OFFICIAL NOTICE OF SALE, BID FORM

and

PRELIMINARY OFFICIAL STATEMENT

$14,505,000*
CITY OF NACOGDOCHES, TEXAS

(A municipal corporation and political subdivision in the State of Texas located in Nacogdoches County)

GENERAL OBLIGATION IMPROVEMENT BONDS
SERIES 2024

Bids Due
Tuesday, May 7, 2024
at
10:00 A.M., Central Time

NOTICE OF SALE
AND
BIDDING INSTRUCTIONS

ON

$14,505,000*
CITY OF NACOGDOCHES, TEXAS
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024

Bids Due Tuesday, May 7, 2024, at 10:00 AM, CDT

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Nacogdoches, Texas (the "City") is offering for sale its $14,505,000* General Obligation Improvement Bonds, Series 2024 (the "Bonds"). Bidders may submit bids for the Bonds electronically as described below in "Electronic Bidding Procedures."

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Bidders submitting an electronic bid shall not be required to submit Official Bid Forms prior to award.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed, bid by facsimile to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Ipreo's Municipal Client Services via telephone (212) 849-5021 or email munis@ipreo.com.

For purposes of the electronic bidding process, the time as maintained by i-Deal shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form. The winning bidder shall submit a signed bid form if not previously submitted.

Bids by physical delivery shall not be allowed.

PLACE AND TIME OF BID OPENING . . . The bids for the Bonds will be publicly opened and read at the offices of Hilltop Securities Inc., Financial Advisor to the City, at 10:00 AM, CDT, Tuesday, May 7, 2024.

AWARD OF THE BONDS . . . The City Council will take action to award the Bonds (or reject all bids) at a meeting scheduled to convene at 5:30 PM, CDT, on the date of the bid opening, and if the Bonds are awarded to the best bidder, will adopt an ordinance authorizing the Bonds and approving the Official Statement (the "Bond Ordinance").

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* Preliminary, subject to change. See "THE BONDS– Adjustment of Principal Amounts and/or Types of Bids."

THE BONDS

Description . . . The Bonds will be dated May 15, 2024. Interest will accrue from the initial delivery of the Bonds and will be paid on March 1 and September 1 of each year, commencing March 1, 2025, until maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity. The Bonds will mature on September 1 in each year as follows:

MATURITY SCHEDULE*

Maturity Date	Principal Amount
2025	$ 125,000
2026	320,000
2027	335,000
2028	350,000
2029	365,000
2030	390,000
2031	405,000
2032	430,000
2033	445,000
2034	470,000
2035	490,000
2036	520,000
2037	545,000
2038	570,000
2039	600,000
2040	630,000
2041	665,000
2042	695,000
2043	725,000
2044	765,000
2045	425,000
2046	445,000
2047	470,000
2048	495,000
2049	515,000
2050	545,000
2051	565,000
2052	590,000
2053	615,000

Optional Redemption . . . The City reserves the right, at its option, to redeem Bonds maturing on and after September 1, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2033 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Adjustment of Principal Amounts and/or Types of Bids . . . Prior to 5:00 PM, CDT on the business day before the bids are due, the City may, in its sole discretion, adjust the principal amount set forth above (the "Maturity Schedule") and/or the type of bid required on the Bonds. Hilltop Securities Inc., as Financial Advisor to the City, will give notice of any such adjustment by Bloomberg and PARITY. Should such adjustments be made, a revised Official Bid Form will be made available through i-Deal Prospectus and PARITY. For purposes of this paragraph, the term "Maturity Schedule" shall include any adjustments to the principal amounts shown above including the total par amount so made by the City by posting to PARITY and a Bloomberg Wire. **Also see "CONDITIONS OF THE SALE" herein**.

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* Preliminary, subject to change. See "THE BONDS – Adjustment of Principal Amounts and/or Types of Bids."

After the Sale… After receipt of the bids but prior to award, the City reserves the right to adjust the aggregate principal amount and the principal amount of each maturity of the Bonds shown on the Maturity Schedule. The principal amount of any maturity of the Bonds shall only be adjusted in $5,000 increments and shall not be increased or decreased by an amount that exceeds 15% of the preliminary principal amount of such maturity (rounded up to the next higher integral of $5,000) without permission of the successful bidder. Such adjustment(s), if any, shall be made within 4 hours of the award of the Bonds. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS. The dollar amount bid by the successful bidder will be adjusted to reflect changes in the aggregate principal amounts of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and the original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and initial reoffering prices. In the event of any adjustment of the maturity schedule for the Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedules for the Bonds made by the City or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – Basis for Award" herein and shall not affect such determination. The successful Bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL BONDS AND/OR TERM BONDS . . . Bidders may provide that all of the Bonds be issued as serial Bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more "Term Bonds".

The final Official Statement will incorporate the mandatory redemption provisions for the Bonds in the event the successful bidder elects to convert serial maturities into one or more Term Bonds.

MANDATORY SINKING FUND REDEMPTION . . . If the successful bidder elects to alter the Maturity Schedule reflected above and convert any consecutive serial Bonds into Term Bonds, such Term Bonds shall be subject to mandatory redemption on the first September 1 next following the last maturity for serial Bonds, and annually thereafter on each September 1 until the stated maturity for the Term Bonds at the redemption price of par plus accrued interest to the date of redemption. The principal amounts of the Term Bonds to be redeemed on each mandatory redemption date shall be the principal amounts that would have been due and payable in the Maturity Schedule shown above had no designation of such maturities as Term Bonds occurred.

The principal amount of Term Bonds required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). See "THE BONDS - Book-Entry-Only System" in the Preliminary Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be U.S. Bank Trust Company, National Association, Dallas, Texas. See "THE BONDS - Paying Agent/Registrar" in the Preliminary Official Statement.

SOURCE OF PAYMENT . . . The Bonds are direct obligations of the City, payable from a levy and collection of an annual ad valorem tax, within the limits prescribed by law.

Further details regarding the Bonds are set forth in the Preliminary Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . **The Bonds will be sold in one block, on an "All or None" basis, and at a price of not less than 101.00% of their par value. The maximum coupon rate shall not exceed 5.00%.** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the. The highest rate bid may not exceed the lowest rate bid by more than 3.00% in rate. **The high bidder will be required to submit reoffering yields and dollar prices prior to award.** No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one maturity must bear one and the same rate. Each bidder shall state in the bid the total interest cost in dollars and the True Interest Cost as defined below.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive irregularities except for time of filing, the sale of the Bonds will be awarded to the bidder making a bid (the "Initial Purchaser" or "Purchaser") that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Date of Delivery of all debt service payments on the Bonds on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Bonds plus any premium bid. In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, if any, set forth in the Official Bid Form will be considered as the official bid.

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the "City of Nacogdoches, Texas", in the amount of $290,100.00 is required. Such Good Faith Deposit shall be in the form of a bank cashier's check or certified check, which is to be retained uncashed by the City pending the Initial Purchaser's compliance with the terms of its bid and this Notice of Sale and Bidding Instructions. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the City prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as a Good Faith Deposit by the Initial Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Initial Purchaser will be returned to the Initial Purchaser upon payment for the Bonds.** No interest will be allowed on the Good Faith Deposit. In the event the Initial Purchaser should fail or refuse to take up and pay for the Bonds in accordance with the bid, or if it is determined after the acceptance of its bid by the City that the Initial Purchaser was found not to satisfy the requirements described below under the caption "Standing Letter Requirement" and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then said check shall be cashed and accepted by the City as full and complete liquidated damages except as provided under the caption "CONDITIONS OF THE SALE – Verifications Of Statutory Representations And Covenants." The checks accompanying bids other than the winning bid will be returned immediately after the bids are opened, and an award of the Bonds has been made.

ADDITIONAL CONDITIONS OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM

Obligation of the City to receive information from winning bidder. Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Bonds to the winning bidder unless the bidder (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC") or (ii) certifies in the Official Bid Form that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity. In the event that the bidder's bid for the Bonds is the best bid received, the City, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid, and, unless exempt, will obligate the bidder to promptly file a completed Disclosure Form, as described below, in order to complete the award. The City reserves the right to reject any bid that does not comply with the requirements prescribed herein.

Process for completing the Disclosure Form. Reference should be made to the Disclosure Form, the rules of the TEC with respect to the Disclosure Form (the "Disclosure Rules") and the Interested Party Disclosure Act. Instructional information regarding such matters are set forth at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm. For purposes of completing the Disclosure Form the Initial Purchaser will need the following information: (a) item 2 – name of governmental entity: City of Nacogdoches, Texas and (b) item 3 – the identification number assigned to this contract by the City: City of Nacogdoches GO Bonds, Series 2024, and a description of the services to be provided under the contract: Purchase of Bonds. Unless a business entity is exempt from filing the Disclosure Form, the Interested Party Disclosure Act and the Disclosure Rules require a business entity contracting with the City to complete the form at the TEC Internet "portal" that may be accessed at the url set forth above, and then print, complete the unsworn declaration, sign and deliver the Disclosure Form by email to the City (Todd Simoneaux, Finance Director, simoneauxt@nactx.us), Financial Advisor (John Martin, john.martin@hilltopsecurities.com) and Bond Counsel (Robert Dransfield, robert.dransfield@nortonrosefulbright.com). Following the award of the Bonds, the City will acknowledge receipt of the completed Disclosure Form through the TEC website, if necessary, as required by the law.

Preparations and for completion, and the significance of, the reported information. The Interested Party Disclosure Act provides that such disclosure is made "under oath and under penalty of perjury." **Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form.** Time will be of the essence in submitting the form to the City, and, unless exempt, no award will be made by the City of the Bonds until a completed Disclosure Form from the winning bidder is received. The City reserves the right to reject any bid that is not accompanied by a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify whether a bidder is exempt or the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form or exemption status. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the City that its bid is the conditional winning bid.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS . . . By submission of a bid for the Bonds, each bidder makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code (the "Government Code"), as heretofore amended. As used herein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. §230.405, and exists to make a profit. If the bidder's bid is accepted, then liability for breach of any such verification during the term of the contract for purchase and sale of the Bonds created thereby (the "Agreement") shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Notice of Sale, notwithstanding anything herein or therein to the contrary.

NOT A SANCTIONED COMPANY . . . Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code, or Section 2270.0201, Government Code. The foregoing representation excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

NO BOYCOTT OF ISRAEL . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

NO DISCRIMINATION AGAINST FIREARM ENTITIES . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

NO BOYCOTT OF ENERGY COMPANIES . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER AND BRINGDOWN VERIFICATION . . . By submission of a bid for the Bonds, each bidder represents and verifies that it is aware of the Office of the Texas Attorney General's (the "Texas Attorney General") All Bond Counsel Letter, dated November 1, 2023, that is available on the website of the Texas Office of the Texas Attorney General using the following link: (https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf) and the Texas Attorney General's supplemental All Bond Counsel Letter, dated November 16, 2023, that is available on the website of the Texas Attorney General using the following link: (https://texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf). Each bidder represents and verifies that the bidder has (i) on file a standing letter ("Standing Letter") acceptable to the Texas Attorney General addressing the representations and verifications described under the heading "Verifications of Statutory Representations and Covenants," and (ii) will, upon request of the City or Bond Counsel on behalf of the City, provide the City and Bond Counsel with a copy of its Standing Letter. Each bidder further represents and verifies that its Standing Letter remains in effect as of the date of the Agreement and that the Texas Attorney General has not notified the bidder that a determination has been made that the bidder boycotts energy companies or has a policy that discriminates against firearm entities or firearm trade associations under the laws of the State of Texas. Upon request of the City or Bond Counsel on the City's behalf, each bidder shall provide additional written certifications to the City and Bond Counsel (which may be by email) to the effect that the Texas Attorney General may continue to rely on the Standing Letter and the statutory representations and covenants contained in the Agreement through the closing date (currently scheduled for May 29, 2024) (the "Bringdown Verification"). The City reserves the right, and each bidder hereby expressly authorizes the City, to provide such Bringdown Verification to the Texas Attorney General.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS. . . It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Bonds shall be paid by the City.

DELIVERY OF BONDS . . . Initial Delivery will be accomplished by the issuance of one Initial Bond (the "Initial Bond"), either in typed or printed form, in the aggregate principal amount of $14,505,000*, payable for each maturity of the Bonds to the Initial Purchaser or its designee, signed by the Mayor and City Secretary, approved by the Attorney General of the State of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas. Upon delivery of the Initial Bond, it shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's Book-Entry-Only System. Delivery will be at the office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Initial Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Bonds can be made on or about May 29, 2024, and it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the Bonds by 10:00 AM, CDT, on May 29, 2024, or thereafter on the date the Bonds are tendered for delivery, up to and including June 12, 2024. If for any reason the City is unable to make delivery on or before June 12, 2024, the City shall immediately contact the Initial Purchaser and offer to allow the Initial

Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Initial Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the City's reasonable control. In the event the Initial Purchaser should fail or refuse to take up and pay for the Bonds in accordance with the bid, or if it is determined after the acceptance of its bid by the City that the Initial Purchaser was found not to satisfy the requirements described below under the caption "Standing Letter Requirement" and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then said check shall be cashed and accepted by the City as full and complete liquidated damages.

CONDITIONS TO DELIVERY . . . The obligation of the Initial Purchaser to take up and pay for the Bonds is subject to the Initial Purchaser's receipt of (a) the legal opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel for the City ("Bond Counsel") and (b) The City's certification as to the Official Statement and no litigation, all as further described in the Official Statement. Bond Counsel may not deliver its approving opinion of the Bonds without the prior receipt of the approving opinion of the Texas Attorney General, as described in the Preliminary Official Statement under "LEGAL MATTERS".

In order to provide the City and its consultants with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the City (on or before the 10th day prior to delivery of the Bonds) with a breakdown of its "Underwriting Spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHMENT OF ISSUE PRICE (HOLD-THE-OFFERING PRICE RULE WILL APPLY IF COMPETITIVE SALE REQUIREMENTS ARE NOT SATISFIED) . . .

(1) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City by Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

* Preliminary, subject to change. See "THE BONDS– Adjustment of Principal Amounts and/or Types of Bids."

(4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid**.**

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. In such event, the City intends to treat the initial offering price to the public as of the sale date of each maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"). The City shall promptly advise the winning bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(e) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(f) By submitting a bid, each bidder confirms that:

(1) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder and as set forth in the related pricing wires,

(2) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail or other third-

party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this section of the Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

Legal Opinions. . . The Bonds are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Bonds is subject to the receipt by the Initial Purchaser of an opinion of Bond Counsel, substantially in the form reproduced in APPENDIX C to the Official Statement, to the effect that the Bonds are valid and binding obligations of the City and that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

Certification of Preliminary Official Statement . . . On the Date of Delivery, the City will execute and deliver to the Initial Purchaser a certificate as described in the Preliminary Official Statement under "OTHER PERTINENT INFORMATION - Certification as to Official Statement."

Change in Tax Exempt Status . . . At any time before the Bonds are tendered for delivery, the Initial Purchaser may withdraw its bid if the interest received by private holders on obligations of the same type and character as the Bonds shall be declared to be includable in gross income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law enacted subsequent to the date of this Notice of Sale and Bidding Instructions.

GENERAL

Financial Advisor . . . Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc. has agreed, in its Financial Advisory contract, not to bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Blue Sky Laws . . . By submission of its bid, the Initial Purchaser represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Initial Purchaser will register the Bonds in accordance with the securities law of the states in which the Bonds are offered or sold. The City agrees to cooperate with the Initial Purchaser, at the Initial Purchaser's written request and sole expense, in registering the Bonds or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the City shall not be obligated to qualify as a foreign corporation or to execute a general or special consent to service of process in any such jurisdiction.

Not an Offer to Sell . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Bonds, but is merely notice of the sale of the Bonds. The offer to sell the Bonds is being made by means of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement. Prospective purchasers are urged to carefully examine the Preliminary Official Statement to determine the investment quality of the Bonds.

ISSUANCE OF ADDITIONAL DEBT . . . The City does not anticipate the issuance of additional general obligation debt within the next 12 months.

RATINGS . . . The Bonds and the presently outstanding tax supported debt of the City are rated "___" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), without regard to credit enhancement (see "OTHER INFORMATION - Ratings" in the Official Statement).

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12 . . . The City has prepared, or caused to be prepared, the accompanying Preliminary Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12 (the "Rule"), deems such Preliminary Official Statement to be final as of its date within the meaning of the Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Preliminary Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Preliminary Official Statement.

The City will furnish to the Initial Purchaser, acting through a designated senior representative, in accordance with instructions received from the Initial Purchaser, within seven (7) business days from the sale date, copies of the final Official Statement in such quantity and in the formats as the Initial Purchaser shall request in order for the Initial Purchaser to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board; provided, however, that the cost of any Official Statements in excess of 100 shall be prepared and distributed at the cost of the Initial Purchaser. The Initial Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Bonds.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Ordinance to provide certain periodic information and notices of certain specified events in accordance with the Rule, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

ADDITIONAL COPIES OF NOTICE, BID FORM AND STATEMENT . . . A limited number of additional copies of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement, are available over and above the normal mailing, may be obtained at the offices of Hilltop Securities Inc., 717 North Harwood, Suite 3400, Dallas, Texas 75201, Financial Advisor to the City.

On the Sale Date, the Mayor will approve the form and content of the Official Statement and any addenda, supplements or amendments thereto and will authorize the use of the Official Statement by the Initial Purchaser in connection with the reoffering of the Bonds to the public.

Dated: ______ April 30, 2024_________ ____

Mayor

OFFICIAL BID FORM

Honorable Mayor and City Council
City of Nacogdoches, Texas

May 7, 2024

Honorable Mayor and Members of the City Council:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated April 30, 2024 with respect to the $14,505,000* CITY OF NACOGDOCHES, TEXAS GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024 (the "Bonds"), both of which constitute a part hereof.

For your legally issued Bonds, as described in said Notice of Sale and Bidding Instructions and Preliminary Official Statement, we will pay you par plus a net cash premium of $_____________, for Bonds maturing and bearing interest as follows:

MATURITY SCHEDULE*

Maturity Date	Principal Amount	Interest Rate(%)
2025	$ 125,000	
2026	320,000	
2027	335,000	
2028	350,000	
2029	365,000	
2030	390,000	
2031	405,000	
2032	430,000	
2033	445,000	
2034	470,000	
2035	490,000	
2036	520,000	
2037	545,000	
2038	570,000	
2039	600,000	
2040	630,000	
2041	665,000	
2042	695,000	
2043	725,000	
2044	765,000	
2045	425,000	
2046	445,000	
2047	470,000	
2048	495,000	
2049	515,000	
2050	545,000	
2051	565,000	
2052	590,000	
2053	615,000	

*Preliminary, subject to change. See "THE BONDS – Adjustment of Principal Amounts and/or Types of Bids".

Of the principal maturities set forth in the table above, term Bonds have been created as indicated in the following table (which may include multiple term Bonds, one term Bond or no term Bond if none is indicated). For those years which have been combined into a "Term Bond", the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term Bond maturity date shall mature in such year. The Term Bonds created are as follows:

Maturity Date September 1	**Year of First Maturity Redemption**	**Principal Amount**	**Interest Rate**
________	________	________	________
________	________	________	________
________	________	________	________

Our calculation (which is not a part of this bid) of the true interest cost from the above is:

TRUE INTEREST COST ____________ %

The Initial Bond shall be registered in the name of ______________________, which will, upon payment for the Bonds, be canceled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

A bank cashier's check or certified check of ___________ in the amount of $___________, which represents our Good Faith Deposit has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms as set forth in the Preliminary Official Statement and Notice of Sale and Bidding Instructions.

We agree to accept delivery of the Bonds utilizing the Book-Entry-Only System through DTC and make payment for the Initial Bond in immediately available funds to U.S. Bank Trust Company, National Association, Dallas, Texas, not later than 10:00 AM, CDT, on May 29, 2024 or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the City, by close of business on or before the sixth business day prior to the delivery of the Bonds a certificate relating to the "issue price" of the Bonds in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to or required by the City's Bond Counsel. The undersigned also agrees to provide the City and its consultants, at least ten business days prior to the delivery of the Bonds, a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

<u>All syndicate members listed on the bid form must either submit a Disclosure Form or certify they are exempt from filing the Disclosure Form. Additionally, all syndicate members listed on the bid form (i) must have on file a Standing Letter acceptable to the Texas Attorney General addressing the representations and verifications described under the heading "CONDITIONS OF THE SALE – Verifications of Statutory Representations and Covenants," (ii) will, upon request of the City or Bond Counsel on behalf of the City, provide the City and Bond Counsel with a copy of its Standing Letter, and (iii) will, upon request of the City or Bond Counsel on the City's behalf, provide a Bringdown Verification.</u>

<u>Through submittal of this executed Official Bid Form, the undersigned makes the representations and verifications provided in the Notice of Sale and Bidding Instructions under the heading "CONDITIONS OF THE SALE – Verifications of Statutory Representations and Covenants".</u>

In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Bonds to a bidder unless the winning bidder either: (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"), or (ii) certifies below that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Unless the bidder certifies that it is exempt from filing a Disclosure Form with the City, upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the City's financial advisor at john.martin@hilltopsecurities.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

The Purchaser (mark one):

(i) Agrees to timely make a filing of a completed Disclosure Form with the City [___]

or

(ii) Hereby certifies that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity [___].

Respectfully submitted,

____
Name of Underwriter or Manager

____
Authorized Representative

____
Phone Number

____
Signature

Syndicate Members:

____

____

____

____

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Nacogdoches, Texas, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the 7th day of May, 2024.

____
Mayor

CITY OF NACOGDOCHES, TEXAS
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of ________________ (the “Purchaser”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the City of Nacogdoches, Texas (the “Issuer”).

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. ***Bond Insurance.***

The Purchaser (has)(has not) purchased bond insurance for the Bonds. The bond insurance, if any, has been purchased from ______________________________ (the “Insurer”) for a premium cost of $____________________ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such cost is set forth in the Insurer's commitment and is separately stated from all other fees or charges payable to the Insurer. The premium does not exceed a reasonable charge for the transfer of credit risk taking into account payments charged by guarantors in comparable transactions (including transactions in which a guarantor has no involvement other than as a guarantor). The present value of the debt service savings expected to be realized as a result of such insurance, discounted at a rate equal to the yield on the Bonds which results after recovery of the insurance premium, exceeds the present value of the bond insurance premium.

3. ***Defined Terms***.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ______________, 2024.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

By: __________________________________

Name: __________________________________

Title: __________________________________

Dated: _________________________________

HTSContinuingDisclosureServices
A Division of Hilltop Securities
(See "Continuing Disclosure of Information" herein)

NEW ISSUE-BOOK-ENTRY-ONLY

Ratings: S&P: "____"
(See "OTHER PERTINENT INFORMATION – Ratings" herein.)

PRELIMINARY OFFICIAL STATEMENT
Dated: April 30, 2024

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

CITY OF NACOGDOCHES, TEXAS
(Nacogdoches County)

$14,505,000*
General Obligation Improvement Bonds, Series 2024

Dated Date: May 15, 2024 **Due: September 1, as shown on inside cover**
Interest to accrue from the date of initial delivery

The City of Nacogdoches, Texas (the "City" or "Issuer") $14,505,000* General Obligation Improvement Bonds, Series 2024 (the "Bonds") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1331, Texas Government Code, as amended, and an ordinance expected to be adopted by the City Council on May 7, 2024 (referred to herein as the "Ordinance"). (See "THE BONDS – Authority for Issuance" herein.)

The Bonds constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS – Security for Payment" herein.)

Interest on the Bonds will accrue from the date of the initial delivery and will be payable March 1 and September 1 of each year, commencing March 1, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by U.S. Bank Trust Company, National Association, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used to finance projects related to: (i) airport improvements, (ii) firefighting facilities, including a new central fire station; (iii) storm drainage improvements / facilities; (iv) park and recreational facilities; (v) streets, including thoroughfares, alleys, bridges, intersections, and other public ways; and (vi) pay the costs related to the issuance of the Bonds. (See "PLAN OF FINANCING- Purpose" herein.)

The City reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2034, in whole or in part, on any date beginning September 1, 2033, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, as further described herein. (See "THE BONDS – Redemption Provisions").

STATED MATURITY SCHEDULE
(On Page ii)

The Bonds are offered for delivery, when, as and if issued, and received by the Purchaser and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel for the City. It is expected that the Bonds will be available for delivery through DTC on or about May 29, 2024.

**Preliminary; Subject to change.*

$14,505,000*
CITY OF NACOGDOCHES, TEXAS
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024
MATURITY SCHEDULE*
(Due September 1)

Base CUSIP Number: 629632[1]

$14,505,000* Serial Bonds

Stated Maturity (September 1)	Principal Amount *	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[1]
2025	$ 125,000			
2026	320,000			
2027	335,000			
2028	350,000			
2029	365,000			
2030	390,000			
2031	405,000			
2032	430,000			
2033	445,000			
2034	470,000			
2035	490,000			
2036	520,000			
2037	545,000			
2038	570,000			
2039	600,000			
2040	630,000			
2041	665,000			
2042	695,000			
2043	725,000			
2044	765,000			
2045	425,000			
2046	445,000			
2047	470,000			
2048	495,000			
2049	515,000			
2050	545,000			
2051	565,000			
2052	590,000			
2053	615,000			

(Interest to accrue from the from the Date of Delivery)

(1) *The Bonds maturing on and after September 1, 2034 are subject to redemption, at the option of the City, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2033 or any date thereafter at the redemption price of par plus accrued interest to the date of redemption. (See "THE BONDS-Redemption Provisions").*

(2) *The initial yields will be established by and are the sole responsibility of the Purchaser.*

(3) *CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Purchasers, the City or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.*

*Preliminary, Subject to change.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes a Preliminary Official Statement of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Preliminary Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Preliminary Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE INITIAL PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS PRELIMINARY OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR OTHER MATTERS DESCRIBED HEREIN. SEE "CONTINUING DISCLOSURE OF INFORMATION" FOR A DESCRIPTION OF THE CITY'S UNDERTAKING TO PROVIDE CERTAIN INFORMATION ON A CONTINUING BASIS.

THIS PRELIMINARY OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

CITY OF NACOGDOCHES, TEXAS
202 East Pilar Street
Nacogdoches, Texas 75961
(936) 559-2500

ELECTED OFFICIALS

Name	TITLE	TERM EXPIRES	OCCUPATION
Randy Johnson	Mayor	May 2025	Business Owner
Kathleen Belanger	Council Member	May 2025	Retired
Brad Maule	Council Member	May 2025	Lecturer
Chad Huckaby	Council Member	May 2024	Technology Director
Roy Boldon	Council Member	May 2024	Retired

ADMINISTRATION

Name	Position	Length of Service With the City	Total Years of Municipal Service
Rick Beverlin	City Manager	4 months	30 years
Rhonda Lewis	City Secretary	2 years	27 years
Todd Simoneaux	Finance Director	4 months	19 years

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP Dallas, Texas
Certified Public Accountants	Pattillo, Brown & Hill, L.L.P. Waco, Texas
Financial Advisor	Hilltop Securities Inc. Dallas, Texas

For Additional Information Please Contact:

Mr. Todd Simoneaux
Finance Director
202 East Pilar Street
Nacogdoches, Texas 75961
(936) 559-2500
simoneauxt@nactx.us

John L. Martin, Jr.
Michael P. Martin
Hilltop Securities
717 N. Harwood, Suite 3400
Dallas, Texas 75201
(214) 859-9447
john.martin@hilltopsecurities.com
michael.martin@hilltopsecurities.com

TABLE OF CONTENTS

The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Nacogdoches, Texas (the "City" or "Issuer"), is located in Nacogdoches County. The City of Nacogdoches has a Council/Manager form of government. Under this form of government, the elected City Council sets the policies for the operation of the municipal government. The administrative responsibility of the City rests with the City Manager, who is appointed by the City Council. The City Council consists of five members, a Mayor and four council members.
The Bonds	The Bonds have been issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on November 7, 2023, and an ordinance (the "Bond Ordinance") to be adopted by the City Council on May 7, 2024. (See "THE BONDS - Authority for Issuance" herein.)
Payment of Interest on the Bonds	Interest on the Bonds accrues from the date of the initial delivery to the Purchaser and is payable on March 1 and September 1 of each year, beginning March 1, 2025, until maturity or prior redemption (see "THE BONDS – General").
Paying Agent/Registrar	The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas.
Security	The Bonds constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" herein.)
Redemption Provisions	The City reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2034, on September 1, 2033, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest to the date of redemption, as further described herein. (See "THE BONDS - Redemption Provisions").
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" and "Appendix C – Form of Legal Opinion of Bond Counsel" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used to finance projects related to: (i) airport improvements, (ii) firefighting facilities, including a new central fire station; (iii) storm drainage improvements / facilities; (iv) park and recreational facilities; (v) streets, including thoroughfares, alleys, bridges, intersections, and other public ways; (vi) pay the costs related to the issuance of the Bonds. (See "PLAN OF FINANCING- Purpose" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner by which the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Rating	S&P Global Ratings ("S&P") has assigned its underlying rating of "_____", to the Bonds. An explanation of the significance of such ratings may be obtained from S&P. (See "OTHER PERTINENT INFORMATION – Ratings" herein.)
Payment Record	The City has never defaulted on the payment of its ad valorem tax debt.
Delivery	When issued, anticipated on or about May 29, 2024.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of the opinion as to legality by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel.

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Nacogdoches, Texas (the "City" or "Issuer") of its $14,505,000* General Obligation Improvement Bonds, Series 2024 (the "Bonds") identified on the cover page hereof.

The Issuer is a political subdivision of the State and operates under the statutes and the Constitution of the State. The Bonds have been issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on November 7, 2023, and an ordinance (the "Bond Ordinance") to be adopted by the City Council on May 7, 2024. (See "THE BONDS - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained from the Issuer or the Financial Advisor.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds are being used to finance projects related to: (i) airport improvements, (ii) firefighting facilities, including a new central fire station; (iii) storm drainage improvements / facilities; (iv) park and recreational facilities; (v) streets, including thoroughfares, alleys, bridges, intersections, and other public ways; and pay the costs related to the issuance of the Bonds.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds	
Principal Amount	
Net Premium	
Total Sources of Funds	
Uses of Funds	
Deposit to Project Funds	
Deposit to Debt Service Fund	
Costs of Issuance	
Purchasers' Discount	
Total Uses of Funds	

THE BONDS

General

The Bonds will be dated May 15, 2024. Interest on the Bonds will accrue from the date of the initial delivery to the Purchaser, and such interest is payable on March 1 and September 1 in each year, commencing on March 1, 2025, until maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page ii of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar, initially, U.S. Bank Trust Company, National Association, Dallas, Texas, on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or, upon prior redemption, upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for the payment of principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

**Preliminary; Subject to change.*

The Bonds will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. The Bonds will be issued in denominations of $5,000 of principal amount or any integral thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and laws of the State, particularly Texas Government Code, as amended, Chapter 1331, and the Ordinance.

Redemption Provisions

The City reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2034, on September 1, 2033, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, as further described herein.

If less than all of the Bonds within a stated maturity are to be redeemed, the City shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof, to be redeemed.

At least 30 days prior to the date fixed for any redemption of the Bonds or portions thereof prior to maturity, the City shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appears on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided such payment.

Security for Payment

The Bonds constitute direct obligations of the Issuer payable from an ad valorem tax levied annually against all taxable property in the City, within the limits prescribed by law. (See "TAX RATE LIMITATIONS" herein.)

Payment Record

The City has never defaulted on the payment of its ad valorem tax debt.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany or will be printed on the Bonds. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under applicable laws of the State. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose.

The City may take action, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to cure any ambiguity, inconsistency or formal defect or omission therein that is not detrimental to affect the interests of the holders.

The Ordinance further provides that the City may, with the consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding, amend, add to, or rescind any of the provisions of the Ordinance or any provision in the Pricing Certificate; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

Default and Remedies

The Ordinance does not specify events of default with respect to the Bonds. If the City defaults in the payment of principal or interest, as applicable, on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observance or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the obligations upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006 Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the covenants in the Bonds or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. In Tooke, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities. On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify Wasson I, Wasson Interests LTD. v. City of Jacksonville, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with Wasson I "Wasson"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. As noted above, the Ordinances provide that holders of the Bonds may exercise the remedy of mandamus to enforce the Bonds of the City under the Ordinances. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a commercial bank, a trust company, financial institution or other entity qualified and authorized to serve in such capacity. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity upon presentation to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Bond on any interest payment date means the fifteenth day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration, Transfer and Exchange

The Bonds are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to the owners of the Bonds and thereafter, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer or Exchange of Bonds

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for the redemption of such Bond; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond called for redemption in part.

Replacement Bonds

In case any Bond shall be mutilated, destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond, or in lieu of and in substitution for such destroyed, lost or stolen Bond, only upon the approval of the City and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Bond, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the City and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, or destroyed, lost or stolen.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or any notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchaser believes to be reliable, but neither the Issuer nor the Purchaser takes responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

Legal Investments

Authorized investments are summarized as follows: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph , require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service, if the City Council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by ordinance, order or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City’s investment policy; (6) provide specific investment training for the chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

On March 31, 2024, the City had investments totaling $94,517,696 (unaudited) for all of its funds. As of such date; $40,639,980 of these funds were invested with Texas Local Government Investment Pool (“TexPool”), $16,026,330 were invested with money market accounts, $23,558,134 are in Certificates of Deposit and $14,293,252 are in US Treasury Notes.

TexPool is a governmental investment pool that operates as a money market equivalent. TexPool currently maintains an "AAA" rating from S&P Global Ratings or Fitch Ratings and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

DEFINED BENEFIT PENSION PLAN

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

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

For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, “Notes to the Basic Financial Statements from the City’s Annual Financial Report”, Note 8, Page 43.

OTHER POST EMPLOYMENT BENEFITS

In addition to its participation in the Texas Municipal Retirement System (TMRS) and a retiree health care plan, the City also provides group-term life insurance, the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), to City employees who are active members in TMRS, including or not including retirees.

This is a voluntary program in which participating member cities may elect, by ordinance, to provided group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Notes to the Basic Financial Statements from the City's Annual Financial Report", Note 9, Page 47.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the City. The appraisal of property within the Issuer is the responsibility of the Nacogdoches Central Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See Table 1 for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See Table 1 for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Issuer, in establishing their tax rolls and tax rates.

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See Table 1 for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See Table 1 for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See Table 1 for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

Personal Property

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

Freeport Exemptions

Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1,1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See Table 1 for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Other Exempt Property

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

Tax Increment Financing Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

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

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM TAX PROCEDURES – City Application of Tax Code" herein.

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

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

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

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

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

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

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

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

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

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

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

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

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

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

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

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligations debt service, as calculated at the time of issuance based on a 90% collection factor. See Table 19 of Appendix A for further information on the City's bonded indebtedness authority.

Penalties and Interest

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

The City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

City Application of Tax Code

The City grants a local exemption of $ 40,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The City grants property owned by disabled veterans or by the surviving spouse and surviving minor children of disabled veterans a local exemption in amounts ranging from $5,000 to $12,000 depending on the disability rating of the veteran.

The City grants an additional exemption of up to 20% for residence homesteads.
The City taxes only business income-producing personal property.

The City does not permit split payments and does not allow discounts.

The City does not tax freeport property. The City taxes Goods-in-Transit.

The City has established a freeze on the taxes on residence homesteads of persons 65 years of age or who are disabled for tax year 2023.

By special act of the Texas Legislature in 2011, the City created the Timber Springs Municipal Management District (the "District") to fund infrastructure improvements to serve a senior citizens retirement community. The District encompasses approximately forty four acres of land within the City. The District contains a senior living community. The legislation creating the District authorizes the District to impose property taxes and to levy assessments on property within its boundaries, to impose and collect other revenues for its public purposes, and to issue voter-approved bonds and other obligations that are secured by such property taxes to finance costs associated with public infrastructure, including water, sanitary sewer, drainage, roadway, public green space, lighting, sidewalks, landscaping, and streetscape improvements. Preliminary plans provide that the City and the County of Nacogdoches would reimburse, from ad valorem taxes levied on increased values of real property within the District, approximately $4,000,000 of the cost of public improvements, plus the developer's interest costs for such improvements, at a rate not to exceed 8%. Currently, no taxes or assessments have been levied and are not anticipated in the near future. There is a possibility that the District could be dissolved at some point in time.

Tax Abatements and Economic Development Incentives

The City has established a property tax abatement program to encourage economic development and redevelopment and to improve quality of life for citizens. Projects that create or retain at least five full-time jobs or increase ad valorem tax values by $250,000 (new construction) or $50,000 (rehabilitation) may be granted a tax abatement for five years. A qualified project receives an abatement equal to 100% of the value of eligible capital improvements in the first year, then decreasing to 20% in the fifth year. New construction with a value greater than $400,000 or rehabilitation projects with a value greater than $250,000 will be considered on an individual basis. Projects located in a downtown historic overlay district that encourage business facilities in the central business district, that meet certain minimum requirements with regard to value of the improvements and need of repair, and which meet certain objective criteria with regard to the type of improvement and intended use of the improved property may be granted a tax abatement for five years. A qualified project receives an abatement equal to 100% of the value of eligible capital improvements for two years, then decreasing to 35% (100% for three years decreasing to 50% for projects that meet more of the criteria) in the fifth year. The City does not have any current abatements at this time. All prior abatements expired in December 2018.

The City has established a sales tax revenue sharing program to stimulate economic development under which the City may grant a reimbursement of one-half of the City's one percent sales and use tax subject to certain criteria for the creation or retention of at least 65 full-time jobs and increases in ad valorem tax values of at least $5,000,000 for new construction or $500,000 for rehabilitation, and which will create at least an additional $10,000,000 in gross sales revenues. Under this program, reimbursements may be made for five years (subject to meeting the criteria). Projects that exceed original qualifications may be granted, at the discretion of the City Council, an extension of two years. The City does not have any current sales tax revenue sharing agreements in place at this time. All prior abatements and revenue sharing agreements expired in 2014.

The City has also established a program to pay a portion of the cost of utility expansion to encourage development. The portion of the cost of the utility expansion paid by the City is based on jobs created or retained, added taxable value, annual payroll and water usage The City currently has one active project initiated during the 2019-2020 period, to install water and sanitary sewer facilities in the amount of $169,790.

LEGAL MATTERS

The City will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. In its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in this Official Statement to verify that such information conforms to the provisions of the Ordinance. In connection with the transactions described in the Official Statement, Bond Counsel represents only the City. The City expects to pay the legal fees of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

TAX MATTERS

Tax Exemption . . .The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

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

For taxable years beginning after 2022, the Code imposts a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

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

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

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

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the Issuer has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type information in Appendix A in Tables numbered 1, 2, 3, 4 and 8 in Appendix A, information included herein under "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER – Current Investments" (the "Operating Information") and the City's audited financial report in Appendix D. The City shall provide (1) the Operating Information within six months after the end of each fiscal year ending in or after 2024 and, if then available, audited financial statements of the City and (2) if not submitted along with the Operating Information, audited financial statements of the City within 12 months after the end of each fiscal year ending in or after 2024. If the audit of such financial statements is not complete within 12 month after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for such fiscal year when and if the audit report on such financial statements becomes available. Any financial statements so provided shall be prepared in accordance with the accounting principles described in Appendix D hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated Operating Information by the last day in March in each year and audited financial statements (or unaudited financial statements if audited financial statements are not yet available) must be provided as described in the above paragraph, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

Notice of Certain Events

The City will also provide notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material"; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the City, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for a trustee, debt service reserves, credit enhancement, redemption prior to stated maturity or liquidity enhancement . In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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

Availability of Information

In connection with its continuing disclosure agreements entered into with respect to the Bonds, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the registered and beneficial owners of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered or beneficial owners of the Bonds. The Issuer may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the City has substantially complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

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

Litigation

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA, as amended, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION – Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value.

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

Rating

S&P Global Ratings ("S&P"), has assigned its underlying rating of "____" to the Bonds. An explanation of the significance of such ratings may be obtained from S&P. A rating by S&P reflects only the view of such company at the time the rating is given, and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time, or that they will not be revised downward or withdrawn entirely by S&P, if, in the judgment of either or both of them, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Initial Purchaser

After requesting competitive bids for the Bonds, the City accepted the bid of ____________________ (the "Purchaser" or "Initial Purchaser") to purchase the Bonds at the interest rates shown on page ii of this Official Statement at a price of __________________. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The initial yields shown on page ii of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Bonds are sold in the secondary market.

Financial Advisor

Hilltop Securities, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial

Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. The Issuer's actual results could differ materially from those discussed in such forward-looking statements.

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

Certification of Preliminary Official Statement

At the time of payment for and delivery of the Bonds, the City will furnish to the Initial Purchaser a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

CONCLUDING STATEMENT

This Official Statement has been prepared using information received from the City and other sources, which is considered to be reliable. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty, or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates, and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

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

CITY OF NACOGDOCHES, TEXAS

____
Mayor

ATTEST:

____
City Secretary

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION FOR THE CITY

SUMMARY VALUATION AND DEBT INFORMATION **TABLE 1**

2023 Total Market Value		$ 2,942,849,851
Less Exemptions:		
Productivity Loss	$ 34,757,180	
10% Cap Loss	62,354,601	
Exempt Property	488,282,682	
Pollution Control	14,470,416	
Freeport Property	27,965,583	
Other	145,323	
Veteran and Disabled	14,920,299	
Over 65 and Disabled	79,094,088	
Local Discount	130,939,469	$ 852,929,641
2023 Net Taxable Assessed Valuation		$ 2,089,920,210

Source: Nacogdoches Central Appraisal District

Current General Obligation Debt Outstanding	$ 32,587,000 *
Less Self-Supporting Water & Sewer Utility System General Obligation Debt	16,985,000 *
Current Net General Obligation Debt Payable from Ad Valorem Taxes	$ 15,602,000 *
Ratio of Net General Obligation Debt to 2023 Net Assessed Valuation	0.75% *

Current Estimated Population	31,348
Per Capita 2023 Net Assessed Valuation	$ 66,668
Per Capita Net General Obligation Debt	$ 498

* Preliminary; subject to change. Includes "The Bonds"

a) For a general discussion of ad valorem taxation see "CITY'S APPLICATION OF THE PROPERTY TAX CODE" herein. The value placed upon property within the Appraisal District is subject to owner protest and review by an appraisal review board appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District every three years. The City may require annual review, at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

b) See "Table 8 - Outstanding General Obligation Debt" and "Table 9 - Computation of Surplus Revenue Available for Self Supporting Debt". It is the City's current policy to pay such self supporting debt from the respective revenue sources; this policy is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

HISTORICAL VALUATIONS, TAX RATES AND COLLECTION DATA **TABLE 2**

Tax Year	Assessed Valuation	Tax Rate	Percent Collections[(a)] Current	Total	Fiscal Year Ended
2019	$ 1,746,954,960	$ 0.6140	98.58%	98.94%	9/30/2020
2020	1,615,293,200	0.6160	99.30%	99.30%	9/30/2021
2021	1,744,696,544	0.6160	97.30%	97.30%	9/30/2022
2022	1,882,328,670	0.5185	97.30%	98.20%	9/30/2023
2023	2,089,920,210	0.4745	92.26% *	92.27% *	9/30/2024

(a) Excludes penalties and interest.

Source: Nacogdoches Central Appraisal District

** As of March 31, 2024.*

TAX RATE DISTRIBUTION **TABLE 3**

	Tax Year 2023	2022	2021	2020	2019
General Fund	$ 0.4634	$ 0.5077	$ 0.5337	$ 0.5389	$ 0.5362
Interest and Sinking Fund	0.0110	0.0108	0.0823	0.0771	0.0778
Total	$ 0.4745	$ 0.5185	$ 0.6160	$ 0.6160	$ 0.6140

Source: Nacogdoches Central Appraisal District

2023 Top Ten Taxpayers	Principal Line of Business	Total Taxable Value	Percent of A.V.
Norbord Texas LP	Wood Products Manufacturer	$ 61,303,510	2.93%
Pilgrims (Processing Plant)	Poultry Processing	46,229,100	2.21%
SFA 11411 Owner LP	Apartments	40,740,900	1.95%
Oncor Electric Delivery Co LLC	Electric Utility	31,417,780	1.50%
Nacogdoches County Hospital District	Medical	29,613,617	1.42%
Cardinal Street Housing	Real Estate	26,917,400	1.29%
Medhorizons LTD	Hospital	21,153,040	1.01%
Cooper Power Systems (Eaton)	Electric Transformers	18,740,070	0.90%
Wal-Mart Stores #01-0163	Retail	17,143,930	0.82%
NIBCO Inc.	Pipe Valve Manufacturer	16,726,540	0.80%
Totals		$ 309,985,887	14.83%

2023 Net Taxable Assessed Valuation $ 2,089,920,210

2022 Top Ten Taxpayers	Principal Line of Business	Total Taxable Value	Percent of A.V.
Norbord Texas LP	Wood Products Manufacturer	$ 49,851,460	2.65%
Oncor Electric Delivery Co LLC	Electric Utility	36,900,210	1.96%
Pilgrims (Processing Plant)	Poultry Processing	36,336,140	1.93%
Cardinal Street Housing	Real Estate	30,034,734	1.60%
Nacogdoches County Hospital District	Medical	25,760,720	1.37%
Wal-Mart Stores #01-0163	Retail	16,771,921	0.89%
NIBCO Inc.	Pipe Valve Manufacturer	14,547,780	0.77%
Cooper Power Systems (Eaton)	Electric Transformers	14,304,630	0.76%
Texas Rio Del Oro LTD	Apartments	11,239,263	0.60%
Eastwood Terrace and Oak Hill	Apartments	11,181,543	0.59%
Totals		$ 246,928,401	13.12%

2022 Net Taxable Assessed Valuation $ 1,882,328,670

2021 Top Ten Taxpayers	Principal Line of Business	Total Taxable Value	Percent of A.V.
Norbord Texas LP	Wood Products Manufacturer	$ 39,345,760	2.26%
Oncor Electric Delivery Co LLC	Electric Utility	36,882,480	2.11%
SFA 1411 Owner LP	Business	33,236,090	1.90%
Pilgrims (Processing Plant)	Poultry Processing	31,485,320	1.80%
Cardinal Street Housing	Real Estate	23,019,000	1.32%
Wal-Mart Stores #01-0163	Retail	16,749,380	0.96%
SSG East Texas LLC	Warehouse	14,820,611	0.85%
NIBCO Inc.	Pipe Valve Manufacturer	13,876,890	0.80%
Cooper Power Systems (Eaton)	Electric Transformers	12,976,900	0.74%
University Hill Apartments	Apartments	11,603,376	0.67%
Totals		$ 233,995,807	13.41%

2021 Net Taxable Assessed Valuation $ 1,744,696,544

ASSESSED VALUATION INCREASE / (DECREASE) **TABLE 5**

Tax Year	Net Assessed Valuation	Increase / Decrease Over Prior Year Amount	Percent
2019	$ 1,746,954,960	$ 158,353,340	9.97%
2020	1,615,293,200	(131,661,760)	-7.54%
2021	1,744,696,544	129,403,344	8.01%
2022	1,882,328,670	137,632,126	7.89%
2023	2,089,920,210	207,591,540	11.03%

Source: Nacogdoches Central Appraisal District

CLASSIFICATION OF ASSESSED VALUATION **TABLE 6**

	Tax Year				
Property Use Category	2023	2022	2021	2020	2019
Real, Residential, Single-Family	$1,157,384,274	$1,110,895,545	$917,397,570	$889,668,170	$ 881,116,930
Real, Residential, Multi-Family	298,817,030	331,969,326	240,939,794	205,171,750	202,478,480
Real, Vacant Lots/Tracts	35,319,071	37,418,960	33,406,750	30,083,640	30,361,890
Real, Acreage (Land Only)	35,317,662	43,595,950	36,558,730	1,319,980	1,151,940
Real, Farm and Ranch Improvements	13,847,431	5,673,780	4,815,050	8,471,690	9,864,750
Real, Commercial	580,443,137	537,601,296	443,163,030	410,316,470	407,704,980
Real, Industrial	46,585,520	55,587,070	50,689,480	48,524,880	48,707,200
Real,Oil, Gas & Other Mineral Reserves	666,660	634,520	600,290	600,110	1,272,770
Real and Tangible Personal, Utilities	60,394,210	63,539,010	60,861,440	59,865,150	48,941,530
Tangible Personal, Commercial	143,662,870	135,899,470	125,488,770	129,030,500	133,144,320
Tangible Personal, Industrial	256,931,470	227,953,260	198,769,830	224,851,790	221,992,820
Mobile Homes	6,019,160	5,324,030	4,693,110	4,413,950	4,090,510
Real Property Inventory	3,880,120	4,649,060	3,196,140	3,234,840	2,969,190
Dealer Inventory	42,151,100	20,058,200	15,584,550	17,509,780	14,225,120
Exempt Property	261,430,136	252,553,466	232,746,213	222,413,590	231,411,390
Total Market Value	$ 2,942,849,851	$ 2,833,352,943	$ 2,368,910,747	$ 2,255,476,290	$ 2,239,433,820
Less Exemptions:					
Optional 20% Homestead	$133,364,887	$151,507,880	$136,716,600	$130,135,630	$ 129,923,850
Over 65 or Disabled Persons Homestead	79,094,088	87,882,320	44,836,780	44,263,780	43,409,230
Loss Due to 10% Annual Cap and minerals	62,354,601	69,282,890	4,487,360	1,073,710	2,659,900
Disabled and Deceased Veterans	14,920,299	16,578,110	13,037,140	12,043,530	11,329,350
Productivity Value Loss	32,331,762	35,924,180	30,225,700	24,526,070	26,173,820
Abatements	-	-	-	-	-
Freeport Property	27,965,583	31,072,870	25,346,850	26,656,650	27,147,740
Real Exempt Property	488,282,682	542,536,313	354,782,053	382,142,410	243,815,640
Other	145,323	161,470	10,170	2,859,020	-
Pollution Control Value Loss	14,470,416	16,078,240	14,771,550	16,482,290	8,019,330
Total Exemptions	$ 852,929,641	$ 951,024,273	$ 624,214,203	$ 640,183,090	$ 492,478,860
Net Taxable Assessed Valuation	$ 2,089,920,210	$ 1,882,328,670	$ 1,744,696,544	$ 1,615,293,200	$ 1,746,954,960

Source: Nacogdoches Central Appraisal District

MUNICIPAL SALES TAX COLLECTIONS **TABLE 7**

The City has adopted the provisions of Chapter 321, Texas Tax Code, which provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of obligations or other indebtedness. Net collections on a calendar year basis are shown below:

Calendar Year	Tax Collections	
2020	$ 6,985,376	
2021	7,591,774	
2022	8,313,242	
2023	8,572,436	
2024	2,830,664	*

Source: Texas Comptroller of Public Acocunts
* As of April 10, 2024

OUTSTANDING GENERAL OBLIGATION DEBT **TABLE 8**

Amount Issued	Description	Amount Outstanding	
$ 22,970,000	General Obligation Refunding Bonds, Taxable Series 2020	$ 16,985,000	
$ 1,521,000	Tax Notes, Series 2021	$ 1,097,000	
$ 14,505,000	General Obligation Improvement Bonds, Series 2024 (The Bonds)*	$ 14,505,000	*
$ 38,996,000	Total	$ 32,587,000	

* Preliminary, subject to change.

COMPUTATION OF SURPLUS REVENUE AVAILABLE FOR SELF SUPPORTING DEBT **TABLE 9**

Unaudited Net Water & Sewer System Revenues, Fiscal Year 2023	$ 12,574,229
Less: Maximum Revenue Bond Debt Service (see Table 13):	571,725
Balance Available for Self Supporting Debt:	$ 12,002,504

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 10

Fiscal Year 30-Sep	Currently Outstanding Debt Service	The Bonds * Principal	The Bonds * Interest	The Bonds * Total	Combined New Payments *	Self-Supported Debt Service *	Total Net Debt Service *
2024	$ 2,603,597				$ 2,603,597	$ (2,377,078)	$ 226,519
2025	2,530,107	$ 125,000	$ 888,792	$ 1,013,792	3,543,899	(2,303,846)	1,240,053
2026	2,454,979	320,000	701,638	1,021,638	3,476,617	(2,228,996)	1,247,621
2027	2,376,807	335,000	685,638	1,020,638	3,397,445	(2,150,124)	1,247,321
2028	2,306,077	350,000	668,888	1,018,888	3,324,965	(2,079,725)	1,245,240
2029	2,005,949	365,000	651,388	1,016,388	3,022,337	(2,005,949)	1,016,388
2030	1,925,958	390,000	633,138	1,023,138	2,949,096	(1,925,958)	1,023,138
2031	869,929	405,000	613,638	1,018,638	1,888,567	(869,929)	1,018,638
2032	835,421	430,000	593,388	1,023,388	1,858,809	(835,421)	1,023,388
2033	795,483	445,000	571,888	1,016,888	1,812,371	(795,483)	1,016,888
2034	755,251	470,000	549,638	1,019,638	1,774,889	(755,251)	1,019,638
2035	-	490,000	526,138	1,016,138	1,016,138	-	1,016,138
2036	-	520,000	501,638	1,021,638	1,021,638	-	1,021,638
2037	-	545,000	475,638	1,020,638	1,020,638	-	1,020,638
2038	-	570,000	448,388	1,018,388	1,018,388	-	1,018,388
2039	-	600,000	419,888	1,019,888	1,019,888	-	1,019,888
2040	-	630,000	389,888	1,019,888	1,019,888	-	1,019,888
2041	-	665,000	358,388	1,023,388	1,023,388	-	1,023,388
2042	-	695,000	325,138	1,020,138	1,020,138	-	1,020,138
2043	-	725,000	290,388	1,015,388	1,015,388	-	1,015,388
2044	-	765,000	254,138	1,019,138	1,019,138	-	1,019,138
2045	-	425,000	215,888	640,888	640,888	-	640,888
2046	-	445,000	194,638	639,638	639,638	-	639,638
2047	-	470,000	172,388	642,388	642,388	-	642,388
2048	-	495,000	148,888	643,888	643,888	-	643,888
2049	-	515,000	124,138	639,138	639,138	-	639,138
2050	-	545,000	98,388	643,388	643,388	-	643,388
2051	-	565,000	75,225	640,225	640,225	-	640,225
2052	-	590,000	51,213	641,213	641,213	-	641,213
2053	-	615,000	26,138	641,138	641,138	-	641,138
	$ 19,459,558	$ 14,505,000	$ 11,654,555	$ 26,159,555	$ 45,619,113	$ (18,327,760)	$ 27,291,353

*Preliminary; subject to change

TAX ADEQUACY

TABLE 11

2023 Net Taxable Value	$ 2,089,920,210 *
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-26)	$ 1,247,621
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections:	$ 0.0609

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

* Preliminary; subject to change.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 12**

Fiscal Year Ending 9/30	Outstanding Debt	Series 2024 Bonds *	Total *	Obligations Unpaid at End of Year	Percent of Principal Retired (%)
2024	$ 2,355,000		$ 2,355,000	$ 30,232,000	7.23%
2025	2,302,000	$ 125,000	2,427,000	27,805,000	14.67%
2026	2,249,000	320,000	2,569,000	25,236,000	22.56%
2027	2,197,000	335,000	2,532,000	22,704,000	30.33%
2028	2,154,000	350,000	2,504,000	20,200,000	38.01%
2029	1,885,000	365,000	2,250,000	17,950,000	44.92%
2030	1,835,000	390,000	2,225,000	15,725,000	51.74%
2031	810,000	405,000	1,215,000	14,510,000	55.47%
2032	790,000	430,000	1,220,000	13,290,000	59.22%
2033	765,000	445,000	1,210,000	12,080,000	62.93%
2034	740,000	470,000	1,210,000	10,870,000	66.64%
2035	-	490,000	490,000	10,380,000	68.15%
2036	-	520,000	520,000	9,860,000	69.74%
2037	-	545,000	545,000	9,315,000	71.41%
2038	-	570,000	570,000	8,745,000	73.16%
2039	-	600,000	600,000	8,145,000	75.01%
2040	-	630,000	630,000	7,515,000	76.94%
2041	-	665,000	665,000	6,850,000	78.98%
2042	-	695,000	695,000	6,155,000	81.11%
2043	-	725,000	725,000	5,430,000	83.34%
2044	-	765,000	765,000	4,665,000	85.68%
2045	-	425,000	425,000	4,240,000	86.99%
2046	-	445,000	445,000	3,795,000	88.35%
2047	-	470,000	470,000	3,325,000	89.80%
2048	-	495,000	495,000	2,830,000	91.32%
2049	-	515,000	515,000	2,315,000	92.90%
2050	-	545,000	545,000	1,770,000	94.57%
2051	-	565,000	565,000	1,205,000	96.30%
2052	-	590,000	590,000	615,000	98.11%
2053	-	615,000	615,000	-	100.00%
	$ 18,082,000	$ 14,505,000	$ 32,587,000		

*Preliminary; subject to change

WATER AND SEWER SYSTEM REVENUE BOND DEBT SERVICE **TABLE 13**

Fiscal Year Ending 9/30	Principal	Interest	Total
2024	$ 550,000	$ 21,725	$ 571,725
2025	550,000	7,288	557,288
	$ 1,100,000	$ 29,013	$ 1,129,013

Note: The above includes the City's Waterworks and Sewer System Revenue Bonds, Series 2004, which was sold to the Texas Water Development Board and constitute the only outstanding obligation secured solely by a pledge of revenues of the City's waterworks and sewer system.

ESTIMATED DIRECT AND OVERLAPPING AD VALOREM TAX SUPPORTED GROSS DEBT STATEMENT **TABLE 14**

Governmental Subdivision	Gross Debt	Estimated Percent Overlapping	Estimated Amount Overlapping
Nacogdoches County (as of 3/31/24)	$ 620,000	51.22%	$ 317,564
Nacogdoches ISD (as of 3/31/24)	92,910,000	67.88%	63,067,308
Nacogdoches, City of as of new issue	32,587,000	100.00%	32,587,000
Total Direct and Overlapping Gross Debt			$ 95,971,872
Less: Self Supported Debt of the City of Nacogdoches			$ 16,985,000
Total Direct and Overlapping Net Debt			$ 78,986,872
Direct and Overlapping Gross Debt Per Capita			$3,061.50 *
Ratio of Direct and Overlapping Gross Debt to 2023 Net Assessed Valuation			4.59% *
			*
Direct and Overlapping Net Debt Per Capita (payable from ad valorem taxes):			$2,519.68
Ratio of Direct and Overlapping Net Debt to 2023 Net Assessed Valuation:			3.78% *

2023 Net Assessed Valuation	$ 2,089,920,210 *
Population 2023	31,348

* Preliminary; subject to change.

ASSESSED VALUATIONS AND TAX RATES OF OVERLAPPING GOVERNMENTAL SUBDIVISIONS **TABLE 15**

Governmental Subdivision	Assessed Valuation	2023 Tax Rate
Nacogdoches County	$ 4,588,169,256	$ 0.42810
Nacogdoches ISD	$ 1,912,402,283	$ 1.13970

* Preliminary; subject to change.

GOVERNMENTAL AND SPECIAL REVENUE CASH BALANCES (as of March 31, 2024, unaudited) **TABLE 16**

General Funds	$ 21,125,763
Debt Service Fund	467,435
Special Revenue Funds	6,839,895
Other	9,845,429
	$ 38,278,522

TOTAL GOVERNMENTAL FUNDS COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE **TABLE 18**

	Audited Fiscal Year Ended September 30				
	2023 *	2022	2021	2020	2019
Fund Balance - Beginning	$ 22,649,915	$ 22,250,015	$ 20,439,344	$ 17,937,480	$ 17,313,864
Revenues:					
Property Taxes	11,000,515	11,514,611	11,004,323	10,777,313	10,165,065
Other Local Taxes	12,247,915	11,692,531	10,654,713	10,015,511	9,952,257
Licenses and Permits	211,818	217,669	211,778	354,996	192,661
Charges for Services	1,163,041	1,134,349	1,082,588	1,043,554	1,269,060
Fines, Forfeits and Penalties	623,546	495,356	726,353	787,674	836,109
Investment Earnings	956,556	217,434	47,962	346,827	441,640
Intergovernmental	2,875,026	1,961,614	3,121,778	1,580,231	1,449,775
Miscellaneous	159,219	530,470	871,166	278,645	2,554,819
Total Revenues	$ 29,237,636	$ 27,953,034	$ 27,720,661	$ 25,184,751	$ 26,861,386
Expenditures:					
General Government	6,769,862	6,016,070	5,953,941	4,935,603	5,331,178
Public Safety	16,905,405	16,935,663	16,597,013	15,331,740	16,480,077
Highways & Streets	1,716,647	2,541,361	2,401,633	2,392,669	2,658,235
Culture & Recreation	3,553,946	3,216,452	3,435,713	2,643,437	2,969,119
Health & Welfare	846,024	1,370,378	976,051	926,514	800,480
Debt Service	225,745	1,545,759	1,376,614	1,376,139	1,378,061
Capital Outlay	4,248,472	1,859,040	2,355,533	1,518,663	2,378,547
Total Expenditures	$ 34,266,101	$ 33,484,723	$ 33,096,498	$ 29,124,765	$ 31,995,697
Excess (Deficiency) Revenues Over Expenditures	(5,028,465)	(5,531,689)	(5,375,837)	(3,940,014)	(5,134,311)
Other Financing Sources (Uses):	5,607,402	5,931,589	7,186,508	6,441,878	5,757,927
Excess of Revenues and Other Sources Over Expenditures and Other Uses	$ 578,937	$ 397,878	$ 1,808,650	$ 2,499,844	$ 621,597
Prior Period Adjustment					
Increase (Decrease) in Fund Balance	578,937	399,900	1,810,671	2,501,864	623,616
Fund Balance - Ending	$ 23,228,852	$ 22,649,915	$ 22,250,015	$ 20,439,344	$ 17,937,480

* Preliminary unaudited figures

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF THE CITY **TABLE 19**

Date Authorized	Purpose	Amount Authorized	Issued To Date	This Issue	Remaining Unissued
11/7/2023	Prop A - Airport	$ 7,300,000	$ -	$ 570,000	$ 6,730,000
	Prop B - Fire	16,700,000	-	10,215,000	6,485,000
	Prop C - Drainage	5,900,000	-	1,200,000	4,700,000
	Prop D - Cemetary	425,000	-	-	425,000
	Prop E - Parks and Rec	2,200,000	-	772,500	1,427,500
	Prop F - Streets	10,000,000	-	2,500,000	7,500,000
	Prop G- Sidewalks	1,430,000	-	-	1,430,000
	Total	$ 43,955,000	$ -	$ 15,257,500	$ 28,697,500

Source: The City

APPENDIX B

General Information Regarding the City of Nacogdoches and Nacogdoches County, Texas

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GENERAL INFORMATION REGARDING THE CITY OF NACOGDOCHES AND NACOGDOCHES COUNTY, TEXAS

Named after local Indians and already a Native American settlement, the City of Nacogdoches (the "City") was established as a permanent European settlement in the eighteenth century making it arguably the oldest settlement in the State of Texas and one of the State's most historical areas. The City is located in the eastern section of Texas at the intersection of United States Highway 59 and State Highways 7 and 21 approximately 140 miles north of Houston, 90 miles southwest of Shreveport, and 160 miles southeast of Dallas. It is the principal industrial and commercial center of Nacogdoches County (the "County") with local manufacturers producing paper, bronze valves, poultry and livestock feed, fertilizer, power transformers, sealing components, motor homes and business forms. Also located within the City is Stephen F. Austin State University. Nearby recreational facilities include Sam Rayburn Reservoir, city-owned Lake Nacogdoches, Millard's Crossing Historic Village, Angelina National Forest and many other historical sites and museums.

Nacogdoches County is an east Texas county with the City serving as the county seat. The County's economy is based on agriculture, lumbering, mineral production, and manufacturing. Poultry, cattle and timber are principal sources of agricultural income. Primary minerals produced in the County include gas, oil, clay and stone. Additional cities within the County include Appleby, Chireno, Cushing and Garrison.

POPULATION TRENDS

Year	City of Nacogdoches	Nacogdoches County
2024 Estimate	31,348	65,318
2020 Census	32,147	64,653
2010 Census.	32,996	64,524
2000 Census	29,914	59,203
1990 Census	30,872	54,753
1980 Census	27,149	46,786
1970 Census	22,544	36,362

LEADING EMPLOYERS IN THE CITY OF NACOGDOCHES

Employer	Principal Line of Business	Approximate Number of Employees
Pilgrim's Pride Corp	Feed, poultry processing	1,700
Stephen F. Austin State University	Higher education	1,418
Nacogdoches ISD	Public education	1,002
Nacogdoches County Hospital District	Health Services	818
Etech, Inc.	Communications	500
Nacogdoches Medical Center	Health Services	473
Walmart Supercenter	Retail	445
City of Nacogdoches	Municipal government	330
County of Nacogdoches	County government	315
Nibco, Inc.	Hardware Manufacturing	281

EMPLOYMENT STATISTICS

The Texas Workforce Commission reports the following employment statistics for the City of Nacogdoches, Nacogdoches County and the State of Texas.

	February 2024		
	City	County	State
Civilian Labor Force	14,417	28,752	15,295,668
Total Employed	13,636	27,359	14,629,593
Total Unemployed	781	1,393	666,075

	February 2023		
	City	County	State
Civilian Labor Force	14,242	28,383	15,011,661
Total Employed	13,448	26,982	14,357,352
Total Unemployed	794	1,401	654,309

Source: Texas Workforce Commission, Austin, Texas

UNEMPLOYMENT RATES

	February 2024	February 2023
City of Nacogdoches	5.4%	5.6%
Nacogdoches County	4.8	4.9
State of Texas	4.4	4.4
United States of America	3.8	5.7

Source: Texas Workforce Commission, Austin, Texas

TRANSPORTATION

Private air travel is provided locally at A. L. Manghum, Jr. Airport. The airport has a 5,000-foot lighted, hard surfaced runway with an instrument landing system and fuel facilities on site. The nearest airport with commercial air service is located approximately 65 miles to the north in The City of Tyler, Texas. For full commercial air service, Dallas-Fort Worth International Airport and Dallas-Love Field are located approximately 160 miles northwest of the City.

Rail service is provided by Union Pacific Railroad while nine motor carriers also service the City on a regular basis.

UTILITIES

Utilities are supplied to city residents by Oncor, TXU Energy, East Texas electric Co-Op, Centerpoint Energy, Appleby Gas Corp., Reklaw Natural Gas, Chireno Natural Gas, AT&T, Sprint and the City of Nacogdoches.

EDUCATION

Public schooling for the City is provided by the Nacogdoches Independent School District. Facilities of the District include six elementary schools, two middle schools, and one high school. Total student enrollment of the District exceeds 6,500 students.

HIGHER EDUCATION

Stephen F. Austin State University (the "University") was established in 1921 by the thirty-sixth Texas Legislature. Located in the City, the main campus includes approximately 400 acres, which was part of the original homestead of Thomas J. Rusk, an early Texas patriot and United States Senator. In addition, the University maintains a university farm of 280 acres for beef production, a second university farm of 200 acres for dairying and poultry, an experimental forest in the southwestern section of the County, and a forestry field station in the Sabine National Forest near Hemphill, Texas.

The University offers more than 60 baccalaureate degrees in areas such as Accounting, Agriculture, Liberal Arts, Education, Nursing, Social Work, Rehabilitation Services, Criminal Justice, Mathematics and Statistics, Blind Mobility and Speech Pathology. Master's degrees are offered in Business, Education, Fine Arts, Forestry, Liberal Arts, Science, Music and Mathematics, among others. A doctorate is offered in Forestry and Educational Leadership.

The University is comprised of 25 major instructional buildings and nineteen dormitories. All buildings are air conditioned for year-round comfort, and many of the oldest structures have been renovated and modernized. Current enrollment is approximately 12,800.

AGRICULTURAL PRODUCTION

Nacogdoches County ranks number 8 in agricultural production out of 254 Texas counties. Timber and poultry production top the list of the agricultural products.

MEDICAL SERVICES (Nacogdoches County)

The County is served by two major hospitals, Nacogdoches Medical Center and Nacogdoches Memorial Hospital. Memorial Hospital is County-owned and licensed for 184 beds. Services include rehab care, an emergency room, ambulance service, hospice, home health care and OH&R services. Medical Center Hospital is licensed for 150 beds and has an emergency room and home health care. Pineland Hospital is a psychiatric facility and is licensed for 40 beds. Services offered are individual therapy, occupational therapy, recreational therapy, bio-feedback and pain management.

RECREATION

Water and lake activities are available at Sam Rayburn Park Reservoir and Lake Nacogdoches. Additional recreational activities include Stephen F. Austin State University cultural and sporting events, historical sites including Old Stone Fort and pioneer homes and museums, Millard's Crossing, Hoya Library and Museum, antique shops, Piney Woods Fair each October, and Heritage Days Festival each June.

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APPENDIX C

Form of Opinion of Bond Counsel

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[Closing Date]

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "City of Nacogdoches, Texas, General Obligation Improvement Bonds, Series 2024," dated May 15, 2024, in the principal amount of $__________ (the "Bonds"), we have examined into their issuance by the City of Nacogdoches, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on September 1 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

 200980059.2/1001207135

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

The information contained in this Appendix has been reproduced from the City of Nacogdoches Annual Financial Report (the "Report") for the Fiscal Year Ended September 30, 2023, as prepared by Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, Waco, Texas.

THE INFORMATION PRESENTED REPRESENTS ONLY A PART OF THE REPORT AND DOES NOT PURPORT TO BE A COMPLETE STATEMENT OF THE CITY'S FINANCIAL CONDITION. REFERENCE IS MADE TO THE COMPLETE REPORT FOR ADDITIONAL INFORMATION.

CITY OF NACOGDOCHES, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2023

As Prepared By:

Finance Department

City of Nacogdoches, Texas

CITY OF NACOGDOCHES, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Prepared by: Finance Department
City of Nacogdoches, Texas

CITY OF NACOGDOCHES, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2023

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REQUIRED SUPPLEMENTARY INFORMATION

SINGLE AUDIT SECTION

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INTRODUCTORY SECTION

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April 29, 2024

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

The annual comprehensive financial report of the City of Nacogdoches, Texas, for the fiscal year ended September 30, 2023, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Nacogdoches issue an annual report on its financial position and activities in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

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

Pattillo, Brown and Hill, LLP, Certified Public Accountants, have issued an unmodified opinion on the City of Nacogdoches, Texas' financial statements for the fiscal year ended September 30, 2023. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Nacogdoches, incorporated in 1929, is located in Texas Forest Country at the intersections of U.S. Highway 59, State Highway 21, and State Highway 7. The City of Nacogdoches is 65 miles south of Interstate 20 and is located approximately 140 miles northeast of Houston, Texas, 90 miles southwest of Shreveport, Louisiana, and 160 miles southeast of Dallas, Texas. It also serves as the county seat for Nacogdoches County. The City currently has a land area of 27.01 square miles and a population of 32,147 according to the 2020 census. It is empowered to levy a property tax on both real and personal property located within its boundaries and has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

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

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

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

Local economy

The City currently enjoys a stable economy and even experienced a continued increase in sales tax in 2023. The area's employment is concentrated in education, healthcare, hospitality, manufacturing, poultry and wood processing. The City is also the home of Stephen F. Austin State University, which has an enrollment of approximately 12,000. Stephen F. Austin State University is the top employer in the city, followed closely by Pilgrim's Pride.

Long-term financial planning

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

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

- Improve existing services to the citizens of Nacogdoches
    - Continue to explore and develop programs to reduce crime
    - Promote proactive programs and agreements to provide public safety
    - Provide quality leisure opportunities by:
        - Continuing trail development
        - Expand collaboration between City and Boys and Girls Club in providing recreational programs
        - Expanding offering of free computer services
        - Increasing availability of public Internet access
        - Creating City historic sites education programs
    - Provide water supply to meet future needs including:
        - Improvements to distribution system
    - Maintain water quality at a high standard

- Maintain and improve financial integrity of the City of Nacogdoches
    - Retain high bond rating and financial reputation
    - Maintain an unallocated fund balance of at least 25% of annual expenditures in the General, Utility, and Sanitation Funds
    - Improve plan for replacement of capital assets
    - Maintain competitive rates

- Strong commitment to providing capital equipment and capital improvements
    - Provide a funding level for capital equipment that meets the need of the City of Nacogdoches
    - Utilize a conservative portion of the City's unallocated reserve to fund needed capital improvements
    - Continue to set aside funds for the replacement of existing equipment
    - Continue to schedule future capital equipment and capital improvement needs as funds are available

Financial Policies

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

At September 30, 2023 the City of Nacogdoches has accumulated the following amounts in support of these policies:

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

Major initiatives

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

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

Underway with engineering design for sanitary sewer improvements using ARPA funds

Completed the 2023 Street Paving Project

Underway with design for 2024 Street Paving Project

Contract awarded for construction on Park Street Paving Project

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

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

Completed sludge removal project for the Surface Water Treatment Plant

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

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

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

Completed construction of Bar Screen Replacements at the Wastewater Treatment Plant

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Nacogdoches for its annual financial report for the fiscal year ended September 30, 2022. This is the fourteenth consecutive year that the City has received the award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Rick Beverlin
City Manager

Todd Simoneaux, CPA
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Nacogdoches
Texas

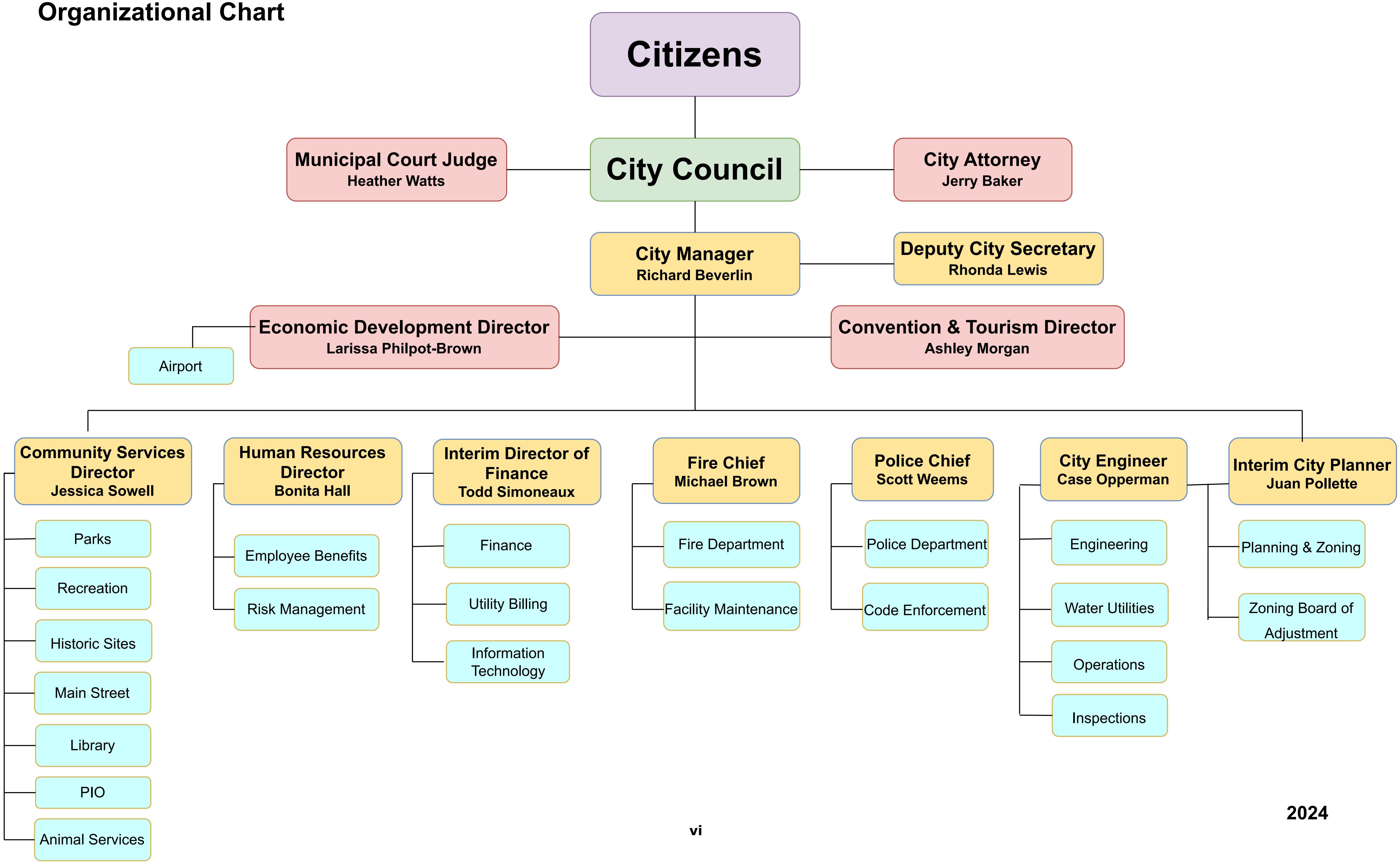
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

Organizational Chart



2024

CITY OF NACOGDOCHES, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2023

Elected Officials

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

Appointed Officials

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

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nacogdoches, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information included in the Annual Comprehensive Financial Report

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

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

Other Reporting Required by *Government Auditing Standards*

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

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

Waco, Texas
April 29, 2024

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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As management of the City of Nacogdoches (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $178,984,447 (net position). Of this amount, $37,379,979 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $8,396,798 for the year ended September 30, 2023 from operations, compared to an increase of $12,617,906 for the year ended September 30, 2022. The primary cause of this increase was increases in revenue, particularly from ad valorem and sales tax revenues as well as investment earnings.

- As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $24,095,760. This represents an increase of $1,445,845 from the prior year; the primary cause of this increase was due to increased intergovernmental revenues and transfers from enterprise funds.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $15,805,226 or 51% of total General Fund expenditures.

- The City's total long-term debt decreased by $3,600,621 during the current fiscal year. This was mainly due to the payment of outstanding debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

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

The City maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special grants fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the City's Financial Position —

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2023, the City's assets and deferred outflows exceeded liabilities and deferred inflows by $178,984,447.

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

Net Position

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

A portion of the City's net position (21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $37,379,979, may be used to meet the City's ongoing obligations to citizens and creditors.

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

Analysis of the City's Operations—

Governmental activities – Governmental activities increased the City's net position by $1,849,040. Significant reasons for this increase are as follows:

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

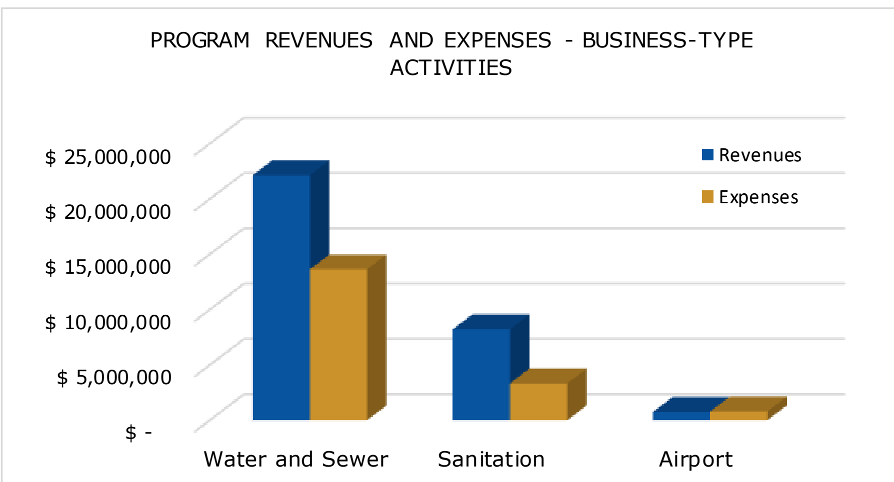
The following table provides a summary of the City's operations for the years ended September 30, 2023, and 2022.

CITY OF NACOGDOCHES' CHANGES IN NET POSITION

Changes in Net Position

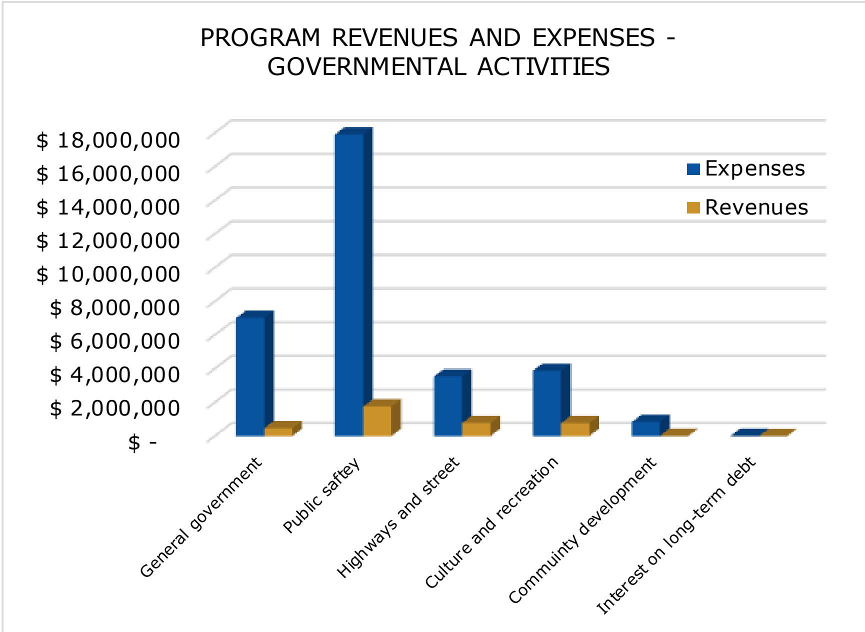
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revnues:						
Program revenues:						
Charges for services	$ 2,866,731	$ 3,753,711	$ 27,799,990	$ 27,996,981	$ 30,666,721	$ 31,750,692
Operating grants and contributions	858,471	2,053,268	47,512	527,543	905,983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

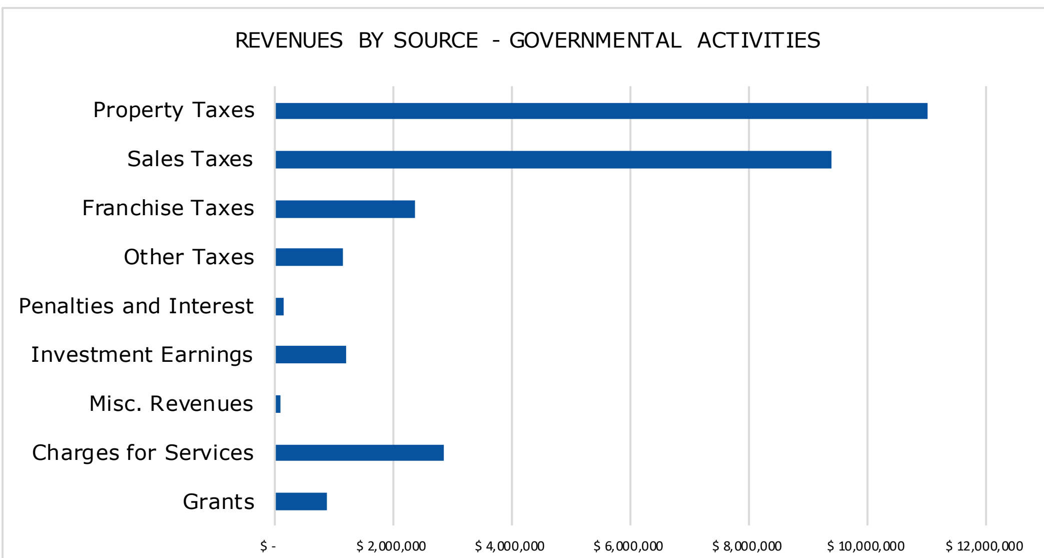
Business-type activities. Business type activities increased the City's net position by $6,547,758. The increase is primarily due to Water, Sewer and Sanitation rate revenues raising consistently more revenue than is needed to cover regular operating costs; management plans to accumulate these overages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



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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





At September 30, 2023, The City's governmental funds reported combined ending fund balances of $24,095,760. Of the fiscal year 2023 total fund balance, $6,082,674 (25%) is classified as restricted to indicate that is can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments), $239,402 is classified as committed to indicate that it has been set aside for specific purposes by resolution of the City Council, $1,968,458 is classified as assigned because it has been informally earmarked for a specific purpose by management, and the remaining $15,805,226 is unassigned. Unassigned fund balances are technically available for any purpose but are maintained at targeted levels in accordance with sound financial management practices.

The general fund is the chief operating fund of the City of Nacogdoches. At the end of the current fiscal year, unassigned fund balance of the general fund was $15,805,226, while total fund balance reached $18,707,229. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 51% of total general fund expenditures, while total fund balance represents 60% of that same amount.

The special grants fund is used by the City to account for grant and donation receipts and expenditures. At the end of the current fiscal year, fund balance was $421,395, all of which was restricted for grants. This is an decrease of $180,169 over prior year. This decrease was mainly due to large donations received in the prior year that were restricted for specific use by the donors as well as the recognition of revenues related to COVID-19 grant funding.

A comparison of key governmental revenues follows:

Revenues
Governmental Funds

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

The primary cause for significant changes are as follows:

- Property tax revenue decreased as a result of a decrease in the tax rate. Assessed values increased for the year.
- Intergovernmental revenues increased, primarily due to recognition of FEMA grant revenues not received in the prior year.

The fund balance of the City's general fund increased by $1,934,780 during the current fiscal year. The key factor in this increase was the increases in tax revenues, as discussed above.

Proprietary Funds –

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

Unrestricted net position of the water and sewer operations at the end of the year amounted to $20,293,176, total unrestricted net position for the sanitation fund amounted to $6,596,855 , and total unrestricted net position for the airport operation amounted to $84,206. The total change in net position for all three funds were $5,009,714, $1,581,690, and ($43,646), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The difference between total expenditures and the final amended budget was $5,021,066 primarily due to budget amendments allowing for greater capital outlays that were not completely spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets—The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023 and September 30, 2022, amounted to $123,939,829 and $123,434,345 (net of accumulated depreciation), respectively. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

The total net increase in the Major capital asset events during the current fiscal year included the following:

- Multiple significant capital projects amounting to $1.9 million were completed and transferred from construction-in-progress into completed assets. An additional $3.3 million in projects were added including improvements to water wells, utility relocations and various city park and building renovations.

- Purchase of fleet vehicles totaling $70,610.

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

CITY OF NACOGDOCHES' CAPITAL ASSETS AT YEAR-END

Capital Assets

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

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

Long-term debt—At the end of the current fiscal year, the City had total bonded debt outstanding of $19,182,000.

CITY OF NACOGDOCHES' OUTSTANDING LONG-TERM OBLIGATIONS

Outstanding Long-Term Obligations

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

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

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

The total operating budget for 2023-2024 is on target for both revenues and expenditures at the issuance of these statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC
FINANCIAL STATEMENTS

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CITY OF NACOGDOCHES, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

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

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

General revenues:

Property Taxes
Sales Taxes
Franchise Taxes
Other Taxes
Penalties and Interest
Investment Earnings
Gain on Sale of Capital Assets
Miscellaneous Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position- Beginning

Net Position- Ending

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

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

CITY OF NACOGDOCHES, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

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

CITY OF NACOGDOCHES, TEXAS

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

SEPTEMBER 30, 2023

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

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

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

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

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

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

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

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

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

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

CITY OF NACOGDOCHES, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

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

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMEBER 30, 2023

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

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

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

SEPTEMBER 30, 2023

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

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

CITY OF NACOGDOCHES, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Unit

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

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

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

The ***Special Grants Fund*** is used to account for the grants received by the federal and state government.

The City reports the following major enterprise funds:

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

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

In addition, the City reports the following fund types:

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

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

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

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

C. Financial Statement Amounts

1. Cash and Investments

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

2. Property Taxes and Other Receivables

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

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

3. Inventories

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

4. Capital Assets

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

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

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

5. Pensions

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

6. Compensated Absences

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

7. Interfund Activity

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

8. Deferred Outflows/Inflows of Resources

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

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

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

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

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

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

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

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

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

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

9. Net Position Flow Assumption

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

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

10. Leases

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

11. Fund Balance Classification

    The balances of the governmental funds are classified as follows:

    - Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

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

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

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or City Manager.

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

12. Fund Balance Flow Assumption

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

13. Use of Estimates

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

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

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

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

2. DEPOSITS AND INVESTMENTS

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

A. Cash Deposits with Financial Institutions

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy requires all deposits in financial institutions to be fully collateralized by the U.S. Government Securities or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2023, $250,000 of the City's $13,024,357 deposit balance was covered by FDIC insurance. The remaining balance was collateralized with securities held by the pledging financial institution.

B. Investments

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2023, the City held the following fair value measurements:

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

C. Analysis of Specific Deposit and Investment Risks

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

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2023, the City's investments, other than those which are obligations of or guaranteed by the United States Government, are rated as to credit quality as follows:

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

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

- Limiting investments to avoid overconcentration in investments from a specific issuer or business sector (excluding U.S. Treasury securities and certificates of deposit that are fully insured and collateralized in accordance with state and federal law),

- Limiting investment in investments that have higher credit risks (example: commercial paper),

- Investing in investments with varying maturities, and

- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

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

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

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

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

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

3. RECEIVABLES

The disaggregation of receivables is summarized as follows:

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

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

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

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

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

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

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

4. CAPITAL ASSETS

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

Primary Government

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

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

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

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

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

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

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

5. INTERFUND BALANCES AND ACTIVITY

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

A. <u>Due To and From Other Funds</u>

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

B. Transfers To and From Other Funds

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

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

6. LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity

Long-term obligations include bonds, leases, and compensated absences. Changes in long-term obligations for the year ended September 30, 2023, are as follows:

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

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

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

Debt consisted of the following issues as of September 30, 2023:

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

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

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

B. Debt Service Requirements

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

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

	Business-Type Activities General Obligation Bonds		
Year Ending September 30,	Principal	Interest	Total
2024	$ 2,140,000	$ 237,078	$ 2,377,078
2025	2,085,000	218,846	2,303,846
2026	2,030,000	198,996	2,228,996
2027	1,975,000	175,124	2,150,124
2028	1,930,000	149,725	2,079,725
2029-2033	6,085,000	347,740	6,432,740
2034	740,000	15,251	755,251
Total	$ 16,985,000	$ 1,342,760	$ 18,327,760

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

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

C. Prior Year Defeasance of Debt

In prior years, the City defeased general obligation and revenue bonds by placing the proceeds of the net bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the government's financial statements. As of September 30, 2023, the City had no defeased bonds outstanding.

D. Continuing Disclosure

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

E. Revenue Bonds

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The City collected in excess of $19.57 million in water revenues with the required debt service of the revenue bonds being $3,743,025

F. Compensated Absences

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

7. RISK MANAGEMENT

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

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

The Plan provides coverage of up to $100,000 for each individual. The City has a reinsurance agreement for the plan that provides coverage per individual claim in excess of $100,000 per year. In addition, the reinsurance agreement provides unlimited coverage when aggregate claims exceed a threshold, calculated based on a minimum attachment point of $2,577,121.

Under the terms of the plan, eligible claims and related expenses are paid from premiums paid by covered employees and the various funds of the City in which they are employed. During the year ended September 30, 2008, the City began providing health care benefits to its employees under a self-insurance plan ("Medical Plan"). In prior years, the City purchased commercial health insurance for this benefit. The City accounts for the transactions of the plan in the Health Insurance Fund, an Internal Service Fund. At September 30, 2023, the City had recorded a liability of $93,201 for claims incurred but not paid at that date. This liability was based on a review of claims paid subsequent to the end of the year.

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Payments on Claims	End of Fiscal Year Liability
September 30, 2019	$ 111,640	$ 3,314,206	$ 3,010,292	$ 415,554
September 30, 2020	415,554	2,653,200	2,925,029	129,463
September 30, 2021	129,463	3,001,881	2,927,709	203,635
September 30, 2022	203,635	3,416,149	3,574,428	45,356
September 30, 2023	45,356	2,473,594	2,425,749	93,201

8. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

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

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 14.74% and 14.69% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023, were $2,771,330, and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

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

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

Sensitivity of the Net Pension Liability

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 36,952,738	$ 20,029,766	$ 6,078,763

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized pension expense of $4,333,452. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,560,003	$ 36,188
Changes in actuarial assumptions	19,434	-
Difference between projected and actual investment earnings	7,164,554	-
Contributions subsequent to the measurement date	2,026,720	-
Total	$ 10,770,711	$ 36,188

$2,026,720 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

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

9. OTHER POST-EMPLOYMENT BENEFITS

The City provides for two other post-employment benefit (OPEB) plans: the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), and its own single-employer Retiree Benefits Plan. Both are described in detail below. Neither OPEB plan has fiduciary net position and thus all future benefit payments will be paid with City funds. As such, management has estimated the amount due within one year that is reported as a current liability in the statement of net position.

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

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

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

TMRS Supplemental Death Benefits Fund

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

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

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

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.39% for 2023 and 0.27% for 2022, of which 0.19% and 0.18%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2023 and 2022 were $69,168 and $43,971 respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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

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

Actuarial Methods and Assumptions

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

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

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Changes in assumptions reflect the annual change in the municipal bond rate.

Discount Rate. A single discount rate of 4.05% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the City is made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the Total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022.

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2023, the City reported a liability of $1,120,168 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2022. For the year ended September 30, 2023, the City recognized OPEB expense of $42,441. There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2021	$ 1,623,949
Changes for the year:	
Service cost	62,846
Interest	30,143
Difference between expected and actual experience	(15,811)
Changes of assumptions	(546,679)
Benefit payments	(34,280)
Net changes	(503,781)
Balance at 12/31/2022	$ 1,120,168

At September 30, 2023, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 47,865
Changes in actuarial assumptions	173,264	446,713
Contributions subsequent to the measurement date	26,928	-
Totals	$ 200,192	$ 494,578

$26,928 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2023. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

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

Plan Description. The City provides healthcare benefits through a single employer defined benefit healthcare plan for all full-time employees and retirees that meet the minimum retirement age of 60 and are vested in the retirement plan prior to retirement or have twenty years or more of service at any age. Currently, the retiree contributes 100% of the blended healthcare premium for coverage and is also responsible for payment of premiums for any dependent coverage. Retiree contribution rates for fiscal year 2022-2023 ranged from $725.00 to $1,817.35 per month depending on the coverage level selected. This plan is administered by the City and it has the authority to establish and amend the benefit terms and financing arrangements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retirees are responsible for payment of all premiums, which are blended with other City employees. Thus, the City has assumed an implicit subsidy for retirees. The City's contributions to the OPEB for the year ended September 30, 2023, were $53,714, which equal benefit payments for retirees.

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

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	-
Active employees	290
Total	304

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	December 31, 2022
Actuarial Cost Method	Individual Entry-Age, Normal
Inflation Rate	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health care cost trend rates	Initial rate of 6.75% declining to an ultimate rate of 4.15% after 12 years.
Participation rates	It was assumed that no employees retiring before age 50 and 40% of employees retiring at age 50 or older would choose to receive retiree health care benefits through the City.
Discount rate	The discount rate changed from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. Additionally, the methodology for determining service cost was updated to accrue the benefit over each employee's service with the City.

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

A Single Discount Rate of 4.05% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022.

Changes in the Total OPEB Liability

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

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

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.05%) in measuring the total OPEB liability.

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

Healthcare Cost Trend Rate Sensitivity Analysis

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

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

OPEB Expense and Deferred Outflows of Resources Related to OPEB

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

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

$29,525 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with own assets and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts of the reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

10. COMMITMENTS AND CONTINGENCIES

A. Contingencies

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

B. Contingent Liabilities

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

11. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports these closure and postclosure care costs as an operating expense in each period based on landfill acreage subject to closure as of each balance sheet date. The $5,215,606 reported as landfill closure and postclosure care liability at September 30, 2023, represents the amount calculated as of fiscal year end based on 158.37 acres of landfill area currently subject to closure. These amounts are based on what it would cost to perform all closure and postclosure care in 2023. The actual date of closure is currently unknown. Actual costs may be higher at the closure date due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a restricted bank account to finance closure and postclosure care. The City is in compliance with these requirements, and, at September 30, 2023, a cash balance of $10,752,251 is held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflations costs will be paid from interest earning on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

12. TAX ABATEMENTS

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

The City has entered into various agreements that reduce hotel/motel sales taxes. The agreements for hotel/motel sales tax provide rebates of up to 100% for 10 years. Each agreement requires a developer commitment of $250,000 to $10 million in improvements and minimum employment requirements. For fiscal year 2023, the City abated hotel/motel sales taxes of $156,079.

13. NEW ACCOUNTING STANDARDS

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

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

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

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

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

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