

CITY OF NEDERLAND, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Prepared by:
FINANCE DEPARTMENT

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City of Nederland

P.O. Box 967 · Nederland, Texas 77627 · (409) 723-1503 · FAX (409) 723-1550

Don Albanese, Mayor
Randy Sonnier, Mayor Pro-Tem
Bret Duplant, Councilmember
Sylvia Root, Councilmember
David Guillot, Councilmember
Christopher Duque, City Manager

March 25, 2024

To the Honorable Mayor, Members of the City Council,
and Citizens of Nederland

State and local law requires that the City of Nederland annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report was prepared by the Finance Department, in accordance with the City Charter and in compliance with State law, to provide the public, investors, grantor agencies, and other interested parties with reliable financial information about the City. Accordingly, we hereby respectfully submit the Annual Comprehensive Financial Report of the City of Nederland for the fiscal year ended September 30, 2023.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurances that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Wathen, DeShong & Juncker, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2023, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2023, are fairly presented in conformity with GAAP. 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's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Incorporated in 1940, the City of Nederland is located in the southeast corner of the state and within Jefferson County. With a current population of 18,856, the City currently occupies a land area of approximately 5.5 square miles. The City is served with a regional airport and has ready rail access to all parts of the country. Although empowered to levy a property tax on both real and personal properties located within its boundaries, the City collects no personal or corporate taxes from residents, nor is a state income tax assessed. The City is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate.

The City operates under a Council-Manager form of government. It is governed by an elected City Council composed of a mayor and four councilmembers, who each serve three-year terms and are elected at-large. The City is divided into four council wards; each ward is represented by a councilmember. The City Council is charged with formulating public policy, enacting local legislation, adopting budgets, and appointing the city manager, city attorney, city clerk, director of finance, police chief, and emergency management coordinator. The City Manager is the chief administrative and executive officer of the City, who implements Council directives and policies, manages the City's fiscal affairs, and is responsible for the administration of municipal operations.

The City provides a full range of services including police and fire protection, the construction and maintenance of streets and other infrastructure, general administration, code enforcement, animal control, and cultural and recreational activities. Certain utility services are provided through the Water and Sewer Fund and the Solid Waste Fund, which function as departments of the City.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager each year. The City Manager uses these requests as the basis for developing a proposed budget. The City Manager then presents the proposed budget to the City Council for review by no later than August 31st. The City Council is then required to conduct public hearings on the proposed budget and to adopt a final budget. The appropriated budget is prepared by fund (e.g. General), function (e.g. public safety), and department (e.g. fire). Department directors may request transfers of appropriations within a department, which are reviewed and approved by the City Manager. Transfer of appropriations between departments, however, requires the approval of the City Council. Budget-to-actual comparisons are provided in this report for the General Fund; this comparison is presented as part of the basic financial statements for the governmental funds.

History

Nederland's heritage is deeply rooted in the Dutch ancestry, which gives the town its name. Nederland was officially founded on December 24, 1897 when Dutch settlers with an adventuresome spirit and desire for a better life found this site. The community was developed by the Port Arthur Townsite Company and the Port Arthur Land Company as part of the effort by Arthur E. Stilwell to make his newly built Kansas City, Pittsburg and Gulf Railway profitable. Stilwell, who had received much of his financial backing from Dutch investors, wanted a community for Dutch immigrants in Southeast Texas. The first such settler was George Rienstra; forty others arrived in November 1897.

As other immigrants followed, Nederland residents began establishing truck and dairy farms. Rice farming was especially popular until overproduction, overspeculation, and the depression of 1907 virtually eliminated the rice industry in Nederland. Many of the recent immigrants left the area. Prosperity was restored by the discovery of the Spindletop oilfield on January 10, 1901. The Sun Oil Company established a major terminal just to the north of Nederland and the Texas Company built a plant a mile south of the community. An interurban rail line tied this area with Beaumont and Port Arthur in 1913. Electricity was provided shortly thereafter, and telephone and gas service became available during the mid-1920s. During the same decade, the Humphrey Oil Company and Pure Oil Company (subsequently Union Oil) built a refinery at Smith's Bluff to the east, drawing large numbers of former Louisiana residents to Nederland. The refineries and related petroleum industries have continued to be the mainstays of the City's economy. The town incorporated on April 29, 1940 and the population reached 3,801 in 1950. Nederland grew rapidly as a residential center during the boom years that followed. By 1970, the number of inhabitants had surpassed 16,000. Though the local economy was hurt by the declining demand for petroleum during the 1980s, the number of businesses in the City increased from 136 in 1972-73 to 401 in 1984-85. The population was reported at 16,855 in 1980, 16,192 in 1990, 17,422 in 2000, 17,547 in 2010, and 18,856 in 2020.

FACTORS AFFECTING FINANCIAL CONDITIONS

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Nederland operates.

Local Economy

The City of Nederland, Texas is located in a metropolitan area in Southeast Texas frequently referred to as the “Golden Triangle” and is a component of the Beaumont-Port Arthur MSA, located in the Mid-County area of Jefferson County. Unfortunately, the recent history of the City has been marred by severe weather and disasters. The City, its residents, and local businesses completed their recovery efforts from the impacts of Hurricane Rita in September 2005, Hurricane Humberto in August 2007, and Hurricane Ike in September 2008; the restoration was a combination of repairs to return structures to pre-storm conditions, of major renovations, and new construction. As a result of this activity, the area was able to grow and experience a major financial boost. In August 2017, the City and region were devastatingly impacted by Tropical Storm Harvey; in September 2019, Tropical Storm Imelda again affected the City and region with the damage much more localized; in 2020, Hurricanes Laura and Delta affected the City and region; and in 2021, Winter Storm Uri affected the City and the State of Texas. Coupled with the damage from these weather disasters and the necessary repairs to homes, businesses, etc., the effects of the COVID-19 pandemic impacted the City and region. In 2022, the area was impacted by the nationwide economic downturn and inflation. During the summer of 2023, an extreme drought impacted the City and the State of Texas.

The regional economy is substantially based on petroleum refining and the production and processing of chemicals and petrochemicals. Area refineries are aggressively expanding their refining infrastructure, several Liquefied Natural Gas facilities are operational and/or under development, and significant construction activity remains in progress to support the personnel and corresponding service needs associated with the industrial projects. These improvements, totaling approximately \$20 billion, have provided massive economic stimulus to communities throughout our regional energy corridor, creating a direct impact on the housing, retail, and service markets.

In 2019, voters approved over \$155M in school bonds; the Nederland Independent School District will complete renovations, improvements, and additions to its elementary and middle schools and build a new high school campus; this work will have an economic and quality life impact for our citizens. City officials and the Nederland Chamber of Commerce continue to aggressively market our community. And the Nederland Economic Development Corporation continues to collaborate with the private sector to provide funding mechanisms that assist in the placement of new businesses in the community.

Over the past several years, ad valorem and sales tax have indicated modest growth. In the past five years, taxable assessable values have increased by over \$389.88M or 34.82%. In 2021, a significant values increase followed the Jefferson County Appraisal District altering their methods of assessing market value; this was done in response to the State Comptroller’s Office property value study that determined all the school districts in Jefferson County failed and values were substantially below market value. During the same five-year period, ad valorem tax revenue has increased by 15.98% or 3.19% annually. For the fiscal years 2019-2020, 2020-2021, 2021-2022, and 2022-2023, the City’s ad valorem tax rate was reduced because increasing property values resulted in the tax rate calculations decreasing. In addition, during the past five years, sales tax collections increased by 15.36% or 3.07% annually; significant increases resulted from the repairs and reconstruction following Hurricanes Laura and Delta and Winter Storm Uri. During this period, industrial in lieu of taxes revenues has increased by 55.16%, which reflects tax rate increases, capital investments in the plants, and expired tax abatements that had helped facilitate the capital improvements.

Looking beyond the past five years, long-term trends in taxable values, ad valorem revenue, and sales tax revenue, as well as the recent instability in the local economy due to oil prices and the post-COVID-19 economic downturn, have resulted in staff conservatively estimating any potential short-term growth. Due to the level of economic growth, the City has previously initiated actions to ensure financial stability while continuing to identify potential improvements for increased operational efficiencies.

In 1994, voters adopted an additional one half of one percent sales and use tax to be used for the promotion and development of new or expanded business enterprises as authorized by Section 4B, Article 5190.6, V.T.C.S. With this additional sales tax revenue, an economic development corporation, also authorized by the Act, was created to promote, assist, and enhance economic and community development activities for the City. In 2007, voters adopted a quarter cent of the City sales tax to be allocated to a Street Improvement Fund by reducing the Section 4B tax to a quarter cent. Funds would be expended on street-related improvement projects. With 81.9% votes of approval, the street sales tax was re-authorized during the May 2023 election.

The following list identifies the major accomplishments that the City has undertaken to improve the community and its economy.

FY 2022-2023 IN REVIEW

- ✓ Reduced the tax rate from \$0.517206 to \$0.481056 per \$100 assessed taxable value (one cent greater than the no-new revenue tax rate); maintained the lowest municipal tax rates in Jefferson County; continued to provide \$15,000 Homestead Tax Exemptions for the elderly and the disabled.
- ✓ Completed street improvements to address the City's transportation network, approximately \$2,629,521, including the hot mix overlay of Helena Avenue (10th St to the Nederland Little League entrance), Gary Avenue (27th St to the concrete by West Chicago), 30th Street (Gary Ave to the concrete on 30th St), Memphis Avenue (34th St to Verna), 34th Street (Canal to Lawrence Ave), Avenue F (S. 14th St to S. 15th St), South 5th Street (Nederland Ave to Ave H to include base failure repairs), South 7th Street (Ave E to Ave H), Avenue E (S. 6th St to S. 7th St), and West Chicago (27th St to Gary Ave to include base failure repairs), concrete street repairs of 21st Street (Helena Ave to Detroit Ave) and Avenue H (29th St to the frontage road) and bomag and chip sealed over three miles of residential neighborhood streets.
- ✓ Completed the Wastewater Treatment Plant Improvements Phase 2 project (\$1,260,060), which included removal and replacement of the submersible lift station pumps, installation of variable frequency drives for the lift station pumps, replacing the existing polymer feed systems, a new mechanical screen at the headworks, and upgrades of the sludge de-watering centrifuges.
- ✓ Completed the installation of generators at four lift stations with Hazard Mitigation Grant Program funding (\$289,620).
- ✓ Completed the Water Main Repairs project near FM 365 and the Drainage District 7 canal (\$196,593).
- ✓ Adjusted Utility Rates to ensure the fiscal stability of services—the water base rate was adjusted by \$0.50 (\$10.50 to \$11), the per 1,000 gallons water rate was adjusted by \$0.12 (\$3.35 to \$3.47 or \$3.36 to \$3.48), the sewer base rate was adjusted by \$0.50 (\$10.90 to \$11.40), the per 1,000 gallons sewer rate was adjusted by \$0.12 (\$5.50 to \$5.62 or \$5.71 to \$5.83), the water and sewer maintenance fees were adjusted by \$0.02 (\$0.34 to \$0.36 respectively), and the solid waste rate was adjusted by \$1.00 (\$20.25 to \$21.25).
- ✓ Received \$156,826.81 in grant funding and donations: \$1,743.05 – Law Enforcement Officer Standards and Education Funds (Police), \$15,810 – Office of the Attorney General Body Worn Camera Grant, \$606.91 – Law Enforcement Officer Standards and Education Funds (Fire), \$18,068.40 – Texas Forest Service (Fire), \$665 – TEEEX Fire School Tuition Grant Voucher (Fire), \$38,000 – Wilton and Effie Mae Hebert Foundation (Library), \$14,323.50 – Hancher Foundation (Library), \$2,000 – Entergy (Parks & Recreation); received donations of \$19,000 from Energy Transfer (Fire), \$8,500 from Phillips 66 (Fire), \$2,500 from Exxon Mobil (Fire), \$1,400 from the Nederland Knights of Columbus (Fire), \$6,106.61 from the Nederland Heritage Foundation (Fire), \$2,500 from the Save the Children Foundation (Library), \$6,000 from the Nederland Heritage Foundation (Parks & Recreation), \$1,400 from the Nederland Knights of Columbus (Police), \$5,949.90 from the Nederland Heritage Foundation, and \$13,996.49 from the Opioid Abatement Settlement.
- ✓ Purchased two patrol units for the Police Department, a truck for the Streets Department, a battery-powered “Jaws of Life” for the Fire Department, a truck for Animal Control, a truck for the I.T. Department, and a garbage truck for the Solid Waste Department.
- ✓ Allocated funding for training and wearing appeal for the Nederland Police Department's Special Response Team.
- ✓ Engaged PGAL for engineering services related to 1308 Boston Avenue (potential emergency management use of the building).
- ✓ Purchased an inclusive playground for Doornbos Park (\$539,040), which includes the playground, swings, rubber surface, shade “canopies,” and warranty.
- ✓ Completed park improvements: Doornbos Park parking lot repair project (\$181,999), the Nederland Swimming Pool Deck project (\$237,078), and installed disc golf stations at Rienstra Park (\$10,000).
- ✓ Utilized the City's Coronavirus Local Fiscal Recovery Funds to continue funding the City of Nederland Non-Profit Partnership Grant Program to assist non-profit organizations impacted by the COVID-19 pandemic, to assist Adaptive Sports for Kids' efforts to install artificial turf at the Babe Ruth baseball field, to assist the Nederland Independent School District's efforts to provide mental health services to NISD students, and to pay for a portion of the inclusive playground costs.
- ✓ Contributed \$25,000 to help fund the NISD Summer Recreation Program.

- ✓ Purchased a new SCADA (supervisory control and data acquisition) system for the Wastewater Treatment Plant and lift stations (\$44,795).
- ✓ Completed the Hurricane Harvey CDBG Disaster Recovery Program to address drainage issues in the Hilldale/Hill Terrace and Nederland Avenue areas between 1st and 3rd Streets (\$2,419,432.41).
- ✓ Commenced the Storm Sewer Improvements project (Seattle Avenue & 27th Street) (\$686,224).
- ✓ Adopted a new Five-Year Capital Improvement Program.
- ✓ Approved a new Memorandum of Understanding with the Nederland Independent School District to increase the number of school resource officers from three to seven.
- ✓ Sold 800 acres of land to Energy Transfer (\$5,969,353) for future industrial development that will strengthen the City's taxbase.
- ✓ Issued the 2023 Certificates of Obligation (\$4,540,000) to be utilized for streets and drainage improvements.
- ✓ Continued to fund spay & neutering program of Nederland residents' pets in an effort to control the pet population and commenced a feline population control program.
- ✓ Continued the strong working relationship with the Nederland Independent School District.
- ✓ Continued to reduce the crime rate.
- ✓ Held community events including the National Night Out, Monsters in the Park, Veterans' Day, holiday decorating, Christmas on the Avenue, "Trash Bash", National Day of Prayer, and the July 4th Fireworks Extravaganza.
- ✓ Awarded for the 25th year in a row the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for the City's annual comprehensive financial report.
- ✓ Continued the partnership with Adaptive Sports for Kids, which provides athletic/recreational activities, such as baseball, soccer, basketball, etc. for children and adults with disabilities.
- ✓ Improved workplace safety and reduced the number of injury claims.
- ✓ Continued the strong relationship with the Nederland Economic Development Corporation and Nederland Chamber of Commerce in order to promote commerce and industrial growth.
- ✓ Continuation of residential and commercial growth in our City that will impact economic growth and opportunities for our citizenry.
- ✓ Continued to assess each City department's delivery of services to ensure the maximum efficiency and effectiveness of tax dollars to provide a better municipal government.

GOALS FOR FISCAL YEAR 2023-2024

- Maintain the lowest municipal tax rates in Jefferson County (\$0.467607 per \$100 assessed taxable value); continue to provide \$15,000 Homestead Tax Exemptions for the elderly and the disabled.
- Adjust City Utility Rates to ensure the long-term fiscal stability of water/wastewater services and solid waste services (increase water base rate, sewer base rate, and solid waste base rate by \$0.50 respectively).
- Continuation of street improvements to improve the transportation network—\$2,025,000.
- Create a new Firefighter position for the Fire Department and four Police Officer positions for the Nederland Police Department.
- Complete the City of Nederland, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021 (issuance value \$4,170,000) projects to include the concrete repairs of Nederland Avenue (the railroad tracks to 3rd Street).
- Commence a Water Treatment Plant clarifier improvement project utilizing the City's allocated Coronavirus Local Fiscal Recovery Funds.
- Utilizing the City's allocated Coronavirus Local Fiscal Recovery Funds, commence a \$500,000 Sewerline Replacement project and a \$1.20M Waterline Replacement project.
- Continue to fund spay & neutering program of Nederland residents' pets in an effort to control the pet population and a feline population control program.
- Purchase four patrol units for the Police Department, a truck for the Wastewater Treatment Plant (WWTP), chlorine scales for the Water Treatment Plant, a grit removal system for the WWTP, a sludge pump for the WWTP, a hoist and jib for the WWTP, and a trash truck for the Solid Waste Department.
- Complete Park improvement to include landscaping improvements and electrical repairs at Tex Ritter Park, installation of the inclusive playground at Doornbos Park, re-surfacing tennis court and repairing the tennis court lights at Doornbos Park, fencing around the waterslide, repairs/improvements to the pond at Doornbos Park, installation of replacement large pavilion at Doornbos Park, and playground mulch and border repairs.

- Complete the Storm Sewer Improvements project (Seattle Avenue & 27th Street) (\$686,224).
- Commence the City of Nederland, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (issuance value \$4,540,000) projects to include street and drainage improvements.
- Install a new electronic sign at the corner of 15th Street and Boston Avenue.
- Commence a “Nederland Citizens Academy” to discuss various issues with the public as part of a citizen engagement/outreach effort.
- Continue to reduce the crime rate.
- Continue to provide community events including “Trash Bash”, Nederland Family Nights at the Pool, Monsters in the Park, holiday decorating, Christmas on the Avenue, National Night Out, Veterans’ Day, Memorial Day, and the 4th of July Fireworks Extravaganza.
- Improve workplace safety and reduce the number of injury claims.
- Continue the strong relationship with the Nederland Economic Development Corporation and Chamber of Commerce in order to promote commerce and industrial growth.
- Continuation of residential and commercial growth in our City that will impact economic growth and opportunities for our citizenry.
- Continue to assess each City department’s delivery of services to ensure the maximum efficiency and effectiveness of tax dollars to provide a better municipal government.

Long-term Financial Planning

Local officials continue to support a strategic and aggressive capital plan for Nederland. Short-term and long-term capital improvement planning is necessary. City staff remains cognizant of the need for long-term fiscal stability. A conservative approach to the budget, including greater efficiency and salary/benefit controls, was required to offset decreases in revenue. While growth will continue in the City and surrounding area, a number of factors, specifically natural disasters and the national economy, may adversely impact Nederland’s long-term planning efforts. The City’s elected officials and management have traditionally maintained a prudent approach to budgeting, the expenditure of funds, and the collection of revenues. This philosophy will remain in place, in addition to continuing to evaluate further opportunities to more efficiently and effectively manage public funds.

Development opportunities continue to be pursued by the Nederland Economic Development Corporation with the greatest focus on the redevelopment. The Nederland EDC actively works with the City of Nederland and Jefferson County. The City’s efforts are focused on industrial development opportunities with Sunoco, Phillips 66, and Air Liquide.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in approved investment pools, and interest-bearing demand deposits. The average yield on investments was 4.545% during fiscal year ended September 30, 2023.

Risk Management

The City’s risk management program includes risks associated with employee health benefits, worker’s compensation, and general liability. The Personnel Department is responsible for the administration of the City’s plan for accident prevention.

Pension and Other Postemployment Benefits

The City provides pension benefits for all full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. As a matter of policy, the City fully funds each year’s annual required contribution to the pension plan as determined by the actuary. The City has funded 97.40% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 25 years as part of the annual required contribution calculated by the actuary.

The City also provides post-retirement health and dental care benefits for certain retirees. Following a two-year study conducted with the help of a retiree insurance committee comprised of city employees, effective July 1, 2012, the City's retiree insurance plan was amended from the "sliding scale benefit" provided since 1996 to a one-time flat rate contribution of no more than \$7,900 to retirees who meet the policy requirements. Effective October 1, 2021, the flat rate contribution was increased to \$8,600. The funds are deposited into a Health Reimbursement Account to be utilized for qualifying medical expenses. Following the policy adoption, the City annually allocates funds in the budget for potential retiree's HRA. The policy revision and annual expense allocation are necessary to manage the City's GASB liability, to be financially prudent, and to properly assist existing and future City retirees. In addition, the City now annually allocates funds in the budget for possible retiree's accrued leave compensation.

Additional information on the City's pension arrangements and post-employment benefits can be found in Note 10 and Note 12 in the notes to the financial statements.

AWARDS AND ACKNOWLEDGMENTS

Awards

The City of Nederland participates in the Certificate of Achievement for Excellence in Financial Reporting Award program sponsored by the Government Finance Officers Association (GFOA). Receiving this prestigious award is the result of achieving the highest standards in governmental accounting and financial reporting. Fiscal year ended September 30, 2022 marked the twenty-sixth consecutive year the City received this annual award. A Certificate of Achievement is valid for a period of one year only. We believe that our fiscal year ended September 30, 2023 Annual Comprehensive Financial Report continues to meet the program requirements and this document will be submitted to GFOA for consideration.

Acknowledgments

The preparation of the Annual Comprehensive Financial Report was made possible by the dedicated service of the entire staff of the City. We would like to express our appreciation to all employees who assisted and contributed to its preparations. We would also like to thank the City Council for their interest and support in planning and conducting financial operations of the City in a responsible and progressive manner. Finally, the City would like to thank and recognize former Finance Director and Assistant City Manager Cheryl Dowden who retired after 30 years of dedicated service.

Respectfully submitted,



Christopher Duque
City Manager



Heather Stucker
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Nederland
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

CITY OF NEDERLAND, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
September 30, 2023

CITY OFFICIALS

ELECTED POSITIONS

Don Albanese

Mayor

Bret Duplant

Council Member - Ward 1

Sylvia Root

Council Member - Ward 2

Randy Sonnier

Council Member - Ward 3, Mayor Pro-Tem

David Guillot

Council Member - Ward 4

KEY STAFF

POSITION

Christopher Duque

City Manager

Heather Stucker

Director of Finance

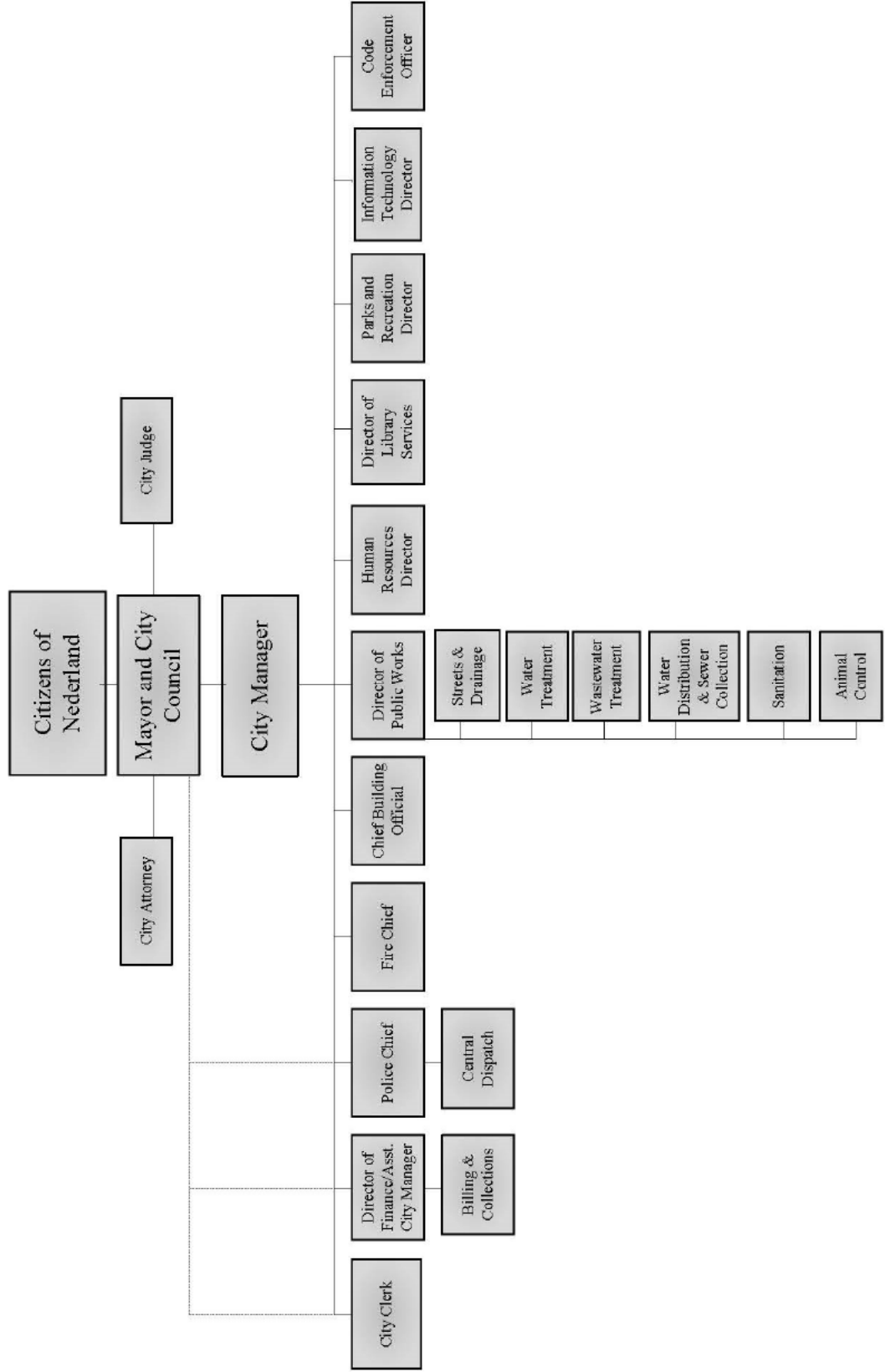
Joni Underwood

City Clerk

Chris Leavins

City Attorney

City of Nederland Organizational Chart



FINANCIAL SECTION

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA
Troy W. Domingue, CPA
Allen W. Fehnel, CPA



Stanley (Chip) Majors, Jr., CPA, CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA
Chris W. Busch, CPA

March 25, 2024

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Nederland, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nederland, 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 Nederland, Texas's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nederland, Texas, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Nederland, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Notes 1 and 13 to the financial statements, for the year ended September 30, 2023, the City of Nederland, Texas adopted new accounting guidance, GASB No. 96, *Subscription Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 of Nederland, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Nederland, Texas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 9; the schedule of changes in net pension liability and related ratios on page 58, the schedule of employer contributions – pension plan on page 59, and the schedule of changes in the total OPEB liability and related ratios on page 60, 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,

To the Honorable Mayor and
Members of City Council
City of Nederland, Texas
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economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nederland, Texas's basic financial statements. The accompanying combining and individual fund statements and schedules 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 GAAS. In our opinion, the supplementary data is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of the City of Nederland, Texas'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 the City of Nederland, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nederland, Texas's internal control over financial reporting and compliance.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Nederland (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. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The net position of the City at the close of the most recent fiscal year was \$114,935,419. This number must be viewed in the context that the majority of the City's net position of \$62,816,593 (54.66%) is the net investment in capital assets and that most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The net position restricted for specific purposes totals \$832,326 (0.72%). The remaining \$51,286,500 (44.62%) is the unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net position increased by \$10,472,205 in fiscal year 2023.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$47,092,894. Within this total \$235,947 is non-spendable for prepaid items, \$15,464,380 is restricted by specific legal requirements, such as by debt covenants and \$11,077,426 has been committed and assigned to specific expenditures. The remaining \$20,315,141 is unassigned fund balance in the general fund and can be used for any lawful purpose.

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 are comprised of four components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis and multi-year funding progress on the City's pension plan. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

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, deferred outflows of resources and deferred inflows of resources, and liabilities, with the difference between them 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 when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 works, public safety, cultural and recreation, and administration and general. The business-type activities of the City include two enterprise activities; water and sewer system and a solid waste system. The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements - A fund is a self-balancing set of 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 two categories- governmental funds and proprietary funds.

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. Non-financial assets such as governmental buildings, roads, drainage ways, park land and long-term liabilities such as bonds payable or long-term liabilities that will not be paid with current assets are excluded. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 eight governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Capital Improvement Fund and Debt Service Fund. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the Annual Comprehensive Financial Report. The basic governmental funds financial statements can be found on pages 12-15.

Proprietary Funds - The City maintains one type of proprietary fund. Enterprise 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, and solid waste operations.

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 and Solid Waste operations since they are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 17-20 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-57 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this Report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. The City's net position was \$114,935,419 as of September 30, 2023. The largest portion of the City's net position (54.66%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (0.72%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$51,286,500 (44.62%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Net Position September 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 53,577,145	\$ 45,700,156	\$ 12,757,362	\$ 14,576,050	\$ 66,334,507	\$ 60,276,206
Capital Assets	48,112,600	45,801,988	30,457,824	31,825,227	78,570,424	77,627,215
Total Assets	<u>101,689,745</u>	<u>91,502,144</u>	<u>43,215,186</u>	<u>46,401,277</u>	<u>144,904,931</u>	<u>137,903,421</u>
Deferred Outflows	<u>3,950,668</u>	<u>947,018</u>	<u>1,807,238</u>	<u>507,047</u>	<u>5,757,906</u>	<u>1,454,065</u>
Current Liabilities	8,438,343	8,734,329	1,494,039	1,405,011	9,932,382	10,139,340
Long-term Liabilities						
Outstanding	<u>24,304,501</u>	<u>20,485,983</u>	<u>976,799</u>	<u>595,394</u>	<u>25,281,300</u>	<u>21,081,377</u>
Total Liabilities	<u>32,742,844</u>	<u>29,220,312</u>	<u>2,470,838</u>	<u>2,000,405</u>	<u>35,213,682</u>	<u>31,220,717</u>
Deferred Inflows	<u>330,530</u>	<u>3,194,436</u>	<u>183,206</u>	<u>1,423,931</u>	<u>513,736</u>	<u>4,618,367</u>
Net Position						
Net Investment in						
Capital Assets	42,646,823	40,971,988	30,457,824	31,825,227	62,816,593	61,802,215
Restricted	685,461	755,984	146,865	145,908	832,326	901,892
Unrestricted	<u>29,234,755</u>	<u>18,306,442</u>	<u>11,763,691</u>	<u>11,512,853</u>	<u>51,286,500</u>	<u>40,814,295</u>
Total Net Position	<u>\$ 72,567,039</u>	<u>\$ 60,034,414</u>	<u>\$ 42,368,380</u>	<u>\$ 43,483,988</u>	<u>\$ 114,935,419</u>	<u>\$ 103,518,402</u>

Governmental activities: Governmental activities increased the City's net position by \$12,532,625. The increase is due to several factors including greater than anticipated revenues from the City's investment earnings, sales tax revenue, and gain on sale of asset. Interest earnings were greater than expected due to higher interest rates.

Business type activities. Business-type activities decreased the City's net position by \$(1,115,610). The decrease is attributable to net transfers out of \$1,237,082.

The following table provides a summary of the City's operations for year ended September 30, 2023 with comparative totals for year ended September 30, 2022.

Changes in Net Position

For the fiscal years ended September 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for Services	\$ 517,909	\$ 456,836	\$ 7,803,685	\$ 7,356,538	\$ 8,321,594	\$ 7,813,374
Operating Grants and Contributions	672,206	423,357	-	-	672,206	423,357
Capital Grants and Contributions	2,607,925	393,628	-	-	2,607,925	393,628
General Revenues						
Property Taxes	7,194,758	7,355,668	-	-	7,194,758	7,355,668
Industrial Payments	3,422,362	3,393,818	-	-	3,422,362	3,393,818
Sales Tax	5,331,877	5,038,818	-	-	5,331,877	5,038,818
Gross Receipts Tax	1,177,004	1,190,861	-	-	1,177,004	1,190,861
Gain on Disposal of Asset	4,430,676	-	-	-	4,430,676	-
Interest	1,967,150	264,118	483,038	68,639	2,450,188	332,757
Miscellaneous	319,119	254,087	228,726	503,190	547,845	757,277
Total Revenues	<u>27,640,986</u>	<u>18,771,191</u>	<u>8,515,449</u>	<u>7,928,367</u>	<u>36,156,435</u>	<u>26,699,558</u>
Expenses						
General Government	2,372,670	449,270	-	-	2,372,670	449,270
Public Safety	8,126,261	7,806,689	-	-	8,126,261	7,806,689
Public Works	1,843,611	2,615,939	-	-	1,843,611	2,615,939
Culture and Recreation	2,787,869	1,614,322	-	-	2,787,869	1,614,322
Administrative and General	612,849	684,655	-	-	612,849	684,655
Interest on Long Term Debt	602,183	540,320	-	-	602,183	540,320
Other Debt Service	-	-	-	-	-	-
Water & Sewer	-	-	6,893,325	5,476,973	6,893,325	5,476,973
Solid Waste	-	-	1,500,652	1,433,683	1,500,652	1,433,683
Total Expenses	<u>16,345,443</u>	<u>13,711,195</u>	<u>8,393,977</u>	<u>6,910,656</u>	<u>24,739,420</u>	<u>20,621,851</u>
Increase (Decrease) in Net Position before Transfers	11,295,543	5,059,996	121,472	1,017,711	11,417,015	6,077,707
Transfers	<u>1,237,082</u>	<u>567,267</u>	<u>(1,237,082)</u>	<u>(363,417)</u>	<u>-</u>	<u>203,850</u>
Increase in Net Position	12,532,625	5,627,263	(1,115,610)	654,294	11,417,015	6,281,557
Net Position-Beginning of Year	60,034,414	54,407,151	43,483,990	42,829,694	103,518,404	97,236,845
Net Position-End of Year	<u>\$ 72,567,039</u>	<u>\$ 60,034,414</u>	<u>\$ 42,368,380</u>	<u>\$ 43,483,988</u>	<u>\$ 114,935,419</u>	<u>\$ 103,518,402</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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 financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$47.1 million, an increase of \$13,195,880 over the prior year. The increase is mainly attributable to issuance of debt in the amount of \$5,123,653 and proceeds from sale of asset in the amount of \$5,941,410. Approximately \$20.3 million of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and committed to indicate that it is not available for new spending because it has already been committed to prepaid items \$235,947, restricted for payment of debt service \$63,600, restricted for Capital Acquisition and Contractual Obligations \$15,112,551, restricted for Public Safety \$144,625, and restricted for Culture and Recreation \$143,604. In addition, \$10,254,579 is committed for capital projects and \$822,847 is assigned for Culture and Recreation.

The General Fund is the chief operating fund of the City. At September 30, 2023, the unassigned fund balance of the General Fund was \$20,315,141 while total fund balance was \$26,656,834. 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 fund expenditures (including transfers out). Unassigned fund balance represents 92.45% of total general fund expenditures (including transfers out), while total fund balance represents 121.30% of that same amount.

Fund balance of the City's General Fund increased by \$2,188,073 during 2023. This increase was primarily due to increases in sales tax revenue, investment earnings and proceeds from sale of capital assets.

The Debt Service Fund has a total fund balance of \$63,600. The net decrease in fund balance during the fiscal year 2023 in this fund was \$(86,762). The Debt Service Fund is funded with property tax revenue at the level necessary to meet debt service requirements.

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

The unrestricted net position at the end of the year amounted to \$7,387,550 for the Water and Sewer Fund, and \$4,376,141 for the Solid Waste Fund. The change in net position for the enterprise funds in 2023 were a decrease of \$(1,551,576) for the Water & Sewer Fund and an increase of \$435,966 for the Solid Waste Fund.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase in budgeted expenditures from the original budget of \$3,115,936 or 22.6%. The major changes were Highways and Streets increased \$1,823,758, Parks and Recreation increased \$852,262, and Police increased \$180,900. During the year budgeted revenues increased \$2,115,901 from the original budget which was attributable to increased investment earnings, better than expected sales tax collections and industrial in lieu of tax contract collections.

Major variances between budget and actual occurred in sales tax revenue.

The City's highway and street expenditures were \$946,055 less than the budget due to added street projects and delays. Police expenditures were budget by \$240,245 less than budget.

CAPITAL ASSETS

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2023, amounted to \$78,570,424 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements, and equipment. The total increase in capital assets for the current fiscal year was approximately 1.22% (5.04% increase for governmental activities and (4.30)% decrease in business-type activities.)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 3,087,044	\$ 4,597,778	\$ -	\$ -	\$ 3,087,044	\$ 4,597,778
Construction in Progress	5,143,874	1,737,962	587,567	4,267,238	5,731,441	6,005,200
Buildings	15,586,412	15,576,156	21,450,340	21,450,340	37,036,752	37,026,496
Improvements other than Buildings	-	-	40,815,150	37,882,573	40,815,150	37,882,573
Machinery and Equipment	8,865,682	8,125,664	6,333,760	5,794,329	15,199,442	13,919,993
Infrastructure	50,644,064	48,658,102	-	-	50,644,064	48,658,102
Right to use - Equipment	45,204	27,617	-	-	45,204	27,617
	<u>83,372,280</u>	<u>78,723,279</u>	<u>69,186,817</u>	<u>69,394,480</u>	<u>152,559,097</u>	<u>148,117,759</u>
Less: Accumulated Depreciation	<u>(35,259,680)</u>	<u>(32,921,291)</u>	<u>(38,728,993)</u>	<u>(37,569,253)</u>	<u>(73,988,673)</u>	<u>(70,490,544)</u>
Capital Assets, net	<u>\$ 48,112,600</u>	<u>\$ 45,801,988</u>	<u>\$ 30,457,824</u>	<u>\$ 31,825,227</u>	<u>\$ 78,570,424</u>	<u>\$ 77,627,215</u>

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

- Purchase of Inclusive Playground for Doornbos Park at a cost of \$539,040
- Doornbos Park parking lot rehabilitation totaling \$181,999
- Purchase of Solid Waste Autocar Garbage Truck at a cost of \$401,599
- Street Improvements including HMAC at a cost of \$1,134,385 and concrete at a cost of \$1,395,136
- Wastewater Treatment Plant Improvements and installation of generators at four lift stations at a cost of \$1,549,680 and install SCADA system at a cost of \$47,795

Additional information on the City's capital assets can be found in Note 1 on page 27 and Note 5 on pages 37-38 of this report.

DEBT ADMINISTRATION

Long-Term Debt

Long-term debt. At September 30, 2023, the City had \$24,013,881 of long-term debt.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General & Certificates of Obligations	\$ 1,890,000	\$ 2,735,000	\$ -	\$ -	\$ 1,890,000	\$ 2,735,000
Tax & Revenue CO's	20,310,000	17,070,000	-	-	20,310,000	17,070,000
Unamortized Bond Premium	1,538,881	1,218,000	-	-	1,538,881	1,218,000
Tax Notes Payable	<u>275,000</u>	<u>410,000</u>	<u>-</u>	<u>-</u>	<u>275,000</u>	<u>410,000</u>
	<u>\$ 24,013,881</u>	<u>\$ 21,433,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,013,881</u>	<u>\$ 21,433,000</u>

Total long-term debt outstanding at September 30, 2023 increased by \$2,580,881 over September 30, 2022.

The City's General Obligation bond rating is AA.

Additional information regarding the City's long-term debt can be found in Note 8 on pages 40-42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Under ideal conditions, preparing the proposed budget would not require the consideration of an increase in taxes or fees or the reduction of service levels. In prior years, increases in assessed value and other revenue categories have been sufficient to fund City Council supported programs, including aggressive capital improvements. Although economic conditions have improved, Administration continues to evaluate all aspects of City services and apply the most effective and efficient method of program funding and service delivery.

The City of Nederland's budget for fiscal year 2024 includes a small increase in property tax revenue due to properties added to the tax roll and increased property values. The tax rate decreased from fiscal year 2023's rate of .481056 to 2024's rate of .467607 per \$100 valuation. On the expenditure side, five new public safety positions are budgeted. The general fund is budgeted to have a decrease in fund balance of \$1,250,000.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Nederland, Finance Department, P. O. Box 967, Nederland, Texas, 77627.

BASIC FINANCIAL STATEMENTS

CITY OF NEDERLAND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Nonmajor Component Unit
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 2,943,049	\$ 1,127,474	\$ 4,070,523	\$ 351,158
Investments - Current	45,838,807	8,953,894	54,792,701	6,896,833
Taxes Receivable, Net	369,145	-	369,145	82,361
Accounts Receivable, Net	3,540,822	983,815	4,524,637	-
Due from Other Funds	294,547	-	294,547	-
Due from Component Unit	69,023	-	69,023	-
Due from Other Governments	13,275	-	13,275	-
Due from Others	106,393	-	106,393	-
Inventories	-	215,444	215,444	-
Prepaid Items	238,460	294,547	533,007	34,287
Total current assets	53,413,521	11,575,174	64,988,695	7,364,639
Noncurrent assets:				
Cash and Cash Equivalents	-	282,693	282,693	-
Investments	-	899,495	899,495	-
Capital Assets:				
Land Purchase and Improvements	3,087,044	-	3,087,044	689,147
Infrastructure and Improvements, Net	29,374,978	17,990,315	47,365,293	-
Buildings, Net	7,539,192	9,402,651	16,941,843	1,744,212
Machinery and Equipment, Net	2,934,969	2,477,291	5,412,260	7,431
Right-to-Use Leased Assets, Net	32,543	-	32,543	-
Construction in Progress	5,143,874	587,567	5,731,441	-
SBITA Asset, Net	163,624	-	163,624	-
Total noncurrent assets	48,276,224	31,640,012	79,916,236	2,440,790
Total assets	101,689,745	43,215,186	144,904,931	9,805,429
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to Pension Plan	3,787,136	1,735,237	5,522,373	98,177
Deferred Outflow Related to OPEB	163,532	72,001	235,533	30,602
Total Deferred Outflows of Resources	3,950,668	1,807,238	5,757,906	128,779

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

EXHIBIT A

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Nonmajor Component Unit
LIABILITIES				
Current liabilities:				
Accounts Payable	\$ 1,220,654	\$ 202,416	\$ 1,423,070	\$ 192
Wages and Salaries Payable	164,836	48,412	213,248	-
Compensated Absences Payable	241,199	49,169	290,368	-
Refundable Customer Deposits	-	899,495	899,495	-
Retainage Payable	383,309	-	383,309	-
Intergovernmental Payable	36,392	-	36,392	-
Due to Other Funds	-	294,547	294,547	69,023
Accrued Interest Payable	70,628	-	70,628	-
Unearned Revenues	3,922,371	-	3,922,371	15,448
Right-to-Use Lease Payable	8,010	-	8,010	-
SBITA Liability - Current	94,172	-	94,172	-
Bonds Payable - Current	2,296,772	-	2,296,772	-
Total Current Liabilities	8,438,343	1,494,039	9,932,382	84,663
Noncurrent Liabilities:				
Bonds Payable - Noncurrent	21,717,109	-	21,717,109	-
Compensated Absences	350,617	61,338	411,955	-
Right-to-Use Lease Payable	24,857	-	24,857	-
Net Pension Liability	1,179,639	514,670	1,694,309	29,302
Net OPEB Liability	959,468	400,791	1,360,259	157,887
SBITA Liability - Noncurrent	72,811	-	72,811	-
Total Noncurrent Liabilities	24,304,501	976,799	25,281,300	187,189
Total Liabilities	32,742,844	2,470,838	35,213,682	271,852
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Pension Plan	57,643	35,729	93,372	12,470
Deferred Inflow Related to OPEB	272,887	147,477	420,364	80,430
Total Deferred Inflows of Resources	330,530	183,206	513,736	92,900
NET POSITION				
Net Investment in Capital Assets	42,646,823	30,457,824	62,816,593	2,440,790
Restricted for:				
Restricted for Debt Service	174,714	146,865	321,579	-
Restricted for Public Works	222,518	-	222,518	-
Restricted for Other Funds	288,229	-	288,229	-
Unrestricted	29,234,755	11,763,691	51,286,500	7,128,666
Total Net Position	\$ 72,567,039	\$ 42,368,380	\$ 114,935,419	\$ 9,569,456

CITY OF NEDERLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 2,372,670	\$ -	\$ -	\$ -
Public Safety	8,126,261	332,391	346,913	-
Public Works	1,843,611	111,311	-	2,607,925
Culture and Recreation	2,787,869	74,207	283,656	-
Administrative and General	612,849	-	41,637	-
Interest on Debt and Cost of Issuance	602,183	-	-	-
Total Governmental Activities	<u>16,345,443</u>	<u>517,909</u>	<u>672,206</u>	<u>2,607,925</u>
BUSINESS-TYPE ACTIVITIES:				
Water and Sewer Fund	6,893,325	5,945,781	-	-
Solid Waste Fund	1,500,652	1,857,904	-	-
Total Business-Type Activities	<u>8,393,977</u>	<u>7,803,685</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 24,739,420</u>	<u>\$ 8,321,594</u>	<u>\$ 672,206</u>	<u>\$ 2,607,925</u>
Component Unit:				
Nonmajor Component Unit	\$ 725,968	\$ -	\$ -	\$ -
TOTAL COMPONENT UNIT	<u>\$ 725,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Sales Tax

In Lieu of Tax Contracts

Other Taxes

Penalty and Interest on Taxes

Gain on Disposal of Asset

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

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.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Nonmajor Component Unit
\$ (2,372,670)	\$ -	\$ (2,372,670)	\$ -
(7,446,957)	-	(7,446,957)	-
875,625	-	875,625	-
(2,430,006)	-	(2,430,006)	-
(571,212)	-	(571,212)	-
(602,183)	-	(602,183)	-
<u>(12,547,403)</u>	<u>-</u>	<u>(12,547,403)</u>	<u>-</u>
-	(947,544)	(947,544)	-
-	357,252	357,252	-
-	(590,292)	(590,292)	-
<u>(12,547,403)</u>	<u>(590,292)</u>	<u>(13,137,695)</u>	<u>-</u>
-	-	-	(725,968)
-	-	-	(725,968)
7,108,862	-	7,108,862	-
5,331,877	-	5,331,877	1,066,375
3,422,362	-	3,422,362	-
1,177,004	-	1,177,004	-
85,896	-	85,896	-
4,430,676	-	4,430,676	-
319,119	228,726	547,845	42,112
1,967,150	483,038	2,450,188	312,562
1,237,082	(1,237,082)	-	-
<u>25,080,028</u>	<u>(525,318)</u>	<u>24,554,710</u>	<u>1,421,049</u>
12,532,625	(1,115,610)	11,417,015	695,081
<u>60,034,414</u>	<u>43,483,990</u>	<u>103,518,404</u>	<u>8,874,375</u>
<u>\$ 72,567,039</u>	<u>\$ 42,368,380</u>	<u>\$ 114,935,419</u>	<u>\$ 9,569,456</u>

CITY OF NEDERLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

EXHIBIT C

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,801,141	\$ 38,790	\$ 919,432	\$ 183,686	\$ 2,943,049
Investments - Current	32,362,493	195,931	13,147,100	133,283	45,838,807
Taxes Receivable	304,810	139,943	-	-	444,753
Allowance for Uncollectible Taxes (credit)	(51,818)	(23,790)	-	-	(75,608)
Accounts Receivable Net	625,192	-	-	56,242	681,434
Due from Other Governments	20,093	3,817	2,607,926	-	2,631,836
Due from Others	106,393	-	-	-	106,393
Due from Other Funds	474,524	-	3,933,904	-	4,408,428
Due from Component Unit	69,023	-	-	-	69,023
Prepaid Items	235,947	-	-	2,513	238,460
Total Assets	<u>\$ 35,947,798</u>	<u>\$ 354,691</u>	<u>\$ 20,608,362</u>	<u>\$ 375,724</u>	<u>\$ 57,286,575</u>
LIABILITIES					
Accounts Payable	\$ 877,319	\$ -	\$ 292,966	\$ 50,369	\$ 1,220,654
Wages and Salaries Payable	164,836	-	-	-	164,836
Retainage Payable	152,144	-	231,165	-	383,309
Intergovernmental Payable	36,392	-	-	-	36,392
Due to Other Funds	3,933,904	179,977	-	-	4,113,881
Unearned Revenues	3,885,245	-	-	37,126	3,922,371
Total Liabilities	<u>9,049,840</u>	<u>179,977</u>	<u>524,131</u>	<u>87,495</u>	<u>9,841,443</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	241,124	111,114	-	-	352,238
Total Deferred Inflows of Resources	<u>241,124</u>	<u>111,114</u>	<u>-</u>	<u>-</u>	<u>352,238</u>
FUND BALANCES					
Nonspendable Fund Balance: Prepaid Items	235,947	-	-	-	235,947
Restricted Fund Balance: Capital Acquisition and Contractual Obligation	5,282,899	-	9,829,652	-	15,112,551
Retirement of Long-Term Debt	-	63,600	-	-	63,600
Other Restricted Fund Balance	-	-	-	288,229	288,229
Committed Fund Balance: Other Committed Fund Balance	-	-	10,254,579	-	10,254,579
Assigned Fund Balance: Other Assigned Fund Balance	822,847	-	-	-	822,847
Unassigned Fund Balance	20,315,141	-	-	-	20,315,141
Total Fund Balances	<u>26,656,834</u>	<u>63,600</u>	<u>20,084,231</u>	<u>288,229</u>	<u>47,092,894</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 35,947,798</u>	<u>\$ 354,691</u>	<u>\$ 20,608,362</u>	<u>\$ 375,724</u>	<u>\$ 57,286,575</u>

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

CITY OF NEDERLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

EXHIBIT C-1

Total Fund Balances - Governmental Funds	\$47,092,894
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	48,112,600
Subscription-based information technology arrangements used in governmental activities are not financial resources and, therefore, are not reported in the funds.	163,624
Deferred outflow of resources are not reported in the governmental funds:	3,950,668
Deferred outflows related to pension	\$ 3,787,136
Deferred outflows related to OPEB	163,532
Long-term liabilities, including lease and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(24,213,731)
OPEB liability is not due and payable in the current period and, therefore, is not reported in the funds.	(959,468)
Pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(1,179,639)
Compensated absences that are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(591,816)
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	352,238
Accrued interest on bonds is not reported in the funds	(70,628)
Deferred inflow of resources are not reported in the governmental funds.	(330,530)
Warrants and fines outstanding are not recorded as revenue in the governmental funds because they are not considered measurable and available. However, in the Statement of Net Position, they are considered accounts receivable and recorded.	240,827
Net Position of Governmental Activities	<u><u>\$ 72,567,039</u></u>

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

CITY OF NEDERLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT D

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property Taxes	\$ 5,126,279	\$ 1,954,114	\$ -	\$ -	\$ 7,080,393
Sales Tax	5,331,877	-	-	-	5,331,877
In Lieu of Tax Contracts	3,422,362	-	-	-	3,422,362
Other Taxes	1,081,707	-	-	95,297	1,177,004
Penalty and Interest on Taxes	60,271	25,625	-	-	85,896
Grants and Private Contributions	570,735	-	2,607,926	101,470	3,280,131
Forfeitures	-	-	-	999	999
Charges for Services	185,518	-	-	-	185,518
Fines and Court Costs	323,943	-	-	6,583	330,526
Investment Earnings	1,480,813	8,894	467,583	9,860	1,967,150
Other Revenue	163,474	-	131,812	22,831	318,117
Total Revenues	<u>17,746,979</u>	<u>1,988,633</u>	<u>3,207,321</u>	<u>237,040</u>	<u>23,179,973</u>
EXPENDITURES:					
Current:					
General Government	1,427,534	-	321,579	-	1,749,113
Public Safety	7,618,539	-	2,429,463	65,591	10,113,593
Public Works	3,482,885	-	382,999	-	3,865,884
Culture and Recreation	2,467,913	-	-	161,714	2,629,627
Administrative and General	662,035	-	-	-	662,035
Debt Service:					
Principal on Debt	-	2,280,000	-	-	2,280,000
Interest on Debt	-	758,833	-	-	758,833
Other Debt Service	-	2,300	120,399	-	122,699
Capital Outlay:					
Capital Outlay	-	-	104,454	-	104,454
Total Expenditures	<u>15,658,906</u>	<u>3,041,133</u>	<u>3,358,894</u>	<u>227,305</u>	<u>22,286,238</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,088,073</u>	<u>(1,052,500)</u>	<u>(151,573)</u>	<u>9,735</u>	<u>893,735</u>
OTHER FINANCING SOURCES (USES):					
Issuance of Debt	-	-	5,123,653	-	5,123,653
Sale of Capital Assets	5,941,410	-	-	-	5,941,410
Transfers In	475,000	965,738	6,316,410	-	7,757,148
Transfers Out	<u>(6,316,410)</u>	<u>-</u>	<u>(203,656)</u>	<u>-</u>	<u>(6,520,066)</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>965,738</u>	<u>11,236,407</u>	<u>-</u>	<u>12,302,145</u>
Net Change in Fund Balances	2,188,073	(86,762)	11,084,834	9,735	13,195,880
Fund Balance - Beginning	<u>24,468,761</u>	<u>150,362</u>	<u>8,999,397</u>	<u>278,494</u>	<u>33,897,014</u>
Fund Balance - Ending	<u>\$ 26,656,834</u>	<u>\$ 63,600</u>	<u>\$ 20,084,231</u>	<u>\$ 288,229</u>	<u>\$ 47,092,894</u>

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

CITY OF NEDERLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT D-1

Total Net Change in Fund Balances - Governmental Funds \$ 13,195,880

Revenues in the Statement of Activities that do not provide current financial resources
are not reported as revenues in the funds. 30,334

Prior year deferred property taxes	\$	(323,769)
Current year deferred property taxes		352,238
Prior year warrants and fines		(238,962)
Current year warrants and fines		240,827

Governmental funds report capital outlays as expenditures. However, in the Statement
of Activities the cost of those assets is allocated over their estimated useful lives and
reported as depreciation. 2,293,025

Capital outlays	\$	6,250,946
Disposal of capital assets		(2,447,187)
Depreciation		(1,510,734)

The issuance of long-term debt provides current financial resources to governmental
funds, while the repayment of the principal of long-term debt consumes the current
financial resources of governmental funds; however, neither transaction has an
effect on net position. (2,840,132)

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in the
governmental funds. Conversely, certain items reported as expenditures in the
governmental funds are considered assets in the government-wide statements. (146,482)

Bond premium amortization	\$	262,772
Increase in pension liability, inflows and outflows		(517,208)
Decrease in OPEB liability, inflows and outflows		20,777
Increase in compensated absences		98,928
Increase in interest payable		(11,751)

Change in Net Position of Governmental Activities \$ 12,532,625

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

CITY OF NEDERLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT E

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Over or (Under)
REVENUES:				
Taxes:				
Property Taxes	\$ 4,938,900	\$ 4,938,900	\$ 5,126,279	\$ 187,379
Sales Tax	4,000,000	4,225,000	5,331,877	1,106,877
In Lieu of Tax Contracts	2,644,090	3,334,991	3,422,362	87,371
Other Taxes	996,100	996,100	1,081,707	85,607
Penalty and Interest	55,000	55,000	60,271	5,271
Grants and Private Contributions	280,000	280,000	570,735	290,735
Charges for Services	235,500	235,500	185,518	(49,982)
Fines and Court Costs	256,000	256,000	323,943	67,943
Investment Earnings	22,500	1,222,500	1,480,813	258,313
Other Revenue	75,000	75,000	163,474	88,474
Total Revenues	13,503,090	15,618,991	17,746,979	2,127,988
EXPENDITURES:				
Current:				
General Government:				
City Council	23,354	23,354	23,184	170
Legal	85,790	85,790	77,594	8,196
City Manager	548,756	457,855	435,671	22,184
Financial Administration	443,095	471,095	448,049	23,046
Personnel	381,511	391,011	373,638	17,373
Civil Service	4,150	4,150	1,839	2,311
City Hall	65,150	102,250	67,559	34,691
Public Safety:				
Police	5,014,383	5,195,283	4,955,038	240,245
Fire Protection	2,262,265	2,353,796	2,300,585	53,211
Protective Inspections	266,881	270,386	254,739	15,647
Code Enforcement	111,939	114,239	108,177	6,062
Public Works	392,423	427,298	412,299	14,999
Highways and Streets	2,029,026	3,852,784	2,906,729	946,055
Animal Control	154,850	165,650	163,857	1,793
Culture and Recreation:				
Parks and Recreation	905,925	1,758,187	1,892,190	(134,003)
Libraries	552,592	592,592	575,723	16,869
Administrative and General	571,000	663,306	662,035	1,271
Total Expenditures	13,813,090	16,929,026	15,658,906	1,270,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	(310,000)	(1,310,035)	2,088,073	(1,620,035)
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	-	5,941,410	5,941,410	-
Transfers In	485,000	810,000	475,000	(335,000)
Transfers Out (Use)	(175,000)	(6,341,410)	(6,316,410)	25,000
Total Other Financing Sources (Uses)	310,000	410,000	100,000	(310,000)
Change in Fund Balance	-	(900,035)	2,188,073	3,088,108
Fund Balance - Beginning	24,468,761	24,468,761	24,468,761	-
Fund Balance - Ending	\$ 24,468,761	\$ 23,568,726	\$ 26,656,834	\$ 3,088,108

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

CITY OF NEDERLAND

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 200,492	\$ 926,982	\$ 1,127,474
Investments - Current	5,662,307	3,291,587	8,953,894
Accounts Receivable Net	772,105	211,710	983,815
Inventories	215,444	-	215,444
Prepaid Item	294,547	-	294,547
Total Current Assets	<u>7,144,895</u>	<u>4,430,279</u>	<u>11,575,174</u>
Noncurrent Assets:			
Cash and Cash Equivalents	282,693	-	282,693
Investments	899,495	-	899,495
Capital Assets:			
Infrastructure and Improvements	40,815,150	-	40,815,150
Accumulated Depreciation - Infra. & Improvements	(22,824,835)	-	(22,824,835)
Buildings	21,450,340	-	21,450,340
Accumulated Depreciation - Buildings	(12,047,689)	-	(12,047,689)
Machinery and Equipment	3,439,894	2,893,866	6,333,760
Accumulated Depreciation - Machinery & Equipment	(2,081,634)	(1,774,835)	(3,856,469)
Construction in Progress	587,567	-	587,567
Total Noncurrent Assets	<u>30,520,981</u>	<u>1,119,031</u>	<u>31,640,012</u>
Total Assets	<u>37,665,876</u>	<u>5,549,310</u>	<u>43,215,186</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	1,472,332	262,905	1,735,237
Deferred Outflow Related to OPEB	52,354	19,647	72,001
Total Deferred Outflows of Resources	<u>1,524,686</u>	<u>282,552</u>	<u>1,807,238</u>

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

EXHIBIT F

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	163,461	38,955	202,416
Wages and Salaries Payable	35,709	12,703	48,412
Due to Other Funds	294,547	-	294,547
Compensated Absences Payable	31,399	17,770	49,169
Refundable Customer Deposits	899,495	-	899,495
Total Current Liabilities	1,424,611	69,428	1,494,039
Noncurrent Liabilities:			
Compensated Absences	44,402	16,936	61,338
Net Pension Liability	428,145	86,525	514,670
Net OPEB Liability	291,484	109,307	400,791
Total Noncurrent Liabilities	764,031	212,768	976,799
Total Liabilities	2,188,642	282,196	2,470,838
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	22,602	13,127	35,729
Deferred Inflow Related to OPEB	106,110	41,367	147,477
Total Deferred Inflows of Resources	128,712	54,494	183,206
NET POSITION			
Net Investment in Capital Assets	29,338,793	1,119,031	30,457,824
Restricted for Debt Service	146,865	-	146,865
Unrestricted	7,387,550	4,376,141	11,763,691
Total Net Position	\$ 36,873,208	\$ 5,495,172	\$ 42,368,380

CITY OF NEDERLAND

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT G

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Water Services	\$ 2,617,135	\$ -	\$ 2,617,135
Charges for Sewerage Services	3,328,646	-	3,328,646
Charges for Sanitation Services	-	1,857,904	1,857,904
Penalties and Interest	165,641	-	165,641
Other Revenue	53,421	9,664	63,085
Total Operating Revenues	6,164,843	1,867,568	8,032,411
OPERATING EXPENSES:			
Other Operating Costs			
Water Treatment	2,158,269	-	2,158,269
Water and Sewer Distribution	952,106	-	952,106
Wastewater Treatment	1,234,469	-	1,234,469
Billings and Collections	573,726	-	573,726
Solid Waste	-	1,275,718	1,275,718
Other Operating Expenses	24,310	-	24,310
Total Other Operating Costs	4,942,880	1,275,718	6,218,598
Depreciation	1,950,445	224,934	2,175,379
Total Operating Expense	6,893,325	1,500,652	8,393,977
Operating Income	(728,482)	366,916	(361,566)
NONOPERATING REVENUES (EXPENSES):			
Investment Earnings	313,988	169,050	483,038
Total Nonoperating Revenue (Expenses)	313,988	169,050	483,038
Income Before Transfers	(414,494)	535,966	121,472
Transfers In	203,656	-	203,656
Transfers Out	(1,340,738)	(100,000)	(1,440,738)
Change in Net Position	(1,551,576)	435,966	(1,115,610)
Total Net Position - Beginning	38,424,784	5,059,206	43,483,990
Total Net Position - Ending	\$ 36,873,208	\$ 5,495,172	\$ 42,368,380

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

CITY OF NEDERLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT H

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$ 6,197,013	\$ 2,030,238	\$ 8,227,251
Cash Payments to Employees for Services	(1,560,181)	(505,625)	(2,065,806)
Cash Payments for Goods and Services	(3,229,394)	(769,873)	(3,999,267)
Other Operating Cash Receipts	53,421	9,664	63,085
Net Cash Provided by Operating Activities	<u>1,460,859</u>	<u>764,404</u>	<u>2,225,263</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Transfer from Other Funds	203,656	-	203,656
Transfers to Other Funds	<u>(1,340,738)</u>	<u>(100,000)</u>	<u>(1,440,738)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(1,137,082)</u>	<u>(100,000)</u>	<u>(1,237,082)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	<u>(386,757)</u>	<u>(421,217)</u>	<u>(807,974)</u>
<u>Cash Flows from Investing activities:</u>			
Purchase of Investment Securities	(208,790)	196,636	(12,154)
Investment Income	<u>313,988</u>	<u>169,050</u>	<u>483,038</u>
Net Cash Provided by (Used for) Investing Activities	<u>105,198</u>	<u>365,686</u>	<u>470,884</u>
Net Increase (Decrease) in Cash and Cash Equivalents	42,218	608,873	651,091
Cash and Cash Equivalents at the Beginning of the Year	<u>440,967</u>	<u>318,109</u>	<u>759,076</u>
Cash and Cash Equivalents at the End of the Year	483,185	926,982	1,410,167
Cash and Cash Equivalents End of Year, Restricted	<u>(282,693)</u>	-	<u>(282,693)</u>
Cash and Cash Equivalents, Current	<u>\$ 200,492</u>	<u>\$ 926,982</u>	<u>\$ 1,127,474</u>

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

CITY OF NEDERLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT H(continued)

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided By Operating Activities:</u>			
Operating Income	\$ (728,482)	\$ 366,916	\$ (361,566)
Adjustments to Reconcile Operating Income			
To Net Cash Provided by Operating Activities:			
Depreciation	1,950,445	224,934	2,175,379
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	61,079	172,334	233,413
Decrease (Increase) in Inventories	3,541	-	3,541
Decrease (Increase) in Net Pension Asset	2,117,903	421,623	2,539,526
Decrease (Increase) in Pension Outflows	(1,099,541)	(222,647)	(1,322,188)
Decrease (Increase) in OPEB Outflows	15,996	6,001	21,997
Increase (Decrease) in Accounts Payable	(131,627)	(66,900)	(198,527)
Increase (Decrease) in Wages Payable	3,372	1,817	5,189
Increase (Decrease) in Compensated Absences	(35,696)	(997)	(36,693)
Increase (Decrease) in Net Pension Liability	428,145	86,525	514,670
Increase (Decrease) in Customer Deposits	24,512	-	24,512
Increase (Decrease) in Noncurrent Compensated Absences	(20,434)	5,406	(15,028)
Increase (Decrease) in Net Pension Inflows	(1,110,056)	(224,335)	(1,334,391)
Increase (Decrease) in OPEB Liabilities	(85,938)	(32,299)	(118,237)
Increase (Decrease) in OPEB Inflows	67,640	26,026	93,666
Net Cash Provided by Operating activities	\$ 1,460,859	\$ 764,404	\$ 2,225,263

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Nederland, Texas (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies used by the City.

A. Reporting Entity

The City of Nederland, Texas was incorporated in 1940, and was chartered as a Home Rule City in March, 1955. The City operates under a council-manager form of government and provides the following services as authorized by its charter: Public Safety-Police and Fire, Streets, Water and Sewer, Sanitation; Culture-Recreation, Public Improvements, and General Administrative Services.

As required by generally accepted accounting principles, the financial statements present the City of Nederland, Texas and its component unit. The discretely presented component unit is reported in a separate column of the financial statement after a total column for the primary government, to emphasize that it is legally separate from the primary government.

B. Discretely Presented Component Unit

The Nederland Economic Development Corporation (NEDC) was created under Section 4B of the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated Article 5190.6, as amended. The NEDC is governed by a board of directors appointed by the City Council. The NEDC is organized exclusively for the purpose of benefiting and accomplishing public purposes of the City of Nederland, Texas by promoting, assisting, and enhancing economic and community development activities for the City.

The NEDC is funded by one-quarter of one percent City sales and use tax. The City performs all accounting functions for the NEDC. The City tax provided to the Corporation during the year ended September 30, 2023 totaled \$1,066,375. The 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. The notes to the financial statements include disclosures pertaining to the City as the primary government and also the EDC as a component unit. Separately issued financial statements for the EDC are not available.

C. Related Organizations

The City’s elected officials are also responsible for appointing the members of the various boards and commissions established by City Charter and/or state statutes but the City’s accountability for these boards and commissions does not extend beyond making the appointments. The City Council appoints board members of the following: Nederland Economic Development Corporation, Zoning Board of Appeals, Planning and Zoning Commission, Construction Board of Adjustments and Appeals, Parks Advisory Board, Animal shelter advisory committee and the Civil Service Commission. Positions on these boards are appointed in certain instances in entirety, partially, or with City Council members.

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Joint Venture

Mid-County Dispatch

The City of Nederland and two neighboring cities, Groves and Port Neches, have a contractual agreement to pool resources and share the costs, risks, and rewards of providing a central radio dispatching service and information technology services for the participating cities in compliance with the “Interlocal Cooperation Act”. Each of the participating cities has an ongoing financial interest in, and responsibility for the Mid-County Dispatch. Funds shall be provided by each City for dispatch operations based on their population and evenly split for information technology services. Based on the agreement, there is no explicit, measurable equity interest for any of entities in the joint ventures resources. During the year ended September 30, 2023 the City contributed \$615,631 to the joint venture. Fund balance of the joint venture at September 30, 2023 was \$534,194. Separately issued financial statements are not available for this joint venture.

E. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given structure or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Grant revenue is considered available if collected within twelve months. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when the payment is due.

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

The City reports the following major governmental funds:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for the purchase of capital assets, including infrastructure acquisitions and construction from general government resources.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the water and sewer utility of the City. This fund operates the water treatment and distribution functions, along with the wastewater collection and treatment and the related revenue collection activity.

The *solid waste fund* accounts for the City's operation of garbage collection and green waste disposal services.

Additionally, the City reports the following non-major governmental funds:

The *special revenue funds* account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

G. Budgetary Data

The following procedures are utilized in establishing the budgetary data reflected in the basic financial statements:

- a. By August 31st, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1 (except the capital projects funds, which adopt project length budgets). The operating budget includes proposed expenditures and the means of financing them. Funds with legally adopted annual budgets are listed as follows: General fund, Police Narcotics fund, Library fund, Court Technology fund, Hotel/Motel Occupancy Tax fund, Fire Department Special fund, Debt Service fund, Water and Sewer fund, and Solid Waste fund.
- b. A Public hearing is conducted, after proper official journal notification, to obtain taxpayer comments.
- c. Prior to September 30th, the budget is legally enacted through passage of an ordinance.
- d. The City Manager is authorized to transfer budgeted amounts within the departmental categories within any fund. All other budget amendments must be approved by the City Council.
- e. Budget appropriations lapse at year-end and are re-established in the succeeding year.
- f. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

H. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30th, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Investments

Cash includes amounts in demand and time deposit accounts. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. Securities traded on a national or international exchange, if any, are valued at the last reported sales price or current exchange rates.

For the 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. All certificates of deposits and investments in other securities and instruments are considered to be investments.

Investments

State statutes authorize the city to invest in obligations of the U.S. Treasury, the State of Texas, those unconditionally guaranteed by the United States of America or the State of Texas, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent, as well as Certificates of Deposit, fully collateralized direct repurchase agreements purchased through a primary government securities dealer or a bank domiciled in Texas and joint pools of political subdivisions in the State of Texas, such as TexPool which is described in more detail below.

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 basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the city adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools states that governmental entities should make certain disclosures concerning their investments, including disclosures about any investments in local government investment pools.

Specifically, the statement directs a governmental entity to disclose "for any investment in an external investment pool that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair-value of the position in the pool is the same value as the value of the pool shares". To facilitate compliance with this disclosure requirement, the following description of TexPool is provided.

The City invests in TexPool, which is a public funds investment pool. The pool was organized in conformity with the Interlocal Cooperation Act and the Public Funds Investment Act of the Texas Government Code. The Comptroller of Public Accounts maintains oversight of the services provided to TexPool by Chase Bank of Texas, N.A. and First Southwest Asset Management, Inc., with additional oversight by the TexPool Advisory Board.

Public funds investment pools ("Pools") in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 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.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Investments (Continued)

Investments (Continued)

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 AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The City's investment in TexPool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2a7 of the Investment Company Act of 1940. A 2a7-like pool is one which is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

J. Property Taxes Receivable

Property appraisal within the City is the responsibility of the Jefferson Central Appraisal District (Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the County on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and legal action. Under the Property Tax Code legislation, the City establishes tax rates for property within the City's corporate limits. However, a voter approved tax rate is calculated as the maximum rate allowed by law without voter approval. The voter approved tax rate provides cities with about the same amount of tax revenue it spent the previous year for day to day operations plus an extra three and a half percent.

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Taxes are applicable to the fiscal year in which they are levied. They become delinquent, with an enforceable lien on property, on February 1 of the subsequent calendar year. The City has contracted with the Jefferson County Tax Assessor-Collector to bill and collect its taxes.

In the governmental fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred outflow in the year of levy. Such deferred outflows are recognized as revenue in the fiscal year in which they become available.

K. Tax Abatements

During the fiscal year ended September 30, 2023, the City did not participate in a tax abatement agreement relating to the property taxes levied for the 2022 tax year levy.

L. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated revenues from the Water and Sewer fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due to/from other funds” on the balance sheet.

N. Inventories and Prepaid Items

Inventories are valued at cost using the first in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The reserve for the inventory is equal to the amount of inventory to indicate that a portion of the fund balance is not available for future expenditure. Inventories in the Enterprise Fund consist of repair materials, spare parts and water meters, and water treatment and wastewater treatment chemicals. Generally, enterprise funds value inventory at cost or average cost and expense supply inventory as it is consumed, known as the consumption method of accounting. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded using the consumption method.

O. Restricted Assets

Certain proceeds of general obligation and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. A restricted asset is shown on the balance sheet related to TMRS. The use of this asset is limited to pension benefits. Restricted assets also include interest accrued on unexpended bond proceeds and cash received for customer utility deposits.

P. Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (e.g. streets and waterlines, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at acquisition value at the date of donation. The City reports major general infrastructure for assets acquired beginning in 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 25
Improvements other than buildings	5 - 20
Equipment	5 - 7
Infrastructure	20 - 50

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Leases

Leases are recognized in accordance with GASB Statement No. 87 Leases.

A lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the City, and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement. The deferred inflow of resources is amortized equal to the amount of the annual payments.

A lessee is required to recognize a lease payable and a right-to-use leased asset. A lease payable is recognized at the net present value of future lease payments, and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments based on index or rate, and reasonably certain residual guarantees. The right-to-use leased asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement, and is subsequently amortized over the life of the lease.

In the government-wide and proprietary fund financial statements, deferred inflows related to leases and any respective right-to-use assets are reported in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources. Under modified accrual accounting, lease payments are considered capital outlay and proceeds of lease contracts, and thereafter are recorded as principal and interest payments.

R. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity

Beginning with fiscal year 2011, the City of Nederland, Texas implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable Fund Balance – includes the portion of net resources that cannot be spent because of their form or because they must remain in-tact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet.

Restricted Fund Balance – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.

Committed Fund Balance – includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a formal action of the City Council, commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements. The amount subject to the constraint may be determined in the subsequent period (i.e. the Council may approve the calculation or formula for determining the amount to be committed). The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

Assigned Fund Balance- includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. The City Council by resolution has authorized the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose. Assignments generally only exist temporarily. Additional action does not normally have to be taken for the removal of an assignment. A portion of fund balance has been assigned for street maintenance.

Unassigned fund balance – includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual net resources as a positive balance within the general fund only. Classification of the general fund includes all amounts not contained in other classifications.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity (Continued)

Order of Expenditure of Funds - When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

Minimum Unassigned Fund Balance - The City's goal is to achieve and maintain an unassigned fund balance in the general fund equal to 50% of expenditures. The City considers a balance of less than 25% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

Replenishment of Minimum Fund Balance Reserves - If unassigned fund balance unintentionally falls below 25% or if it is anticipated that at the completion of any fiscal year the projected unassigned fund balance will be less than the minimum requirement, the City Manager shall prepare and submit a plan to restore the minimum required level as soon as economic conditions allow. The plan shall detail the steps necessary for the replenishment of fund balance as well as an estimated timeline for achieving such. These steps may include, but are not limited to, identifying new, nonrecurring, or alternative sources of revenue; increasing existing revenues, charges and/or fees; use of year end surpluses; and/or enacting cost saving measures such as holding capital purchases, reducing departmental operating budgets, freezing vacant positions, and/or reducing the workforce. The replenishment of fund balance to the minimum level shall be accomplished within a three-year period. If restoration of the reserve cannot be accomplished within such a period without severe hardship to the City, then the Council shall establish an extended time line for attaining the minimum balance.

Appropriation of Unassigned Fund Balance - Appropriation from the minimum unassigned fund balance shall require the approval of the Council and shall be utilized only for one-time expenditures, such as capital purchases, and not for ongoing expenditures unless a viable revenue plan designed to sustain the expenditure is simultaneously adopted. The Council may appropriate unassigned fund balances for emergency purposes, as deemed necessary, even if such use decreases the fund balance below the established minimum.

T. 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, represent 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 government has the following items that qualify for reporting in this category:

- a. A deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. **Deferred Outflows/Inflows of Resources (Continued)**

- b. Pension and OPEB contributions made after the measurement date. These contributions are deferred and recognized in the following fiscal year.
- c. Difference in projected and actual earnings on pension assets and OPEB liability. This is the difference deferred and amortized over a closed five year period.

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

- a. A deferred inflow which arises under the accrual basis of accounting and reported in the statement of financial position. The deferred inflow is the difference in the expected and actual pension and OPEB experience and is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- b. A deferred inflow which arises only under a 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 property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

U. **Net Position flow assumption**

Sometimes the government 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 be reported 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 government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

As of September 30, 2023, Restricted for Other Funds included these balances:

Public Safety:	
Police Narcotics	\$ 96,386
Court Technology	1,632
Fire Department	<u>46,607</u>
	<u>144,625</u>
Culture and Recreation:	
Library	47,897
Hotel/Motel	<u>95,707</u>
	<u>143,604</u>
Total Restricted for Other Funds	<u>\$ 288,229</u>

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Fund balance flow assumptions

Sometimes the government 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 government'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.

W. Compensated absences

The City's employees earn vacation and sick leave, all of which may either be taken or accumulated, up to certain amounts, until paid upon voluntary termination or retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

X. Interfund Transactions

Interfund transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the city are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. These transfers are reported in the "Other Financing Sources (Uses)" section in the Statement of Revenues, Expenditures, and Changes in Fund Balances (governmental funds) and in the "Transfers" section in the Statement of Revenues, Expenses, and Changes in Fund Net Position (proprietary fund).

Y. Grants from Other Governmental Agencies

Federal and State governmental agencies represent an important source of supplementary funding to finance activities beneficial to the community. These funds, primarily in the form of grants, are recorded in the General, Special Revenue and Enterprise Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant. The grants normally specify the purpose for which the funds may be used and are subject to audit by the granting agency or its representative.

Z. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS'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.

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AA. Date of Management's Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition for disclosure through March 25, 2024, the date that the financial statements were available to be issued.

BB. Other Post-Employment Benefits

In the fiscal year ended September 30, 2018, the City implemented the following standard: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflow of resources and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

CC. Subscription-Based Information Technology Arrangements (SBITA)

The City entered into contracts that conveys control of the right to use another party's information technology (IT) software. The City recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The SBITA liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the SBITA liability is reduced by the principal portion of payments made. The SBITA asset is measured as the initial amount of the SBITA liability, adjusted for payments made at or before the subscription term, plus capitalizable implementation costs, less any incentives received. The SBITA asset is amortized on a straight-line basis over its useful life.

The City used its estimated incremental borrowing rate as the discount rate. The SBITA term includes the noncancellable period of the lease. Lease payments included in the measurement of the SBITA liability are the fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of the SBITA liabilities. SBITA assets are reported with non-current assets and SBITA liabilities are reported with long-term liabilities on the statement of net position.

DD. Change in Accounting Principle

GASB statement No. 96, *Subscription-Based Information Technology Arrangements* was adopted effective October 1, 2022. GASB Statement No. 96 establishes uniform accounting and financial reporting requirement for SBITAs; improves the comparability of government's financial statements; and enhances the understandability, reliability, relevance, and consistency of information about SBITAs.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

Explanation of Reclassification Required on the Government-Wide Statement of Net Position

When governmental activities report debt that financed the acquisition of capital assets that business-type activities report, that debt is not considered to be capital-related debt of the governmental activities. Such debt should not be part of the calculation of net investment in capital assets. However, when the total reporting entity is presented as the reporting unit, the debt is related to the capital assets within that reporting unit. Thus, a reconciliation is necessary as follows:

	Governmental Activities	Business Type Activities	Reclassif- ications	Total
Net Investment in Capital Assets	\$ 42,646,823	\$ 30,457,824	\$ (10,288,054)	\$ 62,816,593
Restricted for:				
Debt Service	174,714	146,865	-	321,579
Public Works	222,518	-	-	222,518
Other Funds	288,229	-	-	288,229
Unrestricted	29,234,755	11,763,691	10,288,054	51,286,500
Total Net Position	\$ 72,567,039	\$ 42,368,380	\$ -	\$ 114,935,419

NOTE 3: CASH AND INVESTMENTS

Cash Deposits

At year-end, the City's carrying amount of deposits (including NEDC) was \$4,704,374 and the bank balance was \$5,611,439. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining bank balance was collateralized by securities held by the City or by the City's agent in name of the City.

Investments – The City has a written investment policy regarding the investment of its funds. The investments of the City are in compliance with the investment policy, the City Charter, the Public Funds Investment Act (Chapter 2256 of the Government Code, as amended) and all other state and local statutes governing the investment of public funds. The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, collateralized certificates of deposit, fully collateralized repurchase agreements, no load money market mutual funds and approved government investment pools. As of September 30, 2023, the City of Nederland (including NEDC) had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
TexPool	\$ 59,624,082	N/A
First Public - Lone Star	2,456,086	N/A
Certificates of Deposit	508,861	6 months - 1 year
	\$ 62,589,029	

Investment rate risk: In accordance with the investment policy, the city manages exposure to declines in fair value by avoiding an over-concentration of assets in specific instruments other than U.S. Treasury Securities and Insured or Collateralized Certificates of Deposits.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Credit risk. It is the policy of the City to limit its investment in commercial paper and corporate bonds to those having received a top rating of “A” or its equivalent from a nationally recognized investment rating firm. Standard & Poor’s rated TexPool AAAM as of September 30, 2023. Standard & Poor’s rated First Public – Lone Star AAA as of September 30, 2023.

Concentration of credit risk. The City will minimize credit risk by limiting investments to the safest types of securities.

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. Both the City and the NEDC, a discretely presented component unit, require that all deposits and investments be secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level is required to be 100% of the fair value of the principal and interest, less an amount insured by the FDIC or FSLIC. Additionally, the collateral pledged shall be held by the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral.

Local government Investment 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 (PFIA), Chapter 2236 of the Texas Government Code. In addition to other provisions of the PFIA designed to promote liquidity and safety of principle, the (PFIA) 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 on nationally recognized rating service; and (3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares. In addition, the Texas State Comptroller of Public Accounts exercises oversight responsibility over TexPool.

The City’s investments in a 2a7-like pool are reported at share value. A 2a7-like pool is one that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

NOTE 4: RECEIVABLES

In the fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as unavailable revenues in the year of levy. Such unavailable revenues are recognized as revenue in the fiscal year in which they become available.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 4: RECEIVABLES (CONTINUED)

The balance of property taxes receivable and property tax assessments included in unavailable revenues as of September 30, 2023 are as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Property Taxes Receivable:			
Gross Receivables	\$ 304,810	\$ 139,943	\$ 444,753
Less: Allowance for Doubtful Accounts	<u>(51,818)</u>	<u>(23,790)</u>	<u>(75,608)</u>
Net Property Taxes Receivable	<u>\$ 252,992</u>	<u>\$ 116,153</u>	<u>\$ 369,145</u>
Unavailable Property Taxes	<u>\$ 241,124</u>	<u>\$ 111,114</u>	<u>\$ 352,238</u>

Other Receivables as of September 30, 2023 for the City are as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Receivable	\$ 872,429	\$ -	\$ -	\$ 56,242	\$ 928,671
Due From					
Other Governments	20,093	3,817	2,607,926	-	2,631,836
Due From Others	<u>106,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,393</u>
Gross Receivables	998,915	3,817	2,607,926	56,242	3,666,900
Less: Allowance for Uncollectibles	<u>(247,237)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(247,237)</u>
Net Total Receivables	<u>\$ 751,678</u>	<u>\$ 3,817</u>	<u>\$ 2,607,926</u>	<u>\$ 56,242</u>	<u>\$ 3,419,663</u>

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2023 is described in the table below.

Governmental Activities:	Beginning Balance	Current Year		Ending Balance
		Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 4,597,778	\$ -	\$ (1,510,734)	\$ 3,087,044
Construction in progress	1,737,962	5,180,149	(1,774,237)	5,143,874
Total capital assets not being depreciated	<u>6,335,740</u>	<u>5,180,149</u>	<u>(3,284,971)</u>	<u>8,230,918</u>
Capital assets being depreciated:				
Buildings	15,576,156	10,256	-	15,586,412
Machinery and equipment	8,125,664	848,816	(108,798)	8,865,682
Infrastructure	48,658,102	1,985,962	-	50,644,064
Right to use - Equipment	27,617	17,587	-	45,204
Total capital assets being depreciated	<u>72,387,539</u>	<u>2,862,621</u>	<u>(108,798)</u>	<u>75,141,362</u>
Less accumulated depreciation:				
Buildings	(7,704,118)	(343,102)	-	(8,047,220)
Machinery and equipment	(5,212,688)	(826,823)	108,798	(5,930,713)
Infrastructure	(19,998,938)	(1,270,148)	-	(21,269,086)
Right to use - Equipment	(5,547)	(7,114)	-	(12,661)
Total capital assets being depreciated	<u>(32,921,291)</u>	<u>(2,447,187)</u>	<u>108,798</u>	<u>(35,259,680)</u>
Total capital assets being depreciated, net	<u>39,466,248</u>	<u>415,434</u>	<u>-</u>	<u>39,881,682</u>
Governmental activities capital assets, net	<u>\$45,801,988</u>	<u>\$5,595,583</u>	<u>\$(3,284,971)</u>	<u>\$48,112,600</u>

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

General Government	\$ 140,103
Public Safety	583,345
Public Works	1,455,330
Culture & Recreation	268,409
Total Depreciation Expense - Governmental Activities	<u>\$2,447,187</u>

Construction in progress consisted of payments made towards drainage improvements, concrete and HMAC road reconstruction projects, and park improvements.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type Activities:

	Beginning Balance	Current Year		Ending Balance
		Increases	Decreases	
Capital assets not being depreciated:				
Construction in progress	\$ 4,267,238	\$ 203,829	\$ (3,883,500)	\$ 587,567
Total capital assets not being depreciated	<u>4,267,238</u>	<u>203,829</u>	<u>(3,883,500)</u>	<u>587,567</u>
Capital assets being depreciated:				
Buildings	21,450,340	-	-	21,450,340
Improvements other than buildings	37,882,573	2,932,577	-	40,815,150
Machinery and equipment	<u>5,794,329</u>	<u>1,555,070</u>	<u>(1,015,639)</u>	<u>6,333,760</u>
Total capital assets being depreciated	<u>65,127,242</u>	<u>4,487,647</u>	<u>(1,015,639)</u>	<u>68,599,250</u>
Less accumulated depreciation:				
Buildings	(11,576,068)	(471,620)	-	(12,047,688)
Improvements other than buildings	(21,571,620)	(1,253,216)	-	(22,824,836)
Machinery and equipment	<u>(4,421,565)</u>	<u>(450,543)</u>	1,015,639	<u>(3,856,469)</u>
Total capital assets being depreciated	<u>(37,569,253)</u>	<u>(2,175,379)</u>	1,015,639	<u>(38,728,993)</u>
Total capital assets being depreciated, net	<u>27,557,989</u>	<u>2,312,268</u>	-	<u>29,870,257</u>
Business-type activities capital assets, net	<u>\$ 31,825,227</u>	<u>\$ 2,516,097</u>	<u>\$ (3,883,500)</u>	<u>\$ 30,457,824</u>

Depreciation expense of the business-type activities was charged to functions/programs as follows:

Water & Sewer	\$ 1,950,445
Solid Waste	<u>224,934</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 2,175,379</u>

Construction included the wastewater treatment plant rehabilitation, Hodgson Road Lift Station repairs, and installation of generators for lift stations.

NOTE 6: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2023, is as follows:

	Payable Fund			
	General	Debt Service	Water & Sewer	Total
Receivable Fund				
General fund	\$ -	\$ 179,977	\$ 294,547	\$ 474,524
Capital Projects	<u>3,933,904</u>	-	-	<u>3,933,904</u>
	<u>\$ 3,933,904</u>	<u>\$ 179,977</u>	<u>\$ 294,547</u>	<u>\$ 4,408,428</u>

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 6: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

The outstanding balances between funds resulted mainly from a time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Certain transfers occur among funds to allocate appropriate costs related to the operations of the funds as follows:

	Transfers In				Total
	General	Debt Service	Capital Projects	Water & Sewer	
<u>Transfers out</u>					
General fund	\$ -	\$ -	\$ 6,316,410	\$ -	\$ 6,316,410
Capital Projects	-	-	-	203,656	203,656
Water & Sewer	375,000	965,738	-	-	1,340,738
Solid Waste	100,000	-	-	-	100,000
	<u>\$ 475,000</u>	<u>\$ 965,738</u>	<u>\$ 6,316,410</u>	<u>\$ 203,656</u>	<u>\$ 7,960,804</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due; (2) move unrestricted water and sewer revenues and solid waste revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs; (3) to move monies into the appropriate capital projects fund; and (4) transfer capital assets between departments. The Capital Projects transfer of \$203,656 was capital assets.

NOTE 7: LEASES

The City is involved in leasing arrangements for equipment. The NEDC is involved, as lessor, in leasing arrangements for land and buildings. With the implementation of GASB Statement No. 87 Leases, effective for the fiscal year ended September 30, 2022, all existing and newly acquired leases during the current fiscal year were analyzed and classified for both lessor and lessee positions. With this implementation, a respective receivable, right-to-use asset, lease payable, or deferred inflow related to rental income is recognized.

NEDC lessor lease receivables

NEDC has 2 lease agreements as the lessor for buildings and land. The receivable related to these leases was initially recognized on October 1, 2021 with the adoption of GASB Statement No. 87. Interest rates for lessor leases are 2.16%. Annual payments for the current year range are \$15,000 each.

Leases receivables for the year ended September 30, 2023 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Buildings and land	\$ 27,201	\$ -	\$ (27,201)	\$ -
	<u>\$ 27,201</u>	<u>\$ -</u>	<u>\$ (27,201)</u>	<u>\$ -</u>

Lease inflows of resources for the NEDC lessor leases was lease revenue \$23,464 and lease interest income of \$286.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 7: LEASES (CONTINUED)

Governmental Activities lessee lease payable

The City has 4 lease agreements as the lessee for equipment. Interest rates are 2.16%. Annual payments for the current year range from \$590 and \$1,800.

Lease payables currently outstanding as of September 30, 2023 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Equipment	\$ 22,160	\$ 17,587	\$ (6,880)	\$ 32,867
Total Governmental Activities	<u>\$ 22,160</u>	<u>\$ 17,587</u>	<u>\$ (6,880)</u>	<u>\$ 32,867</u>

Future annual lease commitments as of September 30, 2023 are as follows:

Fiscal Year	
2024	\$ 8,010
2025	8,185
2026	7,170
2027	5,680
2028	3,492
2029	<u>330</u>
	<u>\$ 32,867</u>

NOTE 8: LONG TERM-DEBT

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the government.

General obligation bonds and certificates of obligation payable at September 30, 2023, are summarized as follows:

<u>Date of Issue</u>	<u>Original issue</u>	<u>Final Maturity</u>	<u>Annual Installments</u>	<u>% Rate</u>	<u>Outstanding Debt</u>
2013	\$ 3,520,000	2023	\$25,000 to \$665,000	2.00% - 3.50%	\$ -
2013	2,600,000	2033	\$80,000 to \$185,000	3.75% - 4.50%	1,555,000
2017	4,975,000	2027	\$100,000 to \$680,000	3.00% - 4.00%	2,570,000
2018	9,695,000	2038	\$340,000 to \$655,000	2.00% - 3.50%	7,865,000
2020	2,410,000	2031	\$15,000 to \$285,000	5.00%	1,890,000
2021	4,170,000	2036	\$190,000 to \$330,000	1.375% - 4.00%	3,780,000
2023	4,540,000	2038	\$300,000 to \$305,000	5.00%	4,540,000
					<u>\$ 22,200,000</u>

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 8: LONG TERM-DEBT (CONTINUED)

The tax notes payable at September 30, 2023, are summarized as follows:

Date of Issue	Original issue	Final Maturity	Annual Installments	% Rate	Outstanding Debt
2020	\$ 1,040,000	2025	\$130,000 to \$500,000	1.26%	\$ 275,000

Annual debt service requirements to maturity for the bonds are as follows:

Fiscal Year	Bonds		
	Principal	Interest	Total
2024	\$ 1,890,000	\$ 844,057	\$ 2,734,057
2025	1,950,000	768,818	2,718,818
2026	2,015,000	691,826	2,706,826
2027	2,085,000	606,025	2,691,025
2028	1,450,000	528,676	1,978,676
2029-2033	7,275,000	1,784,269	9,059,269
2034-2038	5,535,000	591,825	6,126,825
	<u>\$ 22,200,000</u>	<u>\$5,815,496</u>	<u>\$ 28,015,496</u>

Fiscal Year	Tax Notes		
	Principal	Interest	Total
2024	\$ 135,000	\$ 3,465	\$ 138,465
2025	140,000	1,764	141,764
	<u>\$ 275,000</u>	<u>\$ 5,229</u>	<u>\$ 280,229</u>

Fiscal Year	Total		
	Principal	Interest	Total
2024	\$ 2,025,000	\$ 847,522	\$ 2,872,522
2025	2,090,000	770,582	2,860,582
2026	2,015,000	691,826	2,706,826
2027	2,085,000	606,025	2,691,025
2028	1,450,000	528,676	1,978,676
2029-2033	7,275,000	1,784,269	9,059,269
2034-2038	5,535,000	591,825	6,126,825
	<u>\$ 22,475,000</u>	<u>\$5,820,725</u>	<u>\$ 28,295,725</u>

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 8: LONG TERM-DEBT (CONTINUED)

Changes in long-term debt

Long-term debt activity for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable					
General obligations bonds	\$ 19,805,000	\$ 4,540,000	\$ 2,145,000	\$ 22,200,000	\$ 1,890,000
Add: Premium on bonds	<u>1,218,000</u>	<u>583,653</u>	<u>262,772</u>	<u>1,538,881</u>	<u>271,304</u>
Total Bonds	21,023,000	5,123,653	2,407,772	23,738,881	2,161,304
Notes Payable					
Tax Notes	<u>410,000</u>	-	<u>135,000</u>	<u>275,000</u>	<u>135,000</u>
Total governmental long-term debt	<u>\$ 21,433,000</u>	<u>\$ 5,123,653</u>	<u>\$ 2,542,772</u>	<u>\$ 24,013,881</u>	<u>\$ 2,296,304</u>

In May 2023, the City issued Tax & Revenue Certificates of Obligation, Series 2023, of \$4,540,000 with a stated interest rate of 5.0% and a final maturity of September 30, 2038. The bonds were issued to fund study, design, acquisition, construction, installation, equipping, renovation, extension and improvement of (i) streets and for the purchase of materials, supplies, machinery, land and rights-of-way related thereto, (ii) drainage and detention facilities, and for the purchase of materials, supplies, machinery, land and rights-of-way related thereto, and (iii) the costs of professional services incurred in connection therewith.

Arbitrage Rebate Liability

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer’s tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The City had no arbitrage liability as of September 30, 2023.

NOTE 9: OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2022-2023, 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). 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 the 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.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9: OTHER INFORMATION (CONTINUED)

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any to be immaterial.

From time to time the City is a defendant in legal proceedings relating to its operations. Although the outcome of the legal proceedings is not presently determinable, in the opinion of the City's counsel, the legal proceedings are without merit. Counsel believes there is little, if any, adverse exposure to the City.

NOTE 10: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmr.com.

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

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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

Employee deposit rate	7%
City deposit rate	7.17% for calendar year 2023 and 7.52% for 2022
Years required for vesting	10
Service retirement eligibility	20 years at any age, 10 years at age 60 and above
Updated service credit	Last adopted 2000 – Annually repeating- 100%
Cost of living adjustment (COLA) for retirees	Last adopted 1984 – 30%
Military service credit	Yes, adopted 3-1982
Restricted prior service credit	Yes, adopted 1-2000
Buy back last adopted	12-1983
SDB for employees	Not elected
SDB for Retirees	Not elected

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	118
Inactive employees entitled to but not yet receiving benefits	38
Active employees	<u>121</u>
	277

Contributions

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

Employees for The City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 7.17% and 7.52% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$729,693, and were equal to the required contributions.

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Actuarial assumptions:

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

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

Salary increases 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 are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by 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. The assumptions were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Actuarial assumptions (Continued)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global 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	<u>100.0%</u>	

Discount Rate

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

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Changes in the Net Pension Liability (Asset)

	Primary Government			Nonmajor Component Unit		
	Total	Plan	Net	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
Balance at 12/31/2021	<u>\$ 62,618,081</u>	<u>\$ 70,609,352</u>	<u>\$ (7,991,271)</u>	<u>\$ 1,284,441</u>	<u>\$ 1,448,361</u>	<u>\$ (163,920)</u>
Changes for year:						
Service cost	1,456,200	-	1,456,200	29,050	-	29,050
Interest	4,154,621	-	4,154,621	82,882	-	82,882
Difference between expected and actual experience	339,163	-	339,163	6,766	-	6,766
Changes in assumptions	-	-	-	-	-	-
Contributions - employer	-	725,208	(725,208)	-	14,467	(14,467)
Contributions - employee	-	675,060	(675,060)	-	13,467	(13,467)
Net investment income	-	(5,144,491)	5,144,491	-	(102,630)	102,630
Benefit payments, including refunds of employee contributions	(3,661,605)	(3,661,605)	-	(73,047)	(73,047)	-
Administrative expense	-	(44,626)	44,626	-	(890)	890
Other changes	-	53,253	(53,253)	-	1,062	(1,062)
Net change	<u>2,288,379</u>	<u>(7,397,201)</u>	<u>9,685,580</u>	<u>45,651</u>	<u>(147,571)</u>	<u>193,222</u>
Balance at 12/31/2022	<u>\$ 64,906,460</u>	<u>\$ 63,212,151</u>	<u>\$ 1,694,309</u>	<u>\$ 1,330,092</u>	<u>\$ 1,300,790</u>	<u>\$ 29,302</u>
Plan fiduciary net position as a percentage of the total pension liability			97.39%			97.80%
Covered-employee payroll			\$ 9,643,709			\$ 192,387
Net pension liability/(asset) as a percentage of covered employee payroll			17.57%			15.23%

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

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

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Primary government's net pension liability (asset)	\$ 9,524,000	\$ 1,694,309	\$ (4,845,651)
Nonmajor component unit net pension liability (asset)	164,712	29,302	(83,802)

Pension Plan Fiduciary Net Position

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

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:

	Pension <u>Expense</u>
Governmental Activities	\$ 1,155,142
Business-Type Activities	503,982
Nonmajor Component Unit	28,694
	\$ 1,687,818

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At September 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>		<u>Nonmajor Component Unit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 597,293	\$ 93,372	\$ 10,619	\$ 12,470
Changes in actuarial assumptions	14,878	-	265	-
Difference between projected and actual investment earnings	4,372,282	-	77,730	-
Contributions subsequent to the measurement date	<u>537,920</u>	<u>-</u>	<u>9,563</u>	<u>-</u>
Total	<u>\$ 5,522,373</u>	<u>\$ 93,372</u>	<u>\$ 98,177</u>	<u>\$ 12,470</u>

Deferred outflows of resources of \$547,483 related to employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Primary Government</u>	<u>Nonmajor Component Unit</u>
	<u>Net Deferred Outflows/ (Inflows) of Resources</u>	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
2023	\$ 395,412	\$ 6,177
2024	1,224,214	19,124
2025	1,227,537	19,176
2026	2,043,917	31,668
2027	-	-
Thereafter	<u>-</u>	<u>-</u>
	<u>\$ 4,891,080</u>	<u>\$ 76,145</u>

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 11: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City's plan was amended effective December 14, 1998 to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

The City has delegated administrative and investment responsibilities to a third-party administrator, Mission Square Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City's financial statements at September 30, 2023.

NOTE 12: POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The City's defined benefit OPEB plan provides health care benefits for employees who retire from the City and who are eligible to receive benefits from a City sponsored retirement program (Texas Municipal Retirement System). Benefit provisions are approved by Council and represent a single-employer postemployment benefit plan.

Benefits Provided

Pursuant to approval by the City Council, the policy for eligibility to participate in retiree health and dental insurance plans require a retiree to be age 58 to receive the benefit and must have a minimum of 20 years of service of which 20 years must be with the City of Nederland; for the TMRS retirement option of "10 years of service, at least 60 years of age" and "TMRS Disability" a retiree must have a minimum of 7.5 years of service with the City of Nederland. A retiree would become ineligible for the benefit if they gained full-time employment with an employer that offers medical insurance. A retiree would be ineligible to participate in the City's retirement insurance plan if there was a disruption in their enrollment or failure to pay their monthly premiums on time.

- Employees who retire after July 1, 2012 would receive a one-time flat rate contribution of \$7,675 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc. The age requirement is not applicable.
- Employees who retire after July 1, 2015 would receive a one-time flat rate contribution of \$7,900 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
- Employees who retire after October 1, 2021 would receive a one-time flat rate contribution of \$8,600 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 12: POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Benefits Provided (Continued)

- Retirees who retired between January 1, 1997 and July 1, 2012 would receive:
 - i. For those retirees who have remained eligible but have yet to receive the SSB subsidy, they would receive a one-time flat rate contribution of \$7,675 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
 - ii. For those retirees who have already begun to receive the SSB subsidy, they would receive a one-time flat rate contribution equivalent to \$7,675 minus the calculated SSB subsidy the retiree has already received (i.e. retiree is age 62 and City's subsidy equaled \$2,000, then the retiree would receive a contribution of \$5,765) that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
 - iii. The age requirement of 58 years old does not apply to these groups of retirees.
 - iv. Retirees who have not remained eligible for the previous "Sliding Scale Benefit" would not receive any additional benefit
- Once a retiree reaches age 65, he/she is no longer eligible to participate in the Health Insurance Plan and coverage is terminated.

Employees Covered by Benefit Term at December 31, 2022

Inactive employees or beneficiaries currently receiving benefit payments	74
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>121</u>
	<u>195</u>

Total OPEB Liability

The City's total OPEB liability of \$1,518,146 was measured as of December 31, 2022 for the measurement period January 1, 2022 through December 31, 2022 and was determined by an actuarial valuation as of December 31, 2022.

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 12: POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date: December 31, 2022

Methods and Assumptions:

Actuarial cost method	Individual Entry-Age Normal
Discount Rate	4.05% as of December 31, 2022
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 Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 14 years.
Participation Rates	75% of pre-65 retirees who are eligible for HRA contribution are assumed to initially maintain health coverage. After the HRA contribution is depleted, 60% of retirees who initially maintained coverage are assumed to discontinue. For those not eligible for the HRA contribution, 30% were assumed to maintain health coverage at their own expense.

Other Information:

Notes The discount rate changed from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. In addition, the health care trend assumption was modified.

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 12: POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 4.05% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 1.84% as of the prior measurement date.

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in OPEB Liability

The changes in the total OPEB liability for the plan are as follows:

	Primary Government	Nonmajor Component Unit
Total OPEB liability		
Service Cost	\$ 95,161	\$ 11,529
Interest on the total OPEB liability	31,896	3,864
Changes of benefit terms	-	-
Difference between expected and actual experience	(58,971)	(7,144)
Changes of assumptions	(346,073)	(41,927)
Benefit payments	<u>(107,647)</u>	<u>(13,042)</u>
Net change in total OPEB liability	(385,634)	(46,720)
Total OPEB liability - beginning	<u>1,745,893</u>	<u>204,607</u>
Total OPEB liability - ending	<u><u>\$ 1,360,259</u></u>	<u><u>\$ 157,887</u></u>
 Covered-employee payroll	 \$ 9,422,031	 \$ 192,387
 Total OPEB liability as a percentage of covered-employee payroll	 14.44%	 82.07%

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 12: POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

Sensitivity of the Total OPEB liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 4.05%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	<u>1% Decrease in Discount Rate 3.05%</u>	<u>Current Discount Rate 4.05%</u>	<u>1% Increase in Discount Rate 5.05%</u>
Primary government's OPEB liability	\$ 1,515,382	\$ 1,360,259	\$ 1,229,531
Nonmajor component unit's OPEB liability	175,893	157,887	142,713

Sensitivity of the Total OPEB liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
Primary government's OPEB liability	\$ 1,283,534	\$ 1,360,259	\$ 1,450,810
Nonmajor component unit's OPEB liability	148,982	157,887	168,398

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 12: POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB

For the fiscal year ended September 30, 2023, the City recognized OPEB expense of:

	OPEB Expense
Governmental Activities	\$ 58,145
Business-Type Activities	24,288
Nonmajor Component Unit	9,568
	\$ 92,001

At September 30, 2023, the City's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Nonmajor Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 23,629	\$ 127,094	\$ 3,070	\$ 24,317
Changes in actuarial assumptions	156,744	293,270	20,365	56,113
Contributions subsequent to the measurement date	55,160	-	7,167	-
Total	\$ 235,533	\$ 420,364	\$ 30,602	\$ 80,430

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 12: POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

D. Total OPEB Liability (Continued)

OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB (Continued)

The \$62,327 reported as deferred outflow of resources related to contributions subsequent to the December 31, 2022 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Primary Government Net Deferred Outflows/ (Inflows) of Resources	Nonmajor Component Unit Net Deferred Outflows/ (Inflows) of Resources
2024	\$ (42,481)	\$ (10,089)
2025	(41,323)	(9,814)
2026	(33,277)	(7,903)
2027	(45,123)	(10,716)
2028	(50,602)	(12,017)
Thereafter	(27,185)	(6,456)
	\$ (239,991)	\$ (56,995)

NOTE 13: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The City has several arrangements subject to the requirements of GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITA's). These arrangements can be described in groups – those related to public works, culture and recreation, and administrative purposes. The City makes annual payments and the agreements are for varying terms. The SBITA liability is the present value of these payments using the district's incremental borrowing rate of 5%. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measured as the SBITA liability plus any capitalized expenditures incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using a straight-line depreciation method over the term of the SBITA arrangement. There were no additional commitments made before the commencement of the SBITA terms. There were no impairments or modifications to be reported during the fiscal year.

SBITA assets and accumulated amortization at September 30, 2023, were as follows:

	Term in Months	Total Asset Amount	Accumulated Amortization	Remaining Value
Governmental Funds				
Public Works	36	\$ 30,701	\$ (4,264)	\$ 26,437
Culture & Recreation	27-36	37,137	(15,789)	21,348
Administrative	28-72	181,162	(65,323)	115,839
		\$ 249,000	\$ (85,376)	\$ 163,624

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 13: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

SBITA liability activity for the year ended September 30, 2023, was as follows:

	Term in Months	Interest Rate	Beginning Liability	Additions	Reductions	Remaining Value	Due Within One Year
Governmental Funds							
Public Works	36	5%	\$ -	\$ 30,701	\$ (3,995.00)	\$ 26,706	\$ 9,932
Culture & Recreation	27-36	5%	-	37,137	(15,274)	21,863	16,353
Administrative	28-72	5%	-	181,162	(62,748)	118,414	67,887
			<u>\$ -</u>	<u>\$ 249,000</u>	<u>\$ (82,017)</u>	<u>\$ 166,983</u>	<u>\$ 94,172</u>

Annual principal and interest requirements to maturity for the SBITA liability are as follows:

Year Ended September 30	SBITA Liabilities		
	Principal	Interest	Total
2024	\$ 94,172	\$ 5,794	\$ 99,966
2025	43,169	2,035	45,204
2026	13,161	1,051	14,212
2027	6,830	638	7,468
2028	7,180	288	7,468
2029	2,471	18	2,489
	<u>\$ 166,983</u>	<u>\$ 9,824</u>	<u>\$ 176,807</u>

NOTE 14: OTHER REQUIRED DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of budget overages. The following category exceeded budgeted amount for the year ended September 30, 2023:

	Final Budget	Actual GAAP Basis	Over Budget
General Fund			
Parks and Recreation	\$ 1,758,187	\$ 1,892,190	\$ (134,003)
Debt Service Fund			
Interest on Debt	706,498	758,833	(52,335)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEDERLAND

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
A. Total Pension Liability				
Service Cost	\$ 1,485,250	\$ 1,434,956	\$ 1,408,909	\$ 1,304,271
Interest (on the Total Pension Liability)	4,237,503	4,104,309	3,909,780	3,742,924
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	345,929	(180,908)	561,380	629,983
Changes of Assumptions	-	-	-	83,207
Benefit Payments, Including Refunds of Employee Contributions	<u>(3,734,652)</u>	<u>(3,085,877)</u>	<u>(2,936,482)</u>	<u>(3,745,039)</u>
Net Change in Total Pension Liability	2,334,030	2,272,480	2,943,587	2,015,346
Total Pension Liability - Beginning	<u>63,902,522</u>	<u>61,630,042</u>	<u>58,686,455</u>	<u>56,671,109</u>
Total Pension Liability - Ending	<u><u>\$ 66,236,552</u></u>	<u><u>\$ 63,902,522</u></u>	<u><u>\$ 61,630,042</u></u>	<u><u>\$ 58,686,455</u></u>
B. Total Fiduciary Net Position				
Contributions - Employer	\$ 739,675	\$ 698,036	\$ 600,503	\$ 547,036
Contributions - Employee	688,527	663,893	649,694	603,032
Net Investment Income	(5,247,121)	8,498,513	4,723,565	8,690,225
Benefit Payments, Including Refunds of Employee Contributions	(3,734,652)	(3,085,877)	(2,936,482)	(3,745,039)
Administrative Expenses	(45,516)	(39,402)	(30,608)	(49,157)
Other	<u>54,315</u>	<u>270</u>	<u>(1,193)</u>	<u>(1,477)</u>
Net Change in Plan Fiduciary Net Position	(7,544,772)	6,735,433	3,005,479	6,044,620
Plan Fiduciary Net Position - Beginning	<u>72,057,713</u>	<u>65,322,280</u>	<u>62,316,801</u>	<u>56,272,181</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 64,512,941</u></u>	<u><u>\$ 72,057,713</u></u>	<u><u>\$ 65,322,280</u></u>	<u><u>\$ 62,316,801</u></u>
C. Net Pension Liability (Asset)	<u><u>\$ 1,723,611</u></u>	<u><u>\$ (8,155,191)</u></u>	<u><u>\$ (3,692,238)</u></u>	<u><u>\$ (3,630,346)</u></u>
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.40%	112.76%	105.99%	106.19%
E. Covered Payroll	\$ 9,836,096	\$ 9,484,179	\$ 9,281,348	\$ 8,614,739
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	17.52%	-85.99%	-39.78%	-42.14%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only nine years of data are presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.

EXHIBIT I

FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$ 1,262,738	\$ 1,207,336	\$ 1,131,700	\$ 1,107,837	\$ 933,120
3,664,635	3,534,367	3,440,413	3,369,020	3,258,955
-	-	-	-	-
(335,625)	38,533	(563,449)	(190,195)	(521,515)
-	-	-	1,086,415	-
<u>(3,160,312)</u>	<u>(2,595,771)</u>	<u>(2,713,373)</u>	<u>(2,376,190)</u>	<u>(1,994,954)</u>
1,431,436	2,184,465	1,295,291	2,996,887	1,675,606
<u>55,239,673</u>	<u>53,055,208</u>	<u>51,759,917</u>	<u>48,763,030</u>	<u>47,087,424</u>
<u>\$56,671,109</u>	<u>\$55,239,673</u>	<u>\$53,055,208</u>	<u>\$51,759,917</u>	<u>\$48,763,030</u>
\$ 536,414	\$ 528,708	\$ 405,945	\$ 462,351	\$ 516,968
583,058	558,213	524,282	525,397	470,583
(1,800,508)	7,507,467	3,544,819	79,424	2,968,745
(3,160,312)	(2,595,772)	(2,713,373)	(2,376,190)	(1,994,954)
(34,822)	(38,925)	(40,050)	(48,383)	(31,001)
(1,819)	(1,973)	(2,158)	(2,390)	(2,549)
(3,877,989)	5,957,718	1,719,465	(1,359,791)	1,927,792
<u>60,150,170</u>	<u>54,192,452</u>	<u>52,472,987</u>	<u>53,832,778</u>	<u>51,904,986</u>
<u>\$56,272,181</u>	<u>\$60,150,170</u>	<u>\$54,192,452</u>	<u>\$52,472,987</u>	<u>\$53,832,778</u>
<u>\$ 398,928</u>	<u>\$ (4,910,497)</u>	<u>\$ (1,137,244)</u>	<u>\$ (713,070)</u>	<u>\$ (5,069,748)</u>
99.30%	108.89%	102.14%	101.38%	110.40%
\$ 8,329,405	\$ 7,974,475	\$ 7,489,760	\$ 7,505,674	\$ 6,722,617
4.79%	-61.58%	-15.18%	-9.50%	-75.41%

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

TEXAS MUNICIPAL RETIREMENT SYSTEM

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially Determined Contributions	\$ 729,693	\$ 755,701	\$ 664,995	\$ 590,570
Contributions in Relation to the Actuarially Determined Contributions	<u>729,693</u>	<u>755,701</u>	<u>664,995</u>	<u>590,570</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 10,058,754	\$ 10,106,525	\$ 9,344,015	\$ 9,173,167
Contributions as a Percentage of Covered Payroll	7.25%	7.48%	7.12%	6.44%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the City's respective fiscal years as opposed to the time periods covered by the measurement dates ending.

Note: In accordance with GASB 68, Paragraph 138, only nine years of data are presented this reporting period. "This information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actual Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% 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 full 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:

Notes: There were no benefit changes during the year.

EXHIBIT J

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 540,779	\$ 534,340	\$ 496,719	\$ 414,694	\$ 462,576
<u>540,779</u>	<u>534,340</u>	<u>496,719</u>	<u>414,694</u>	<u>462,576</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$8,483,398	\$ 8,231,820	\$ 7,879,026	\$ 7,409,498	\$ 7,102,664
6.37%	6.49%	6.30%	5.60%	6.51%

CITY OF NEDERLAND

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
Total OPEB Liability				
Service Cost	\$ 106,690	\$ 105,171	\$ 92,408	\$ 79,410
Interest on the Total OPEB Liability	35,760	36,795	48,206	57,710
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(66,115)	33,461	(114,992)	4,977
Changes of Assumptions	(388,000)	36,345	151,019	144,242
Benefit Payments	(120,689)	(96,903)	(95,522)	(95,277)
Net Change in Total OPEB Liability	<u>(432,354)</u>	<u>114,869</u>	<u>81,119</u>	<u>191,062</u>
Total OPEB Liability - Beginning	1,950,500	1,835,631	1,754,512	1,563,450
Total OPEB Liability - Ending	<u><u>\$ 1,518,146</u></u>	<u><u>\$ 1,950,500</u></u>	<u><u>\$ 1,835,631</u></u>	<u><u>\$ 1,754,512</u></u>
Covered Payroll	\$ 9,614,418	\$ 9,484,193	\$ 9,281,349	\$ 8,614,734
Total OPEB Liability as a Percentage of the Covered Payroll	15.79%	20.57%	19.78%	20.37%
Notes to Schedule:				
Discount Rate	4.05%	1.84%	2.00%	2.75%

Changes of assumptions reflect the effects of changes in the discount rate each period. The discount rate at the beginning of FYE 2018 was 3.81%.

FYE23 - The health care trend assumption was modified.

FYE20 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study.

FYE19 - The health care trend assumption was slightly modified.

EXHIBIT K

<u>FY 2019</u> <u>Plan Year</u> <u>2018</u>	<u>FY 2018</u> <u>Plan Year</u> <u>2017</u>
\$ 86,825	\$ 53,710
57,081	59,825
-	-
(132,721)	9,959
(88,544)	91,702
(80,574)	(74,340)
<u>(157,933)</u>	<u>140,856</u>
1,721,383	1,580,527
<u>\$1,563,450</u>	<u>\$1,721,383</u>
\$8,106,393	\$7,608,396
19.29%	22.62%
3.71%	3.31%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF NEDERLAND, TEXAS

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trust, or major capital projects that are for specific purposes. Included in this heading are the following individual funds:

Police Narcotics Fund

This fund was established to account for funds awarded to the City by the Courts from money and property seized during operations of the Jefferson County Narcotics Task Force.

Library Fund

This fund was established to account for revenues, including donations and grants, to fund special projects, purchase equipment, books and supplies not ordinarily provided for in the library's operating budget.

Court Technology Fund

This fund accounts for fines allocated to finance the purchase of technological enhancements for the municipal court.

Hotel/Motel Tax Fund

This fund accounts for revenue from hotel and motel occupancy tax. The funds generated by this tax are restricted by State law for disbursements to support convention and meeting facility construction, operation and maintenance, tourism, historical preservation and promotion of the arts.

Fire Department Fund

This fund was established to account for revenues, including donations and grants, to fund special projects, purchase equipment and supplies not ordinarily provided for in the fire department's operating budget.

CITY OF NEDERLAND, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Police Narcotics Fund	Library Fund	Court Technology Fund	Hotel/Motel Occupancy Tax Fund
ASSETS				
Cash and Cash Equivalents	\$ 16,496	\$ 31,675	\$ 1,632	\$ 87,276
Investments - Current	79,890	53,393	-	-
Accounts Receivable Net	-	-	-	56,242
Prepaid Items	-	-	-	2,513
Total Assets	<u>\$ 96,386</u>	<u>\$ 85,068</u>	<u>\$ 1,632</u>	<u>\$ 146,031</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 45	\$ -	\$ 50,324
Unearned Revenues	-	37,126	-	-
Total Liabilities	<u>-</u>	<u>37,171</u>	<u>-</u>	<u>50,324</u>
FUND BALANCES				
Other Restricted Fund Balance	<u>96,386</u>	<u>47,897</u>	<u>1,632</u>	<u>95,707</u>
Total Fund Balances	<u>96,386</u>	<u>47,897</u>	<u>1,632</u>	<u>95,707</u>
Total Liabilities and Fund Balances	<u>\$ 96,386</u>	<u>\$ 85,068</u>	<u>\$ 1,632</u>	<u>\$ 146,031</u>

EXHIBIT L

Fire Department Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 46,607	\$ 183,686	\$ 183,686
-	133,283	133,283
-	56,242	56,242
-	2,513	2,513
<u>\$ 46,607</u>	<u>\$ 375,724</u>	<u>\$ 375,724</u>
\$ -	\$ 50,369	\$ 50,369
-	37,126	37,126
<u>-</u>	<u>87,495</u>	<u>87,495</u>
46,607	288,229	288,229
<u>46,607</u>	<u>288,229</u>	<u>288,229</u>
<u>\$ 46,607</u>	<u>\$ 375,724</u>	<u>\$ 375,724</u>

CITY OF NEDERLAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Police Narcotics Fund	Library Fund	Court Technology Fund	Hotel/Motel Occupancy Tax Fund
REVENUES:				
Taxes:				
Other Taxes	\$ -	\$ -	\$ -	\$ 95,297
Grants and Private Contributions	1,743	67,720	-	-
Forfeitures	999	-	-	-
Fines and Court Costs	-	-	6,583	-
Investment Earnings	3,890	3,336	13	1,766
Other Revenue	21,346	1,485	-	-
Total Revenues	<u>27,978</u>	<u>72,541</u>	<u>6,596</u>	<u>97,063</u>
EXPENDITURES:				
Public Safety	18,908	-	10,389	-
Culture and Recreation	-	71,147	-	90,567
Total Expenditures	<u>18,908</u>	<u>71,147</u>	<u>10,389</u>	<u>90,567</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,070</u>	<u>1,394</u>	<u>(3,793)</u>	<u>6,496</u>
Net Change in Fund Balance	9,070	1,394	(3,793)	6,496
Fund Balance - Beginning	<u>87,316</u>	<u>46,503</u>	<u>5,425</u>	<u>89,211</u>
Fund Balance - Ending	<u>\$ 96,386</u>	<u>\$ 47,897</u>	<u>\$ 1,632</u>	<u>\$ 95,707</u>

EXHIBIT M

Fire Department Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 95,297	\$ 95,297
32,007	101,470	101,470
-	999	999
-	6,583	6,583
855	9,860	9,860
-	22,831	22,831
<u>32,862</u>	<u>237,040</u>	<u>237,040</u>
36,294	65,591	65,591
-	161,714	161,714
<u>36,294</u>	<u>227,305</u>	<u>227,305</u>
<u>(3,432)</u>	<u>9,735</u>	<u>9,735</u>
(3,432)	9,735	9,735
<u>50,039</u>	<u>278,494</u>	<u>278,494</u>
<u>\$ 46,607</u>	<u>\$ 288,229</u>	<u>\$ 288,229</u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT N

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS	Final Budget
			(See Note)	Positive or
				(Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 1,998,260	\$ 1,998,260	\$ 1,954,114	\$ (44,146)
Penalty and Interest on Taxes	25,000	25,000	25,625	625
Investment Earnings	<u>300</u>	<u>300</u>	<u>8,894</u>	<u>8,594</u>
Total Revenues	<u>2,023,560</u>	<u>2,023,560</u>	<u>1,988,633</u>	<u>(34,927)</u>
EXPENDITURES:				
Debt Service:				
Principal on Debt	2,280,000	2,280,000	2,280,000	-
Interest on Debt	706,498	706,498	758,833	(52,335)
Other Debt Service	<u>2,800</u>	<u>2,800</u>	<u>2,300</u>	<u>500</u>
Total Expenditures	<u>2,989,298</u>	<u>2,989,298</u>	<u>3,041,133</u>	<u>(51,835)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(965,738)	(965,738)	(1,052,500)	(86,762)
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>965,738</u>	<u>965,738</u>	<u>965,738</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>965,738</u>	<u>965,738</u>	<u>965,738</u>	<u>-</u>
Change in Fund Balance	-	-	(86,762)	(86,762)
Fund Balance - Beginning	<u>150,362</u>	<u>150,362</u>	<u>150,362</u>	<u>-</u>
 Fund Balance - Ending	 <u>\$ 150,362</u>	 <u>\$ 150,362</u>	 <u>\$ 63,600</u>	 <u>\$ (86,762)</u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - POLICE NARCOTICS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT O

	<u>Budgeted Amounts</u>		Actual	Variance With
	<u>Original</u>	<u>Final</u>	GAAP BASIS	Final Budget
			(See Note)	Positive or
				(Negative)
REVENUES:				
Grants and Private Contributions	\$ -	\$ -	\$ 1,743	\$ 1,743
Forfeitures	29,000	29,000	999	(28,001)
Investment Earnings	-	-	3,890	3,890
Other Revenue	750	750	21,346	20,596
Total Revenues	<u>29,750</u>	<u>29,750</u>	<u>27,978</u>	<u>(1,772)</u>
EXPENDITURES:				
Public Safety	<u>19,750</u>	<u>19,750</u>	<u>18,908</u>	<u>842</u>
Total Expenditures	<u>19,750</u>	<u>19,750</u>	<u>18,908</u>	<u>842</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,000	10,000	9,070	(930)
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Change in Fund Balance	-	-	9,070	9,070
Fund Balance - Beginning	<u>87,316</u>	<u>87,316</u>	<u>87,316</u>	<u>-</u>
 Fund Balance - Ending	 <u>\$ 87,316</u>	 <u>\$ 87,316</u>	 <u>\$ 96,386</u>	 <u>\$ 9,070</u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – LIBRARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT P

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Grants and Private Contributions	\$ 64,200	\$ 64,200	\$ 67,720	\$ 3,520
Investment Earnings	-	-	3,336	3,336
Other Revenue	27,000	27,000	1,485	(25,515)
Total Revenues	<u>91,200</u>	<u>91,200</u>	<u>72,541</u>	<u>(18,659)</u>
EXPENDITURES:				
Culture and Recreation	91,200	91,200	71,147	20,053
Total Expenditures	<u>91,200</u>	<u>91,200</u>	<u>71,147</u>	<u>20,053</u>
Change in Fund Balance	-	-	1,394	1,394
Fund Balance - Beginning	46,503	46,503	46,503	-
 Fund Balance - Ending	<u>\$ 46,503</u>	<u>\$ 46,503</u>	<u>\$ 47,897</u>	<u>\$ 1,394</u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - COURT TECHNOLOGY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT Q

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP BASIS</u>	<u>Final Budget</u>
			<u>(See Note)</u>	<u>Positive or</u>
				<u>(Negative)</u>
REVENUES:				
Fines and Court Costs	\$ 6,000	\$ 6,000	\$ 6,583	\$ 583
Investment Earnings	-	-	13	13
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>6,596</u>	<u>596</u>
EXPENDITURES:				
Public Safety	<u>6,000</u>	<u>10,500</u>	<u>10,389</u>	<u>111</u>
Total Expenditures	<u>6,000</u>	<u>10,500</u>	<u>10,389</u>	<u>111</u>
Change in Fund Balance	-	(4,500)	(3,793)	707
Fund Balance - Beginning	<u>5,425</u>	<u>5,425</u>	<u>5,425</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 5,425</u>	<u>\$ 925</u>	<u>\$ 1,632</u>	<u>\$ 707</u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HOTEL/MOTEL OCCUPANCY TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT R

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 90,000	\$ 90,000	\$ 95,297	\$ 5,297
Investment Earnings	-	-	1,766	1,766
Total Revenues	<u>90,000</u>	<u>90,000</u>	<u>97,063</u>	<u>7,063</u>
EXPENDITURES:				
Culture and Recreation	<u>134,500</u>	<u>142,240</u>	<u>90,567</u>	<u>51,673</u>
Total Expenditures	<u>134,500</u>	<u>142,240</u>	<u>90,567</u>	<u>51,673</u>
Change in Fund Balance	(44,500)	(52,240)	6,496	58,736
Fund Balance - Beginning	<u>89,211</u>	<u>89,211</u>	<u>89,211</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 44,711</u>	<u>\$ 36,971</u>	<u>\$ 95,707</u>	<u>\$ 58,736</u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – FIRE DEPARTMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT S

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive or (Negative)</u>
REVENUES:				
Grants and Private Contributions	\$ 25,000	\$ 25,000	\$ 32,007	\$ 7,007
Investment Earnings	-	-	855	855
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>32,862</u>	<u>7,862</u>
EXPENDITURES:				
Public Safety	<u>25,000</u>	<u>47,170</u>	<u>36,294</u>	<u>10,876</u>
Total Expenditures	<u>25,000</u>	<u>47,170</u>	<u>36,294</u>	<u>10,876</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(22,170)	(3,432)	18,738
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	-	(22,170)	(3,432)	18,738
Fund Balance - Beginning	<u>50,039</u>	<u>50,039</u>	<u>50,039</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 50,039</u>	<u>\$ 27,869</u>	<u>\$ 46,607</u>	<u>\$ 18,738</u>

CITY OF NEDERLAND

**COMPONENT UNIT
NEDERLAND ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2023**

EXHIBIT T

	<u>General</u>	<u>Total Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 351,158	\$ 351,158
Investments	6,896,833	6,896,833
Receivables (net of allowances for doubtful accounts)		
Taxes Receivable	82,361	82,361
Accounts Receivable	-	-
Prepaid Items	34,287	34,287
Total Assets	<u>\$ 7,364,639</u>	<u>\$ 7,364,639</u>
 LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accrued Expenses and Other Liabilities	\$ 192	\$ 192
Due to General Fund	69,023	69,023
Unearned Revenues	15,448	15,448
Total Liabilities	<u>84,663</u>	<u>84,663</u>
 FUND BALANCES:		
Committed Fund Balance	2,368,250	2,368,250
Unassigned Fund Balance	4,911,726	4,911,726
Total Fund Balances	<u>7,279,976</u>	<u>7,279,976</u>
 Total Liabilities and Fund Balances	 <u>\$ 7,364,639</u>	
 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in these funds		 2,440,790
 Included in restricted assets is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$29,302, a Deferred Resource Outflow related to TMRS in the amount of \$98,177, and a Deferred Resource inflow related to TMRS in the amount of \$12,470. This amounted to an increase in Net Position in the amount of \$56,405.		 56,405
 Included in restricted assets is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$157,887, a Deferred Resource Outflow related to TMRS in the amount of \$30,602, and a Deferred Resource Inflow related to TMRS in the amount of \$80,430. This amounted to a decrease in Net Position in the amount of (\$207,715).		 <u>(207,715)</u> <u>\$9,569,456</u>

CITY OF NEDERLAND

COMPONENT UNIT

**NEDERLAND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT U

	General	Total Funds
REVENUES:		
Sales Tax	\$ 1,066,375	\$ 1,066,375
Interest	312,562	312,562
Other Miscellaneous	42,112	42,112
Total Revenues	1,421,049	1,421,049
EXPENDITURES:		
Current:		
Economic Development	1,329,145	1,329,145
Total Expenditures	1,329,145	1,329,145
Net Change in Fund Balance	91,904	91,904
Fund Balance - October 1 (Beginning)	7,188,072	
Fund Balance - September 30 (Ending)	\$ 7,279,976	
The change in capital assets are reflected in the current financial resources of governmental funds, however has no effect on net position		653,494
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the component unit fund accounting. Conversely, certain items reported as expenditures at the fund level are considered assets in the government-wide statements.		
Change in net pension asset, deferred inflows and outflows		(43,300)
Change in OPEB liability, deferred inflows and outflows		(7,017)
CHANGE IN NET POSITION		695,081
NET POSITION - BEGINNING		8,874,375
NET POSITION - ENDING		\$ 9,569,456

CITY OF NEDERLAND

COMPONENT UNIT

NEDERLAND ECONOMIC DEVELOPMENT CORPORATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

EXHIBIT V

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive or (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Sales Tax	\$ 932,160	\$ 932,160	\$ 1,066,375	\$ 134,215
Interest	5,000	5,000	312,562	307,562
Other Miscellaneous	29,600	29,600	42,112	12,512
Total Revenues	<u>966,760</u>	<u>966,760</u>	<u>1,421,049</u>	<u>454,289</u>
EXPENDITURES:				
Current:				
Economic Development	932,160	932,160	1,329,145	396,985
Total Expenditures	<u>932,160</u>	<u>932,160</u>	<u>1,329,145</u>	<u>396,985</u>
Net Change in Fund Balance	34,600	34,600	91,904	57,304
Fund Balance - Beginning	<u>7,188,072</u>	<u>7,188,072</u>	<u>7,188,072</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$7,222,672</u></u>	<u><u>\$7,222,672</u></u>	<u><u>\$7,279,976</u></u>	<u><u>\$ 57,304</u></u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Nederland, Texas's 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 government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	74-79
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	80-83
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	84-89
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	90-91
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	92-96

CITY OF NEDERLAND, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

SCHEDULE I

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Invested in capital assets, net of related debt	\$ 29,440,152	\$ 28,104,077	\$ 29,940,213	\$ 30,868,378	\$ 30,923,655	\$ 32,660,306	\$ 34,417,770	\$ 36,664,862	\$ 40,971,988	\$ 42,646,823
Restricted	3,161,349	7,880,701	3,977,350	4,893,240	7,634,601	814,301	865,425	783,691	755,984	685,461
Unrestricted	<u>(5,404,853)</u>	<u>(396,078)</u>	<u>4,570,988</u>	<u>5,817,251</u>	<u>7,120,631</u>	<u>16,157,966</u>	<u>16,516,104</u>	<u>16,958,598</u>	<u>18,306,442</u>	<u>29,234,755</u>
Total governmental activities net position	<u>\$ 27,196,648</u>	<u>\$ 35,588,700</u>	<u>\$ 38,488,551</u>	<u>\$ 41,578,869</u>	<u>\$ 45,678,887</u>	<u>\$ 49,632,573</u>	<u>\$ 51,799,299</u>	<u>\$ 54,407,151</u>	<u>\$ 60,034,414</u>	<u>\$ 72,567,039</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$ 29,813,324	\$ 29,931,590	\$ 29,443,855	\$ 28,413,217	\$ 27,438,324	\$ 26,140,194	\$ 30,045,511	\$ 31,958,048	\$ 31,825,227	\$ 30,457,824
Restricted	1,402,225	2,114,473	931,829	788,521	1,476,711	160,178	160,178	145,830	145,908	146,865
Unrestricted	<u>5,042,025</u>	<u>6,280,610</u>	<u>7,490,363</u>	<u>8,274,313</u>	<u>8,243,111</u>	<u>11,302,096</u>	<u>10,573,668</u>	<u>10,725,816</u>	<u>11,512,853</u>	<u>11,763,691</u>
Total business-type activities net position	<u>\$ 36,257,574</u>	<u>\$ 38,326,673</u>	<u>\$ 37,866,047</u>	<u>\$ 37,476,051</u>	<u>\$ 37,158,146</u>	<u>\$ 37,602,468</u>	<u>\$ 40,779,357</u>	<u>\$ 42,829,694</u>	<u>\$ 43,483,988</u>	<u>\$ 42,368,380</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 43,683,476	\$ 44,265,667	\$ 47,444,068	\$ 59,281,595	\$ 50,256,979	\$ 51,575,045	\$ 54,996,633	\$ 57,746,222	\$ 61,802,215	\$ 62,816,593
Restricted	4,563,574	9,995,174	4,909,179	9,111,312	9,111,312	974,479	1,025,603	929,521	901,892	832,326
Unrestricted	<u>15,207,172</u>	<u>19,654,532</u>	<u>24,001,351</u>	<u>14,091,564</u>	<u>23,468,742</u>	<u>34,685,517</u>	<u>36,556,420</u>	<u>38,561,102</u>	<u>40,814,295</u>	<u>51,286,500</u>
Total primary government net position	<u>\$ 63,454,222</u>	<u>\$ 73,915,373</u>	<u>\$ 76,354,598</u>	<u>\$ 82,484,471</u>	<u>\$ 82,837,033</u>	<u>\$ 87,235,041</u>	<u>\$ 92,578,656</u>	<u>\$ 97,236,845</u>	<u>\$ 103,518,402</u>	<u>\$ 114,935,419</u>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
General government	\$ 1,022,795	\$ 1,133,595	\$ 1,877,002	\$ 1,879,601	\$ 1,453,810	\$ 2,759,459	\$ 1,711,575	\$ 1,038,063	\$ 449,270	\$ 2,372,670
Public safety	5,447,749	5,380,222	5,596,872	6,506,680	6,090,633	6,390,752	6,941,338	7,175,908	7,806,689	8,126,261
Public works	1,839,892	2,276,934	1,908,479	1,116,983	1,984,912	2,027,955	2,295,576	2,474,917	2,615,939	1,843,611
Culture and recreation	1,280,927	1,225,890	1,410,272	1,360,968	1,352,159	1,432,531	1,332,467	1,520,516	1,614,322	2,787,869
Administrative and general	349,660	313,638	317,459	323,600	540,643	431,598	361,156	473,705	684,655	612,849
Interest on long-term debt and other debt service	616,072	513,579	330,460	411,785	470,165	708,938	817,081	755,378	540,320	602,183
Capital Outlay	-	-	-	634,102	-	-	-	-	-	-
Total governmental activities	<u>10,557,095</u>	<u>10,843,858</u>	<u>11,440,544</u>	<u>12,233,719</u>	<u>11,892,322</u>	<u>13,751,233</u>	<u>13,459,193</u>	<u>13,438,487</u>	<u>13,711,195</u>	<u>16,345,443</u>
Business-type activities										
Water and sewer	4,387,935	4,193,292	4,635,956	4,664,576	4,842,030	4,505,371	5,076,567	5,353,822	5,476,973	6,893,325
Solid Waste	1,092,862	1,076,963	1,169,954	1,513,065	1,599,620	1,431,112	1,472,886	1,796,748	1,433,683	1,500,652
Total business-type activities	<u>5,480,797</u>	<u>5,270,255</u>	<u>5,805,910</u>	<u>6,177,641</u>	<u>6,441,650</u>	<u>5,936,483</u>	<u>6,549,453</u>	<u>7,150,570</u>	<u>6,910,656</u>	<u>8,393,977</u>
Total Primary Government Expenses	<u>\$ 16,037,892</u>	<u>\$ 16,114,113</u>	<u>\$ 17,246,454</u>	<u>\$ 18,411,360</u>	<u>\$ 18,333,972</u>	<u>\$ 19,687,716</u>	<u>\$ 20,008,646</u>	<u>\$ 20,589,057</u>	<u>\$ 20,621,851</u>	<u>\$ 24,739,420</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 193,761	\$ 317,684	\$ 153,263	\$ 231,213	\$ 290,766	\$ 408,929	\$ 361,094	\$ 401,552	\$ 221,891	\$ 332,391
Public works	147,716	146,329	154,082	101,530	156,561	135,808	71,465	166,978	140,967	111,311
Culture and recreation	92,762	110,178	124,360	105,674	104,374	90,538	47,644	111,319	93,978	74,207
Operating grants and contributions	3,458,451	1,333,094	218,717	303,049	287,856	422,790	1,383,225	421,216	423,357	672,206
Capital grants and contributions	-	-	-	-	-	-	-	53,242	393,628	2,607,925
Total governmental activities program revenues	<u>3,892,690</u>	<u>1,907,285</u>	<u>650,422</u>	<u>741,466</u>	<u>839,557</u>	<u>1,058,065</u>	<u>1,863,428</u>	<u>1,154,307</u>	<u>1,273,821</u>	<u>3,798,040</u>
Business activities:										
Charges for services:										
Water & sewer	4,233,087	4,525,083	4,348,123	4,444,922	4,730,022	4,989,641	5,117,728	5,175,026	5,584,032	5,945,781
Solid waste	1,590,802	1,631,189	1,643,525	1,682,773	1,691,752	1,699,844	1,702,719	1,754,075	1,772,506	1,857,904
Capital grants and contributions	-	-	-	355,233	296,417	-	-	-	-	-
Total business-type activities program revenues	<u>5,823,889</u>	<u>6,156,272</u>	<u>5,991,648</u>	<u>6,482,928</u>	<u>6,718,191</u>	<u>6,689,485</u>	<u>6,820,447</u>	<u>6,929,101</u>	<u>7,356,538</u>	<u>7,803,685</u>
Total primary government program revenues	<u>\$ 9,716,579</u>	<u>\$ 8,063,557</u>	<u>\$ 6,642,070</u>	<u>\$ 7,224,394</u>	<u>\$ 7,557,748</u>	<u>\$ 7,747,550</u>	<u>\$ 8,683,875</u>	<u>\$ 8,083,408</u>	<u>\$ 8,630,359</u>	<u>\$ 11,601,725</u>
Net (expense) revenue										
Governmental activities	\$ (6,664,405)	\$ (8,936,573)	\$ (10,790,122)	\$ (11,492,253)	\$ (11,052,765)	\$ (12,693,168)	\$ (11,595,765)	\$ (12,284,180)	\$ (12,437,374)	\$ (12,547,403)
Business-type activities	343,092	886,017	185,738	305,287	276,541	753,002	270,994	(221,469)	445,882	(590,292)
Total primary government net expense	<u>\$ (6,321,313)</u>	<u>\$ (8,050,556)</u>	<u>\$ (10,604,384)</u>	<u>\$ (11,186,966)</u>	<u>\$ (10,776,224)</u>	<u>\$ (11,940,166)</u>	<u>\$ (11,324,771)</u>	<u>\$ (12,505,649)</u>	<u>\$ (11,991,492)</u>	<u>\$ (13,137,695)</u>

CHANGES IN NET POSITION (continued)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property taxes, penalties and interest	\$ 5,786,607	\$ 5,929,520	\$ 6,095,105	\$ 6,335,621	\$ 6,748,020	\$ 6,873,738	\$ 7,158,736	\$ 7,202,505	\$ 7,355,668	\$ 7,194,758
In lieu of tax contracts	1,784,626	1,737,247	1,723,214	1,672,348	1,995,382	2,205,696	2,402,073	3,215,618	3,393,818	3,422,362
Sales tax	3,844,714	4,227,148	4,104,845	3,725,211	4,550,091	4,621,939	5,065,369	5,063,576	5,038,818	5,331,877
Other taxes	1,219,125	1,261,713	1,216,030	1,297,399	1,364,631	1,314,128	1,203,836	1,160,013	1,190,861	1,177,004
Interest	19,828	17,529	26,515	51,219	216,153	498,468	267,685	13,317	264,118	1,967,150
Gain on sale of capital assets	678,376	155,000	317,411	-	-	-	13,900	-	-	4,430,676
Grants and Contributions Not Restricted	-	-	-	279,208	-	-	-	-	-	-
Other miscellaneous	103,041	124,263	97,460	219,290	445,105	524,100	300,817	176,469	254,087	319,119
Transfers	(620,963)	(198,629)	685,784	733,175	546,900	608,785	(2,649,925)	(1,939,466)	567,267	1,237,082
Total government activities	<u>12,815,354</u>	<u>13,253,791</u>	<u>14,266,364</u>	<u>14,313,471</u>	<u>15,866,282</u>	<u>16,646,854</u>	<u>13,762,491</u>	<u>14,892,032</u>	<u>18,064,637</u>	<u>25,080,028</u>
Business-type activities										
Interest	\$ 7,703	\$ 7,302	\$ 10,320	\$ 14,866	\$ 39,213	\$ 127,701	\$ 177,212	\$ 328,159	\$ 68,639	\$ 483,038
Other miscellaneous	(39,258)	(62,007)	77,187	23,026	167,311	172,404	78,758	4,181	503,190	228,726
Transfers	620,963	198,629	(685,784)	(733,175)	(546,900)	(608,785)	2,649,925	1,939,466	(363,417)	(1,237,082)
Total business-type activities	<u>589,408</u>	<u>143,924</u>	<u>(598,277)</u>	<u>(695,283)</u>	<u>(340,376)</u>	<u>(308,680)</u>	<u>2,905,895</u>	<u>2,271,806</u>	<u>208,412</u>	<u>(525,318)</u>
Total primary government	<u>\$ 13,404,762</u>	<u>\$ 13,397,715</u>	<u>\$ 13,668,087</u>	<u>\$ 13,618,188</u>	<u>\$ 15,525,906</u>	<u>\$ 16,338,174</u>	<u>\$ 16,668,386</u>	<u>\$ 17,163,838</u>	<u>\$ 18,273,049</u>	<u>\$ 24,554,710</u>
Change in Net Position										
Governmental activities	\$ 6,150,949	\$ 4,317,218	\$ 3,476,242	\$ 2,821,218	\$ 4,793,545	\$ 3,953,686	\$ 2,166,726	\$ 2,607,852	\$ 5,627,263	\$ 12,532,625
Business-type activities	932,500	1,029,941	(412,539)	(389,996)	(68,965)	444,322	3,176,889	2,050,337	654,294	(1,115,610)
Prior Period Adjustment	-	-	(372,116)	269,101	(942,469)	-	-	-	-	-
Total primary government	<u>\$ 7,083,449</u>	<u>\$ 5,347,159</u>	<u>\$ 2,691,587</u>	<u>\$ 2,700,323</u>	<u>\$ 3,782,111</u>	<u>\$ 4,398,008</u>	<u>\$ 5,343,615</u>	<u>\$ 4,658,189</u>	<u>\$ 6,281,557</u>	<u>\$ 11,417,015</u>

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>In Lieu of Tax</u>	<u>Sales Tax</u>	<u>Other Taxes</u>	<u>Total</u>
2014	5,787	1,785	3,845	1,219	12,636
2015	5,930	1,737	4,227	1,262	13,156
2016	6,095	1,723	4,105	1,216	13,139
2017	6,326	1,672	3,725	1,297	13,020
2018	6,613	1,995	4,550	1,365	14,523
2019	6,783	2,206	4,622	1,314	14,925
2020	7,082	2,402	5,065	1,204	15,753
2021	7,107	3,216	5,064	1,160	16,547
2022	7,264	3,394	5,039	1,191	16,888
2023	7,109	3,422	5,332	1,177	17,040

FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (AMOUNTS EXPRESSED IN THOUSANDS)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	2	3	1	2	12	123	3	70	339	236
Restricted	-	197	-	-	3,176	4,005	3,799	3,979	5,101	5,283
Assigned	-	2,800	2,692	2,953	223	364	256	463	1,619	823
Unassigned	12,660	10,817	11,850	12,174	13,012	14,314	16,377	18,221	17,410	20,315
Total general fund	<u>\$ 12,662</u>	<u>\$ 13,817</u>	<u>\$ 14,543</u>	<u>\$ 15,129</u>	<u>\$ 16,423</u>	<u>\$ 18,806</u>	<u>\$ 20,435</u>	<u>\$ 22,733</u>	<u>\$ 24,469</u>	<u>\$ 26,657</u>
All other governmental funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	1,466	1,466	-	-
Restricted										
Debt Service	229	224	174	157	136	166	190	147	150	64
Grants and Awards	310	414	417	427	301	312	336	302	279	288
Construction	-	280	4	5,330	3,179	8,968	6,311	6,834	4,853	9,830
Committed										
Capital projects	3,029	2,495	2,384	2,642	3,937	4,145	3,568	3,416	4,146	10,255
Total all other governmental funds	<u>\$ 3,568</u>	<u>\$ 3,413</u>	<u>\$ 2,979</u>	<u>\$ 8,556</u>	<u>\$ 7,553</u>	<u>\$ 13,591</u>	<u>\$ 11,871</u>	<u>\$ 12,165</u>	<u>\$ 9,428</u>	<u>\$ 20,437</u>
Total governmental funds	<u>\$ 16,230</u>	<u>\$ 17,230</u>	<u>\$ 17,522</u>	<u>\$ 23,685</u>	<u>\$ 23,976</u>	<u>\$ 32,397</u>	<u>\$ 32,306</u>	<u>\$ 34,898</u>	<u>\$ 33,897</u>	<u>\$ 47,094</u>

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Property taxes, penalties and interest	5,785,757	5,911,963	6,113,742	6,326,289	6,781,817	6,894,413	7,138,819	7,202,765	7,367,027	7,166,289
In lieu of tax contracts	1,784,628	1,737,247	1,723,214	1,672,348	1,995,382	2,205,696	2,402,073	3,215,618	3,393,818	3,422,362
Sales Tax	3,844,714	4,227,148	4,104,845	3,725,211	4,550,091	4,621,939	5,065,369	5,063,576	5,038,818	5,331,877
Other taxes	1,219,125	1,261,713	1,216,030	1,297,399	1,364,631	1,314,128	1,203,836	1,160,013	1,190,861	1,177,004
Charges for services	240,478	256,507	278,442	207,204	260,935	226,346	119,109	278,297	234,945	185,518
Fines, forfeits and penalties	226,571	267,359	227,737	231,213	265,662	298,190	309,866	370,127	327,385	331,525
Interest	19,826	17,528	26,515	51,219	216,153	498,468	267,685	13,317	264,118	1,967,150
Grants and Private contributions	3,458,451	1,333,096	218,717	582,257	287,857	422,790	1,383,224	474,457	816,985	3,280,131
Other miscellaneous	103,041	124,261	97,460	100,674	87,554	91,980	318,727	174,384	247,476	318,117
Total revenues	16,682,591	15,136,822	14,006,702	14,193,814	15,810,082	16,573,950	18,208,708	17,952,554	18,881,433	23,179,973
Expenditures										
Current:										
General government	1,008,005	2,561,602	1,217,555	1,328,398	1,265,040	2,391,589	1,467,170	1,880,374	3,116,983	1,749,113
Public safety	5,227,808	5,311,775	5,402,174	6,179,043	7,926,820	9,686,702	7,112,430	7,085,232	7,414,677	10,113,593
Public works	3,151,978	1,619,023	2,983,236	1,908,454	2,254,408	1,723,813	3,001,415	3,999,021	3,839,231	3,865,884
Culture and recreation	1,148,460	1,297,498	1,499,537	1,496,688	1,280,388	1,415,757	1,425,624	1,361,577	1,920,629	2,629,627
Administration and general	323,473	296,162	317,459	323,600	785,762	431,598	365,167	472,363	682,271	662,035
Capital Outlay	4,030,394	555,478	812,262	769,887		268,929	118,781	277,844	286,234	104,454
Debt Service:										
Principal retirement	1,815,000	1,890,000	1,925,000	1,985,000	2,154,999	2,415,000	2,395,000	2,305,000	2,195,000	2,280,000
Interest and fiscal charges	617,638	559,780	511,780	517,041	593,068	817,175	764,984	769,059	788,910	758,833
Issuance Costs	2,325	2,724	2,225	3,250	2,625	2,766	130,050	123,334	2,000	122,699
Total expenditures	17,325,081	14,094,042	14,671,228	14,511,361	16,263,110	19,153,329	16,780,621	18,273,804	20,245,935	22,286,238
Excess (Deficiency) of Revenues Over (Under) Expenditures	(642,490)	1,042,780	(664,526)	(317,547)	(453,028)	(2,579,379)	1,428,087	(321,250)	(1,364,502)	893,735
Other Financing Sources (Uses)										
Bonds issued	-	-	-	4,975,000	-	9,695,000	4,076,662	4,476,851	-	5,123,653
Premium on bonds	-	-	-	624,206	-	263,787	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Payment to refunded escrow agent	-	-	-	-	-	-	(2,946,021)	-	-	-
Transfers in	1,799,078	1,170,298	2,243,055	2,175,099	2,288,098	3,124,695	3,443,495	2,287,088	2,416,433	7,757,148
Transfers out	(2,420,041)	(1,368,927)	(1,557,272)	(1,441,925)	(1,741,198)	(2,515,910)	(6,093,420)	(4,226,554)	(2,053,016)	(6,520,066)
Sale of general capital assets	678,376	155,000	317,412	147,802	332,448	432,120	0	-	-	5,941,410
Total Other Financing Sources and Uses	57,413	(43,629)	1,003,195	6,480,182	879,348	10,999,692	(1,519,284)	2,537,385	363,417	12,302,145
Net Change in Fund Balance	\$ (585,077)	\$ 999,151	\$ 338,669	\$ 6,162,635	\$ 426,320	\$ 8,420,313	\$ (91,197)	\$ 2,216,135	\$ (1,001,085)	\$ 13,195,880
Debt service as a percentage of non-capital expenditures	21.57%	20.71%	20.97%	20.67%	21.84%	23.87%	22.65%	21.36%	20.17%	18.95%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

FISCAL YEAR	TAX ROLL YEAR	ESTIMATED MARKET VALUE			LESS: TAX-EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE
		RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	INDUSTRIAL PROPERTY			
2014	2013	762,806,954	228,548,890	46,558,802	72,936,303	964,978,343	0.0591853
2015	2014	784,202,131	218,685,410	69,521,792	80,972,053	991,437,280	0.0591853
2016	2015	813,977,607	224,764,320	95,130,156	112,331,501	1,021,540,582	0.0591853
2017	2016	841,020,598	232,242,560	94,158,834	111,045,255	1,056,376,737	0.0594000
2018	2017	872,766,523	231,908,670	98,115,491	115,842,819	1,086,947,865	0.0609578
2019	2018	884,850,214	246,951,596	101,241,859	113,461,412	1,119,582,257	0.0609578
2020	2019	943,506,133	260,889,005	101,664,495	119,762,104	1,186,297,529	0.5991590
2021	2020	993,343,211	264,457,623	99,591,657	120,453,897	1,236,938,594	0.5797080
2022	2021	1,165,512,894	320,249,379	97,923,625	171,196,115	1,412,489,783	0.5172060
2023	2022	1,246,494,934	323,102,378	105,498,846	167,132,460	1,507,963,698	0.4810560

Source: Jefferson County Appraisal District

Note: Property in Jefferson County is reassessed once every two years

PROPERTY TAX RATES- DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates			
	Maintenance & Operations Rate	Debt Service Rate	Total Direct Rate	Jefferson County	Nederland ISD	Drainage District #7	Navigation District
2014	0.371479	0.220374	\$0.591853	0.365000	1.120000	0.149917	0.029374
2015	0.372368	0.219485	\$0.591853	0.365000	1.145000	0.170602	0.089374
2016	0.385689	0.206164	\$0.591853	0.365000	1.160000	0.165305	0.091640
2017	0.390828	0.203172	\$0.594000	0.365000	1.160000	0.160545	0.091640
2018	0.390828	0.218750	\$0.609578	0.364977	1.150000	0.199875	0.091640
2019	0.404100	0.205478	\$0.609578	0.364977	1.150000	0.239850	0.092067
2020	0.414765	0.184394	\$0.599159	0.364977	1.330000	0.311805	0.092067
2021	0.413141	0.166567	\$0.579708	0.364977	1.275200	0.294990	0.090426
2022	0.375573	0.141633	\$0.517206	0.363184	1.172000	0.284775	0.092067
2023	0.348405	0.132651	\$0.481056	0.363184	1.172000	0.258589	0.089005

Source: Jefferson County Tax Office

Note: The City establishes tax rates based on values established by the Jefferson County Appraisal District. A no-new revenue tax rate is calculated as the tax rate that would produce the same amount of taxes if applied to the same properties that are taxed in both years. The voter approved rate is the highest tax rate that a taxing unit may adopt without holding an election to seek voter approval of the rate.

CITY OF NEDERLAND, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Schedule VIII

TAXPAYER	Fiscal Year 2014		Fiscal Year 2023	
	Assessed Valuation	Percent of Estimated Actual Value	Assessed Valuation	Percent of Estimated Actual Value
Entergy Texas, Inc.	8,545,520	0.89%	17,495,543	1.16%
Philpott Ford, Inc.	15,811,680	1.64%	15,560,240	1.03%
Avenue Apartments Investor, LLC	8,523,270	0.88%	14,945,377	0.99%
Performance Contractors	-	0.00%	13,215,511	0.88%
Fivepoint Federal Credit Union	8,255,630	0.86%	9,890,158	0.66%
Chateau Nederland Property, LLC	3,673,870	-	9,056,099	0.60%
JAG Nederland Properties LTD	4,774,420	0.49%	6,984,659	0.46%
Albanese Nederland Spe LLC	4,090,100	0.42%	6,906,750	0.46%
Kastle Nederland, LLC	-	0.00%	6,648,151	0.44%
Drubo Hospitality Corporation	-	-	6,279,041	0.42%
Total	<u>\$53,674,490</u>	5.18%	<u>\$106,981,529</u>	7.09%

Source: Jefferson County Appraisal District

Notes:

Total taxable value including real and personal property for tax year 2013 (fiscal year 2014) is \$964,978,343

Total taxable value including real and personal property for tax year 2022 (fiscal year 2023) is \$1,507,963,698

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

FISCAL YEAR ENDED SEPTEMBER 30,	TAXES LEVIED FOR FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF LEVY		COLLECTIONS IN SUBSEQUENT YEAR	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2014	5,692,249	5,555,702	97.60%	123,176	5,678,878	99.77%
2015	5,858,251	5,726,009	97.74%	119,001	5,845,010	99.77%
2016	6,030,615	5,908,543	97.98%	106,528	6,015,071	99.74%
2017	6,265,415	6,139,152	97.98%	105,209	6,244,361	99.66%
2018	6,614,154	6,500,741	98.29%	86,552	6,587,293	99.59%
2019	6,799,204	6,680,461	98.25%	89,680	6,770,141	99.57%
2020	7,098,414	6,983,872	98.39%	77,193	7,061,065	99.47%
2021	7,139,450	7,021,913	98.35%	69,809	7,091,722	99.33%
2022	7,275,863	7,161,206	98.42%	43,990	7,205,196	99.03%
2023	7,221,572	7,095,001	98.25%	-	7,095,001	98.25%

Source: Jefferson County Appraisal District and Jefferson County Tax Office

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Obligation	Tax Notes	General Obligation Bonds	Lease Payable	SBITA Payable	Water & Sewer Revenue Bonds			
2014	6,660,360	-	11,914,996	-	-	-	18,575,356	4.41%	\$ 1,059
2015	6,448,900	-	10,400,809	-	-	-	16,849,709	3.82%	\$ 960
2016	6,349,772	-	8,367,763	-	-	-	14,717,535	3.34%	\$ 839
2017	11,373,884	-	6,809,971	-	-	-	18,183,855	4.13%	\$ 1,036
2018	10,915,799	-	4,965,170	-	-	-	15,880,969	3.60%	\$ 905
2019	20,053,305	-	3,210,369	-	-	-	23,263,674	3.66%	\$ 1,326
2020	15,887,031	1,040,000	4,968,228	-	-	-	21,895,259	3.67%	\$ 1,248
2021	19,248,430	540,000	4,111,410	-	-	-	23,899,840	3.41%	\$ 1,267
2022	17,833,482	410,000	3,189,518	22,160	-	-	21,455,160	3.03%	\$ 1,138
2023	21,494,630	275,000	2,244,251	32,867	166,983	-	24,213,731	3.41%	\$ 1,284

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Population data can be found in Schedule XVI

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding					Percentage of Estimated Actual Taxable Value of Property	Per Capita
	Certificates of Obligation	Tax Notes	General Obligation Bonds	Amounts Available in Debt Service Fund	Total		
2014	6,545,000	-	11,914,996	228,616	\$18,231,380	1.89%	1,039
2015	6,285,000	-	10,400,809	223,567	\$16,462,242	1.66%	938
2016	6,349,772	-	8,367,763	174,078	\$14,543,457	1.42%	829
2017	11,373,884	-	6,809,971	156,911	\$18,026,944	1.71%	1,027
2018	10,915,799	-	4,965,170	136,158	\$15,744,811	1.45%	897
2019	20,053,305	-	3,210,369	165,746	\$23,097,928	2.06%	1,316
2020	15,887,031	1,040,000	4,968,228	189,875	\$21,705,384	1.83%	1,237
2021	19,248,430	540,000	4,111,410	146,718	\$23,753,122	1.92%	1,260
2022	17,833,482	410,000	3,189,518	150,362	\$21,282,638	1.51%	1,129
2023	21,494,630	275,000	2,244,251	63,600	\$23,950,281	1.59%	1,270

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements
Population data can be found in Schedule XVI

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

ALL DIRECT AND OVERLAPPING GOVERNMENTS

SEPTEMBER 30, 2023

UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Nederland Independent School District	\$139,340,000	35.72%	\$49,772,248
Jefferson County, Texas	22,035,000	5.40%	1,189,890
Jefferson County Drainage District #7	12,710,000	8.60%	1,093,060
Subtotal overlapping debt			52,055,198
City direct debt			24,213,731
TOTAL			\$ 76,268,929

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

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using applicable percentages and were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2023

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes; City	\$ 12,720,000	100.00%	\$ 12,720,000

LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
 (AMOUNTS EXPRESSED IN THOUSANDS)

Debt Margin Calculation for Fiscal Year 2023

Assessed value	<u>\$ 1,507,964</u>
Debt Limit (25% of assessed value)	<u>376,991</u>
Debt applicable to limit:	
Gross bonded debt	12,720
Less: amount set aside for repayment of general obligation debt	<u>(64)</u>
Total net debt applicable to limit	<u>12,656</u>

Debt Margin \$ 364,335

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt limit	\$ 223,384	\$ 231,883	\$ 241,284	\$ 264,081	\$ 271,723	\$ 279,886	\$ 270,941	\$ 297,852	\$ 343,387	\$ 364,335
Total net debt applicable to limit	<u>17,861</u>	<u>15,976</u>	<u>14,101</u>	<u>14,101</u>	<u>11,669</u>	<u>9,764</u>	<u>8,955</u>	<u>11,383</u>	<u>9,735</u>	<u>12,656</u>
Legal debt margin	<u>\$ 205,523</u>	<u>\$ 215,907</u>	<u>\$ 227,183</u>	<u>\$ 249,980</u>	<u>\$ 260,054</u>	<u>\$ 270,122</u>	<u>\$ 261,986</u>	<u>\$ 286,469</u>	<u>\$ 333,652</u>	<u>\$ 351,678</u>
∞ Legal debt margin as a percentage of the debt limit	92.00%	93.11%	94.16%	94.66%	95.71%	96.51%	96.69%	96.18%	97.17%	96.53%

Note: There is no debt limit established by law; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt. The Attorney General of the State of Texas will not approve more than \$1.00 of the tax rate for debt service. The City's maximum legal tax rate is \$2.00 per \$100 valuation assessed at 100% of market value. Twenty-five percent of the assessed value has been applied as a "rule of thumb" procedure.

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					
	Water & Sewer Charges for Services	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2014	4,065,404	2,975,514	1,089,890	-	-	-
2015	4,364,421	2,983,052	1,381,369	-	-	-
2016	4,348,123	3,233,957	1,114,166	-	-	-
2017	4,444,922	3,254,861	1,190,061	-	-	-
2018	4,876,004	3,428,757	1,447,247	-	-	-
2019	5,134,333	3,096,940	2,037,393	-	-	-
2020	5,232,827	3,639,226	1,593,601	-	-	-
2021	5,332,637	3,740,164	1,592,473	-	-	-
2022	5,741,580	3,607,609	2,133,971	-	-	-
2023	5,999,202	4,942,880	1,056,322	-	-	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Operating expenses do not include interest, depreciation, or amortization expenses.

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2014	17,547	483,157	27,535	36.8	5,006	** 7.3%
2015	17,547	545,431	31,084	36.6	5,156	** 6.4%
2016	17,547	541,571	30,864	38.7	5,030	** 7.2%
2017	17,547	566,259	32,271	38.8	5,229	** 8.2%
2018	17,547	546,449	31,142	39.1	5,388	** 5.6%
2019	17,547	635,728	36,230	38.3	5,372	** 5.3%
2020	17,547	597,107	34,029	36.5	4,981	**11.9%
2021	18,856	700,859	37,169	37.0	5,022	**8.0%
2022	18,856	709,174	37,610	36.5	5,009	**7.4%
2023	18,856	710,136	37,661	36.5	5,029	**7.4%

Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics, State and local economic development entities

Notes:

** Local unemployment rate is no longer available, the rate reported is area wide

N/A-Data not available

PRINCIPAL EMPLOYERS

CURRENT YEAR

Employer	2023	
	Employees	Percentage of Total City Employment
Nederland Independent School District	689	7.50%
Energy Transfer	250	2.72%
Philpott Motors	162	1.76%
Time Warner	130	1.42%
Five Point Credit Union	125	1.36%
City of Nederland	125	1.36%
Dupont	75	0.82%
Whataburger	72	0.78%
Unocal	66	0.72%
JK Chevrolet	65	0.71%
Hargrove Engineers	58	0.63%

Source: Nederland Economic Development Corporation

Note: Historical Information not available.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Function/Program</u>										
General government										
City manager	3	3	3	3	3	3	3	3	3	3
Finance	1	1	1	1	1	2	2	2	2	2
Personnel	2	2	2	2	2	2	2	2	2	2
Public safety										
Police	27	28	28	29	29	31	31	31	31	32
Fire	15	15	15	15	15	15	16	16	16	17
Dispatch	10	11	11	11	11	11	11	11	11	11
Information Technology	2	3	3	3	3	3	3	3	3	2
Public works										
Inspections	2	2	2	2	2	2	2	2	2	2
Code Enforcement	1	1	1	1	1	1	1	1	1	1
Public works administration	2	2	2	2	2	2	2	2	2	2
Streets	8	8	8	8	8	8	8	9	9	9
City shop	3	2	2	**	**	**	**	**	**	**
Animal Control	-	1	1	1	1	1	1	1	1	1
Culture and recreation										
Parks and recreation	3	4	4	4	4	4	4	4	4	4
Library	4	4	4	4	4	4	4	4	4	4
Water and sewer										
Water treatment	6	6	6	7	6	6	6	6	6	6
Water utility billing/collections	5	5	5	5	5	5	5	5	5	5
Wastewater treatment	*	*	*	4	4	4	4	4	4	4
Water and sewer distribution	9	9	9	9	9	9	9	9	9	9
Solid Waste	7	7	7	9	9	9	9	9	9	9
Total	110	114	114	120	119	122	123	124	124	125

Source: Finance Department

Notes: A full-time employee (except for firefighter) is scheduled to work 2,080 hours per year (including vacation and sick leave.) Firefighters are scheduled to work 2,912 hours per year including vacation, sick and Kelly days.) Full-time equivalent employment is calculated by dividing total labor hours by 2,080 for employees other than firefighters and 2,912 for firefighters.

* The wastewater treatment operation had been contracted in 2004 and the City took over operations in FY 16-17.

** Operations of City Shop were moved under Solid Waste

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN CALENDAR YEARS

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Function/Program</u>										
General government										
Permits issued	981	1,035	1,127	815	990	901	821	945	888	707
Public safety										
Police										
Physical arrests	364	459	413	438	427	612	440	506	484	557
Traffic violations	2,589	2,508	1,704	1,735	1,824	2,457	*6,945	*3,759	*7,106	*6,209
Dispatch calls for service	14,667	17,377	17,199	19,246	17,453	19,754	17,434	19,967	16,819	18,038
Offense reports filled	2,015	2,161	1,973	2,151	1,797	3,437	1,819	1,755	1,975	1,719
Fire										
Fire runs	72	52	77	74	81	65	63	56	68	76
EMS & other non-fire runs	1,731	1,830	1,700	1,938	1,894	2,204	2,280	2,147	2,270	2,238
Library										
Total volumes borrowed	96,449	94,428	89,490	86,499	85,784	82,764	47,982	49,721	49,326	58,310
Water and sewer										
Number of connections	8,308	8,569	8,680	8,680	9,021	8,910	9,093	9,135	9,178	9,140
Water main breaks	114	129	103	133	99	66	69	79	139	294
Average daily consumption (thousands of gallons)	2.01	1.97	1.97	2.00	2.11	2.02	2.19	2.13	2.16	2.64
Peak daily consumption (thousands of gallons)	3.63	3.16	2.77	2.76	3.65	2.44	2.65	4.46	3.45	3.37
Solid waste										
Refuse collected average yards per day (compacted)	120.000	85.000	117.000	85.000	84.000	106.000	129.000	93.000	83.000	104.000
Refuse collected average yards per day (non-compacted)	117.000	110.000	144.000	138.000	114.000	128.000	144.000	89.000	57.000	52.000

Source: City Departments

* Change in recording method to including warnings

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	19	19	19	19	21	21	21	21	21	21
Fire stations	1	1	1	1	1	1	1	1	1	1
Aerials	1	1	1	1	1	1	1	1	1	1
Engines	3	3	3	3	3	3	3	3	3	3
Vehicles	3	3	3	3	3	3	4	4	4	4
Rescue	1	1	1	1	2	2	2	2	2	2
Public works										
Streets (lane miles)	175	175	175	175	175	175	175	175	175	175
Traffic signals	7	7	7	7	7	7	7	7	7	7
Parks and recreation										
Parks	5	6	6	6	6	6	6	6	6	6
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water and sewer										
Water mains (miles)	103.96	103.96	103.96	103.96	104.22	104.22	104.22	104.22	104.22	104.22
Sewer mains (miles)	94	94	94	94	97.77	97.77	97.77	97.77	97.77	97.77
Fire hydrants	407	407	407	407	481	481	481	481	481	481

Source: City Departments

Industrial Contracts

2013-2014 Fiscal Year

	2013 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 22,792,750	\$ 16,950,446	\$ 100,322
Union Oil of California	130,086,870	57,687,463	341,425
Sun Pipeline Company	344,778,530	226,894,368	1,342,881
Total	<u>\$ 497,658,150</u>	<u>\$ 301,532,277</u>	<u>\$ 1,784,628</u>

2014-2015 Fiscal Year

	2014 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 22,583,320	\$ 16,781,950	\$ 99,324
Union Oil of California	59,708,970	11,971,863	70,856
Phillips 66	56,523,680	42,086,025	249,087
Sun Pipeline Company	325,835,540	222,686,850	1,317,979
Total	<u>\$ 464,651,510</u>	<u>\$ 293,526,688</u>	<u>\$ 1,737,246</u>

2015-2016 Fiscal Year

	2015 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 22,620,890	\$ 16,815,589	\$ 99,524
Union Oil of California	35,522,610	7,134,591	42,226
Phillips 66	56,314,170	41,921,193	248,112
Sun Pipeline Company	456,923,780	225,284,313	1,333,352
Total	<u>\$ 571,381,450</u>	<u>\$ 291,155,686</u>	<u>\$ 1,723,214</u>

2016-2017 Fiscal Year

	2016 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 21,797,760	\$ 16,213,438	\$ 96,308
Union Oil of California	19,236,810	3,877,431	23,032
Phillips 66	55,326,810	41,193,103	244,687
Sun Pipeline Company	562,028,080	220,256,137	1,308,321
Total	<u>\$ 658,389,460</u>	<u>\$ 281,540,109</u>	<u>\$ 1,672,348</u>

2017-2018 Fiscal Year

	2017 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 21,797,760	\$ 16,213,438	\$ 96,245
Union Oil of California	19,236,810	3,877,431	5,138
Phillips 66	55,326,810	41,193,103	397,041
Sun Pipeline Company	562,028,080	220,256,137	1,496,958
Total	<u>\$ 658,389,460</u>	<u>\$ 281,540,109</u>	<u>\$ 1,995,382</u>

2018-2019 Fiscal Year	2018		
	Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 21,193,760	\$ 15,746,600	\$ 95,988
Phillips 66	135,645,520	98,359,140	599,576
Sun Pipeline Company	628,272,240	247,734,064	1,510,132
Total	\$ 785,111,520	\$ 361,839,804	\$ 2,205,696
2019-2020 Fiscal Year	2019		
	Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 21,397,860	\$ 15,895,341	\$ 95,238
Phillips 66	204,609,530	121,580,498	728,461
Sun Pipeline Company	689,322,200	263,431,541	1,578,374
Total	\$ 915,329,590	\$ 400,907,380	\$ 2,402,073
2020-2021 Fiscal Year	2020		
	Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 19,316,334	\$ 14,334,205	\$ 83,097
Phillips 66	269,869,575	133,802,596	775,664
Sun Pipeline Company	709,418,500	406,559,323	2,356,857
Total	\$ 998,604,409	\$ 554,696,124	\$ 3,215,618
2021-2022 Fiscal Year	2021		
	Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 18,339,669	\$ 13,575,472	\$ 70,213
Phillips 66	370,596,735	174,196,952	900,957
Sun Pipeline Company	742,781,644	468,410,640	2,422,648
Total	\$ 1,131,718,048	\$ 656,183,064	\$ 3,393,818
2022-2023 Fiscal Year	2022		
	Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 17,637,279	\$ 13,031,009	\$ 62,686
Phillips 66	420,037,559	194,785,556	937,028
Sun Pipeline Company	742,781,644	468,410,640	2,422,648
Total	\$ 1,180,456,482	\$ 676,227,205	\$ 3,422,362