561	130,702	-
$ 67,031	$ 1,920,794	$ -

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
LIABILITIES		
Current liabilities:		
Accounts payable	$ 312,213	$ 62,154
Accrued expenses	92,267	77,342
Accrued compensated absences	16,794	7,513
Unearned revenue	4,233,358	-
Total OPEB liability	6,080	2,875
Total Unrestricted Current Liabilities	4,660,712	149,884
Current Liabilities Payable from Restricted Assets:		
Revenue bonds payable	2,690,000	-
Financed purchases	-	69,673
Accrued interest payable	27,590	-
Total current Liabilities Payable From Restricted Assets	2,717,590	69,673
Total Current Liabilities	7,378,302	219,557
Noncurrent liabilities:		
Revenue bonds payable	15,395,000	-
Financed purchases	-	221,288
Accrued compensated absences	169,803	75,977
Total OPEB liabilities	465,165	219,983
Net pension liability	2,181,241	1,031,533
Landfill closure costs	-	5,215,606
Total Noncurrent Liabilities	18,211,209	6,764,387
Total Liabilities	25,589,511	6,983,944
DEFERRED INFLOWS		
Related to leases	-	-
Related to pensions	3,941	1,864
Related to OPEB	198,671	93,954
Total Deferred Inflows of Resources	202,612	95,818
NET POSITION		
Net Investment in capital assets	60,320,690	7,825,293
Restricted for debt service	4,492,732	-
Restricted for construction	20,951,617	-
Restricted for landfill closure	-	5,568,149
Unrestricted	20,293,176	6,596,855
Total Net Position	$ 106,058,215	$ 19,990,297

Business-type Activities		Governmental Activities
Nonmajor Enterprise Fund		
Airport Fuel Operations Fund	Total Enterprise Funds	Internal Service Funds
$ -	$ 374,367	$ 54,822
6,565	176,174	93,201
511	24,818	-
61,457	4,294,815	-
324	9,279	-
68,857	4,879,453	148,023
-	2,690,000	-
-	69,673	-
-	27,590	-
-	2,787,263	-
68,857	7,666,716	148,023
-	15,395,000	-
-	221,288	-
5,179	250,959	-
24,776	709,924	-
116,173	3,328,947	-
-	5,215,606	-
146,128	25,121,724	-
214,985	32,788,440	148,023
364,107	364,107	-
210	6,015	-
10,582	303,207	-
374,899	673,329	-
-	68,145,983	1,738,688
-	4,492,732	-
-	20,951,617	-
-	5,568,149	-
84,206	26,974,237	6,107,478
$ 84,206	$ 126,132,718	$ 7,846,166

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
OPERATING REVENUES		
Charges for sales and services:		
Water	$ 11,044,111	$ -
Sewer treatment	8,527,444	-
Sanitation charges	-	6,045,065
Landfill gate receipts	-	950,092
Fuel sales	-	-
Lease income	-	-
Equipment rental	-	-
Employer premiums	-	-
Employee premiums	-	-
Total charges for sales and services	19,571,555	6,995,157
Other:		
Tapping fees	34,460	-
Service and late fees	443,542	-
Inspections	24,501	-
Miscellaneous revenue	263,812	655,774
Total Operating Revenues	20,337,870	7,650,931
OPERATING EXPENSES		
Customer service	1,555,225	-
Water production	2,965,989	-
Utility Construction	1,830,935	-
Wastewater treatment	2,941,512	-
Sanitation collection	-	1,672,701
Sanitation disposal	-	970,303
Sanitation administration	-	222,900
Cost of fuel	-	-
Non-departmental	513,721	487,119
Depreciation and amortization	3,530,228	968,996
Total Operating Expenses	13,337,610	4,322,019
Operating Income	7,000,260	3,328,912
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	1,812,666	570,570
Intergovernmental grants	47,512	-
Gain (Loss) on sale of assets	-	4,332
Interest expense	(293,916)	(12,608)
Total Non-operating Revenues (Expenses)	1,566,262	562,294
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	8,566,522	3,891,206
Transfers in	-	-
Transfers out	(3,556,808)	(2,309,516)
Total Transfers In/Out	(3,556,808)	(2,309,516)
CHANGE IN NET POSITION	5,009,714	1,581,690
NET POSITION- BEGINNING	101,048,501	18,408,607
NET POSITION- ENDING	$ 106,058,215	$ 19,990,297

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
$ -	$ 11,044,111	$ -
-	8,527,444	-
-	6,045,065	-
-	950,092	-
697,482	697,482	-
33,293	33,293	-
-	-	584,090
-	-	2,976,590
-	-	626,188
730,775	27,297,487	4,186,868
-	34,460	-
-	443,542	-
-	24,501	-
4,334	923,920	354
735,109	28,723,910	4,187,222
-	1,555,225	-
-	2,965,989	-
-	1,830,935	-
-	2,941,512	-
-	1,672,701	-
-	970,303	-
-	222,900	-
778,896	778,896	-
-	1,000,840	2,632,210
6,960	4,506,184	338,290
785,856	18,445,485	2,970,500
(50,747)	10,278,425	1,216,722
7,101	2,390,337	182,745
-	47,512	-
-	4,332	-
-	(306,524)	-
7,101	2,135,657	182,745
(43,646)	12,414,082	1,399,467
-	-	281,149
-	(5,866,324)	-
-	(5,866,324)	281,149
(43,646)	6,547,758	1,680,616
127,852	119,584,960	6,165,550
$ 84,206	$ 126,132,718	$ 7,846,166

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMEBER 30, 2023

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
Cash Flows from Operating Activities:		
Cash received from customers	$ 20,172,030	$ 7,687,366
Receipts from interfund charges for fleet management services	-	-
Receipts from interfund charges for risk management services	-	-
Cash payments to employees for services	(2,947,813)	(1,375,019)
Cash payments to suppliers for goods and services	(6,447,989)	(1,698,334)
Net Cash Provided (Used) by Operating Activities	10,776,228	4,614,013
Cash Flows from Non-capital Financing Activities:		
Receipts from intergovernmental operating grants	656,871	338,172
Transfers to other funds	(3,556,808)	(2,309,516)
Net Cash Provided (Used) by Non-capital Financing Activities	(2,899,937)	(1,971,344)
Cash Flows from Capital and Related Financing Activities:		
Principal and interest paid	(3,743,024)	(79,653)
Acquisition or construction of capital assets	(1,890,920)	(1,589,893)
Proceeds from sale of capital assets	-	4,332
Net Cash Used by Capital and Related Financing Activities	(5,633,944)	(1,665,214)
Cash Flows from Investing Activities:		
Interest and dividends on investments	1,812,666	570,570
Net Cash Provided for Investing Activities	1,812,666	570,570
Net Increase (Decrease) in Cash and Cash Equivalents	4,055,013	1,548,025
Cash and Cash Equivalents at Beginning of Year	45,610,696	16,176,316
Cash and Cash Equivalents at End of Year	49,665,709	17,724,341
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	7,000,260	3,328,912
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	3,530,228	968,996
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(165,840)	36,435
Decrease (increase) in inventories	-	-
Decrease (increase) in deferred outflows	(829,587)	(399,030)
Increase (decrease) in accounts payable	255,654	9,161
Increase (decrease) in accrued wages payable	-	-
Increase (decrease) in accrued expenses	8,049	(2,354)
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in total OPEB liability	(123,166)	(48,951)
Increase (decrease) in landfill closure liability	-	181,237
Increase (decrease) in net pension liability	1,788,188	851,800
Increase (decrease) in deferred outflows	(661,811)	(299,459)
Increase (decrease) in compensated absences	(25,747)	(12,734)
Total Adjustments	3,775,968	1,285,101
Net Cash Provided (Used) by Operating Activities	$ 10,776,228	$ 4,614,013

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
$ 790,261	$ 28,649,657	$ -
-	-	584,444
-	-	3,602,778
(224,076)	(4,546,908)	-
(561,208)	(8,707,531)	(2,584,365)
4,977	15,395,218	1,602,857
-	995,043	-
-	(5,866,324)	281,149
-	(4,871,281)	281,149
-	(3,822,677)	-
-	(3,480,813)	(701,646)
-	4,332	-
-	(7,299,158)	(701,646)
7,098	2,390,334	182,745
7,098	2,390,334	182,745
12,075	5,615,113	1,365,105
193,469	61,980,481	4,890,396
205,544	67,595,594	6,255,501
(50,747)	10,278,425	1,216,722
6,960	4,506,184	338,290
28,473	(100,932)	-
24,502	24,502	-
(47,922)	(1,276,539)	
(375)	264,440	-
543	543	-
-	5,695	47,845
26,679	26,679	-
(1,379)	(173,496)	-
-	181,237	-
98,664	2,738,652	-
(61,051)	(1,022,321)	
(19,370)	(57,851)	-
55,724	5,116,793	386,135
$ 4,977	$ 15,395,218	$ 1,602,857

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

SEPTEMBER 30, 2023

	Custodial Fund
ASSETS	
Cash and cash equivalents	$ 131,194
Total assets	131,194
FIDUCIARY NET POSITION	
Restricted for contracting entity	131,194
Total fiduciary net position	$ 131,194

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Custodial Fund
ADDITIONS	
Receipts on behalf of contracting entity	$ 125,012
Interest earnings	257
Total Additions	125,269
DEDUCTIONS	
Payments on behalf of contracting entity	1,330
Total deductions	1,330
INCREASE (DECREASE) IN FIDUCIARY NET POSITION	123,939
NET POSITION, BEGINNING	7,255
NET POSITION, ENDING	$ 131,194

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Unit

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

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

Government-wide, Proprietary Fund, 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. 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 ***Special Grants Fund*** is used to account for the grants received by the federal and state government.

The City reports the following major enterprise funds:

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

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

In addition, the City reports the following fund types:

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

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

***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.

Custodial Fund: This fund accounts for assets received, held, and disbursed on behalf of the East Texas Regional Water planning Group. This accounting reflects the City's custodial relationship with the Group.

C. Financial Statement Amounts

1. Cash and Investments

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

2. Property Taxes and Other Receivables

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

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

3. Inventories

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

4. Capital Assets

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

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

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

5. Pensions

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

6. Compensated Absences

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

7. Interfund Activity

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets 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.

- 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.

- 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.

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 assets 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.

- Difference between projected and actual investment pension earnings – This difference is deferred and amortized over a five-year period.

- Deferred inflows related to leases arise from the recognition of the discounted future lease payments on lessor agreements. These amounts are recognized in lease income straight-line over the assessed life of the lease.

- 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. Leases

    The City has entered into a lease agreement as lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset. The City is a lessor in various arrangements for the right-to-use of buildings and a septic system in the Airport Fuel Operations fund. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

11. 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 assigned fund balance amounts.

12. 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.

13. Use of Estimates

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

14. 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, 2023, $250,000 of the City's $13,024,357 deposit balance was covered by FDIC insurance. The remaining balance 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, 2023, the City held the following fair value measurements:

		Fair Value Measurement Using				Weighted
	9/30/2023	(Level 1)	(Level 2)	(Level 3)	Percent of Total Portfolio	Average Maturity (Days)
Primary government						
Cash and cash equivalents						
Cash deposits	$ 12,771,096					
Cash on hand	3,390					
TexPool	43,644,144					26
Money market accounts	6,855,156					
Total cash and cash equivalents	63,273,786					
Investments measured at amortized cost:						
Certificates of Deposit	23,558,134				62.24%	154
Investments measured at fair value:						
U.S. Agency Securities	14,293,258	-	14,293,258	-	37.76%	151
Total investments	37,851,392	-	14,293,258	-		331
Total cash and investments of the primary government	$ 101,125,178	$ -	$ 14,293,258	$ -		
Discretely Presented Component unit:						
Cash deposits	$ 712,619					
Total cash and investments of the reporting entity	$ 101,837,797	$ -	$ 14,293,258	$ -		

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, 2023, the City's investments, other than those which are obligations of or guaranteed by the United States Government, are rated as to credit quality as follows:

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

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

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

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

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

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

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

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

3. RECEIVABLES

The disaggregation of receivables is summarized as follows:

	Governmental Funds	Proprietary Funds
Property taxes, net of allowance of $212,199	$ 394,084	$ -
Court fines, net of allowance of $1,708,216	189,802	-
Customer accounts, net of allowance of $339,488	134,816	2,026,851
Unbilled utility receivable	-	1,127,789
Leases	-	368,040
Economic development loans, net of allowance of $135,458	55,329	-
Total	$ 774,031	$ 3,522,680

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.

The activity of the City's outstanding Revolving Loans at September 30, 2023:

	Balance at Beginning of Fiscal Year	New Loans	Debt Repayments	Balance at End of Fiscal Year
Effective Teleservices, Inc.	$ 91,641	$ -	$ 36,312	$ 55,329
Southwest Scooters	135,458	-	-	135,458
Less allowance for collection	(135,458)	-	-	(135,458)
Totals	$ 91,641	$ -	$ 36,312	$ 55,329

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

Leases. The City is lessor for hangar facilities at the City airport, and reports 63 number of agreements entered into throughout 2010 through 2023. The leases generally have 6 or more year terms and bear estimated interest at 1.50% to 2.00% annually. Details for the leases receivable as of September 30, 2023 are as follows:

Purpose of Lease	Interest Rate	Initial Years of Lease	Amount of Initial Lease Receivable	Interest Current Year	Amounts Receivable 9/30/23
Right to Use:					
Airport hangars	1.50% - 2.00%	2010-2021	$ 430,115	$ 6,232	$ 368,040

4. CAPITAL ASSETS

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

Primary Government

	Beginning Balance 10/1/2022	Transfers and Additions	Retirements/ Adjustments	Ending Balance 9/30/2023
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,751,248	$ -	$ -	$ 3,751,248
Construction in progress	1,354,883	2,227,484	(1,936,575)	1,645,792
Total assets not being depreciated	5,106,131	2,227,484	(1,936,575)	5,397,040
Capital assets, being depreciated:				
Buildings	16,303,467	90,683	1,773,430	18,167,580
Improvement other than buildings	6,459,839	334,030	-	6,793,869
Machinery and equipment	20,493,582	1,427,702	-	21,921,284
Infrastructure	52,097,709	468,396	163,145	52,729,250
Total capital assets being depreciated	95,354,597	2,320,811	1,936,575	99,611,983
Less accumulated depreciation:				
Buildings	(9,077,788)	(387,185)	-	(9,464,973)
Improvement other than buildings	(3,230,952)	(287,540)	-	(3,518,492)
Machinery and equipment	(16,705,698)	(1,580,535)	-	(18,286,233)
Infrastructure	(35,559,257)	(762,183)	-	(36,321,440)
Total accumulated depreciation	(64,573,695)	(3,017,443)	-	(67,591,138)
Total capital assets being depreciated, net	30,780,902	(696,632)	1,936,575	32,020,845
Governmental activities capital assets, net	$ 35,887,033	$ 1,530,852	$ -	$ 37,417,885

	Beginning Balance 10/1/2022	Additions	Retirements/ Adjustments	Ending Balance 9/30/2023
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,683,492	$ -	$ -	$ 1,683,492
Construction in progress	2,993,328	1,032,336	(149,985)	3,875,679
Total assets not being depreciated	4,676,820	1,032,336	(149,985)	5,559,171
Capital assets, being depreciated:				
Utility system and buildings	172,185,908	466,477	-	172,652,385
Improvement other than buildings	5,994,451	-	-	5,994,451
Machinery and equipment	16,961,140	2,131,988	-	19,093,128
Total capital assets being depreciated	195,141,499	2,598,465	-	197,739,964
Less accumulated depreciation:				
Utility system and buildings	(96,445,417)	(3,496,916)	-	(99,942,333)
Improvement other than buildings	(2,040,177)	(112,825)	-	(2,153,002)
Machinery and equipment	(13,785,413)	(896,443)	-	(14,681,856)
Total accumulated depreciation	(112,271,007)	(4,506,184)	-	(116,777,191)
Total capital assets being depreciated, net	82,870,492	(1,907,719)	-	80,962,773
Business-type activities capital assets, net	$ 87,547,312	$ (875,383)	$ (149,985)	$ 86,521,944

	Beginning Balance 10/1/2022	Additions	Retirements/ Adjustments	Ending Balance 9/30/2023
Discretely Presented Component Unit:				
Capital assets, being depreciated:				
Furniture, fixtures and equipment	$ 256,659	$ 660	$ -	$ 257,319
Total capital assets being depreciated	256,659	660	-	257,319
Less accumulated depreciation:				
Furniture, fixtures and equipment	(146,161)	(15,400)	-	(161,561)
Total accumulated depreciation	(146,161)	(15,400)	-	(161,561)
Total capital assets being depreciated, net	110,498	(14,740)	-	95,758
Discretely presented component unit capital assets, net	$ 110,498	$ (14,740)	$ -	$ 95,758

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

General Government	$ 258,534
Public safety	709,573
Highways and streets	1,720,086
Culture and recreation	329,250
	$ 3,017,443

The City's commitments as of September 30, 2023 on active construction projects are summarized as follows:

Project	Total Cost	Spent to Date	Remaining Commitment
Festival Park Electrical	$ 350,000	$ 98,513	$ 251,487
Lake Nacogdoches West	165,000	27,747	137,253
Park Restrooms	777,000	646,092	130,908
Oak Grove Cemetary	45,000	40,994	4,006
Lanana & Pilgrim Trail North	743,000	531,847	211,153
WWTP Digester	425,000	33,840	391,160
Clarifier Rebuilds	120,000	66,553	53,447
Barscreen	474,000	3,052	470,948
SCADA - Water & Sewer	500,000	89,925	410,075
Banita Creek Sewer	2,449,000	73,094	2,375,906
Well Improvements	1,205,000	466,605	738,395
Filter Replacements	1,454,000	706,037	747,963
Landfill Expansion	2,066,000	182,317	1,883,683
Totals	$ 10,773,000	$ 2,966,616	$ 7,806,384

5. INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2023, 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	$ 108,620	

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	$ 130,000	Supplemental sources of funds and to fund the ORCA economic development agreement
General Fund	Special Grants Fund	65,000	Supplement other funds sources
Nonmajor Governmental	General Fund	566,956	Supplement other funds sources
Water and Sewer Fund	General Fund	3,506,808	Supplement sources of funds and remit franchise fees
Water and Sewer Fund	Nonmajor Governmental	50,000	Supplement other funds sources
Sanitation Fund	General Fund	2,259,516	Supplement sources of funds and remit franchise fees
Sanitation Fund	Nonmajor Governmental	50,000	Supplement other funds sources
General Fund	Internal Service Fund	281,149	Reimbursement of costs for shared purchases
Nonmajor Governmental	Nonmajor Governmental	137,500	Supplement other funds sources
	Total	$ 7,046,929	

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, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds -					
Direct Borrowing	$ 1,309,000	$ -	$ 212,000	$ 1,097,000	$ 215,000
Compensated absences	2,002,059	280,115	280,077	2,002,097	180,189
Total Governmental Activities	$ 3,311,059	$ 280,115	$ 492,077	$ 3,099,097	$ 395,189
Business-type Activities:					
General obligation bonds	$ 19,180,000	$ -	$ 2,195,000	$ 16,985,000	$ 2,140,000
Water and sewer system bonds -					
Direct Borrowing	2,350,000	-	1,250,000	1,100,000	550,000
Direct financed purchase	358,006	-	67,045	290,961	69,673
Compensated absences	333,628	52,243	110,094	275,777	24,818
Landfill closure costs	5,034,369	181,237	-	5,215,606	-
Total Business-Type Activities	$ 27,256,003	$ 233,480	$ 3,622,139	$ 23,867,344	$ 2,784,491

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 as of September 30, 2023:

Series	Interest Rates	Date Issued	Maturity Date	Original Amount	Principal Outstanding
Governmental Activities:					
2021 Tax Notes	1.05%	Aug 2021	Aug 2028	1,521,000	$ 1,097,000
Total					$ 1,097,000
Business-type Activities:					
2004 Water and Sewer SRF	1.05-2.65%	Mar 2004	Mar 2025	10,365,000	$ 1,100,000
2020 Refunding	.0457-.527%	Sep 2020	Sep 2034	21,915,000	16,985,000
Total					$ 18,085,000

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

The financed purchase was originally issued in October 2019 in the amount of $539,459 to acquire a scraper for use in the Solid Waste department. Title of the scraper transferred to the City and the debt is secured by the financed equipment. The arrangement bears interest at 3.85% per annum and is considered a direct borrowing.

B. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2023 are as follows:

	General Obligation Bonds - Direct Borrowing		
Year Ending September 30,	Principal	Interest	Total
2024	$ 215,000	$ 11,519	$ 226,519
2025	217,000	9,261	226,261
2026	219,000	6,983	225,983
2027	222,000	4,683	226,683
2028	224,000	2,352	226,352
Total	$ 1,097,000	$ 34,798	$ 1,131,798

	Business-Type Activities General Obligation Bonds		
Year Ending September 30,	Principal	Interest	Total
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	1,975,000	175,124	2,150,124
2028	1,930,000	149,725	2,079,725
2029-2033	6,085,000	347,740	6,432,740
2034	740,000	15,251	755,251
Total	$ 16,985,000	$ 1,342,760	$ 18,327,760

	Water and Sewer System Bonds - Direct Borrowing		
Year Ending September 30,	Principal	Interest	Total
2024	$ 550,000	$ 21,726	$ 571,726
2025	550,000	7,288	557,288
Total	$ 1,100,000	$ 29,014	$ 1,129,014

	Business-Type Activities		
	Direct financed purchase		
Year Ending September 30,	Principal	Interest	Total
2024	$ 69,673	$ 9,981	$ 79,654
2025	221,288	-	221,288
Total	$ 290,961	$ 9,981	$ 300,942

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. As of September 30, 2023, 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 $19.57 million in water revenues with the required debt service of the revenue bonds being $3,743,025

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 $2,577,121.

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, 2023, the City had recorded a liability of $93,201 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, 2019	$ 111,640	$ 3,314,206	$ 3,010,292	$ 415,554
September 30, 2020	415,554	2,653,200	2,925,029	129,463
September 30, 2021	129,463	3,001,881	2,927,709	203,635
September 30, 2022	203,635	3,416,149	3,574,428	45,356
September 30, 2023	45,356	2,473,594	2,425,749	93,201

8. DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Service Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	263
Inactive employees entitled to but not yet receiving benefits	155
Active employees	305
	723

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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

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 14.74% and 14.69% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023, were $2,771,330, and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The net pension liability is typically liquidated through the General Fund and Enterprise Funds.

Actuarial assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are 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 will be applied to reflect the impairment for younger members who become disabled for males and females. 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, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

As of September 30, 2023, the City reported the following changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	$ 118,206,854	$ 114,633,639	$ 3,573,215
Changes for the year:			
Service cost	2,970,898	-	2,970,898
Interest	7,870,724	-	7,870,724
Difference between expected and actual experience	1,425,262	-	1,425,262
Contributions - employer	-	2,822,448	(2,822,448)
Contributions - employee	-	1,333,095	(1,333,095)
Net investment income	-	(8,359,207)	8,359,207
Benefit payments, including refunds of employee contributions	(6,177,956)	(6,177,956)	-
Administrative expense	-	(72,410)	72,410
Other changes	-	86,407	(86,407)
Net changes	6,088,928	(10,367,623)	16,456,551
Balance at 12/31/2022	$ 124,295,782	$ 104,266,016	$ 20,029,766

Sensitivity of the Net Pension Liability

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	$ 36,952,738	$ 20,029,766	$ 6,078,763

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, 2023, the City recognized pension expense of $4,333,452. At September 30, 2023, 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	$ 1,560,003	$ 36,188
Changes in actuarial assumptions	19,434	-
Difference between projected and actual investment earnings	7,164,554	-
Contributions subsequent to the measurement date	2,026,720	-
Total	$ 10,770,711	$ 36,188

$2,026,720 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30		
2024	$	884,969
2025		2,306,055
2026		2,297,384
2027		3,219,395
Total	$	8,707,803

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 2023, the City had OPEB expenses of $42,441 and $233,886 for TMRS SDBF and Retiree Benefit Plan, respectively, for an aggregate OPEB expense of $276,327. Aggregate amounts for the two plans are as follows:

Governmental activities:	Deferred outflows of resources	Deferred inflows of resources
TMRS SDBF	$ 166,920	$ 412,379
Retiree Benefit Plan	488,792	1,108,767
Total	$ 655,712	$ 1,521,146

Business-type activities:	Deferred outflows of resources	Deferred inflows of resources
TMRS SDBF	$ 33,272	$ 82,199
Retiree Benefit Plan	97,430	221,008
Total	$ 130,702	$ 303,207

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	206
Inactive employees entitled to but not yet receiving benefits	50
Active employees	305
Total	561

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.39% for 2023 and 0.27% for 2022, of which 0.19% and 0.18%, 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, 2023 and 2022 were $69,168 and $43,971 respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The City's total OPEB liability of $1,120,168 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions

Measurement year ended December 31,	2022
Inflation rate	2.50%
Discount rate	4.05%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables and were projected on a fully generational basis with scale UMP. For disabled annuitants, the rates include a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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, 2022 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 4.05% 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, 2022.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than (3.05%) and 1% greater than (5.05%) the discount rate that was used (4.05%) in measuring the total OPEB Liability.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's Total OPEB liability	$ 1,330,672	$ 1,120,168	$ 954,637

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2023, the City reported a liability of $1,120,168 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2022. For the year ended September 30, 2023, the City recognized OPEB expense of $42,441. 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 12/31/2021	$ 1,623,949
Changes for the year:	
Service cost	62,846
Interest	30,143
Difference between expected and actual experience	(15,811)
Changes of assumptions	(546,679)
Benefit payments	(34,280)
Net changes	(503,781)
Balance at 12/31/2022	$ 1,120,168

At September 30, 2023, 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	$ -	$ 47,865
Changes in actuarial assumptions	173,264	446,713
Contributions subsequent to the measurement date	26,928	-
Totals	$ 200,192	$ 494,578

$26,928 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, 2023. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	OPEB Expense Amount
2024	$ (51,446)
2025	(58,350)
2026	(92,460)
2027	(109,112)
2028	(9,946)
Total	$ (321,314)

<u>Post-employment Benefits Other Than Pensions (OPEB) – Retiree Health Plan</u>

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 2022-2023 ranged from $725.00 to $1,817.35 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 all premiums, which are blended with other City employees. Thus, the City has assumed an implicit subsidy for retirees. The City’s contributions to the OPEB for the year ended September 30, 2023, were $53,714, 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	14
Inactive employees entitled to but not yet receiving benefits	-
Active employees	290
Total	304

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	December 31, 2022
Actuarial Cost Method	Individual Entry-Age, Normal
Inflation Rate	2.50%
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 6.75% declining to an ultimate rate of 4.15% after 12 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.
Discount rate	The discount rate changed from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. Additionally, the methodology for determining service cost was updated to accrue the benefit over each employee's service with the City.

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 4.05% 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, 2022.

Changes in the Total OPEB Liability

The City's total OPEB liability of $3,207,164 was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2021. Rollforward procedures were used to update the total OPEB liability to the current measurement date.

	Total OPEB Liability
Balance at 12/31/2021	$ 3,779,797
Changes for the year:	
Service cost	243,232
Interest	71,292
Changes of assumptions	(723,798)
Difference between expected and actual experience	(109,645)
Benefit payments	(53,714)
Net changes	(572,633)
Balance at 12/31/2022	$ 3,207,164

Changes in assumptions and other inputs reflect a change in the discount rate from 1.84% to 4.05%.

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 (4.05%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's Total OPEB liability	$ 3,517,149	$ 3,207,164	$ 2,925,347

Healthcare Cost Trend Rate Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's Total OPEB liability	$ 2,840,889	$ 3,207,164	$ 3,638,955

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of $233,886. At September 30, 2023, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 174,787	$ 508,994
Changes in actuarial assumptions	381,910	820,781
Contributions subsequent to the measurement date	29,525	-
Totals	$ 586,222	$ 1,329,775

$29,525 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, 2024. Other amounts of the reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	OPEB Expense Amount
2024	$ (80,637)
2025	(80,637)
2026	(83,735)
2027	(91,004)
2028	(81,838)
Thereafter	(355,227)

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 $5,215,606 reported as landfill closure and postclosure care liability at September 30, 2023, represents the amount calculated as of fiscal year end based on 158.37 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 2023. 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, 2023, a cash balance of $10,752,251 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 2023, the City abated hotel/motel sales taxes of $156,079.

13. NEW ACCOUNTING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

The GASB has amended the existing standards regarding capitalization thresholds for assets. The amended guidance for the capitalization threshold comes from GASB Implementation Guide 2021-1, Question 5.1. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significantly collectively. In this example, if the $150,000 aggregate amount (100 computers costing $1,500 each) is significant, the government should capitalize the computers. The amended guidance is effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 99, *Omnibus 2022* – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue:				
Taxes:				
Property taxes	$ 10,585,114	$ 10,585,114	$ 10,783,938	$ 198,824
General sales taxes	7,600,000	7,600,000	9,387,605	1,787,605
Franchise taxes	2,335,000	2,335,000	2,376,431	41,431
Mixed beverage taxes	115,000	115,000	131,340	16,340
Licenses and permits	195,000	195,000	211,818	16,818
Fines and forfeitures	414,250	414,250	439,762	25,512
Charges for services	339,860	339,860	398,991	59,131
Penalties on tax collections	145,000	145,000	146,973	1,973
Investments earnings	171,400	171,400	595,757	424,357
Intergovernmental	997,075	1,047,075	2,409,790	1,362,715
Contributions	20,000	20,000	32,791	12,791
Miscellaneous	122,445	122,445	159,219	36,774
Total revenues	23,040,144	23,090,144	27,074,415	3,984,271
Expenditures:				
General government:				
City Council	26,500	26,500	26,532	(32)
City Manager	300,471	300,471	280,817	19,654
Municipal Court	312,321	312,321	295,084	17,237
City Secretary/Grant Administrator	190,000	190,000	208,413	(18,413)
Finance	670,875	685,375	662,609	22,766
Information Technology	517,523	547,523	469,991	77,532
Human Resources	437,665	437,665	423,143	14,522
Legal	276,260	276,260	467,780	(191,520)
Planning and Zoning	265,240	265,240	244,407	20,833
Code enforcement	264,212	264,212	265,298	(1,086)
Building Maintenance	376,293	378,893	391,763	(12,870)
Vehicle Maintenance	333,906	333,906	285,925	47,981
Economic Development	265,759	265,759	262,378	3,381
Non-Departmental	2,520,625	2,520,625	2,355,067	165,558
Restricted	31,363	31,363	5,554	25,809
Total General Government	6,789,013	6,925,018	6,712,356	212,662
Public Safety:				
Police Department	9,250,315	9,250,315	8,961,275	289,040
Fire Protection	6,871,138	6,879,088	7,043,230	(164,142)
Inspection	232,960	232,960	212,949	20,011
Animal Control	602,009	602,009	598,879	3,130
Total Public Safety	16,956,422	16,964,372	16,816,333	148,039
Highways and Streets:				
Public Works	129,044	131,044	129,206	1,838
Street Maintenance	1,308,938	1,656,938	1,040,079	616,859
Engineering	605,363	605,363	537,841	67,522
Total Highways and Streets	$ 2,043,345	$ 2,393,345	$ 1,707,126	$ 686,219

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Culture and Recreation:				
Historic Sites	$ 389,895	$ 393,395	$ 389,675	$ 3,720
Library	620,276	632,276	587,860	44,416
Recreation	695,799	695,799	715,813	(20,014)
Parks	1,593,417	1,617,847	1,569,255	48,592
Conventions and Tourism	329,518	329,518	267,791	61,727
Total Cultural and Recreation	3,628,905	3,668,835	3,530,394	138,441
Capital Outlay	23,347,000	6,088,489	2,252,784	3,835,705
Total Expenditures	52,764,685	36,040,059	31,018,993	5,021,066
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,724,541)	(12,949,915)	(3,944,578)	9,005,337
Other Financing Sources (Uses):				
Insurance recoveries	-	-	22,227	22,227
Transfers in	5,766,319	6,351,195	6,333,280	(17,915)
Transfers out	(480,000)	(616,586)	(476,149)	140,437
Total other financing sources (uses)	26,386,319	5,734,609	5,879,358	144,749
Net Change in Fund Balances	(3,338,222)	(7,215,306)	1,934,780	9,150,086
Fund Balances - Beginning	16,772,449	16,772,449	16,772,449	-
Fund Balances - Ending	$ 13,434,227	$ 9,557,143	$ 18,707,229	$ 9,150,086

CITY OF NACOGDOCHES, TEXAS

SPECIAL GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	$ 2,500	$ 193,825	$ 191,325
Intergovernmental	176,402	226,077	49,675
Contributions	185,314	207,705	22,391
Total revenues	364,216	627,607	263,391
Expenditures:			
Public Safety:			
Fire Department	800,000	1,495	798,505
Animal Control	50,000	47,390	2,610
Total Public Safety	850,000	48,885	801,115
Culture and Recreation:			
Library	32,000	16,863	15,137
Historic sites	-	-	-
Parks	1,019,080	635,454	383,626
Total Culture and Recreation	1,051,080	652,317	398,763
Capital Outlay	3,288,850	171,574	3,117,276
Total Expenditures	5,189,930	872,776	4,317,154
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,825,714)	(245,169)	(4,580,545)
Other Financing Sources (Uses):			
Transfers in	-	65,000	(65,000)
Net Change in Fund Balances	(4,825,714)	(180,169)	4,645,545
Fund Balances - Beginning	601,564	601,564	-
Fund Balances - Ending	$ (4,224,150)	$ 421,395	$ 4,645,545

CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement Date December 31,	**2014**	**2015**	**2016**
A. Total pension liability			
Service Cost	$ 2,141,720	$ 2,181,556	$ 2,326,673
Interest (on the Total Pension Liability)	5,807,224	6,016,205	6,126,265
Difference between expected and actual experience	(801,914)	(424,909)	(508,839)
Changes of assumptions	-	1,247,098	-
Benefit payments, including refunds of employee contributions	(4,026,670)	(4,336,316)	(4,221,317)
Net change in total pension liability	3,120,360	4,683,634	3,722,782
Total pension liability - beginning	83,902,812	87,023,172	91,706,806
Total pension liability - ending (a)	87,023,172	91,706,806	95,429,588
B. Plan fiduciary net position			
Contributions - Employer	2,232,084	2,234,397	2,276,718
Contributions - Employee	1,037,405	1,038,836	1,059,643
Net Investment Income	4,129,641	111,430	5,033,454
Benefit payments, including refunds of employee contributions	(4,026,670)	(4,336,316)	(4,221,317)
Administrative Expenses	(43,118)	(67,873)	(56,859)
Other	(3,545)	(3,352)	(3,063)
Net change in plan fiduciary net position	3,325,797	(1,022,878)	4,088,576
Plan fiduciary net position - beginning	72,192,504	75,518,301	74,495,423
Plan fiduciary net position - ending (b)	75,518,301	74,495,423	78,583,999
C. Net pension liability - ending (a) - (b)	$ 11,504,871	$ 17,211,383	$ 16,845,589
D. Plan fiduciary net position as a percentage of total pension liability	86.78%	81.23%	82.35%
E. Covered payroll	$ 14,807,220	$ 14,840,520	$ 15,137,756
F. Net pension liability as a percentage of covered payroll	77.70%	115.98%	111.28%

2017	2018	2019	2020	2021	2022
$ 2,377,386	$ 2,551,847	$ 2,558,176	$ 2,722,527	$ 2,770,007	$ 2,970,898
6,360,472	6,676,870	6,971,668	7,225,704	7,528,632	7,870,724
647,737	34,859	(427,405)	547,511	641,921	1,425,262
-	-	229,523	-	-	-
(4,778,122)	(4,792,774)	(5,005,967)	(6,295,316)	(5,767,990)	(6,177,956)
4,607,473	4,470,802	4,325,995	4,200,426	5,172,570	6,088,928
95,429,588	100,037,061	104,507,863	108,833,858	113,034,284	118,206,854
100,037,061	104,507,863	108,833,858	113,034,284	118,206,854	124,295,782
2,347,677	4,465,374	2,504,811	2,633,120	2,654,442	2,822,448
1,098,208	1,163,709	1,168,060	1,227,888	1,244,547	1,333,095
10,888,177	(2,637,128)	13,326,741	7,446,538	13,434,579	(8,359,207)
(4,778,122)	(4,792,774)	(5,005,967)	(6,295,316)	(5,767,990)	(6,177,956)
(56,444)	(50,992)	(75,345)	(48,217)	(62,207)	(72,410)
(2,862)	22,850	(2,263)	(1,880)	426	86,407
9,496,634	(1,828,961)	11,916,037	4,962,133	11,503,797	(10,367,623)
78,583,999	88,080,633	86,251,672	98,167,709	103,129,842	114,633,639
88,080,633	86,251,672	98,167,709	103,129,842	114,633,639	104,266,016
$ 11,956,428	$ 18,256,191	$ 10,666,149	$ 9,904,442	$ 3,573,215	$ 20,029,766
88.05%	82.53%	90.20%	91.24%	96.98%	83.89%
$ 15,477,773	$ 16,624,411	$ 16,675,505	$ 17,530,755	$ 17,779,247	$ 19,044,222
77.25%	109.82%	63.96%	56.50%	20.10%	105.18%

CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Fiscal Year ended September 30,	**2014**	**2015**	**2016**	**2017**
Actuarial determined contribution	$ 2,253,284	$ 2,212,042	$ 2,367,346	$ 2,338,917
Contributions in relation to the actuarially determined contribution	$ 2,253,284	$ 2,212,042	$ 2,367,346	$ 2,338,917
Contribution deficiency (excess)	-	-	-	-
Covered payroll	14,891,202	14,807,220	15,737,577	15,137,756
Contributions as a percentage of covered payroll	15.13%	14.94%	15.04%	15.45%

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	23 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 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.

2018	2019	2020	2021	2022	2023
$ 2,434,502	$ 2,450,531	$ 2,499,804	$ 2,681,203	$ 2,729,762	$ 2,771,330
$ 2,434,502	$ 4,486,676	$ 2,499,804	$ 2,681,203	$ 2,729,762	$ 2,771,330
-	(2,036,145)	-	-	-	-
16,398,754	16,876,057	16,650,069	17,622,882	18,864,898	19,318,755
14.85%	26.59%	15.01%	15.21%	14.47%	14.35%

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, 2023

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

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

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

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

2020	2021	2022
$ 47,333	$ 58,672	$ 62,846
36,137	31,044	30,143
(28,828)	(20,774)	(15,811)
199,986	49,023	(546,679)
(10,518)	(33,781)	(34,280)
244,110	84,184	(503,781)
1,295,655	1,539,765	1,623,949
1,539,765	1,623,949	1,120,168
$ 17,530,755	$ 17,779,247	$ 19,044,222
8.78%	9.13%	5.88%

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

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

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

Note: FYE20 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were updated to better reflect the plan's anticipated experience.

Changes of assumptions reflect the changes in the discount rate each period.
The following are the discount rates used in each period:

FYE	Discount Rate
2023	4.05%
2022	1.84%
2021	2.00%
2020	2.75%
2019	3.71%
2018	3.31%
2017	3.81%

2020	2021	2022
$ 163,097	$ 205,610	$ 243,232
100,911	81,260	71,292
266,548	(169,580)	(723,798)
(193,800)	(307,074)	(109,645)
52,294	18,738	(53,714)
389,050	(171,046)	(572,633)
3,561,793	3,950,843	3,779,797
3,950,843	3,779,797	3,207,164
$ 17,530,755	$ 17,779,252	$ 19,044,222
22.54%	21.26%	16.84%

BUDGETS AND BUDGETARY ACCOUNTING

Budgetary Policy

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.

Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the City Council, City Secretary/Grant Administrator, Legal, Code Enforcement, Building Maintenance, Fire Protection, and Recreation Departments of the General Fund by $32, $18,413, $191,520, $1,086, $12,870, $164,142, and $20,014, respectively. These overages were funded by excess appropriations at the fund level. Expenditures also exceeded appropriations in the Economic Development, Forfeiture, Hotel and Motel, and Mayor's Committee on Disabilities Funds by $511,862, $288,765, $53,200, and $8,976, respectively; these overages were funded with excess appropriations and existing fund balance.

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 – is used to account for economic development loans from the Revolving Loan Program.

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

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

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

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

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

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

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.

CITY OF NACOGDOCHES, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	Special Revenue			
	Economic Development Fund	Special Airport Fund	Forfeiture Fund	Historical Fund
ASSETS				
Cash and cash equivalents	$ 781,173	$ 34,237	$ -	$ 66,939
Property taxes receivable	-	-	-	-
Customers accounts receivable	-	-	-	-
Advances for economic development	55,329	-	-	-
Due from other governments	-	-	-	-
Restricted cash	54	200,000	447,450	163
Total assets	836,556	234,237	447,450	67,102
LIABILITIES				
Accounts payable	-	-	-	-
Total liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted:				
Retirement of long-term debt	-	-	-	-
Court appointed balances	-	-	447,450	-
Promotion of tourism	-	-	-	67,102
Economic development	836,556	-	-	-
Capital projects	-	-	-	-
Committed:				
Health and welfare	-	-	-	-
Airport	-	234,237	-	-
Total Fund Balances	836,556	234,237	447,450	67,102
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 836,556	$ 234,237	$ 447,450	$ 67,102

	Special Revenue					
	Hotel and Motel Fund	Public Safety Fund	Mayor's Committee on Disabilities	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	$ 496,863	$ -	$ -	$ 297,845	$ -	$ 1,677,057
	-	-	-	43,027	-	43,027
	62,135	-	-	-	62,583	124,718
	-	-	-	-	-	55,329
	-	-	-	-	-	-
	-	16,169	7,077	1,777	2,523,490	3,196,180
	558,998	16,169	7,077	342,649	2,586,073	5,096,311
	84,827	-	1,912	-	8	86,747
	84,827	-	1,912	-	8	86,747
	-	-	-	42,428	-	42,428
	-	-	-	42,428	-	42,428
	-	-	-	300,221	-	300,221
	-	16,169	-	-	-	463,619
	474,171	-	-	-	-	541,273
	-	-	-	-	-	836,556
	-	-	-	-	2,586,065	2,586,065
	-	-	5,165	-	-	5,165
	-	-	-	-	-	234,237
	474,171	16,169	5,165	300,221	2,586,065	4,967,136
	$ 558,998	$ 16,169	$ 7,077	$ 342,649	$ 2,586,073	$ 5,096,311

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds			
	Economic Development Fund	Special Airport Fund	Forfeiture Fund	Historical Fund
REVENUES				
Taxes:				
Hotel/motel occupancy taxes	$ -	$ -	$ -	$ -
Property taxes	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	183,784	-
Investment earnings	48,501	11,584	27,259	4,177
Intergovernmental	-	-	-	-
Total revenues	48,501	11,584	211,043	4,177
EXPENDITURES				
Current:				
General government	-	57,506	-	-
Public safety	-	-	6,227	-
Highways and streets	-	-	-	-
Community development	-	-	-	45,662
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	283,498	-
Total expenditures	-	57,506	289,725	45,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	48,501	(45,922)	(78,682)	(41,485)
OTHER FINANCING SOURCES/(USES)				
Transfers in	225,000	-	-	25,000
Transfers out	(679,456)	-	-	-
Total other financing sources (uses)	(454,456)	-	-	25,000
Net Change in Fund Balances	(405,955)	(45,922)	(78,682)	(16,485)
Fund Balances - Beginning	1,242,511	280,159	526,132	83,587
Fund Balances - Ending	$ 836,556	$ 234,237	$ 447,450	$ 67,102

Special Revenue Funds: Hotel and Motel Fund	Special Revenue Funds: Public Safety Fund	Special Revenue Funds: Mayor's Committee on Disabilities	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
$ 1,013,430	$ -	$ -	$ -	$ -	$ 1,013,430
-	-	-	227,124	-	227,124
-	-	-	-	764,050	764,050
-	-	-	-	-	183,784
26,998	39	15	18,399	96,591	233,563
-	3,263	-	-	-	3,263
1,040,428	3,302	15	245,523	860,641	2,425,214
-	-	-	-	-	57,506
-	3,740	-	-	-	9,967
-	-	-	-	9,521	9,521
819,078	-	3,976	-	-	868,716
-	-	-	212,000	-	212,000
-	-	-	13,745	-	13,745
766,874	-	-	-	175,197	1,225,569
1,585,952	3,740	3,976	225,745	184,718	2,397,024
(545,524)	(438)	(3,961)	19,778	675,923	28,190
-	-	5,000	-	112,500	367,500
(25,000)	-	-	-	-	(704,456)
(25,000)	-	5,000	-	112,500	(336,956)
(570,524)	(438)	1,039	19,778	788,423	(308,766)
1,044,695	16,607	4,126	280,443	1,797,642	5,275,902
$ 474,171	$ 16,169	$ 5,165	$ 300,221	$ 2,586,065	$ 4,967,136

CITY OF NACOGDOCHES, TEXAS

ECONOMIC DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	$ 39,748	$ 48,501	$ 8,753
Total revenues	39,748	48,501	8,753
Expenditures:			
General government	511,862	-	(511,862)
Total expenditures	511,862	-	(511,862)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(472,114)	48,501	(503,109)
Other Financing Sources (Uses):			
Transfers in	225,000	225,000	-
Transfers out	(697,124)	(679,456)	17,668
Total other financing sources (uses)	(472,124)	(454,456)	17,668
Net Change in Fund Balances	(944,238)	(405,955)	(485,441)
Fund Balances - Beginning	1,242,511	1,242,511	-
Fund Balances - Ending	$ 298,273	$ 836,556	$ (485,441)

CITY OF NACOGDOCHES, TEXAS

SPECIAL AIRPORT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	$ 750	$ 11,584	$ 10,834
Intergovernmental	1,400,000	-	(1,400,000)
Total revenues	1,400,750	11,584	(1,389,166)
Expenditures:			
General government:			
Airport	100,000	57,506	42,494
Capital Outlay	1,500,000	-	1,500,000
Total Expenditures	1,600,000	57,506	1,542,494
Excess (Deficiency) of Revenues Over (Under) Expenditures	(199,250)	(45,922)	153,328
Other Financing Sources (Uses):			
Transfers in	200,000	-	(200,000)
Total other financing sources (uses)	200,000	-	(200,000)
Net Change in Fund Balances	750	(45,922)	(46,672)
Fund Balances - Beginning	280,159	280,159	-
Fund Balances - Ending	$ 280,909	$ 234,237	$ (46,672)

CITY OF NACOGDOCHES, TEXAS

FORFEITURE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Fines and forfeitures	$ -	$ 183,784	$ 183,784
Investment earnings	1,000	27,259	26,259
Total revenues	1,000	211,043	210,043
Expenditures:			
Public safety	960	6,227	(5,267)
Capital outlay	-	283,498	(283,498)
Total expenditures	960	289,725	(288,765)
Net Change in Fund Balances	40	(78,682)	(78,722)
Fund Balances - Beginning	526,132	526,132	-
Fund Balances - Ending	$ 526,172	$ 447,450	$ (78,722)

CITY OF NACOGDOCHES, TEXAS

HISTORICAL FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	$ 250	$ 4,177	$ 3,927
Total revenues	250	4,177	3,927
Expenditures:			
Community Development	76,673	45,662	31,011
Total Expenditures	76,673	45,662	31,011
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,423)	(41,485)	34,938
Other Financing Sources (Uses):			
Transfers in	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	-
Net Change in Fund Balances	(51,423)	(16,485)	34,938
Fund Balance- Beginning	83,587	83,587	-
Fund Balance- Ending	$ 32,164	$ 67,102	$ 34,938

CITY OF NACOGDOCHES, TEXAS

HOTEL AND MOTEL FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes:			
Hotel/motel occupancy taxes	$ 800,000	$ 1,013,430	$ 213,430
Investment earning	3,000	26,998	23,998
Total revenues	803,000	1,040,428	237,428
Expenditures:			
Community development	720,500	819,078	(98,578)
Capital outlay	812,252	766,874	45,378
Total Expenditures	1,532,752	1,585,952	(53,200)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(729,752)	(545,524)	184,228
Other Financing Sources (Uses):			
Transfers out	(25,000)	(25,000)	-
Total other financing sources (uses)	(25,000)	(25,000)	-
Net Change in Fund Balances	(754,752)	(570,524)	184,228
Fund Balances - Beginning	1,044,695	1,044,695	-
Fund Balances - Ending	$ 289,943	$ 474,171	$ 184,228

CITY OF NACOGDOCHES, TEXAS

PUBLIC SAFETY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	$ 20	$ 39	$ 19
Intergovernmental	3,900	3,263	(637)
Total revenues	3,920	3,302	(618)
Expenditures:			
Public Safety:			
Police Department	5,000	3,740	1,260
Fire Protection	3,000	-	3,000
Total Expenditures	8,000	3,740	4,260
Net Change in Fund Balances	(4,080)	(438)	3,642
Fund Balances - Beginning	16,607	16,607	-
Fund Balances- Ending	$ 12,527	$ 16,169	$ 3,642

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	$ -	$ 15	$ 15
Total revenues	-	15	15
Expenditures:			
Community Development	5,000	3,976	1,024
Total Expenditures	5,000	3,976	1,024
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(3,961)	1,039
Other Financing Sources (Uses):			
Transfers in	5,000	5,000	-
Total other financing sources (uses)	5,000	5,000	-
Net Change in Fund Balances	-	1,039	1,039
Fund Balances - Beginning	4,126	4,126	-
Fund Balances - Ending	$ 4,126	$ 5,165	$ 1,039

CITY OF NACOGDOCHES, TEXAS

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	$ 228,068	$ 227,124	$ (944)
Investment earnings	10,000	18,399	8,399
Total revenues	238,068	245,523	7,455
Expenditures:			
Debt Service:			
Principal	212,000	212,000	-
Interest	14,063	13,745	318
Total Expenditures	226,063	225,745	318
Net Change in Fund Balances	12,005	19,778	7,773
Fund Balances - Beginning	280,443	280,443	-
Fund Balances - Ending	$ 292,448	$ 300,221	$ 7,773

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.

CITY OF NACOGDOCHES, TEXAS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2023

	Equipment Replacement Fund	Health Insurance Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 3,553,569	$ 2,701,932	$ 6,255,501
Total Current Assets	3,553,569	2,701,932	6,255,501
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Machinery and equipment	5,822,621	-	5,822,621
Less accumulated depreciation	(4,083,933)	-	(4,083,933)
Total Capital Assets	1,738,688	-	1,738,688
Total Noncurrent Assets	1,738,688	-	1,738,688
Total Assets	5,292,257	2,701,932	7,994,189
LIABILITIES			
Current Liabilities:			
Accounts payable	54,822	-	54,822
Accrued expenses	-	93,201	93,201
Total Current Liabilities	54,822	93,201	148,023
Total Liabilities	54,822	93,201	148,023
NET POSITION			
Net Investment in capital assets	1,738,688	-	1,738,688
Unrestricted	3,498,747	2,608,731	6,107,478
Total Net Position	5,237,435	2,608,731	7,846,166
Total Liabilities and Net Position	$ 5,292,257	$ 2,701,932	$ 7,994,189

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Equipment Replacement Fund	Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES			
Equipment rental	$ 584,090	$ -	$ 584,090
Employer premiums	-	2,976,590	2,976,590
Employee premiums	-	626,188	626,188
Total charges for sales and services	584,090	3,602,778	4,186,868
Other:			
Miscellaneous revenue	354	-	354
Total Operating Revenues	584,444	3,602,778	4,187,222
OPERATING EXPENSES			
Contributions and premiums	8,752	2,623,458	2,632,210
Depreciation and amortization	338,290	-	338,290
Total Operating Expenses	347,042	2,623,458	2,970,500
Operating Income	237,402	979,320	1,216,722
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	102,419	80,326	182,745
Transfers in	281,149	-	281,149
Total Non-operating Revenues (Expenses)	383,568	80,326	463,894
Change in Net Position	620,970	1,059,646	1,680,616
Net Positon - Beginning	4,616,465	1,549,085	6,165,550
Net Positon - Ending	$ 5,237,435	$ 2,608,731	$ 7,846,166

CITY OF NACOGDOCHES, TEXAS

COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Equipment Replacement Fund	Health Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities:			
Interfund charges for fleet management services	$ 584,444	$ -	$ 584,444
Interfund charges for risk management services	-	3,602,778	3,602,778
Cash payments to suppliers for goods and services	(8,752)	(2,575,613)	(2,584,365)
Net Cash Provided (Used) by Operating Activities	575,692	1,027,165	1,602,857
Cash Flows from Noncapital Financing Activities:			
Transfer from other funds	281,149	-	281,149
Net Cash Provided by Noncapital Financing Activities	281,149	-	281,149
Cash Flows from Capital and Related Financing Activities:			
Acquisitions or construction of capital assets	(701,646)	-	(701,646)
Net Cash Used for Capital and Related Financing Activities	(701,646)	-	(701,646)
Cash Flows from Investing Activities:			
Interest and dividends on investments	102,419	80,326	182,745
Net Cash Provided by Investing Activities	102,419	80,326	182,745
Net Increase (Decrease) in Cash and Cash Equivalents	257,614	1,107,491	1,365,105
Cash and Cash Equivalents at Beginning of Year	3,295,955	1,594,441	4,890,396
Cash and Cash Equivalents at End of Year	3,553,569	2,701,932	6,255,501
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	237,402	979,320	1,216,722
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	338,290	-	338,290
Increase/(Decrease) in accrued expenses	-	47,845	47,845
Total Adjustments	338,290	47,845	386,135
Net Cash Provided (Used) by Operating Activities	$ 575,692	$ 1,027,165	$ 1,602,857

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 81 – 90

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 91 - 99

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

Debt Capacity 100 - 104

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.

Demographic and Economic Information 105

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 106 - 113

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.

CITY OF NACOGDOCHES, TEXAS

NET POSITION BY COMPONENT

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

	Fiscal Year			
	2014	2015	2016	2017
Governmental activities:				
Net investment in capital assets	$ 25,820,583	$ 27,474,788	$ 25,962,844	$ 29,557,781
Restricted	5,709,616	4,703,439	3,574,895	3,442,083
Unrestricted	9,315,464	2,687,583	5,258,364	(449,309)
Total Governmental Activities Net Position	$ 40,845,663	$ 34,865,810	$ 34,796,103	$ 32,550,555
Business-type activities:				
Net investment in capital assets	$ 45,389,352	$ 54,371,566	$ 58,587,200	$ 59,411,889
Restricted	4,230,285	4,255,844	1,268,003	1,825,340
Unrestricted	25,556,627	19,981,019	23,016,113	88,370,977
Total Business-type Activities Net Position	$ 75,176,264	$ 78,608,429	$ 82,871,316	$ 149,608,206
Primary Government				
Net investment in capital assets	$ 71,209,935	$ 81,846,354	$ 84,550,044	$ 29,557,781
Restricted	9,939,901	8,959,283	4,842,898	3,442,083
Unrestricted	34,872,091	22,668,602	28,274,477	87,921,668
Total Primary Government Net Position	$ 116,021,927	$ 113,474,239	$ 117,667,419	$ 120,921,532

TABLE 1

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ 28,477,678	$ 29,749,665	$ 31,162,042	$ 32,799,431	$ 34,578,033	$ 36,320,885
5,554,801	5,683,417	6,622,772	6,700,094	6,555,606	6,125,102
1,856,916	1,810,035	5,169,214	6,731,353	9,869,050	10,405,742
$ 35,889,395	$ 37,243,117	$ 42,954,028	$ 46,230,878	$ 51,002,689	$ 52,851,729
$ 60,155,050	$ 63,105,904	$ 64,036,601	$ 64,805,831	$ 65,659,306	$ 68,145,983
8,162,379	8,910,239	10,382,283	22,443,292	24,940,722	31,012,498
25,963,172	29,238,879	32,116,911	24,489,742	28,984,932	26,974,237
$ 94,280,601	$ 101,255,022	$ 106,535,795	$ 111,738,865	$ 119,584,960	$ 126,132,718
$ 88,632,728	$ 92,855,569	$ 95,198,643	$ 97,605,262	$ 100,237,339	$ 104,466,868
13,717,180	14,593,656	17,005,055	29,143,386	31,496,328	37,137,600
27,820,088	31,048,914	37,286,125	31,221,095	38,853,982	37,379,979
$ 130,169,996	$ 138,498,139	$ 149,489,823	$ 157,969,743	$ 170,587,649	$ 178,984,447

CITY OF NACOGDOCHES, TEXAS

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

	Fiscal Year			
	2014	2015	2016	2017
EXPENSES				
Governmental Activities:				
General Government	$ 4,635,539	$ 4,443,151	$ 4,347,717	$ 4,700,650
Public Safety	13,996,948	13,977,452	14,121,765	14,693,760
Highways and Streets	2,520,977	2,300,242	2,769,397	2,831,901
Culture and Recreation	2,422,034	4,953,709	2,530,827	2,893,535
Community Development	840,759	849,113	1,063,112	934,282
Interest on Long-Term Debt	289,704	276,975	256,422	250,266
Total Governmental Activities Expenses	24,705,961	26,800,642	25,089,240	26,304,394
Business-type Activities				
Water and Sewer	11,053,329	10,976,691	10,837,063	11,016,674
Sanitation	3,092,057	2,769,584	2,937,727	3,312,083
Airport	539,645	450,610	395,863	471,869
Total Business-type Activities Expenses	14,685,031	14,196,885	14,170,653	14,800,626
Total Primary Government Expenses	$ 39,390,992	$ 40,997,527	$ 39,259,893	$ 41,105,020
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	$ 223,352	$ 316,525	$ 329,215	$ 422,258
Public Safety	1,821,823	1,946,627	1,540,982	1,474,258
Highways and Streets	-	-	-	-
Culture and Recreation	328,510	354,280	336,818	344,325
Community Development	-	-	-	250,000
Operating Grants and Contributions	247,111	535,337	157,688	462,690
Capital Grants and Contributions	415,309	58,270	3,998	27,050
Total Governmental Activities Program Revenues	3,036,105	3,211,039	2,368,701	2,980,581
Business-type Activities:				
Charges for Services:				
Water and Sewer	15,878,779	16,646,161	17,184,423	18,939,084
Sanitation	5,437,249	5,398,981	5,457,533	5,659,444
Airport	418,044	362,886	285,091	400,859
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	259,203	1,005,188	-	-
Total Business-type Activities Program Revenues	21,993,275	23,413,216	22,927,047	24,999,387
Total Primary Government Program Revenues	$ 25,029,380	$ 26,624,255	$ 25,295,748	$ 27,979,968
Net (Expense)/Revenue				
Governmental Activities	$ (21,669,856)	$ (23,589,603)	$ (22,720,539)	$ (23,323,813)
Business-type Activities	7,308,244	9,216,331	8,756,394	10,198,761
Total Net Expense	$ (14,361,612)	$ (14,373,272)	$ (13,964,145)	$ (13,125,052)

TABLE 2

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ 4,955,254	$ 5,586,805	$ 5,130,414	$ 6,073,722	$ 5,883,941	$ 7,007,651
15,332,425	17,248,197	15,868,977	16,059,886	16,246,931	17,914,623
2,892,174	3,065,969	2,932,520	2,783,312	3,000,433	3,532,349
3,087,026	3,252,267	2,654,815	3,163,634	3,340,616	3,871,183
755,571	708,802	898,609	659,138	1,371,916	833,264
222,244	177,094	141,133	88,083	23,181	13,467
27,244,694	30,039,134	27,626,468	28,827,775	29,867,018	33,172,537
11,817,889	11,697,450	11,487,635	11,571,780	11,590,975	13,631,526
3,119,195	3,338,497	3,363,461	4,213,881	3,966,391	4,330,295
495,898	478,199	423,948	469,068	699,320	785,856
15,432,982	15,514,146	15,275,044	16,254,729	16,256,686	18,747,677
$ 42,677,676	$ 45,553,280	$ 42,901,512	$ 45,082,504	$ 46,123,704	$ 51,920,214
$ 540,736	$ 505,866	$ 633,406	$ 494,274	$ 491,725	$ 460,972
1,404,473	1,212,962	1,160,445	1,383,555	1,017,287	1,174,889
502,023	752,788	754,492	758,866	761,408	764,050
392,481	475,127	258,159	388,698	428,663	453,469
150,000	-	-	3,456	54,628	13,351
1,271,926	2,646,113	2,641,116	959,430	2,053,268	858,471
57,338	337,742	84,126	540,893	50,278	26,452
4,318,977	5,930,598	5,531,744	4,529,172	4,857,257	3,751,654
19,841,583	19,422,326	19,062,221	19,389,909	20,385,657	20,074,058
6,163,872	6,363,558	6,305,207	6,574,239	6,965,227	6,995,157
417,681	398,711	372,501	449,924	646,097	730,775
-	-	-	-	527,543	47,512
-	445,838	-	-	-	-
26,423,136	26,630,433	25,739,929	26,414,072	28,524,524	27,847,502
$ 30,742,113	$ 32,561,031	$ 31,271,673	$ 30,943,244	$ 33,381,781	$ 31,599,156
$ (22,925,717)	$ (24,108,536)	$ (22,094,724)	$ (24,298,603)	$(25,009,761)	$ (29,420,883)
10,990,154	11,116,287	10,464,885	10,159,343	12,267,838	9,099,825
$ (11,935,563)	$ (12,992,249)	$ (11,629,839)	$ (14,139,260)	$(12,741,923)	$ (20,321,058)

CITY OF NACOGDOCHES, TEXAS

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

	Fiscal Year			
	2014	2015	2016	2017
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes				
Property Taxes	$ 7,852,946	$ 8,294,720	$ 8,452,800	$ 8,907,696
Franchise Taxes	2,575,624	2,505,532	2,427,859	2,436,424
Sales Taxes	5,460,720	5,724,160	6,051,628	6,186,513
Other Taxes	799,041	837,225	818,348	834,874
Penalties and Interests on Taxes	123,151	152,406	174,873	165,216
Investment Earnings	52,245	58,165	45,270	131,007
Miscellaneous	83,709	101,865	64,044	73,859
Transfers	5,370,715	5,292,442	5,247,575	5,502,525
Gain on Sale of Capital Assets	28,740	543,293	103,171	41,331
Total Governmental Activities	22,346,891	23,509,808	23,385,568	24,279,445
Business-type Activities:				
Investment Earnings	91,937	82,548	73,697	217,306
Miscellaneous	364,382	377,105	500,577	557,588
Transfers	(5,370,715)	(5,592,442)	(5,247,575)	(5,502,525)
Gain on Sale of Capital Assets	22,092	62,164	179,794	28,531
Total Business-type Activities	(4,892,304)	(5,070,625)	(4,493,507)	(4,699,100)
Total Primary Government	$ 17,454,587	$ 18,439,183	$ 18,892,061	$ 19,580,345
Change in Net Position				
Governmental Activities	$ 677,035	$ 220,205	$ 665,029	$ 955,632
Business-type Activities	2,415,940	4,145,706	4,262,887	5,499,661
Total Primary Government	$ 3,092,975	$ 4,365,911	$ 4,927,916	$ 6,455,293

TABLE 2

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ 9,469,354	$ 9,846,630	$ 10,827,222	$ 10,973,148	$ 11,529,711	$ 11,018,559
2,470,495	2,485,322	2,385,315	2,350,005	2,365,765	2,376,431
6,396,954	6,601,004	6,932,275	7,434,346	8,346,355	9,387,605
832,426	865,931	697,921	870,362	980,411	1,144,770
-	158,448	152,238	204,101	189,000	146,973
145,455	530,652	229,664	50,523	256,704	1,205,890
324,123	98,005	89,941	73,721	73,991	101,144
79,466	5,757,927	6,427,131	5,602,324	5,896,925	5,866,324
5,736,804	35,638	63,928	16,923	142,710	22,227
25,455,077	26,379,557	27,805,635	27,575,453	29,781,572	31,269,923
-	983,498	489,824	147,219	428,638	2,390,337
574,894	600,204	713,801	498,832	1,046,544	923,920
564,961	(5,757,927)	(6,427,131)	(5,602,324)	(5,896,925)	(5,866,324)
(5,736,804)	32,359	39,394	-	-	-
(4,596,949)	(4,141,866)	(5,184,112)	(4,956,273)	(4,421,743)	(2,552,067)
$ 20,858,128	$ 22,237,691	$ 22,621,523	$ 22,619,180	$ 25,359,829	$ 28,717,856
$ 2,529,360	$ 271,022	$ 5,710,911	$ 3,276,850	$ 4,771,811	$ 1,849,040
6,393,205	6,974,421	5,280,773	5,203,070	7,846,095	6,547,758
$ 8,922,565	$ 7,245,443	$ 10,991,684	$ 8,479,920	$ 12,617,906	$ 8,396,798

CITY OF NACOGDOCHES, TEXAS

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

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Nonspendable	$ 38,592	$ 25,728	$ 12,864	$ -
Restricted	695,887	702,693	761,134	787,993
Assigned	-	-	-	-
Unassigned	8,690,538	10,264,994	12,741,437	11,288,895
Total General Fund	$ 9,425,017	$ 10,993,415	$ 13,515,435	$ 12,076,888
All Other Governmental Funds				
Nonspendable	$ 114,214	$ 427,225	$ 373,187	$ 281,594
Restricted	3,491,098	2,454,569	2,742,985	3,076,858
Committed	23,201	59,585	57,247	53,329
Unassigned	-	-	(77,558)	48,531
Total All Other Governmental Funds	$ 3,628,513	$ 2,941,379	$ 3,095,861	$ 3,460,312

TABLE 2

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ -	$ -	$ -	$ -	$ -	$ -
787,993	833,576	862,941	913,411	913,411	933,545
65,613	905,645	1,099,592	1,935,200	3,338,722	1,968,458
11,732,687	11,277,441	12,690,560	13,372,793	12,520,316	15,805,226
$ 12,586,293	$ 13,016,662	$ 14,653,093	$ 16,221,404	$ 16,772,449	$ 18,707,229
$ 284,349	$ 286,563	$ 289,174	$ -	$ -	$ -
4,409,323	4,516,298	5,418,900	5,740,020	5,593,181	5,149,129
52,297	117,957	89,850	288,591	284,285	239,402
(18,398)	-	(11,673)	-	-	-
$ 4,727,571	$ 4,920,818	$ 5,786,251	$ 6,028,611	$ 5,877,466	$ 5,388,531

CITY OF NACOGDOCHES, TEXAS

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

	Fiscal Year			
	2014	2015	2016	2017
Revenue				
Taxes:				
General property taxes	$ 7,802,983	$ 8,323,689	$ 8,485,231	$ 8,908,920
General sales and other taxes	8,958,536	9,219,323	9,472,708	9,623,027
Licenses and permits	245,491	328,624	241,624	203,319
Fines and forfeitures	963,481	922,397	1,006,558	992,076
Charges for services	296,262	311,837	283,268	306,457
Investment earnings	41,865	48,315	40,692	115,909
Grants	854,670	744,179	419,710	605,391
Contributions	-	-	-	-
Miscellaneous	740,548	955,828	461,601	767,240
Total revenues	19,903,836	20,854,192	20,411,392	21,522,339
Expenditures				
General government	4,339,520	4,197,557	4,302,101	4,582,846
Public safety	13,500,225	13,256,260	13,460,147	13,948,154
Highways and streets	1,768,240	1,610,945	1,727,873	1,656,021
Culture and recreation	2,265,852	4,665,165	2,311,397	2,681,901
Community development	847,276	837,041	876,024	763,955
Debt service:				
Principal	855,000	885,000	795,000	1,095,000
Interest	307,539	282,950	254,850	254,480
Other capital outlays	1,403,622	530,090	745,548	3,116,603
Total expenditures	25,287,274	26,265,008	24,472,940	28,098,960
Other financing sources (uses)				
Payment to escrow agent	-	-	-	-
Refunding bonds issued	-	-	-	-
Transfers in	5,573,228	5,921,689	5,472,500	5,821,585
Transfers out	(178,013)	(329,247)	(224,925)	(319,060)
Proceeds from sale of bonds	-	-	1,685,000	-
Sale of capital assets	-	500,288	4,825	-
Total other financing sources (uses)	5,395,215	6,092,730	6,937,400	5,502,525
Net changes in fund balances	$ 11,777	$ 681,914	$ 2,875,852	$ (1,074,096)
Capital outlays included in functions	$ 85,038	$ 47,337	$ 862,802	$ 96,257
Debt service as a percentage of noncapital expenditures calculated as ([a] + [b] / [c] - [d])	4.61%	4.54%	4.59%	4.82%

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ 9,447,895	$ 10,006,617	$ 10,777,313	$ 11,004,323	$ 11,514,611	$ 11,011,062
9,845,330	10,110,705	10,167,749	10,858,814	11,881,531	13,055,779
215,072	192,661	354,996	211,778	217,669	211,818
868,610	836,109	787,674	522,252	495,356	623,546
927,027	1,269,060	1,043,554	1,082,588	1,134,349	1,163,041
274,361	441,640	194,589	47,962	217,434	1,023,145
1,196,244	1,449,775	1,580,231	3,121,778	1,961,614	2,639,130
722,070	2,406,759	143,329	761,152	408,724	240,496
199,935	148,060	135,316	110,014	121,746	159,219
23,696,544	26,861,386	25,184,751	27,720,661	27,953,034	30,127,236
4,751,128	5,331,178	4,935,603	5,953,941	6,016,070	6,769,862
14,755,034	16,480,077	15,331,740	16,597,013	16,935,663	16,905,405
1,777,216	2,658,235	2,392,669	2,401,633	2,541,361	1,716,647
2,852,966	2,969,119	2,643,437	3,435,713	3,216,452	3,553,946
777,275	800,480	926,514	976,051	1,370,378	868,716
1,150,000	1,205,000	1,235,000	1,300,000	1,522,000	212,000
220,908	173,061	141,139	76,614	23,759	13,745
1,372,157	2,378,547	1,518,663	2,355,533	1,859,040	4,248,472
27,656,684	31,995,697	29,124,765	33,096,498	33,484,723	34,288,793
-	-	-	(1,040,531)	-	-
-	-	-	2,576,000	-	-
6,802,919	6,300,652	6,990,842	6,202,090	6,301,991	6,765,780
(1,066,115)	(542,725)	(563,711)	(553,266)	(455,109)	(1,180,605)
-	-	-	-	-	-
-	-	14,747	2,215	84,707	22,227
5,736,804	5,757,927	6,441,878	7,186,508	5,931,589	5,607,402
$ 1,776,664	$ 623,616	$ 2,501,864	$ 1,810,671	$ 399,900	$ 1,445,845
$ -	$ 942,083	$ 859,472	$ 1,946,118	$ 908,287	$ (456,645)
5.22%	4.81%	5.15%	4.78%	5.03%	0.74%

CITY OF NACOGDOCHES, TEXAS

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

Fiscal Year	General Property Taxes	General Sales Taxes	Utility Taxes	Other Taxes	Total
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
2022	11,514,611	8,346,355	2,365,765	980,411	23,207,142
2023	11,011,062	9,387,605	2,376,431	1,144,770	23,919,868

CITY OF NACOGDOCHES, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Real Property	Mineral Property	Less: Tax-Exempt Property	Total Taxable Assessed Value
2014	1,550,765,750	219,110,180	381,122,490	1,388,753,440
2015	1,570,237,940	234,107,350	404,697,030	1,399,648,260
2016	1,588,480,170	234,542,480	362,896,840	1,460,125,810
2017	1,591,570,140	237,154,560	329,244,345	1,499,480,355
2018	1,606,822,060	234,623,870	332,892,700	1,508,553,230
2019	1,785,122,740	231,069,950	427,591,070	1,588,601,620
2020	1,967,807,630	233,059,640	432,702,900	1,768,164,370
2021	1,981,488,706	232,178,550	426,707,840	1,786,959,416
2022	1,979,297,437	268,884,090	364,129,063	1,884,052,464
2023	2,256,390,078	306,527,862	418,121,798	2,144,796,142

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
0.5639	1,388,753,440	100.0%
0.5639	1,399,648,260	100.0%
0.5681	1,460,125,810	100.0%
0.5928	1,499,480,355	100.0%
0.5928	1,508,553,230	100.0%
0.6169	1,588,601,620	100.0%
0.6140	1,768,164,370	100.0%
0.6160	1,786,959,416	100.0%
0.6160	1,884,052,464	100.0%
0.5185	2,144,796,142	100.0%

CITY OF NACOGDOCHES, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS
(UNAUDITED)

	City of Nacogdoches			Nacogdoches Independent School District		
Fiscal Year	Operations and Maintenance	General Obligation Debt Service	Total City Rate	Operations and Maintenance	General Obligation Debt Service	Total NISD Rate
2014	0.48049	0.08341	0.56390	1.17000	0.20000	1.37000
2015	0.48478	0.07912	0.56390	1.17000	0.18750	1.35750
2016	0.49773	0.07038	0.56810	1.17000	0.18750	1.35750
2017	0.50309	0.08971	0.59280	1.17000	0.18750	1.35750
2018	0.50618	0.08663	0.59280	1.17000	0.16250	1.33250
2019	0.53260	0.08430	0.61690	1.17000	0.16250	1.33250
2020	0.53617	0.07783	0.61400	1.06835	0.16250	1.23085
2021	0.53890	0.07710	0.61600	1.05470	0.24500	1.29970
2022	0.53371	0.08229	0.61600	1.02130	0.24500	1.26630
2023	0.50772	0.01079	0.51851	0.95070	0.29000	1.24070

Source: Nacogdoches Central Appraisal District

Nacogdoches County		
Operations and Maintenance	General Obligation Debt Service	Total County Rate
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
0.45330	0.01890	0.47220

CITY OF NACOGDOCHES, TEXAS

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

	2023		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Norbord Texas LP	$ 56,431,230	1	2.6%
SFA 1411 Owner LP	40,740,900	2	1.9%
Pilgrim's Pride (Processing Plant)	39,695,860	3	1.9%
Oncor Electric Delivery Co LLC	31,417,780	4	1.5%
Nacogdoches Hospital District	29,613,617	5	1.4%
Cardinal Street Housing	26,917,400	6	1.3%
Cooper Power Systems (Eaton)	18,740,070	7	0.9%
Walmart Stores #01-0163	17,143,930	8	0.8%
NIBCO Inc	16,726,540	9	0.8%
Medhorizons	15,030,340	10	0.7%
Total	$ 292,457,667		

Source: Nacogdoches Central Appraisal District

2014		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
$ 37,951,920	1	2.7%
12,210,840	9	0.9%
23,801,180	2	1.7%
16,349,590	4	1.2%
8,144,150	14	0.6%
-	-	0.0%
14,109,930	7	1.0%
15,903,800	5	1.1%
18,731,160	3	1.3%
11,224,590	10	0.8%
$ 158,427,160		

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
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%	63,049	10,924,469	99.9%
2022	11,605,886	11,290,653	97.3%	109,407	11,400,060	98.2%
2023	11,120,768	10,898,353	98.0%	-	10,898,353	98.0%

CITY OF NACOGDOCHES, TEXAS **TABLE 10**

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	City Direct Rate	Nacogdoches County Hospital	State of Texas	Total Rate
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
2022	0.01	0.01	0.0625	0.0825
2023	0.01	0.01	0.0625	0.0825

Sources: City Finance Office and County Department of Finance

CITY OF NACOGDOCHES, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS
(UNAUDITED)

	Governmental Activities	Business-type Activities		
Fiscal Year	General Obligation Bonds	General Obligation Bonds	Water and Sewer Systems Bonds	Financed Purchases
2014	$ 7,658,192	$ 34,699,448	$ 11,780,000	$ -
2015	6,696,912	33,029,715	10,285,000	-
2016	7,513,573	31,238,823	9,355,000	554,345
2017	6,353,009	29,385,249	8,255,000	446,603
2018	5,143,843	27,527,789	7,135,000	334,871
2019	3,892,637	25,577,535	5,995,000	220,141
2020	2,619,650	23,585,376	4,830,000	484,244
2021	2,831,000	21,515,000	3,640,000	422,146
2022	1,309,000	19,180,000	2,350,000	357,614
2023	1,097,000	16,985,000	1,100,000	290,961

Total Primary Government	Percentage of Personal Income	Per Capita
$ 54,137,640	5.4%	1,598.49
50,011,627	4.7%	1,598.49
48,631,741	4.2%	1,434.82
44,439,861	3.9%	1,309.67
40,141,503	3.8%	1,194.19
35,685,313	3.1%	1,063.90
31,519,270	2.6%	958.71
28,408,146	2.4%	883.71
23,196,614	2.0%	722.23
19,472,961	1.7%	621.19

CITY OF NACOGDOCHES, TEXAS **TABLE 12**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS
(UNAUDITED)

	General Bonded Debt Outstanding			Percentage of Actual Taxable	
Fiscal Year	General Obligation Bonds	Less Amount Available for Debt Service	Total	Value of Property	Per Capita
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%	960.98
2019	29,470,172	309,368	29,160,804	1.63%	869.38
2020	26,205,026	313,183	25,891,843	1.65%	787.54
2021	24,346,000	322,012	24,023,988	1.45%	748.77
2022	20,489,000	278,157	20,210,843	1.14%	629.27
2023	18,082,000	342,649	17,739,351	0.99%	565.88

CITY OF NACOGDOCHES, TEXAS **TABLE 13**

ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

FISCAL YEAR 2023
(UNAUDITED)

Taxing Body	Gross Dollar Amount	Percent Overlapping	Dollar Overlap
Nacogdoches County	$ 1,455,000	47.65%	$ 693,308
Nacogdoches Independent School District	103,553,347	77.26%	80,005,316
	Subtotal, overlapping debt		80,698,623
	City of Nacogdoches direct debt		18,082,000
	Total direct and overlapping debt		$ 98,780,623

CITY OF NACOGDOCHES, TEXAS

TABLE 14

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS
(UNAUDITED)

	Water Revenue Bonds					
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	Coverage
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	18,722,190	7,182,213	11,539,977	3,510,000	468,442	2.90
2022	19,905,873	7,830,735	12,075,138	3,625,000	340,969	3.04
2023	19,571,555	8,550,505	11,021,050	3,445,000	293,916	2.95

CITY OF NACOGDOCHES, TEXAS

TABLE 15

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment
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%
2022	32,118	1,170,187,212	36,434	24.80	5,929	4.2%
2023	31,348	1,179,060,976	37,612	24.40	5,883	5.0%

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

CITY OF NACOGDOCHES, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

	2023		
Employer	Employees	Rank	Percentage of Total City Employment
Stephen F. Austin State University	1,571	1	11%
Pilgrim's Pride	1,477	2	11%
Nacogdoches ISD	1,035	3	7%
Nacogdoches Memorial Hospital	550	4	4%
Etech Global Services	550	4	4%
Nacogdoches Medical Center	535	5	4%
Walmart Supercenter	390	6	3%
Eaton	351	7	3%
City of Nacogdoches	328	8	2%
Nacogdoches County	271	9	2%
Chartwell	230	10	2%
Elliott Electric Supply	216	11	2%
Foretravel Inc	215	12	2%
TFP Nutrition	200	13	1%
Cal-Tex Lumber Company	196	14	1%
Total	8,115		59%

Source: City Economic Development Division

2014		
Employees	Rank	Percentage of Total City Employment
1,609	2	11%
1,725	1	12%
985	3	7%
694	4	5%
455	6	3%
512	5	3%
345	7	2%
311	8	2%
300	9	2%
-	-	-
119	14	1%
137	13	1%
179	11	1%
175	12	1%
7,546		51%

CITY OF NACOGDOCHES, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS
(UNAUDITED)

	Full-Time-Equivalent Employees as of Year End				
Function	2014	2015	2016	2017	2018
Governmental Funds					
General Government					
Management Services	6.0	6.0	6.0	6.0	6.0
Finance	5.0	5.0	5.0	5.0	5.0
Planning	2.5	2.5	2.5	2.0	2.0
Building Maintenance	7.0	7.0	7.0	6.0	6.0
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	8.0	17.0
Public Safety					
Police					
Officers	66.5	66.5	66.5	66.5	66.5
Civilians	25.5	25.5	25.5	25.5	26.5
Fire					
Firefighters and Officers	58.0	58.0	58.0	58.0	58.0
Civilians	2.5	2.5	2.5	2.5	2.5
Highways and Streets					
Public Works/Engineering	8.5	8.5	8.5	9.0	9.0
Streets	13.0	13.0	13.0	13.0	13.0
Vehicle Maintenance	5.0	5.0	5.0	5.0	5.0
Culture and Recreation					
Parks and Recreation	26.5	26.5	26.5	26.0	26.0
Library/Historical Sites	10.0	10.0	10.0	9.5	9.5
Urban Development					
Inspections	4.0	4.0	2.0	2.0	2.0
Code Enforcement	2.0	2.0	2.0	2.0	2.0
Enterprise Funds					
Water and Sewer					
Water Billings	9.0	9.0	9.0	9.0	9.0
Water Production	8.0	8.0	8.0	7.0	7.0
Distribution and Collections	13.0	13.0	13.0	13.0	13.0
Wastewater	17.0	17.0	16.0	18.0	18.0
Sanitation					
Collections	14.0	14.0	14.0	14.0	14.0
Disposals	5.5	5.5	6.0	6.0	6.0
Administration	0.0	0.0	0.0	0.0	0.0
Airport FBO Operations					
Airport FBO	2.5	2.5	2.5	2.5	2.5
Total	331.0	331.0	328.5	328.0	338.0

Source: City Finance Office

Full-Time-Equivalent Employees as of Year End				
2019	2020	2021	2022	2023
5.0	5.5	3.5	4.0	4.0
6.0	6.0	7.0	6.0	6.0
2.5	2.5	2.0	3.0	3.0
6.0	6.0	6.0	6.0	6.0
8.0	8.0	8.0	8.0	8.0
5.5	5.5	3.5	4.5	4.5
18.5	18.0	16.5	17.5	17.5
66.5	66.5	61.0	62.0	62.0
26.5	26.5	28.0	28.0	28.0
58.0	58.0	58.0	58.0	58.0
2.5	2.5	2.5	2.5	2.5
7.0	7.0	5.0	6.0	6.0
16.0	16.0	12.0	14.0	14.0
5.0	5.0	4.0	4.0	4.0
22.0	22.0	21.5	22.5	22.5
9.5	9.5	10.5	11.5	11.5
2.0	3.0	3.0	3.0	3.0
2.0	2.0	2.0	3.0	3.0
9.0	9.0	9.0	9.0	9.0
7.0	7.0	7.0	7.0	7.0
16.0	17.0	17.0	17.0	17.0
13.0	13.0	12.0	14.0	14.0
12.0	12.0	16.0	16.0	16.0
6.0	6.0	6.0	7.0	7.0
0.0	0.0	2.0	3.0	3.0
2.5	2.5	2.5	2.5	2.5
334.0	336.0	325.5	339.0	339.0

CITY OF NACOGDOCHES, TEXAS

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS
(UNAUDITED)

Function	2014	2015	2016	2017
General Government:				
Planning and Zoning:				
Building Permits Issued	1,280	1,320	1,229	1,202
Building Inspections Conducted	2,063	2,194	1,294	1,195
Public Safety:				
Police				
Physical Arrests	4,508	3,925	2,589	2,927
Parking Violations	19	19	54	85
Traffic Violations	8,638	7,170	6,488	7,612
Fire				
Emergency Responses	4,406	4,536	4,585	4,492
Fires Extinguished	181	271	175	128
Culture and Recreation:				
Parks and Recreation				
Recreation Program Participation	4,109	5,344	5,416	5,675
Recreation Facility Reservations	579	602	914	1,120
Library				
Volumes in Collection	100,652	102,889	104,502	105,991
Total Volumes Borrowed	132,268	128,062	123,840	128,174
Water and Sewer:				
Water				
Water Customers	13,018	13,051	13,079	13,096
Water Main Breaks	150	101	130	122
Average Daily Consumption (thousands of gallons)	6,582	3,954	6,717	7,066
Peak Daily Consumption (thousands of gallons)	11,327	11,653	9,365	11,030
Wastewater				
Average Daily Sewage Treatment (thousands of gallons)	6,070	7,484	7,275	6,479
Sanitation				
Refuse Collection				
Refuse Collected (cubic yards)	198,705	221,037	259,266	257,848
Recyclables Collected (cubic yards)	3,451	1,549	4,229	4,002

Source: Various City Departments

2018	2019	2020	2021	2022	2023
1,047	1,163	521	1,174	1,149	1,145
1,312	429	782	1,761	1,735	1,488
1,476	1,876	1,997	2,034	1,838	1,781
43	22	63	7	19	-
8,895	8,118	2,789	4,883	7,863	3,063
4,444	4,467	3,676	4,149	4,669	4,723
160	141	108	151	178	172
5,772	6,685	2,657	2,629	5,116	5,517
1,077	903	655	553	869	1,748
108,831	110,309	111,104	124,058	122,687	122,821
132,497	130,248	81,819	85,447	104,689	109,577
13,075	13,169	13,120	13,315	13,661	13,330
115	125	112	127	123	123
6,764	5,874	6,824	6,413	5,927	5,952
12,670	9,874	10,819	12,219	10,293	10,158
6,616	4,319	5,900	6,555	6,000	4,176
267,665	261,879	263,831	389,145	303,713	332,706
4,889	5,487	5,158	12,279	12,279	5,280

CITY OF NACOGDOCHES, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS
(UNAUDITED)

Function	2014	2015	2016	2017
Public Safety:				
Police				
Stations	1	1	1	1
Patrol Units	34	34	34	34
Other Units	*	*	*	*
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	13	13	13	13
Splash Pads	2	2	2	2
Nature Trails	3	3	3	3
Tennis/Pickleball Courts	4	4	4	4
Water and Sewer:				
Water				
Water Wells	8	8	8	8
Water Main (miles)	324	324	324	324
Wastewater				
Sanitary Sewers (miles)	284	284	284	284
Sanitation:				
Refuse Collection				
Collection Trucks	13	13	13	13

Source: Various City Departments

TABLE 19

2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
34	34	34	44	46	46
*	*	*	29	34	34
5	5	5	5	5	5
8	8	8	10	12	12
146	146	146	146	146	145
2	2	2	2	2	2
13	13	13	13	13	15
2	2	2	2	2	2
3	3	3	3	3	4
4	4	4	4	4	23
8	8	8	9	9	9
324	324	324	324	324	367
284	284	284	284	284	288
13	13	13	13	13	12

SINGLE AUDIT SECTION

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2023, 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 April 29, 2024.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque
AICPA GAQC Member

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 Responses. The City of Nacogdoches, Texas' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 29, 2024

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

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

Opinion on Each Major Federal Program

We have audited the City of Nacogdoches, Texas' (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained *in Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque
AICPA GAQC Member

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 29, 2024

CITY OF NACOGDOCHES, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through Expenditures
U. S. Department of Justice				
Direct Program:				
Equitable Sharing Program	16.922	TX1740200	$ 146,614	$ -
Total Direct Program			146,614	-
Total U. S. Department of Justice			146,614	-
U. S. Department of Treasury				
Passed through Texas Division of Emergency Management:				
COVID-19 - Coronavirus Relief Fund	21.019	20-0003	123,862	-
Total Passed through Texas Division of Emergency Management			123,862	-
Total U. S. Department of Treasury			123,862	-
U. S. Department of Homeland Security				
Passed through Texas Division of Emergency Management:				
Disaster Grants - Public Assistance - TIFMAS	97.036	N/A	307,985	-
Disaster Grants - Public Assistance - 2021 Winter Storm	97.036	4586DR-TX	732,739	-
Total Passed through Texas Division of Emergency Management			1,040,724	-
Total U. S. Department of Homeland Security			1,040,724	-
Total Expenditures of Federal Awards			$ 1,311,200	$ -

CITY OF NACOGDOCHES, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2023

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"). 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, 2023

Section I: 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	2023-001
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
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:	Name of Federal Program or Cluster:
97.036	Disaster Grants - Public Assistance
Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II: Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2023-001: Significant Deficiency

Criteria: According to the COSO model, effective internal control requires control activities to be implemented over key processes. In the context of purchases from vendors, controls should be designed to prevent unauthorized purchases or detect them soon after they occur. In instances where purchasing cards (“P-Cards”) are used for small and routine purchases, additional controls should be implemented beyond those necessary for vendor accounts payable.

Condition: During the fiscal year under audit, the City paid its P-Card invoices without reviewing support for all transactions being paid. Supporting documentation from cardholders was reviewed as requested, rather than by a specified regular process. Thus, significant or unusual purchases were regularly scrutinized, but smaller transactions were less closely inspected, as well as those from routine vendors.

Cause: The City’s controls over P-Card transactions did not sufficiently specify criteria for review and approval of purchases. The review process relied primarily on a qualitative review of the descriptions and vendors listed on the invoice.

Effect: The inadequate design of internal controls has led to a suspicion by the Finance Department of purchases made for personal benefit. This resulted in multiple suspected instances of expenditures made by the City that were not for an authorized City use.

Recommendation: We recommend that the City expand its procedures in this area to increase the level of detail in the review. If practical, the City should review support from cardholders for all transactions prior to paying the monthly invoice. However, additional detective controls could also be effective, such as performing random audits or specifying a dollar threshold over which all transactions are reviewed.

Management’s Response: The City agrees with the finding. We are creating a checklist to identify specific criteria in which the designated person in Finance must follow while reviewing and auditing monthly p-card statements and the related transactions. The checklist will include items noted in the p-card policy such as transaction limits, daily limits, monthly limits, sales tax compliance, proper approval, etc. Finance will require that all receipts for the transactions are remitted to Finance for review. The person performing the monthly review/audit of the p-card program will be independent of the user/holder of the card. That checklist will be reviewed for non-compliance issues by the accounting manager or his/her designee. Any non-compliance issues will be addressed with the card user and their department director for proper corrective actions.

Section III: Findings and Questioned Costs for Federal Awards

None

CITY OF NACOGDOCHES, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

None.