

William A. 'Bert' Miller, III
Mayor
Bernie Gessner
Mayor Pro-Tem
Josh M. Fultz Councilmember



James Harris
Councilmember
Pattie Pederson
Councilmember

**NOTICE OF MEETING OF THE GOVERNING BODY OF THE
CITY OF NAVASOTA, TEXAS
JULY 24, 2023**

Notice is hereby given that a Regular Meeting of the governing body of the City of Navasota will be held on the 24th of July, 2023 at 6:00 PM at the City Hall in the City Council Chambers, Room No. 161, located at 200 E. McAlpine Street, Navasota, Texas 77868, at which time the following subjects will be considered, to wit:

To watch the City Council meeting live please visit the City of Navasota's Youtube here: <https://www.youtube.com/channel/UCItnx7BQt0TCIYJRiZ14g5w>

1. Call to Order.
2. Invocation - Pastor Bettye Tompkins
Pledge of Allegiance
3. Remarks of visitors: Any citizen may address the City Council on any matter. Registration forms are available on the podium and/or table in the back of the city council chambers. This form should be completed and delivered to the City Secretary by 5:45 p.m. Please limit remarks to three minutes. The City Council will receive the information, ask staff to look into the matter, or place the issue on a future agenda. Topics of operational concerns shall be directed to the City Manager.
4. Staff Report:
 - (a) Update on CIP Projects [Jennifer Reyna, Public Works Director].
 - (b) Board and Commission update [City Council]; and
 - (d) Reports from City Staff or City Officials regarding items of community interests, including expressions of thanks, congratulations or condolence; information regarding holiday schedules; honorary or salutary recognition of public officials, public employees, or other citizens; reminders about upcoming events organized or sponsored by the City; information regarding social, ceremonial, or community events organized or sponsored by a non-City entity that is scheduled to be attended by City officials or employees; and announcements involving imminent threats to the public health and safety of people in the City that has arisen after the posting of the agenda. [Jason Weeks, City Manager].
5. Consideration and possible action on approval of the Annual Financial Report for the Fiscal Year ending September 30, 2022 for the City of Navasota. [Maribel Franks, Chief Financial Officer]

6. Consideration and possible action on renewal of the School Resource Officer (SRO) Program interlocal agreement with Navasota Independent School District for fiscal year 2023 – 2024. [Michael Mize, Chief of Police]
7. Consideration and possible action on appointments to Boards and Commissions. [Michelle Savensky, Executive Administrative Assistant]
8. Consideration and possible action on Change Order No. 1 for the Street and Utilities Capital Improvement Project in the amount of \$18,924.50. [Jon Mackay, Graduate Civil Engineer]
9. Consideration and possible action on the first reading of Ordinance No. 1026-23, authorizing Restricted Prior Service Credit (RPSC) for employees who are members of the Texas Municipal Retirement System. [Jason Weeks, City Manager]
10. Executive Session: The City Council shall meet in Executive Session as permitted by Section 551.071, Texas Government Code - Consultation with Attorney regarding City of Navasota water and sewer utility service area(s), and associated matters. [City Council]
11. Reconvene in open session.
12. Consideration and possible action on City of Navasota water and sewer utility service area(s), including but not limited to retaining legal counsel regarding the City of Navasota water and sewer utility service area(s), and associated matters. [City Council]
13. Adjourn.

DATED THIS THE 21ST OF JULY, 2023

/JW/

BY: JASON WEEKS, CITY MANAGER

I, the undersigned authority, do hereby certify that the above notice of meeting of the governing body of the CITY OF NAVASOTA, is a true and correct copy of said notice and that I posted a true and correct copy of said notice in the glass bulletin board, in the foyer, on the south side of the Municipal Building as well as in the bulletin board on the north side of the Municipal Building of the City of Navasota, Texas, a place convenient and readily accessible to the general public at all times, and said notice was posted on the 21st of July, 2023 at 09:05 AM and will remain posted continuously for at least 72 hours preceding the scheduled time of said meeting. Agendas may be viewed at www.navasotatx.gov.

The City Council reserves the right to convene in Executive Session at any time deemed necessary for the consideration of confidential matters under the Texas Government Code, Sections 551.071-551.089.

DATED THIS THE 21ST OF JULY, 2023

/SMH/

BY: SUSIE M. HOMEYER, CITY SECRETARY

THIS FACILITY IS WHEELCHAIR ACCESSIBLE AND ACCESSIBLE PARKING SPACES ARE AVAILABLE. REQUESTS FOR ACCOMMODATIONS OR INTERPRETIVE SERVICES MUST BE MADE 48 HOURS PRIOR TO THIS MEETING. PLEASE CONTACT THE CITY SECRETARY'S OFFICE AT(936) 825.6475 OR (936) 825.6408 OR BY FAX AT (936) 825.2403.



REQUEST FOR CITY COUNCIL AGENDA ITEM #4

<p>Agenda Date Requested: <u>July 24, 2023</u></p> <p>Requested By: <u>Jason Weeks, City Manager</u></p> <p>Department: <u>Administration</u></p> <p><input checked="" type="radio"/> Report <input type="radio"/> Resolution <input type="radio"/> Ordinance</p> <p>Exhibits: <u>None.</u></p>	<table border="1" style="width: 100%; border-collapse: collapse;"><thead><tr><th colspan="2" style="text-align: center; padding: 5px;">Appropriation</th></tr></thead><tbody><tr><td style="padding: 5px;">Source of Funds:</td><td style="padding: 5px;"><u>N/A</u></td></tr><tr><td style="padding: 5px;">Account Number:</td><td style="padding: 5px;"><u>N/A</u></td></tr><tr><td style="padding: 5px;">Amount Budgeted:</td><td style="padding: 5px;"><u>N/A</u></td></tr><tr><td style="padding: 5px;">Amount Requested:</td><td style="padding: 5px;"><u>N/A</u></td></tr><tr><td style="padding: 5px;">Budgeted Item:</td><td style="padding: 5px;"><input type="radio"/> Yes <input checked="" type="radio"/> No</td></tr></tbody></table>	Appropriation		Source of Funds:	<u>N/A</u>	Account Number:	<u>N/A</u>	Amount Budgeted:	<u>N/A</u>	Amount Requested:	<u>N/A</u>	Budgeted Item:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Appropriation													
Source of Funds:	<u>N/A</u>												
Account Number:	<u>N/A</u>												
Amount Budgeted:	<u>N/A</u>												
Amount Requested:	<u>N/A</u>												
Budgeted Item:	<input type="radio"/> Yes <input checked="" type="radio"/> No												

AGENDA ITEM #4

Staff Report:

- (a) Update on CIP Projects [Jennifer Reyna, Public Works Director].
- (b) Board and Commission update [City Council].
- (c) Reports from City Staff or City Officials regarding items of community interests, including expressions of thanks, congratulations or condolence; information regarding holiday schedules; honorary or salutary recognition of public officials, public employees, or other citizens; reminders about upcoming events organized or sponsored by the City; information regarding social, ceremonial, or community events organized or sponsored by a non-City entity that is scheduled to be attended by City officials or employees; and announcements involving imminent threats to the public health and safety of people in the City that has arisen after the posting of the agenda. [Jason Weeks, City Manager].


SUMMARY & RECOMMENDATION

- (a) Jennifer Reyna, Public Works Director, will give the City Council an update on CIP projects.
- (b) If applicable, the City Council will provide Board and Commission updates.
- (c) Staff and City Council will give updates on other upcoming events.

ACTION REQUIRED BY CITY COUNCIL

No action required.

Approved for the City Council meeting agenda.



Jason B. Weeks, City Manager

7/17/23

Date

AGENDA PLANNING CALENDAR

JULY 24, 2023 – DEADLINE FOR SUBMITTING ITEMS AND COVER SHEETS FOR THIS MEETING IS 07/10/2023

1. Called to order
2. Invocation/Pledge of Allegiance (Pastor Bettye Tompkins)
3. Remarks of visitors
4. Staff Report: (a) Update of all CIP projects; (b) Board and Commission update; and (c) Reports from staff and City Council
5. Audit presentation
6. School Resource contract for FY 2023-2024
7. Appointments to BOA, KNB and Library Board
8. Change Order No. 1 – Street and Utilities CIP project
9. 1st Reading of Ordinance No. 1026-23, TMRS – Restricted Prior Service Credits
10. Executive Session: City of Navasota water and sewer utility service areas
11. Reconvene in open session
12. Action on Executive Session
13. Adjourn

AUGUST 7, 2023 – DEADLINE FOR SUBMITTING ITEMS AND COVER SHEETS FOR THIS MEETING IS 07/24/2023

1. Called to order
2. Invocation/Pledge of Allegiance
3. Remarks of visitors
4. Review of insurance proposals for health, dental, vision and life benefits
5. Adjourn

AUGUST 14, 2023 – DEADLINE FOR SUBMITTING ITEMS AND COVER SHEETS FOR THIS MEETING IS 07/31/2023

1. Called to order
2. Invocation/Pledge of Allegiance (Pastor Mac Vaughn)
3. Remarks of visitors
4. Staff Report: (a) Update of all CIP projects; (b) Board and Commission update; and (c) Reports from staff and City Council
5. Authorization to apply for Hazard Mitigation Grant Program
6. Budget presentation for FY 2023-2024
7. Consent Agenda: (a) Minutes for the month of July 2023; and (b) Municipal Court Report for the month of July 2023
8. Adjourn

AUGUST 28, 2023 – DEADLINE FOR SUBMITTING ITEMS AND COVER SHEETS FOR THIS MEETING IS 07/31/2023

1. Called to order
2. Invocation/Pledge of Allegiance (Pastor T. J. Green)
3. Remarks of visitors
4. Staff Report: (a) Update of all CIP projects; (b) Board and Commission update; and (c) Reports from staff and City Council
5. Resolution No. 745-23 – RFP Mitigation Grant Program
6. Resolution No. 746-23 – RFQ Mitigation Grant Program
7. Adjourn

September 11, 2023 – Pastor Matthew Moore

September 25, 2023 – Pastor Mac Vaughn

October 9, 2023 – Pastor Matthew Morse, Proclamation – Support your local Chamber Day

October 23, 2023 – Pastor T. J. Green, Proclamation – Municipal Court Week – November 6-10, 2023

November 13, 2023 – Pastor Mac Vaughn

November 27, 2023 – Pastor T.J. Green

December 11, 2023 – Pastor Matthew Morse



REQUEST FOR CITY COUNCIL AGENDA ITEM #5

Agenda Date Requested: <u>July 24, 2023</u>	Appropriation
Requested By: <u>Maribel Frank, CFO</u>	Source of Funds: <u>100 – General Fund</u>
Department: <u>Finance</u>	Account Number: <u>100-594-601.00</u>
<input checked="" type="radio"/> Report <input type="radio"/> Resolution <input type="radio"/> Ordinance	Amount Budgeted: <u>\$38,255</u>
	Amount Requested: _____
	Budgeted Item: <input checked="" type="radio"/> Yes <input type="radio"/> No

Exhibits: Audit for FY 2021-2022

AGENDA ITEM #5

Consideration and possible action on approval of the Single Audit Report and Financial Report for the Fiscal Year ending September 30, 2022 for the City of Navasota.

SUMMARY & RECOMMENDATION

Article VIII "City Finances" of the City Charter states, "council shall request an independent audit to be prepared annually by a certified public accountant covering all of the city's financial affairs, including operating results for the year and financial statement at the close of the fiscal year." For the past seven fiscal years, the City of Navasota has contracted with Belt Harris Pechacek, LLLP. to provide an independent audit for each fiscal year ending September 30th. Furthermore, the City Charter states that the audit is to be completed within 180 days after the end of the fiscal year. Due to turnover in the Finance Director, the audit was scheduled to begin fieldwork in mid-February, which was not sufficient time for the new CFO to prepare for the audit process. The City missed the scheduled "time-slot" for the auditors and had to be placed on a schedule that worked for the auditors. With the new Government Accounting Standards Board (GASB) requirement becoming effective for Navasota for fiscal year ending September 30, 2022 (lease schedules), this caused a further delay in the audit process. Staff had budgeted \$38,255 for the annual audit and to date have spent \$15,234 on the audit costs.

Additionally, the Governmental Accounting Standards Board (GASB) requires governmental entities that expend federal funds in an amount over \$750,000 to have a "Single Audit". For the fiscal year ending September 30, 2022, the City only expended \$94,872 related to federal programs. Therefore, for the fiscal year ending September 30, 2022, the City of Navasota did not exceed the threshold to undergo a single audit.

The Annual Financial Report for the City of Navasota for the fiscal year ending September 30, 2022, is included as an attachment. The annual financial report is divided into several different segments:

- Independent Auditor's Report, which states that the City received a clean audit.
- MD&A (Management's Discussion and Analysis) which gives the reader of the annual report an objective and easily readable analysis of the financial activities of the City.
- Basic Financial Statements, which include the governmental, proprietary, and fiduciary fund statements.
- Notes to the Financial Statements, which are used to explain the assumptions used to prepare the numbers in the financial statements, as well as the accounting policies adopted by the City.
- Required Supplementary Information, which provides details about budget vs. actual as well as TMRS & OPEB Liabilities.
- Combining Statements & Schedules.

For the fiscal year ending September 30, 2022, the General Fund had a net change (increase) in fund balance of \$2,199,097 for a total fund balance of \$7,029,836. The primary reason for the increase in the fund balance was due to the loan proceeds received for the new fire truck which had not been built by the end of the fiscal year; therefore, there was no offsetting expenditure related to that revenue. Additionally, the City deferred the annual street maintenance program to this fiscal year; therefore, there was no offsetting expenditure related to those revenue streams. The General Fund unassigned (not restricted for any other uses) fund balance was \$5,099,745, which represents an unassigned fund balance reserve of 46.6% of general fund expenditures or 168 days of reserves. For comparison, the General Fund unassigned fund balance on September 30, 2021, was 50.6% or 183 days. Overall, the General Fund, and Proprietary Funds (Water, Sewer & Natural Gas) performed well this past fiscal year.

The Management Letter (attached) allows the auditors to provide recommendations to the City of Navasota as it relates to the audit process. As in years past, the auditors have recommended that the City of Navasota be more diligent in completing the annual year-end journal entries prior to the audit. Therefore, staff will continue working with the City Manager on making sure that procedures are established to accomplish this management letter recommendation.

Ben Cohen with the auditing firm of Belt Harris Pechacek, LLLP, will be here to present the audit to City Council. Staff recommends City Council approving the Annual Financial Report provided by the auditor for fiscal year ending September 30, 2022.

ACTION REQUIRED BY CITY COUNCIL

Approve the Annual Financial Report provided by the auditor for the Fiscal Year ending September 30, 2022.

Approved for the City Council meeting agenda.

Jason Weeks

Jason B. Weeks, City Manager

7/20/23

Date

ANNUAL FINANCIAL REPORT

of the

CITY OF NAVASOTA, TEXAS

**For the Year Ended
September 30, 2022**

CITY OF NAVASOTA, TEXAS

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September 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council of the
City of Navasota, Texas:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Navasota, Texas (the "City"), as of and for the year ended September 30, 2022, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, 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. Our responsibilities under those standards are further described in the Auditors' 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.

Change in Accounting Principle

As described in Note I, F to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022. Our opinion is not modified with respect to this matter.

Responsibility 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.

Auditors' Responsibility 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 auditors' 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 generally accepted 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 generally accepted 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, schedule of changes in net pension and other post-employee benefits liabilities and related ratios, and schedule of contributions, identified as Required Supplementary Information on 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 statements and schedules are presented for purposes of additional analysis and are not required parts 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
July 11, 2023

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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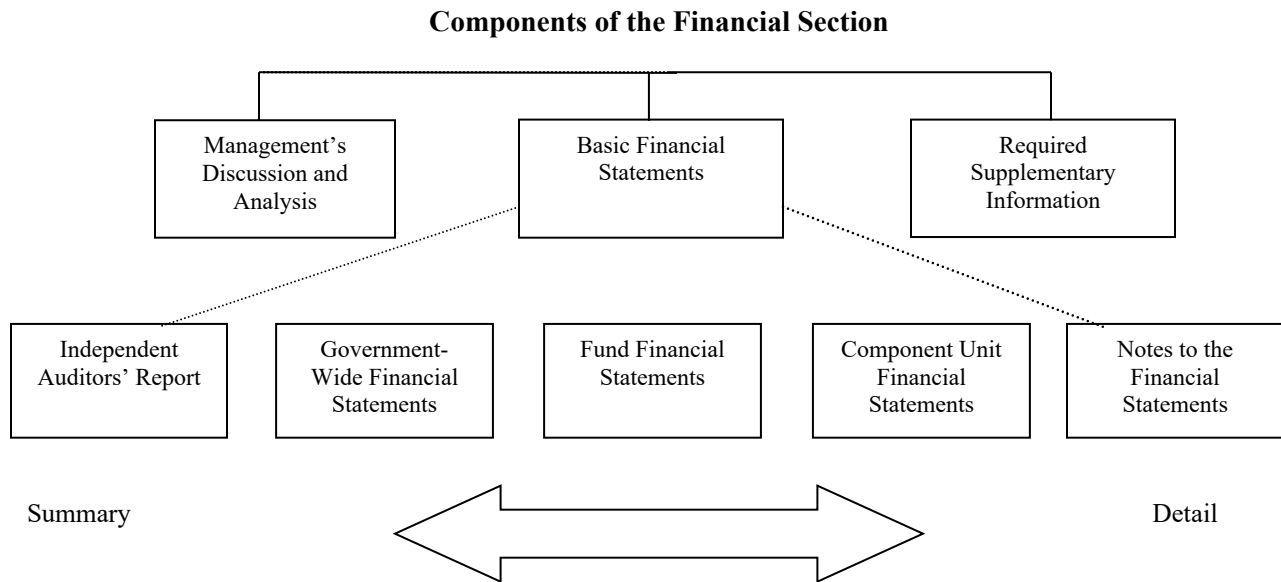
CITY OF NAVASOTA, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2022

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Navasota, Texas (the "City") for the year ending September 30, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference 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. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's tax-supported services are reported here including police, fire, and EMS (public safety); streets and drainage (public works); sanitation; transportation; culture and recreation; judicial and courts; economic development/tourism; and general administrative services (general government). Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water, sewer, and gas services, as well as interest payments on debt issued for water and wastewater improvements.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The three categories of City funds are governmental, proprietary, and fiduciary.

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 *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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 eight 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, the debt service, the capital projects, and the grant funds, which are considered to be major funds for reporting purposes.

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

The City adopts annual appropriated budgets for its general fund and debt service fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds

The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and gas operations. The proprietary fund financial statements provide separate information for the water, sewer, and gas funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains one fiduciary fund, the board of fireman service fund. The City's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and a schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows by \$40,184,132 as of September 30, 2022 for the primary government. This compares with \$39,533,288 from the prior fiscal year. The largest portion of the City's net position, 61 percent, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

2022				
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 23,695,975	\$ 8,340,183	\$ -	\$ 32,036,158
Capital assets, net	29,995,779	8,985,097	-	38,980,876
Total Assets	53,691,754	17,325,280	-	71,017,034
Deferred charge on refunding	206,845	-	-	206,845
Deferred outflows - pensions	181,149	34,776	-	215,925
Deferred outflows - OPEB	53,865	9,557	-	63,422
Total Deferred Outflows of Resources	441,859	44,333	-	486,192
Long-term liabilities	26,208,027	552,317	-	26,760,344
Other liabilities	2,843,173	310,330	-	3,153,503
Total Liabilities	29,051,200	862,647	-	29,913,847
Deferred inflows - leases	184,504	-	-	184,504
Deferred inflows - pensions	951,405	223,537	-	1,174,942
Deferred inflows - OPEB	39,313	6,488	-	45,801
Total Deferred Inflows of Resources	1,175,222	230,025	-	1,405,247
Net Position:				
Net investment in capital assets	28,172,291	8,610,962	(12,134,292)	24,648,961
Restricted	2,768,190	-	-	2,768,190
Unrestricted	(7,033,290)	7,665,979	12,134,292	12,766,981
Total Net Position	\$ 23,907,191	\$ 16,276,941	\$ -	\$ 40,184,132

2021				
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 19,923,593	\$ 10,179,274	\$ -	\$ 30,102,867
Capital assets, net	30,400,944	8,336,917	-	38,737,861
Total Assets	50,324,537	18,516,191	-	68,840,728
Deferred charge on refunding	225,649	-	-	225,649
Deferred outflows - pensions	188,447	36,061	-	224,508
Deferred outflows - OPEB	51,418	10,810	-	62,228
Total Deferred Outflows of Resources	465,514	46,871	-	512,385
Long-term liabilities	26,276,328	141,264	-	26,417,592
Other liabilities	1,845,653	455,138	-	2,300,791
Total Liabilities	28,121,981	596,402	-	28,718,383
Deferred inflows - leases	195,751	-	-	195,751
Deferred inflows - pensions	699,384	179,137	-	878,521
Deferred inflows - OPEB	22,501	4,669	-	27,170
Total Deferred Inflows of Resources	917,636	183,806	-	1,101,442
Net Position:				
Net investment in capital assets	27,513,146	8,263,665	(12,768,322)	23,008,489
Restricted	2,787,201	-	-	2,787,201
Unrestricted	(8,549,913)	9,519,189	12,768,322	13,737,598
Total Net Position	\$ 21,750,434	\$ 17,782,854	\$ -	\$ 39,533,288

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

A portion of the primary government's net position, \$2,768,190 or seven percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$12,766,981 or 32 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$650,844 during the current fiscal year. This included an increase of \$2,156,757 in governmental activities and a decrease in business-type activities of \$1,505,913.

The City has historically issued and repaid debt in its governmental activities for which the proceeds were used to purchase capital assets for the business-type activities. With one activity carrying the capital assets and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Outstanding debt associated with governmental activities in the amount of \$12,134,292 is being used for capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

Total net position increased due to revenues exceeding expenses. There was an increase in total assets of \$2,176,306 which was primarily due to an increase in proceeds from unspent capital notes payable issued for \$1,805,044 and an increase in capital assets. Total liabilities increased mainly due to unspent advanced receipt for grant awards received during the fiscal year that was reported with other liabilities as unearned revenue. The increase in total liabilities also included a net increase in long-term liabilities from the issuance of debt for capital notes payable and leases payable of \$2,056,130 and debt principal payments that reduced long-term liabilities for \$1,688,469. Total deferred outflows of resources slightly decreased primarily due to a decrease in the deferred charge on refunding that is related to prior year debt issuances. The increase in deferred inflows of resources was mainly due to the difference between projected and actual investment earnings from pensions.

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 4,317,385	\$ 3,262,070	\$ 8,666,095	\$ 6,607,931	\$ 12,983,480	\$ 9,870,001
Operating grants and contributions	321,552	740,905	-	-	321,552	740,905
Capital grants and contributions	108,760	1,670,300	-	-	108,760	1,670,300
General revenues:						
Property taxes	2,998,508	2,770,939	-	-	2,998,508	2,770,939
Sales taxes	2,222,555	2,010,864	-	-	2,222,555	2,010,864
Franchise fees	472,809	459,750	-	-	472,809	459,750
Payments in lieu of taxes	1,271,003	1,290,300	-	-	1,271,003	1,290,300
Investment earnings	92,826	52,936	33,496	32,386	126,322	85,322
Other revenues	428,701	220,660	-	-	428,701	220,660
Total Revenues	12,234,099	12,478,724	8,699,591	6,640,317	20,933,690	19,119,041
Expenses						
General government	2,628,046	2,511,462	-	-	2,628,046	2,511,462
Public safety	2,992,666	3,076,055	-	-	2,992,666	3,076,055
Public works	1,486,993	1,405,059	-	-	1,486,993	1,405,059
Sanitation	1,239,153	1,131,596	-	-	1,239,153	1,131,596
Transportation	111,667	15,194	-	-	111,667	15,194
Culture and recreation	1,122,975	877,976	-	-	1,122,975	877,976
Judicial and courts	76,309	77,334	-	-	76,309	77,334
Economic development/ tourism	904,164	725,565	-	-	904,164	725,565
Interest on long-term debt	625,703	685,288	-	-	625,703	685,288
Water	-	-	2,006,535	1,525,142	2,006,535	1,525,142
Sewer	-	-	1,683,497	1,136,049	1,683,497	1,136,049
Gas	-	-	5,405,138	2,694,400	5,405,138	2,694,400
Total Expenses	11,187,676	10,505,529	9,095,170	5,355,591	20,282,846	15,861,120
Increase (Decrease) in Net Position Before Transfers	1,046,423	1,973,195	(395,579)	1,284,726	650,844	3,257,921
Transfers	1,110,334	832,152	(1,110,334)	(832,152)	-	-
Change in Net Position	2,156,757	2,805,347	(1,505,913)	452,574	650,844	3,257,921
Beginning net position	21,750,434	18,945,087	17,782,854	17,330,280	39,533,288	36,275,367
Ending Net Position	\$ 23,907,191	\$ 21,750,434	\$ 16,276,941	\$ 17,782,854	\$ 40,184,132	\$ 39,533,288

For the year ended September 30, 2022, revenues from governmental activities totaled \$12,234,099 compared with \$12,478,724 in the prior year. This overall \$244,625 decrease in revenues includes a decrease in capital and operating grants revenues and an increase in revenues from charges for services provided by the City, property

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

taxes due to an increase in appraised taxable values, and sales taxes due to an increase in economic activity within the City.

Governmental expenses increased by \$682,147. This increase is primarily due to an increase in culture and recreation from an increase in payroll costs, economic development/tourism from an increase in costs for special events, and transportation from an increase in fuel costs.

Overall, business-type activity revenues increased by \$2,059,274 from the prior period predominantly due to an increase in the utility capital improvements fee as a result of an increase in rates and utility consumption of customers. The business-type activities expenses also increased which was primarily due to the increase in wholesale costs for gas and maintenance expenses for utility operations.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of \$19,018,882. Of this, \$874,304 is restricted for debt service; \$190,999 is restricted for the community projects, court, and public, educational, and governmental programming fees; \$718,367 is restricted for tourism; \$9,345,903 is restricted for capital projects; \$1,805,044 is restricted for the purchase of a fire truck and maintenance equipment; and \$984,520 is restricted for the cemetery.

There was an increase in the combined fund balance of \$1,682,207 over the prior year. Fund balance in the general fund increased by \$2,199,097. This increase is largely due to an increase in revenues from charges of services and due to other financing sources received from unspent capital notes payable proceeds. Fund balance in the debt service fund decreased by \$281,218 as a result of principal and interest payments exceeding other financing sources related to transfers from the water and sewer funds and revenues from property taxes. Fund balance in the capital projects fund decreased by \$632,712 due to capital outlay. The grant fund's revenue exceeded expenditures by \$138,275 which removed the grant fund's prior year deficit fund balance.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$5,099,745, while total fund balance reached \$7,029,836. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47 percent of total general fund expenditures, while total fund balance represents 64 percent of that same amount.

Proprietary Funds – The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The amended budget included a planned increase in fund balance in the amount of \$119,771. The actual fund balance for the year increased by \$2,199,097. Actual revenues exceeded budgeted revenues by \$109,338, primarily due to an increase in revenue received from sales taxes, grants, and charges for services. Actual expenditures were under the amended budget by \$1,969,988. The largest positive variances from the amended

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

budget were in public works and public safety due to less repair and maintenance expense and capital-related costs for street projects, vehicles, and equipment than anticipated.

CAPITAL ASSETS

At the end of fiscal year 2022, the City's governmental and business-type activities had invested \$39,522,404 in a variety of capital assets and infrastructure (net of accumulated depreciation and amortization of right-to-use assets). This represents a net increase of \$784,543.

Major capital asset events during the year included the following:

- Construction in progress for street and utilities reconstruction of \$297,747
- Construction in progress for the downtown project for \$374,174
- Construction in progress for a headwork and rotor improvements for \$434,771
- Completion of the Railroad Street storm sewer extension project for \$2,007,628
- Right-to-use asset additions for vehicles with leases for \$251,086
- Purchase of public works equipment and vehicles of \$513,328 to be used for the general fund's operations
- Purchase of a sewer cleaner for \$299,062
- Costs related to warehouse expansion and improvement for \$261,821

More detailed information about the City's capital assets is presented in note III. D. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds, certificates of obligation, capital notes payable and leases outstanding of \$25,268,243. Of this amount, \$6,935,000 was general obligation bonds, \$11,885,000 was certificates of obligation, \$550,000 was tax notes, \$5,364,836 from capital notes, and \$533,407 from leases.

More detailed information about the City's long-term liabilities is presented in note III. E. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's general fund budgeted expenditures total \$13,214,093 and budgeted revenues total \$13,214,093 for fiscal year 2023. The City Council adopted a 2023 tax rate of \$0.5560 per \$100 of valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to the Finance Director, 200 East McAlpine, Navasota, Texas, 77868; telephone 936-825-6475; or for general City information, visit the City's website at www.navasotatx.gov.

BASIC FINANCIAL STATEMENTS

CITY OF NAVASOTA, TEXAS

STATEMENT OF NET POSITION

September 30, 2022

Primary Government				
	Governmental Activities	Business-Type Activities	Reconciliation	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 13,085,368	\$ 3,381,787	\$ -	\$ 16,467,155
Pooled investments	7,448,257	2,778,688	-	10,226,945
Receivables, net	1,241,840	1,759,526	-	3,001,366
Internal balances	36,184	(36,184)	-	-
Inventory	-	44,222	-	44,222
Leases receivable	184,909	-	-	184,909
Net pension asset	1,266,317	303,716	-	1,570,033
Right-to-use assets, net of amortization	433,100	108,428	-	541,528
Nondepreciable capital assets	1,774,523	664,280	-	2,438,803
Net depreciable capital assets	28,221,256	8,320,817	-	36,542,073
Total Assets	53,691,754	17,325,280	-	71,017,034
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	206,845	-	-	206,845
Deferred outflows - pensions	181,149	34,776	-	215,925
Deferred outflows - OPEB	53,865	9,557	-	63,422
Total Deferred Outflows of Resources	441,859	44,333	-	486,192
<u>Liabilities</u>				
Accounts payable and accrued liabilities	590,444	93,824	-	684,268
Customer deposits	-	211,287	-	211,287
Accrued interest payable	191,805	5,219	-	197,024
Due to other governments	46,413	-	-	46,413
Deficit claim on cash	14,493	-	-	14,493
Unearned revenue	2,000,018	-	-	2,000,018
Noncurrent liabilities:				
Total OPEB liability	213,668	47,318		260,986
Long-term liabilities due within one year	2,098,329	133,119	-	2,231,448
Long-term liabilities due in more than one year	23,896,030	371,880	-	24,267,910
Total Liabilities	29,051,200	862,647	-	29,913,847
<u>Deferred Inflows of Resources</u>				
Deferred inflows - leases	184,504	-	-	184,504
Deferred inflows - pensions	951,405	223,537	-	1,174,942
Deferred inflows - OPEB	39,313	6,488	-	45,801
Total Deferred Inflows of Resources	1,175,222	230,025	-	1,405,247
<u>Net Position</u>				
Net investment in capital assets	28,172,291	8,610,962	(12,134,292)	24,648,961
Restricted for:				
Debt service	874,304	-	-	874,304
Tourism	718,367	-	-	718,367
Community development	65,952	-	-	65,952
Cemetery	984,520	-	-	984,520
Municipal court	72,033	-	-	72,033
PEG fees	53,014	-	-	53,014
Economic development	-	-	-	-
Unrestricted	(7,033,290)	7,665,979	12,134,292	12,766,981
Total Net Position	\$ 23,907,191	\$ 16,276,941	\$ -	\$ 40,184,132

See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,628,046	\$ 3,894,043	\$ -	\$ -
Public safety	2,992,666	263,824	196,372	-
Public works	1,486,993	-	-	108,760
Sanitation	1,239,153	-	-	-
Transportation	111,667	-	-	-
Culture and recreation	1,122,975	75,496	-	-
Judicial and courts	76,309	84,022	-	-
Economic development/tourism	904,164	-	-	-
Interest and fiscal agent fees on long-term debt	625,703	-	125,180	-
Total Governmental Activities	<u>11,187,676</u>	<u>4,317,385</u>	<u>321,552</u>	<u>108,760</u>
Business-Type Activities				
Water	2,006,535	2,953,432	-	-
Sewer	1,683,497	1,726,928	-	-
Gas	5,405,138	3,985,735	-	-
Total Business-Type Activities	<u>9,095,170</u>	<u>8,666,095</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 20,282,846</u>	<u>\$ 12,983,480</u>	<u>\$ 321,552</u>	<u>\$ 108,760</u>
Component Unit				
Navasota Economic Development Corp.	\$ 189,746	\$ -	\$ 11,288	\$ -
Total Component Unit	<u>\$ 189,746</u>	<u>\$ -</u>	<u>\$ 11,288</u>	<u>\$ -</u>

General Revenues:

Taxes
 Property taxes
 Sales taxes
 Franchise fees and other taxes
 Payments in lieu of taxes
 Investment earnings
 Other revenues
 Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Navasota Economic Dev. Corp.
Governmental Activities	Business-Type Activities	Total	
\$ 1,265,997	\$ -	\$ 1,265,997	\$ -
(2,532,470)	-	(2,532,470)	-
(1,378,233)	-	(1,378,233)	-
(1,239,153)	-	(1,239,153)	-
(111,667)	-	(111,667)	-
(1,047,479)	-	(1,047,479)	-
7,713	-	7,713	-
(904,164)	-	(904,164)	-
(500,523)	-	(500,523)	-
(6,439,979)	-	(6,439,979)	-
-	946,897	946,897	-
-	43,431	43,431	-
-	(1,419,403)	(1,419,403)	-
-	(429,075)	(429,075)	-
(6,439,979)	(429,075)	(6,869,054)	-
-	-	-	(178,458)
-	-	-	(178,458)
2,998,508	-	2,998,508	-
2,222,555	-	2,222,555	198,635
472,809	-	472,809	-
1,271,003	-	1,271,003	-
92,826	33,496	126,322	533
428,701	-	428,701	-
1,110,334	(1,110,334)	-	-
8,596,736	(1,076,838)	7,519,898	199,168
2,156,757	(1,505,913)	650,844	20,710
21,750,434	17,782,854	39,533,288	341,144
<u>\$ 23,907,191</u>	<u>\$ 16,276,941</u>	<u>\$ 40,184,132</u>	<u>\$ 361,854</u>

CITY OF NAVASOTA, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2022

	General	Debt Service	Capital Projects	Grants
<u>Assets</u>				
Cash and cash equivalents	\$ 634,266	\$ 867,787	\$ 9,452,050	\$ 859,920
Pooled investments	5,935,686	-	-	999,614
Receivables, net	1,055,469	23,096	-	163,275
Due from other funds	37,135	6,517	-	-
Lease receivables	184,909	-	-	-
Total Assets	\$ 7,847,465	\$ 897,400	\$ 9,452,050	\$ 2,022,809
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 447,178	\$ -	\$ 106,147	\$ 37,100
Due to other funds	6,517	-	-	-
Due to other governments	46,413	-	-	-
Deficit claim on cash	-	-	-	-
Unearned revenue	14,309	-	-	1,985,709
Total Liabilities	514,417	-	106,147	2,022,809
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - leases	184,504	-	-	-
Unavailable revenue - property taxes	118,708	23,096	-	-
Total Deferred Inflows of Resources	303,212	23,096	-	-
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	874,304	-	-
Tourism	-	-	-	-
Capital projects	-	-	9,345,903	-
Fire truck and maintenance equipment	1,805,044	-	-	-
Community projects	-	-	-	-
Cemetery	-	-	-	-
Municipal court	72,033	-	-	-
PEG fees	53,014	-	-	-
Unassigned	5,099,745	-	-	-
Total Fund Balances	7,029,836	874,304	9,345,903	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,847,465	\$ 897,400	\$ 9,452,050	\$ 2,022,809

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ 1,271,345	\$ 13,085,368
512,957	7,448,257
-	1,241,840
-	43,652
-	184,909
<u>\$ 1,784,302</u>	<u>\$ 22,004,026</u>
\$ 19	\$ 590,444
951	7,468
-	46,413
14,493	14,493
-	2,000,018
<u>15,463</u>	<u>2,658,836</u>
-	184,504
-	141,804
<u>-</u>	<u>326,308</u>
-	874,304
718,367	718,367
-	9,345,903
-	1,805,044
65,952	65,952
984,520	984,520
-	72,033
-	53,014
-	5,099,745
<u>1,768,839</u>	<u>19,018,882</u>
<u>\$ 1,784,302</u>	<u>\$ 22,004,026</u>

CITY OF NAVASOTA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2022

Total fund balances for governmental funds		\$ 19,018,882
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Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Right-to-use assets - net amortization	433,100	
Capital assets - nondepreciable	1,774,523	
Capital assets - net depreciable	28,221,256	30,428,879

Long-term liabilities and deferred outflows and deferred inflows related to the net pension asset and total OPEB liability are not reported in the governmental funds.

Net pension asset	1,266,317	
Total OPEB liability	(213,668)	
Deferred outflows - pensions	181,149	
Deferred outflows - OPEB	53,865	
Deferred inflows - pensions	(951,405)	
Deferred inflows - OPEB	(39,313)	296,945

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

Property taxes	141,804	141,804
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Some liabilities, including debt payable and compensated absences, are not reported as liabilities in the governmental funds.

Deferred charge on refunding	206,845	
Accrued interest payable	(191,805)	
Noncurrent liabilities due in one year	(2,098,329)	
Noncurrent liabilities due in more than one year	(23,896,030)	(25,979,319)

Net Position of Governmental Activities

		\$ 23,907,191
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See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS

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

For the Year Ended September 30, 2022

	General	Debt Service	Capital Projects	Grants
<u>Revenues</u>				
Property taxes	\$ 2,711,623	\$ 338,147	\$ -	\$ -
Sales taxes	2,222,555	-	-	-
Franchise fees and other taxes	334,515	-	-	-
Payments in lieu of taxes	1,271,003	-	-	-
Licenses and permits	263,824	-	-	-
Intergovernmental	336,683	-	-	111,724
Charges for services	3,793,481	-	-	-
Fines and forfeitures	84,022	-	-	-
Fees	21,364	-	-	-
Investment earnings	56,237	755	19,665	8,628
Rents and leases	54,132	-	-	-
Other revenues	381,833	-	-	21,223
Total Revenues	11,531,272	338,902	19,665	141,575
<u>Expenditures</u>				
Current:				
General government	2,618,518	-	-	-
Public safety	3,201,320	-	-	-
Public works	1,356,432	-	-	-
Sanitation	1,198,714	-	-	-
Transportation	111,667	-	-	-
Culture and recreation	958,609	-	-	3,300
Judicial and courts	82,658	-	-	-
Economic development/tourism	962,069	-	-	-
Capital outlay	-	-	652,377	-
Debt service:				
Principal	311,714	1,205,000	-	-
Interest and fiscal charges	141,513	525,454	-	-
Total Expenditures	10,943,214	1,730,454	652,377	3,300
Excess (Deficiency) of Revenues Over (Under) Expenditures	588,058	(1,391,552)	(632,712)	138,275
<u>Other Financing Sources (Uses)</u>				
Transfers in	10,795	1,110,334	-	-
Transfers (out)	-	-	-	-
Proceeds from notes payable	1,445,580	-	-	-
Proceeds from issuance of leases	154,664	-	-	-
Total Other Financing Sources (Uses)	1,611,039	1,110,334	-	-
Net Change in Fund Balances	2,199,097	(281,218)	(632,712)	138,275
Beginning fund balances	4,830,739	1,155,522	9,978,615	(138,275)
Ending Fund Balances	\$ 7,029,836	\$ 874,304	\$ 9,345,903	\$ -

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 3,049,770
-	2,222,555
138,294	472,809
-	1,271,003
-	263,824
-	448,407
-	3,793,481
-	84,022
100,562	121,926
7,541	92,826
-	54,132
25,645	428,701
<u>272,042</u>	<u>12,303,456</u>
2,482	2,621,000
-	3,201,320
-	1,356,432
-	1,198,714
-	111,667
-	961,909
-	82,658
-	962,069
-	652,377
-	1,516,714
-	666,967
<u>2,482</u>	<u>13,331,827</u>
<u>269,560</u>	<u>(1,028,371)</u>
-	1,121,129
(10,795)	(10,795)
-	1,445,580
-	154,664
<u>(10,795)</u>	<u>2,710,578</u>
258,765	1,682,207
1,510,074	17,336,675
<u>\$ 1,768,839</u>	<u>\$ 19,018,882</u>

CITY OF NAVASOTA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds	\$ 1,682,207
---------------------------------------------------------	--------------

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

Capital and right-to-use assets additions	1,590,260
Depreciation and amortization expense	(1,562,325)

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

Property taxes	(51,262)
Grants	(143,275)
Contribution from component unit	125,180

Changes in pension and other postemployment benefits (OPEB) activity do not affect the fund balances on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

These changes in pension and OPEB activity that affect the City's net position are as follows:

Net pension asset	875,333
Total OPEB liability	259
Deferred outflows - pensions	(7,298)
Deferred outflows - OPEB	2,447
Deferred inflows - pensions	(252,021)
Deferred inflows - OPEB	(16,812)

The issuance of long-term debt (e.g., bonds, notes, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal expenditures	1,516,714
Proceeds from capital notes payable and issuance of leases	(1,600,244)
Amortization of deferred charge on refunding	(18,804)
Amortization of premium	70,062

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest	(9,994)
Compensated absences	(43,670)

Change in Net Position of Governmental Activities	\$ 2,156,757
----------------------------------------------------------	---------------------

See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS (Page 1 of 2)

September 30, 2022

Business-Type Activities - Enterprise Funds				
	Water	Sewer	Gas	Total
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 2,398,916	\$ 34,417	\$ 948,454	\$ 3,381,787
Pooled investments	1,353,308	794,021	631,359	2,778,688
Receivables, net	518,702	327,907	912,917	1,759,526
Due from other funds	691,643	-	-	691,643
Inventories	28,459	5,491	10,272	44,222
Total Current Assets	4,991,028	1,161,836	2,503,002	8,655,866
Noncurrent assets:				
Net pension asset	158,941	80,500	64,275	303,716
Capital assets:				
Land	55,411	39,142	9,188	103,741
Buildings	217,679	147,348	139,160	504,187
Construction in progress	17,500	543,039	-	560,539
Water system	9,875,990	-	-	9,875,990
Sewer system	-	11,305,204	-	11,305,204
Gas system	-	-	2,610,026	2,610,026
Vehicles	61,930	183,221	36,977	282,128
Machinery and equipment	523,279	499,311	351,055	1,373,645
Right-to-use assets	89,213	32,136	28,331	149,680
Less: amortization of right-to-use assets	(23,030)	(8,706)	(9,516)	(41,252)
Less: accumulated depreciation	(6,557,865)	(9,307,146)	(1,765,352)	(17,630,363)
Total Capital Assets (Net)	4,260,107	3,433,549	1,399,869	9,093,525
Total Noncurrent Assets	4,419,048	3,514,049	1,464,144	9,397,241
Total Assets	9,410,076	4,675,885	3,967,146	18,053,107
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pensions	18,530	10,791	5,455	34,776
Deferred outflows - OPEB	5,041	3,383	1,133	9,557
Total Deferred Outflows of Resources	23,571	14,174	6,588	44,333

CITY OF NAVASOTA, TEXAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS (Page 2 of 2) September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Gas	Total Enterprise Funds
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 59,612	\$ 24,603	\$ 9,609	\$ 93,824
Accrued interest payable	-	4,356	863	5,219
Due to other funds	16,984	11,261	699,582	727,827
Customer deposits	137,139	-	74,148	211,287
Leases payable	22,281	8,520	9,528	40,329
Capital notes payable	-	68,731	3,866	72,597
Compensated absences	11,709	6,606	1,878	20,193
Total Current Liabilities	247,725	124,077	799,474	1,171,276
Noncurrent liabilities:				
Leases payable	43,073	14,564	8,881	66,518
Capital notes payable	-	290,733	12,386	303,119
Compensated absences	1,301	734	208	2,243
Total OPEB liability	21,854	19,556	5,908	47,318
Total Noncurrent Liabilities	66,228	325,587	27,383	419,198
Total Liabilities	313,953	449,664	826,857	1,590,474
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	123,357	65,686	34,494	223,537
Deferred inflows - OPEB	3,381	1,824	1,283	6,488
Total Deferred Inflows of Resources	126,738	67,510	35,777	230,025
<u>Net Position</u>				
Net investment in capital assets	4,194,753	3,051,001	1,365,208	8,610,962
Unrestricted	4,798,203	1,121,884	1,745,892	7,665,979
Total Net Position	\$ 8,992,956	\$ 4,172,885	\$ 3,111,100	\$ 16,276,941

See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Gas	Total
<u>Operating Revenues</u>				
Sales	\$ 2,346,270	\$ 1,681,275	\$ 3,928,088	\$ 7,955,633
Charges for services	59,863	-	2,596	62,459
Penalties and reconnect fees	37,631	26,353	16,816	80,800
Tap fees	10,161	5,775	3,450	19,386
Line extension fees	-	-	34,785	34,785
Other revenues	499,507	13,525	-	513,032
Total Operating Revenues	2,953,432	1,726,928	3,985,735	8,666,095
<u>Operating Expenses</u>				
Water services	1,581,611	-	-	1,581,611
Sewer services	-	1,420,344	-	1,420,344
Gas services	-	-	5,273,291	5,273,291
Depreciation and amortization	421,418	257,387	129,526	808,331
Total Operating Expenses	2,003,029	1,677,731	5,402,817	9,083,577
Operating Income (Loss)	950,403	49,197	(1,417,082)	(417,482)
<u>Nonoperating Revenues (Expenses)</u>				
Investment earnings	11,623	9,002	12,871	33,496
Interest expense	(3,506)	(5,766)	(2,321)	(11,593)
Total Nonoperating Revenues	8,117	3,236	10,550	21,903
Income (Loss) Before Transfers	958,520	52,433	(1,406,532)	(395,579)
<u>Transfers</u>				
Transfers (out)	(817,375)	(292,959)	-	(1,110,334)
Total Transfers	(817,375)	(292,959)	-	(1,110,334)
Change in Net Position	141,145	(240,526)	(1,406,532)	(1,505,913)
Beginning net position	8,851,811	4,413,411	4,517,632	17,782,854
Ending Net Position	\$ 8,992,956	\$ 4,172,885	\$ 3,111,100	\$ 16,276,941

See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2022

Business-Type Activities - Enterprise Funds

Cash Flows from Operating Activities

	Water	Sewer	Gas	Total
Receipts from customers	\$ 2,917,359	\$ 1,682,177	\$ 3,461,514	\$ 8,061,050
Payments to suppliers	(1,271,980)	(1,239,006)	(5,297,656)	(7,808,642)
Payments to employees	(316,925)	(237,073)	(171,290)	(725,288)
Net Cash Provided (Used) by Operating Activities	1,328,454	206,098	(2,007,432)	(472,880)

Cash Flows from Noncapital

Financing Activities

Transfers (out) to other funds	(817,375)	(292,959)	-	(1,110,334)
Net Cash (Used) by Noncapital Financing Activities	(817,375)	(292,959)	-	(1,110,334)

Cash Flows from Capital and Related

Financing Activities

Proceeds from capital notes payable	-	359,464	-	359,464
Acquisition and construction of capital assets	(256,782)	(955,551)	(256,184)	(1,468,517)
Principal paid on debt	(23,859)	(9,052)	(13,664)	(46,575)
Interest and fiscal charges	(3,506)	(1,410)	(1,967)	(6,883)
Net Cash (Used) by Capital and Related Financing Activities	(284,147)	(606,549)	(271,815)	(1,162,511)

Cash Flows from Investing Activities

Purchase of investments	(8,866)	(6,081)	-	(14,947)
Sale of investments	-	-	26,028	26,028
Interest on investments	11,623	9,002	12,871	33,496
Net Cash Provided by Investing Activities	2,757	2,921	38,899	44,577

Net Increase (Decrease) in Cash and Cash Equivalents

229,689	(690,489)	(2,240,348)	(2,701,148)
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Beginning cash and cash equivalents	2,169,227	724,906	3,188,802	6,082,935
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Ending Cash and Cash Equivalents	\$ 2,398,916	\$ 34,417	\$ 948,454	\$ 3,381,787
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CITY OF NAVASOTA, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Gas	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 950,403	\$ 49,197	\$ (1,417,082)	\$ (417,482)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	421,418	257,387	129,526	808,331
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	(54,625)	(55,351)	(534,448)	(644,424)
Net pension asset	(71,020)	(31,227)	(51,964)	(154,211)
Deferred outflows - pensions	592	260	433	1,285
Deferred outflows - OPEB	577	254	422	1,253
Increase (Decrease) in:				
Accounts payable and accrued liabilities	38,034	(33,727)	(159,279)	(154,972)
Due to other funds	15,833	10,600	7,493	33,926
Compensated absences	3,258	(645)	(825)	1,788
Customer deposits	2,720	-	2,734	5,454
Deferred inflows - pensions	20,448	8,991	14,961	44,400
Deferred inflows - OPEB	838	368	613	1,819
Total OPEB liability	(21)	(9)	(16)	(46)
Net Cash Provided (Used) by Operating Activities	\$ 1,328,454	\$ 206,098	\$ (2,007,432)	\$ (472,880)

See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2022

		<u>Board of Fireman Service</u>
<u>Assets</u>		
Cash		\$ 26,852
	Total Assets	<u>26,852</u>
 <u>Net Position</u>		
Net position held in trust for pension benefits		<u>26,852</u>
	Total Net Position	<u><u>\$ 26,852</u></u>

See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS
STATEMENT OF CHANGES FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2022

		<u>Board of Fireman Service</u>
<u>Additions</u>		
Investment earnings		\$ 54
Miscellaneous		17
	Total Additions	<u>71</u>
<u>Deductions</u>		
Benefits		<u>-</u>
	Total Deductions	<u>-</u>
	Change in Net Position	71
Beginning net position		26,781
	Ending Net Position	<u><u>\$ 26,852</u></u>

See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Navasota, Texas (the “City”) was incorporated in October 1866 and adopted a “Home Rule Charter”, which provided for a “Council-Manager” form of government. A Mayor and four Council members are elected by voters of the City at large for two-year terms. The City Manager is appointed by a majority vote of the City Council. The City Manager is the head of the administrative departments of the City and is the supervisor of all administrative officers, employees, directors, and department heads. Departments and agencies of the City submit budget requests to the City Manager.

The City Council is the principal legislative and administrative body of the City. Subject to confirmation of the City Council, the Mayor has the power to appoint all boards, commissions, agencies, and officers provided for in the charter or by ordinance. The Mayor is the presiding officer of the City Council and votes on all matters.

The City provides the following services: public safety (police, fire, and emergency medical services); water, sewer, and gas services; solid waste collection and disposal (contract); public works; transportation; culture and recreation; municipal courts; economic development/tourism; and general government.

The City is an independent political subdivision of the State of Texas (the “State”) governed by an elected Council and a Mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component unit, as listed below, although legally separate, is considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Navasota Economic Development Corporation

The Navasota Economic Development Corporation (NEDC) has been included in the reporting entity as a discretely presented component unit. The NEDC was created by the City under the Texas Development Corporation Act of 1979 (the “Act”) and covered by Section 4B of the Act. In August 1994, the City Council authorized the creation of the NEDC for the purpose of promoting and facilitating commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare on behalf of the City. The City Council approved an ordinance

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

levying a sales and use tax of one eighth of one percent for the benefit of the NEDC. The NEDC's Board of Directors consists of seven members appointed by City Council.

Blended Component Unit

The Navasota Foundation for Community Projects (FCP) is a nonprofit corporation that was organized exclusively for charitable and educational purposes. The FCP will support the City in implementing and conducting its charitable and educational projects designed to expand areas of service to citizens and visitors of the City. The FCP's Board of Directors consists of three members appointed by City Council.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. 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.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, streets, sanitation, transportation, culture and recreation,

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

judicial and courts, and economic development/tourism. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include the grants fund, foundation for community projects fund, hotel/motel occupancy tax fund, and cemetery operations fund. The grants fund is considered a major fund for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and gas operations. The services 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 will be financed or recovered primarily through user charges. The water, sewer, and gas funds are considered major funds for reporting purposes.

Additionally, the City reports the following fund type:

Permanent funds are governmental funds that are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Fiduciary funds account for assets held by the City in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City's private-purpose trust fund is used to report resources held in trust. The trust fund is accounted for using the accrual basis of accounting. This fund is used to account for the board of fireman service fund.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and cash equivalents." For

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

2. Investments

Investments, except for certain investment pools, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City maintains a pooled investment account. Each fund whose monies are deposited in the pooled investment account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "pooled investments."

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Fully collateralized repurchase agreements that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

3. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10 to 50 years
Equipment	5 to 15 years
Vehicles	5 to 15 years
Water, sewer, gas systems	10 to 55 years
Infrastructure	20 to 75 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and leases. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate certain earned but unused benefits. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount that will be paid as compensation for services provided is recorded as a liability in the general fund. All eligible time is accrued when incurred in the government-wide and proprietary fund financial statements.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

8. Leases

Lessee

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible, right-to-use lease asset (the “lease asset”) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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 uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

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.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Lessor

The City is a lessor for noncancellable leases for the use of their airport facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

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.

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

13. Pensions

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

14. Other Postemployment Benefits

The fiduciary net position of the TMRS Supplemental Death Benefits Fund (SDBF) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from SDBF's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the department level for all funds. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year ended September 30, 2022.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2022, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. agencies	\$ 2,123	0.17
Municipal bonds	1,014,615	3.03
Certificates of deposit	2,461,000	3.17
Investment pools	1,694,256	0.13
Money markets	5,054,951	0.00
Total Value	\$ 10,226,945	
Portfolio weighted average maturity		1.10

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

As of September 30, 2022, the City had the following recurring fair value measurements:

	September 30, 2022	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
<u>Investments by Fair Value Level</u>		
U.S. Government agency bonds/notes		
Federal National Mortgage Association	\$ 2,123	\$ 2,123
Municipal bonds	1,014,615	1,014,615
Total	<u>\$ 1,016,738</u>	<u>\$ 1,016,738</u>

U.S. Government agency bonds and notes are classified in Level 2 of the fair value hierarchy and are valued using the market approach.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of September 30, 2022, the City's investments in investment pools were rated 'AAAm' by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the U.S. Government or the issuing U.S. agency. These investments were rated not less than 'AAA' by both Moody's and Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2022, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's 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 TexPool's liquidity.

TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an Amended and Restated Trust Agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as Program Administrator and Wells Fargo Bank Texas, NA as Custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

B. Receivables

Amounts are aggregated into a single accounts receivable line (net of allowance for uncollectibles) for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the debt service fund, the grant fund, and the enterprise funds, including the applicable allowances for uncollectible accounts:

	Governmental Funds		
	General	Debt Service	Grant
Accounts	\$ 480,792	\$ -	\$ -
Property taxes	141,239	37,954	-
Sales taxes	426,185	-	-
Other taxes	50,382	-	-
Grants	20,112	-	163,275
Other	83,980	-	-
Less:			
Allowances	(147,221)	(14,858)	-
Total	\$ 1,055,469	\$ 23,096	\$ 163,275

	Enterprise Funds		
	Water	Sewer	Gas
Accounts	\$ 733,356	\$ 450,406	\$ 958,583
Less:			
Allowances	(214,654)	(122,499)	(45,666)
Total	\$ 518,702	\$ 327,907	\$ 912,917

C. Leases Receivable

The City's general fund received \$17,481 from lease agreements for the use of the City's airport facilities. The City has several of these leases with various term lengths and term payments. The leases receivable and deferred inflows of resources at the beginning of the fiscal year were \$195,751 and the City entered in an additional lease for \$4,742 during the fiscal year. The City recognized \$17,886 in lease revenue during the fiscal year related to these lease agreements which consists of receipt for the interest portion of the lease payment of \$1,897. As of September 30, 2022, the City's leases receivable was \$184,909 and the City's deferred inflows of resources associated with these leases was \$184,504. The schedule of the principal and interest portion on the leases receivable and amortization of the deferred inflows of resources is as follows:

Fiscal Year Ending Sept. 30	Lease Receipts			Deferred Inflows Amortization
	Principal	Interest	Total	
2023	\$ 16,533	\$ 1,980	\$ 18,513	\$ 17,303
2024	16,803	1,846	18,649	17,457
2025	16,987	1,662	18,649	17,457
2026	17,174	1,475	18,649	17,457
2027	15,785	1,291	17,076	16,044
2028-2032	64,694	3,814	68,508	63,745
2033-2037	20,171	1,445	21,616	19,537
2038-2041	16,762	422	17,184	1,504
Total	\$ 184,909	\$ 13,935	\$ 198,844	\$ 170,504

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

D. Capital Assets

A summary of changes in capital assets for the year end is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 681,109	\$ -	\$ -	\$ 681,109
Construction in progress	2,367,281	733,761	(2,007,628)	1,093,414
Total capital assets not being depreciated	<u>3,048,390</u>	<u>733,761</u>	<u>(2,007,628)</u>	<u>1,774,523</u>
Other capital assets:				
Buildings and improvements	18,179,908	211,367	-	18,391,275
Machinery and equipment	1,960,391	291,847	-	2,252,238
Vehicles	2,008,656	289,120	-	2,297,776
Infrastructure	23,014,036	1,917,129	-	24,931,165
Right-to-use assets	443,509	154,664	-	598,173
Total other capital assets	<u>45,606,500</u>	<u>2,864,127</u>	<u>-</u>	<u>48,470,627</u>
Total capital assets	<u>48,654,890</u>	<u>3,597,888</u>	<u>(2,007,628)</u>	<u>50,245,150</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,880,299)	(483,623)	-	(7,363,922)
Machinery and equipment	(1,499,723)	(104,947)	-	(1,604,670)
Vehicles	(1,742,802)	(117,890)	-	(1,860,692)
Infrastructure	(8,131,122)	(690,792)	-	(8,821,914)
Right-to-use assets	-	(165,073)	-	(165,073)
Total accumulated depreciation	<u>(18,253,946)</u>	<u>(1,562,325)</u>	<u>-</u>	<u>(19,816,271)</u>
Other capital assets, net	<u>27,352,554</u>	<u>1,301,802</u>	<u>-</u>	<u>28,654,356</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,400,944</u>	<u>\$ 2,035,563</u>	<u>\$ (2,007,628)</u>	<u>30,428,879</u>
			Less associated debt	(13,614,380)
			Plus unspent bond and capital note proceeds	11,150,947
			Deferred charge on refunding	206,845
			Net Investment in Capital Assets	<u>\$ 28,172,291</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 197,215
Public safety	231,101
Culture and recreation	376,008
Public works	720,399
Sanitation	37,602
Total Governmental Activities Depreciation Expense	<u>\$ 1,562,325</u>

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The following is a summary of changes in capital assets for business-type activities for the year end:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 103,741	\$ -	\$ -	\$ 103,741
Construction in progress	64,188	496,351	-	560,539
Total capital assets not being depreciated	167,929	496,351	-	664,280
Other capital assets:				
Buildings and improvements	103,513	400,674	-	504,187
Vehicles	282,128	-	-	282,128
Machinery and equipment	862,028	511,617	-	1,373,645
Water system	9,862,880	13,110	-	9,875,990
Sewer system	11,292,154	13,050	-	11,305,204
Gas system	2,576,311	33,715	-	2,610,026
Right-to-use assets	53,258	96,422	-	149,680
Total other capital assets	25,032,272	1,068,588	-	26,100,860
Less accumulated depreciation for:				
Buildings and improvements	(73,533)	(15,519)	-	(89,052)
Vehicles	(162,269)	(28,198)	-	(190,467)
Machinery and equipment	(669,986)	(116,727)	-	(786,713)
Water system	(5,691,507)	(305,174)	-	(5,996,681)
Sewer system	(8,888,982)	(207,203)	-	(9,096,185)
Gas system	(1,377,007)	(94,258)	-	(1,471,265)
Right-to-use assets	-	(41,252)	-	(41,252)
Total accumulated depreciation	(16,863,284)	(808,331)	-	(17,671,615)
Total capital assets, being depreciated, net	8,168,988	260,257	-	8,429,245
Business-Type Activities Capital Assets, Net	\$ 8,336,917	\$ 756,608	\$ -	9,093,525
			Less associated debt	(482,563)
			Net Investment in Capital Assets	\$ 8,610,962

Depreciation was charged to business-type functions as follows:

Water	\$ 421,418
Sewer	257,387
Gas	129,526
Total Business-Type Activities Depreciation Expense	\$ 808,331

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

E. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

		Governmental Activities			
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, notes, and other payables:					
Certificates of obligation	\$ 12,590,000	\$ -	\$ 705,000	\$ 11,885,000	\$ 730,000
General obligation bonds	7,435,000	-	500,000	6,935,000	525,000
Direct borrowing/placement:					
Tax notes, Series 2018	675,000	-	125,000	550,000	130,000
Capital notes payable	3,683,821	1,445,580	140,281	4,989,120	327,766
Leases payable	443,509	154,664	171,613	426,560	164,445
Total	24,827,330	1,600,244	1,641,894	24,785,680	* 1,877,211
Other liabilities:					
Premium on bonds	1,033,054	-	70,062	962,992	* -
Total OPEB liability	213,927	-	259	213,668	-
Compensated absences	202,017	276,330	232,660	245,687	221,118
Total	1,448,998	276,330	302,981	1,422,347	221,118
Total Governmental Activities	\$ 26,276,328	\$ 1,876,574	\$ 1,944,875	\$ 26,208,027	\$ 2,098,329

Long-Term Liabilities Due In More Than One Year \$ 24,109,698

		Business-Type Activities			
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds, notes, and other payables:					
Capital notes payable	\$ 19,994	\$ 359,464	\$ 3,742	\$ 375,716	\$ 72,597
Leases payable	53,258	96,422	42,833	106,847	40,329
Total	73,252	455,886	46,575	482,563	* 112,926
Other liabilities:					
Total OPEB liability	47,364	-	46	47,318	-
Compensated absences	20,648	37,779	35,991	22,436	20,193
Total Business-Type Activities	\$ 141,264	\$ 493,665	\$ 82,612	\$ 552,317	\$ 133,119

Long-Term Liabilities Due In More Than One Year \$ 419,198

Debt associated with governmental capital assets	\$ 13,614,380
Debt associated with business-type capital assets	12,616,855
Total debt associated with capital assets	<u><u>\$ 26,231,235</u></u> *

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Long-term debt at year end was comprised of the following debt issues:

Governmental Activities		
Description	Interest Rates (%)	Balance
<u>Governmental Activities</u>		
Certificates of obligation		
Series 2016	2.250-3.000	\$ 2,585,000
Series 2020	1.625-4.000	9,300,000
Total Certificates of Obligation		11,885,000
General obligation bonds		
Series 2017	3.000-4.000	6,935,000
Total General Obligation Bonds		6,935,000
Tax notes		
Series 2018	3.180	550,000
Total Tax Notes		550,000
Capital Notes Payable		
Street equipment	3.287	111,930
Meters and lighting	3.450	3,431,610
Fire truck	2.297	838,222
Maintenance equipment	2.249	607,358
Total Capital Notes Payable		4,989,120
Leases Payable		
Vehicle leases	2.000-4.000	426,560
Total Leases Payable		426,560
Total Governmental Activities Long-Term Debt		\$ 24,785,680
Business-Type Activities		
Description	Interest Rates (%)	Balance
Capital Notes Payable		
Ford Super Duty	3.287	\$ 16,252
Maintenance equipment	2.249	359,464
Total Capital Notes Payable		375,716
Lease Payables		
Vehicle leases	2.000-4.000	106,847
Total Leases Payable		106,847
Total Business-Type Activities Long-Term Debt		\$ 482,563

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The annual requirements to amortize general obligation bonds, certificates of obligations, and capital notes payable outstanding at year end were as follows:

Governmental Activities						
Fiscal Year	Certificates of Obligation		General Obligation Bonds		Direct Borrowing/Placements	
Ending Sept. 30	Principal	Interest	Principal	Interest	Tax Notes Principal	Tax Notes Interest
2023	\$ 730,000	\$ 254,622	\$ 525,000	\$ 225,900	\$ 130,000	\$ 15,423
2024	755,000	236,834	545,000	204,500	135,000	11,210
2025	765,000	221,838	565,000	182,300	140,000	6,837
2026	780,000	208,338	590,000	159,200	145,000	2,505
2027	790,000	195,381	610,000	135,200	-	-
2028-2032	3,840,000	721,644	3,365,000	368,625	-	-
2033-2037	2,700,000	338,331	735,000	11,025	-	-
2038-2041	1,525,000	71,309	-	-	-	-
Total	\$ 11,885,000	2,248,297	\$ 6,935,000	\$ 1,286,750	\$ 550,000	\$ 35,975

Governmental Activities		
Fiscal Year	Capital Notes Payable	
Ending Sept. 30	Principal	Interest
2023	\$ 327,766	\$ 147,397
2024	371,889	138,503
2025	384,796	128,480
2026	398,126	118,082
2027	381,606	107,298
2028-2032	1,202,823	408,338
2033-2037	1,114,587	234,262
2038-2041	807,527	46,693
Total	\$ 4,989,120	\$ 1,329,053

Business-Type Activities		
Fiscal Year	Capital Notes Payable	
Ending Sept. 30	Principal	Interest
2023	\$ 72,597	\$ 8,618
2024	74,269	6,945
2025	75,981	5,234
2026	77,744	3,482
2027	75,125	1,690
Total	\$ 375,716	\$ 25,969

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities (streets, drainage, public safety, water, and wastewater) and equipment for general government and enterprise fund activities. These instruments include general obligation bonds, certificates of obligation, capital notes payable, and leases payable. Future ad valorem tax revenues, water and sewer system revenues, or liens on property and equipment secure these debt obligations.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The City's outstanding notes from direct borrowings and direct placements tax notes related to governmental activities of \$550,000 contain a provision that, in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

The City's capital notes payable outstanding is related to financing agreements for capital purchases for governmental and business-type activities. The governmental activities capital notes payable of \$4,989,120 is to be repaid out of the City's general fund and the business-type activities capital notes of \$375,716 is to be repaid out of the City's sewer and gas funds.

On January 13, 2022, the City issued a capital note payable for the purchase of a fire truck for \$838,222. The payments on this capital note payable are for eight years with annual principal and interest payments of \$115,895. The first annual principal and interest payment is due on January 13, 2023.

On February 3, 2022, the City issued another capital note payable for the purchase of maintenance equipment for governmental and business-type activities for a total of \$966,822. The payments on this capital note payable are for five years with annual principal and interest payments of \$206,604. The first annual principal and interest payment is due on February 3, 2023.

Leases Payable

The City has entered into several lease agreements as a lessee for vehicles. An initial lease liability and right-to-use-asset was recorded as a restatement to beginning net position for governmental activities for \$443,509 and for business-type activities for \$27,758 to implement Governmental Accounting Standards Board Statement No. 87 (GASB 87) for vehicle leases that were entered into in prior years. During fiscal year 2022, the City entered into new vehicle leases for governmental activities for \$154,664 and business-type activities for \$96,422. As of September 30, 2022, the City has several remaining leases for vehicles with monthly payments from 1 to 43 months. The interest on the leases range from 2.00% to 4.00%. During fiscal year 2022, the City's total principal and interest payments on leases were \$194,289 for governmental activities and \$48,731 for business-type activities. The amortization of the right-to-use-assets for leases during fiscal year 2022 was \$165,073 for governmental activities and \$41,252 for business-type activities. The remaining principal and interest payments and amortization of right-to-use-assets for governmental and business-type activities as of September 30, 2022 were as follows:

Governmental Activities				
Fiscal Year	Lease Payments			Right-to-use
Ending				Asset
Sept. 30	Principal	Interest	Total	Amortization
2023	\$ 164,445	\$ 14,568	\$ 179,013	\$ 169,335
2024	140,454	7,996	148,450	137,892
2025	109,306	2,440	111,746	111,532
2026	12,355	103	12,458	14,341
Total	\$ 426,560	\$ 25,107	\$ 451,667	\$ 433,100

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Business-Type Activities				
Fiscal Year	Lease Payments			Right-to-use
Ending				Asset
Sept. 30	Principal	Interest	Total	Amortization
2023	\$ 40,329	\$ 3,654	\$ 43,983	\$ 42,153
2024	27,594	2,144	29,738	27,255
2025	23,158	1,067	24,225	22,722
2026	15,766	258	16,024	16,298
Total	\$ 106,847	\$ 7,123	\$ 113,970	\$ 108,428

F. Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amounts
General	Nonmajor	\$ 951
General	Water	16,984
General	Gas	7,939
General	Sewer	11,261
Debt service	General	6,517
Water	Gas	691,643
		<u>\$ 735,295</u>

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

G. Interfund Transfers

Transfers between the primary government funds during the year were as follows:

Transfer Out	Transfer In	Amounts
Water	Debt service	\$ 817,375
Sewer	Debt service	292,959
Nonmajor	General	10,795
		<u>\$ 1,121,129</u>

The water and sewer funds made transfers to the debt service fund to fund debt principal and interest payments. The foundation for community projects nonmajor fund made a transfer to the general fund for an expense reimbursement.

H. Restatement of Net Position

Beginning total assets, liabilities, and deferred inflows of resources were restated for the general fund, governmental activities, water fund, gas fund, and business-type activities to implement GASB 87 for leases. There was no net effect on the beginning net position fund balances. The general fund and governmental activities beginning leases receivable and deferred inflows of resources were restated for \$195,751. The beginning right-to-use assets and leases payable were restated by \$443,509 for governmental activities, \$18,439 for the water fund, \$6,488 for the sewer fund, \$28,331 for the gas fund, and \$53,258 for business-type activities.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with more than 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS does not receive any funding from the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at 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, and 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 payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>2022</u>	<u>2021</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating	100% Repeating
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled, to but not yet receiving, benefits	64
Active employees	82
Total	<u><u>195</u></u>

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), 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 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 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.86% and 6.55% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 were \$272,612, which were equal to the required contributions.

Net Pension Liability/(Asset)

The City's Net Pension Liability/(Asset) (NPL/(A)) was measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Actuarial Assumptions

The TPL in the December 31, 2021 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 active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global public equity	35.00%	7.55%
Core fixed income	6.00%	2.00%
Non-core fixed income	20.00%	5.68%
Other public and private markets	12.00%	7.22%
Real estate	12.00%	6.85%
Hedge funds	5.00%	5.35%
Private equity	10.00%	10.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL 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 TMRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL/(A)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 447,293	\$ -	\$ 447,293
Interest	947,181	-	947,181
Change of benefit terms	-	-	-
Difference between expected and actual experience	(58,038)	-	(58,038)
Changes of assumptions	-	-	-
Contributions - employer	-	264,748	(264,748)
Contributions - employee	-	192,965	(192,965)
Net investment income	-	1,917,093	(1,917,093)
Benefit payments, including refunds of employee contributions	(768,135)	(768,135)	-
Administrative expense	-	(8,887)	8,887
Other changes	-	61	(61)
Net Changes	568,301	1,597,845	(1,029,544)
Balance at December 31, 2020	14,192,736	14,733,225	(540,489)
Balance at December 31, 2021	\$ 14,761,037	\$ 16,331,070	\$ (1,570,033)

Sensitivity of the NPL/(A) to Changes in the Discount Rate

The following presents the NPL/(A) of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL/(A) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point 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/(Asset)	\$ 635,525	\$ (1,570,033)	\$ (3,351,420)

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the fiscal year ended September 30, 2022, the City recognized pension income of \$451,930.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

At September 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 194,086
Changes in actuarial assumptions	9,704	-
Difference between projected and actual investment earnings	-	980,856
Contributions subsequent to the measurement date	206,221	-
Total	\$ 215,925	\$ 1,174,942

\$206,221 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL/A for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	Pension Expense
2023	\$ (329,267)
2024	(437,237)
2025	(214,216)
2026	(184,518)
Total	\$ (1,165,238)

D. Other Postemployment Benefits

TMRS – Supplemental Death Benefits

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Benefits

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 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). Participation in the SDBF as of December 31, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to, but not yet receiving, benefits	15
Active employees	82
Total	<u><u>121</u></u>

Total OPEB Liability

The City's total OPEB liability of \$260,986 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables 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, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS board adopted changes to the assumptions and methodology used for calculating 2023 rates as determined in the December 31, 2021 actuarial valuation.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 16,595
Interest	5,322
Difference between expected and actual experience	(24,047)
Changes of assumptions	8,772
Benefit payments*	(6,947)
Net Changes	(305)
Beginning balance	261,291
Ending Balance	<u>\$ 260,986</u>

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

The discount rate decreased from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's Total OPEB Liability	<u>\$ 324,979</u>	<u>\$ 260,986</u>	<u>\$ 213,060</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$26,981. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 34,556
Changes in actuarial assumptions	48,828	4,757
Contributions subsequent to the measurement date	5,037	-
Total	<u>\$ 53,865</u>	<u>\$ 39,313</u>

\$5,037 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

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

the fiscal year ending September 30, 2023. Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	OPEB Expense
2023	\$ 5,063
2024	3,427
2025	3,653
2026	(1,788)
2027	(840)
Total	\$ 9,515

E. Firemen's Relief and Retirement Fund

Volunteer firefighters are eligible to participate in the volunteer firefighter pension plan, Firemen's Relief and Retirement Fund (the "Fund"), created under the Texas Local Firefighters Retirement Act. The City acts as administrator for the Fund, which is included as a fiduciary fund in this report, the board of fireman service fund. For more information, contact the Navasota Volunteer Fire Department, PO Box 910, Navasota, Texas, 77868; telephone 936-825-6490.

F. Subsequent Events

On November 14, 2022, the City issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022 (the "Certificates") in the amount of \$6,755,000. The Certificates were issued for the purpose of acquiring, constructing, installing and equipping additions, improvements, extensions and equipment for the City's waterworks, sewer and gas system. The certificates were also issued for the acquisition of land and rights-of-way, fiscal and engineering fees in connection with such projects. The Certificates have an interest rate from 4.0% to 5.5% and mature on November 15, 2042. Payments of the Certificates will be made from levying ad valorem taxes and also utility system revenues.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NAVASOTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 1 of 2)
For the Year Ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
Revenues				
Property taxes	\$ 2,831,987.0	\$ 2,733,663	\$ 2,711,623	\$ (22,040)
Sales taxes	2,016,000	2,166,388	2,222,555	56,167
Franchise fees	319,000	357,000	334,515	(22,485)
Payment in lieu of taxes	1,032,885	1,277,396	1,271,003	(6,393)
Licenses and permits	155,750	227,130	263,824	36,694
Intergovernmental	123,000	218,250	336,683	118,433
Charges for services	3,345,581	3,740,763	3,793,481	52,718
Fines and forfeitures	93,000	57,965	84,022	26,057
Investment income	70,000	25,000	56,237	31,237
Fees	56,500	37,600	21,364	(16,236)
Rents and leases	50,000	52,950	54,132	1,182
Other revenues	868,550	527,829	381,833	(145,996)
Total Revenues	10,962,253	11,421,934	11,531,272	109,338
Expenditures				
Current:				
General Government				
Vehicle services	150,988	93,864	93,864	-
Legislative	578,338	338,140	329,933	8,207
Administration	491,276	431,279	431,279	-
Keep Navasota beautiful	4,150	3,916	3,916	-
City hall	353,281	416,740	416,740	-
Communications	60,257	74,575	55,450	19,125
Finance	886,950	637,455	637,455	-
Human resources	217,140	209,335	189,125	20,210
Technology	411,748	462,621	460,756	1,865
Total General Government	3,154,128	2,667,925	2,618,518	49,407
Public Safety				
Police	2,509,746	2,511,039	2,281,667	229,372
Fire	981,133	1,430,023	839,872	590,151
Animal control	134,051	93,861	77,259	16,602
Emergency management	6,500	6,522	2,522	4,000
Total Public Safety	3,631,430	4,041,445	3,201,320	840,125
Public works				
	2,364,242	2,037,753	1,356,432	681,321
Sanitation				
	1,184,276	1,379,664	1,198,714	180,950
Transportation				
	240,156	182,400	111,667	70,733

CITY OF NAVASOTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
<u>Expenditures (continued)</u>				
Culture and Recreation				
Swimming pool	\$ 61,727	\$ 76,229	\$ 59,507	\$ 16,722
Parks	653,991	761,858	761,858	-
Library	174,259	244,876	137,244	107,632
Total Culture and Recreation	889,977	1,082,963	958,609	124,354
Judicial and Courts				
Municipal court	88,828	82,658	82,658	-
Total Judicial and Courts	88,828	82,658	82,658	-
Economic Development/Tourism				
Community development	437,264	441,497	418,399	23,098
Tourism	507,538	543,670	543,670	-
Total Economic Development/Tourism	944,802	985,167	962,069	23,098
Debt Service:				
Principal	311,714	311,714	311,714	-
Interest and fiscal charges	141,513	141,513	141,513	-
Total Debt Service	453,227	453,227	453,227	-
Total Expenditures	12,951,066	12,913,202	10,943,214	1,969,988
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(1,988,813)	(1,491,268)	588,058	2,079,326
<u>Other Financing Sources (Uses)</u>				
Proceeds from notes payable	1,445,580	1,445,580	1,445,580	-
Proceeds from issuance of leases	154,664	154,664	154,664	-
Transfers in	286,882	10,795	10,795	-
Total Other Financing Sources	1,887,126	1,611,039	1,611,039	-
Net Change in Fund Balance	\$ (101,687)	\$ 119,771	2,199,097	\$ 2,079,326
Beginning fund balance			4,830,739	
Ending Fund Balance			\$ 7,029,836	

Notes to Required Supplementary Information:

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF NAVASOTA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2022

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 325,015	\$ 384,960	\$ 378,974	\$ 334,882
Interest (on the total pension liability)	751,945	805,224	825,090	850,106
Difference between expected and actual experience	68,513	111,420	(130,123)	(288,906)
Changes in assumptions	-	35,350	-	-
Benefit payments, including refunds of employee contributions	(374,279)	(454,372)	(772,826)	(589,750)
Net Change in Total Pension Liability	<u>771,194</u>	<u>882,582</u>	<u>301,115</u>	<u>306,332</u>
Beginning total pension liability	<u>10,766,706</u>	<u>11,537,900</u>	<u>12,420,482</u>	<u>12,721,597</u>
Ending Total Pension Liability	<u><u>\$ 11,537,900</u></u>	<u><u>\$ 12,420,482</u></u>	<u><u>\$ 12,721,597</u></u>	<u><u>\$ 13,027,929</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 292,345	\$ 296,093	\$ 264,786	\$ 265,888
Contributions - employee	178,695	194,033	176,760	157,518
Net investment income	586,448	16,121	740,920	1,574,813
Benefit payments, including refunds of employee contributions	(374,279)	(454,372)	(772,826)	(589,750)
Administrative expense	(6,122)	(9,821)	(8,372)	(8,166)
Other	(503)	(485)	(451)	(415)
Net Change in Plan Fiduciary Net Position	<u>676,584</u>	<u>41,569</u>	<u>400,817</u>	<u>1,399,888</u>
Beginning plan fiduciary net position	<u>10,250,409</u>	<u>10,926,993</u>	<u>10,968,562</u>	<u>11,369,379</u>
Ending Plan Fiduciary Net Position	<u><u>\$ 10,926,993</u></u>	<u><u>\$ 10,968,562</u></u>	<u><u>\$ 11,369,379</u></u>	<u><u>\$ 12,769,267</u></u>
Net Pension Liability/(Asset)	<u><u>\$ 610,907</u></u>	<u><u>\$ 1,451,920</u></u>	<u><u>\$ 1,352,218</u></u>	<u><u>\$ 258,662</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.71%	88.31%	89.37%	98.01%
Covered Payroll	\$ 3,573,908	\$ 3,880,650	\$ 3,535,208	\$ 3,150,351
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	17.09%	37.41%	38.25%	8.21%

*Only eight years of information are currently available. The City will build this schedule over the next two-year period.

Measurement Year*			
2018	2019	2020	2021
\$ 350,254	\$ 357,197	\$ 432,999	\$ 447,293
869,227	893,695	904,545	947,181
(232,589)	(864,970)	294,118	(58,038)
-	59,048	(14,988)	-
(651,239)	(604,502)	(627,988)	(768,135)
335,653	(159,532)	988,686	568,301
13,027,929	13,363,582	13,204,050	14,192,736
<u>\$ 13,363,582</u>	<u>\$ 13,204,050</u>	<u>\$ 14,192,736</u>	<u>\$ 14,761,037</u>
\$ 273,788	\$ 263,214	\$ 280,067	\$ 264,748
162,005	164,304	184,255	192,965
(382,232)	1,878,565	1,049,515	1,917,093
(651,239)	(604,502)	(627,988)	(768,135)
(7,392)	(10,626)	(6,805)	(8,887)
(387)	(318)	(266)	61
(605,457)	1,690,637	878,778	1,597,845
12,769,267	12,163,810	13,854,447	14,733,225
<u>\$ 12,163,810</u>	<u>\$ 13,854,447</u>	<u>\$ 14,733,225</u>	<u>\$ 16,331,070</u>
<u>\$ 1,199,772</u>	<u>\$ (650,397)</u>	<u>\$ (540,489)</u>	<u>\$ (1,570,033)</u>
91.02%	104.93%	103.81%	110.64%
\$ 3,240,094	\$ 3,286,077	\$ 3,685,100	\$ 3,859,297
37.03%	-19.79%	-14.67%	-40.68%

CITY OF NAVASOTA, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2022

	Fiscal Year*			
	2015	2016	2017	2018
Actuarially determined contribution	\$ 286,979	\$ 275,440	\$ 263,149	\$ 271,390
Contributions in relation to the actuarially determined contribution	286,979	275,440	263,149	271,390
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,697,581	\$ 3,657,514	\$ 3,224,052	\$ 3,210,957
Contributions as a percentage of covered payroll	7.76%	7.53%	8.16%	8.45%

*Only eight years of information is currently available. The City will build this schedule over the next two-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	N/A
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period December 31, 2014 - December 31, 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*			
2019	2020	2021	2022
\$ 262,992	\$ 272,773	\$ 281,803	\$ 272,612
262,992	272,773	281,803	272,612
\$ -	\$ -	\$ -	\$ -
\$ 3,233,937	\$ 3,537,865	\$ 3,989,471	\$ 4,116,204
8.13%	7.71%	7.06%	6.62%

CITY OF NAVASOTA, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2022

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 7,246	\$ 8,748	\$ 8,544	\$ 13,266
Interest (on the total OPEB liability)	6,269	6,382	7,064	6,149
Difference between expected and actual experience	-	(2,208)	(17,745)	(9,456)
Change of assumptions	14,295	(13,104)	35,419	35,650
Benefit payments	(1,260)	(1,944)	(2,300)	(2,580)
Net Change in Total OPEB Liability	<u>26,550</u>	<u>(2,126)</u>	<u>30,982</u>	<u>43,029</u>
Beginning total OPEB liability	<u>162,856</u>	<u>189,406</u>	<u>187,280</u>	<u>218,262</u>
Ending Total OPEB Liability	<u>\$ 189,406</u>	<u>\$ 187,280</u>	<u>\$ 218,262</u>	<u>\$ 261,291</u>
Covered Payroll	<u>\$ 3,150,351</u>	<u>\$ 3,240,094</u>	<u>\$ 3,286,077</u>	<u>\$ 3,685,100</u>
Total OPEB Liability as a Percentage of Covered Payroll	6.01%	5.78%	6.64%	7.09%

*Only five years of information is currently available. The City will build this schedule over the next five-year period.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

1 Valuation Date:

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

2 Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	1.84%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables 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, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

3 Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

There were no changes in assumption during the year.

There were no benefit changes during the year.

Measurement	
Year*	
2021	
\$	16,595
	5,322
	(24,047)
	8,772
	(6,947)
	(305)
	261,291
\$	260,986
\$	3,859,297
	6.76%

COMBINING STATEMENTS AND SCHEDULES

CITY OF NAVASOTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
<u>Revenues</u>				
Property taxes	\$ -	\$ 347,757	\$ 338,147	\$ (9,610)
Investment earnings	-	1,500	755	(745)
Total Revenues	-	349,257	338,902	(10,355)
<u>Expenditures</u>				
Current:				
Principal	718,143	1,205,000	1,205,000	-
Interest and fiscal charges	532,000	526,281	525,454	827
Total Expenditures	1,250,143	1,731,281	1,730,454	827
(Deficiency) of Revenues (Under) Expenditures	(1,250,143)	(1,382,024)	(1,391,552)	(9,528)
<u>Other Financing Sources (Uses)</u>				
Transfers in	1,250,143	1,110,334	1,110,334	-
Total Other Financing Sources	1,250,143	1,110,334	1,110,334	-
Net Change in Fund Balance	\$ -	\$ (271,690)	(281,218)	\$ (9,528)
Beginning fund balance			1,155,522	
Ending Fund Balance			\$ 874,304	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF NAVASOTA, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2022

	Special Revenue Funds			Permanent Fund
	Foundation For Community Projects	Hotel/Motel Occupancy Tax	Cemetery Operations	Cemetery Permanent
<u>Assets</u>				
Cash	\$ 65,952	\$ 718,367	\$ 487,026	\$ -
Pooled investments	-	-	146,266	366,691
Total Assets	\$ 65,952	\$ 718,367	\$ 633,292	\$ 366,691
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 19	\$ -
Due to other funds	-	-	-	951
Deficit claim on cash	-	-	-	14,493
Total Liabilities	-	-	19	15,444
<u>Fund Balances</u>				
Restricted for:				
Tourism	-	718,367	-	-
Cemetery	-	-	633,273	351,247
Community projects	65,952	-	-	-
Total Fund Balances	65,952	718,367	633,273	351,247
Total Liabilities and Fund Balances	\$ 65,952	\$ 718,367	\$ 633,292	\$ 366,691

Total Nonmajor Governmental Funds	
\$	1,271,345
	512,957
\$	<u>1,784,302</u>

\$	19
	951
	<u>14,493</u>
	<u>15,463</u>

	718,367
	984,520
	<u>65,952</u>
	<u>1,768,839</u>
\$	<u>1,784,302</u>

CITY OF NAVASOTA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	Special Revenue Funds			Permanent Fund
	Foundation For Community Projects	Hotel/Motel Occupancy Tax	Cemetery Operations	Cemetery Permanent
<u>Revenues</u>				
Other taxes	\$ -	\$ 138,294	\$ -	\$ -
Investment earnings	118	1,365	1,756	4,302
Fees	-	-	100,562	-
Other revenues	25,645	-	-	-
Total Revenues	<u>25,763</u>	<u>139,659</u>	<u>102,318</u>	<u>4,302</u>
<u>Expenditures</u>				
General government	-	-	2,482	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>2,482</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>25,763</u>	<u>139,659</u>	<u>99,836</u>	<u>4,302</u>
<u>Other Financing (Uses)</u>				
Transfers (out)	(10,795)	-	-	-
Total Other Financing (Uses)	<u>(10,795)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	14,968	139,659	99,836	4,302
Beginning fund balances	50,984	578,708	533,437	346,945
Ending Fund Balances	<u>\$ 65,952</u>	<u>\$ 718,367</u>	<u>\$ 633,273</u>	<u>\$ 351,247</u>

**Total
Nonmajor
Governmental
Funds**

\$	138,294
	7,541
	100,562
	25,645
	<u>272,042</u>
	<u>2,482</u>
	<u>2,482</u>
	<u>269,560</u>
	<u>(10,795)</u>
	<u>(10,795)</u>
	258,765
	1,510,074
\$	<u><u>1,768,839</u></u>



Management Letter

July 11, 2023

To the Honorable Mayor and
City Council Members of the
City of Navasota, Texas:

The American Institute of Certified Public Accountants Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 115), provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to the City. Accordingly, the City's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of 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 Navasota, Texas (the "City") as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be other matters and there is a new pronouncement we would like to bring to your attention.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material

misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our findings and additional comments are as follows:

CURRENT YEAR MATTERS

Other Matters

2022.001 ADJUSTMENTS AND RECONCILIATIONS

Finding

A large number of year end adjustments were required during the audit process to correct general ledger account balances. In some cases, commonly used supporting schedules, when reviewed, did not agree to the accounts that they were intended to support.

Recommendation

The City should develop a formal process to review supporting subsidiary ledgers and other supporting documents to determine their accuracy and to ensure the general ledger is appropriately adjusted and the financial statements accurate.

2022.002 NEGATIVE CASH BALANCES

Background

The City uses a consolidated bank account; whereas, one bank account is maintained for all funds and each fund has an equity interest in the bank account. While consolidated bank accounts are highly efficient due to the automated nature, there is no formal approval necessary to advance funds to cover the shortage when a fund's equity in the consolidated bank account becomes a deficit.

Finding

As of the end of the year, the cemetery permanent fund had a negative cash balance of \$14,493. For financial statement reporting purposes, the deficit cash balance is reported as deficit claim on cash.

Recommendation

The City should consider adopting a formal policy on how deficit balances will be communicated to management and City Council and if, and how, formal approval will be obtained before or after a fund has a negative balance.

Future Matter That May Subsequently Warrant Attention:

2022.004 – IMPLEMENTATION OF GASB STANDARD NO. 96 – SBITAS

Background

Governmental Accounting Standards Board Statement 96 (GASB 96), *Subscription-Based Information Technology Arrangements* (SBITAs), is effective for the year ending September 30, 2023 and, accordingly, the City has less than one year to implement GASB 96. GASB 96 identifies a SBITA as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 96 essentially required that SBITAs should be reported on the balance sheet as a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, much like GASB 87, *Leases*, accounting for lease transactions. Unlike many new accounting standards, GASB 96 may require preplanning and changes in the way the City does business. Implementation of GASB 96 will generally require centralized document management; in-depth review of SBITA documents; recording and tracking of multiple data points per agreement, which may necessitate new software based on the volume of arrangements; and development of new controls, reconciliations, and policies and procedures.

Recommendation

The City needs to begin making initial assessments immediately to determine the lead time and resources needed. The City needs to identify all SBITAs in which the term initially exceeded 12 months. Based on the aggregate value of SBITAs and materiality, the City should determine a cutoff for exclusion of insignificant arrangements. If the City's number of SBITAs approaches 10, it may be beneficial for the City to procure and implement software to aid in the task. The City should establish the goal of being fully implemented 60 days prior to year end to provide for a sufficient buffer to safeguard against delay in issuing the City's September 30, 2023 financial statements.

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

We would like to thank the City Council and the City's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

The logo for Belt Harris Pechacek, LLP features the firm's name in a stylized, cursive script font. The letters are dark blue or black, with a slight shadow effect. The 'B' and 'P' are particularly large and ornate, framing the 'H' and 'A'. The 'LLP' is in a smaller, simpler font at the end.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas



REQUEST FOR CITY COUNCIL AGENDA ITEM #6

Agenda Date Requested: <u>July 24, 2023</u>	Appropriation
Requested By: <u>Mike Mize, Chief</u>	Source of Funds: <u>100 – General Fund</u>
Department: <u>Police</u>	Account Number: <u>100-567-xxx.xx</u>
<input checked="" type="radio"/> Report <input type="radio"/> Resolution <input type="radio"/> Ordinance	Amount Budgeted: <u>N/A</u>
	Amount Requested: <u>N/A</u>
	Budgeted Item: <input checked="" type="radio"/> Yes <input type="radio"/> No

Exhibits: School Resource Officer Contract 2023 - 2024

AGENDA ITEM #6

Consideration and possible action on renewal of the School Resource Officer (SRO) Program interlocal agreement with Navasota Independent School District for fiscal year 2023 – 2024.

SUMMARY & RECOMMENDATION

The School Resource Officer (SRO) Program is a cooperative effort between the Navasota Police Department and the Navasota Independent School District (NISD). The Resource Officers are fully commissioned police officers through Navasota Police Department (NPD), who work with and aid the administration and student body of the NISD schools. Based on their law enforcement experience, they offer their services as consultants, instructors, and problem solvers. The SRO's work is to reduce crime through education and the promotion of positive police/student relations.

This agenda item is a request to renew the interlocal agreement with NISD to continue to provide the school district with two (2) certified police officers for the local SRO program. The NISD Board of Trustees approved this renewal agreement on Monday, July 17, 2023, and the renewal interlocal agreement attached to this agenda request has been signed by NISD School Board President. Based on the agreement, each Fall and Spring semesters, one SRO will be assigned to the Navasota High School while the other SRO will be assigned to the Navasota Junior High. When requested by NISD staff and when available, these SRO's will divide their time between Webb Elementary, Brule Elementary, and the NELC campuses. Unlike our NPD Patrol Officers, these officers will not work 12-hour shifts, they will maintain an 8-hour day during NISD hours. However, the SRO hours and days of work are to be considered flexible and may be changed to meet the needs of NPD and/or NISD at the direction of the Chief of Police. The City of Navasota will provide each SRO with an NPD vehicle that will be fully equipped for SRO use in their duties at the NISD campuses and for emergency calls as needed. The City

will own the vehicles and it will not be the property of NISD and the City will pay for all repairs and upkeep of these vehicles.

Financial Consideration:

NISD has agreed to reimburse the City for SRO hours when SROs are working on NISD campuses or other NISD required assignments such as training, school related court but not to include off-duty security. The reimbursement is based on the City's current hourly pay rate of the SRO annual salary. Additionally, NISD will pay all expenses related to off-duty security performed by NPD personnel including those off-duty securities performed by the SRO's as detailed in the NISD/NPD Security Contract Agreement. The City and NISD will evenly share the cost of all SRO-related training. The City will invoice NISD monthly determined by the City pay period. Currently, NISD percentage of use of an SRO is 70% while the City maintains use of the position 30% (primarily during the summer school break and NISD holidays/breaks). The City has continued to budget for two (2) SRO positions as well as including the revenue to be received for the use of these NPD Officers in the General Fund revenues.

Since this is a renewal agreement and there have been no issues in the past with the agreements as well as the City of Navasota wishes to continue our partnership working closely with NISD to provide our educators, students, and NISD staff with a safe working environment, staff recommends approving this interlocal agreement for SRO program at NISD.

ACTION REQUIRED BY CITY COUNCIL

Approve the renewal of the School Resource Officer (SRO) Program interlocal agreement with Navasota Independent School District for fiscal year 2023 – 2024.

Approved for the City Council meeting agenda.



Jason B. Weeks, City Manager

7/21/23

Date

SCHOOL RESOURCE OFFICER INTERLOCAL AGREEMENT

THIS INTERLOCAL AGREEMENT (hereinafter "Agreement") is hereby made and entered into by and between the **CITY OF NAVASOTA, TEXAS**, A Texas Home Rule Municipal Corporation (hereinafter "City"), and the **NAVASOTA INDEPENDENT SCHOOL DISTRICT**, a Texas Local Government (hereinafter "NISD") each acting by and through its duly authorized agents (referred to collectively as the "Parties").

RECITALS

WHEREAS, Chapter 791 of the **TEXAS GOVERNMENT CODE**, also known as the **INTERLOCAL COOPERATION ACT**, authorizes all local governments to contract with each other to provide a governmental function or service that each party to the contract is authorized to perform individually and in which the contracting parties are mutually interested; and

WHEREAS, the Parties have sufficient funds available from current revenues to perform the functions contemplated by this Agreement; and

WHEREAS, the City has established a School Resource Officer Program (hereinafter "SRO"), with law enforcement officers from Navasota Police Department (hereinafter "NPD") and

WHEREAS, the Parties recognize the outstanding benefits of the SRO Program to the citizens of the City and to the students of NISD; and

WHEREAS, it is in the best interest of the Parties and the citizens of the City and students of NISD to continue the SRO Program;

NOW, THEREFORE IN CONSIDERATION of the recitals and mutual covenants made herein by the City and NISD to be respectively kept and performed, the Parties hereby mutually agree as follows:

ARTICLE I **DEFINITIONS**

The following terms shall have the following meanings when used in this Agreement:

1.1 The term "Chief of Police" means the Chief of Police of the City of Navasota. This term also applies to any person designated by the Chief of Police to act on their behalf in regards to this Agreement.

1.2 The term "School Superintendent" means the School Superintendent of NISD. This term also applies to any person designated by the Superintendent to act on their behalf in regards to this Agreement.

1.3 The term "Law Enforcement Officer" means any City of Navasota Peace Officer who has been commissioned under the laws of this state.

1.4 The term “Law Enforcement Duties” means any duties performed by any Law Enforcement Officer.

1.5 The term “School Resource Officer” (“SRO”) means any Law Enforcement Officer who works with and aids the administration and student bodies of Navasota High School, Navasota Junior High School, Webb Elementary, Brule Elementary, and the Navasota Education Learning Center (“NELC”) as part of the SRO Program. The SRO meets with students in a non-confrontational setting, and interacts with them as mentors, and resource persons.

ARTICLE II **MISSION AND PURPOSE**

2.1 The mission of the SRO program is the reduction and prevention of school-related violence and crime committed by juveniles and young adults, the reduction of the fear of crime on school campuses, and building effective partnerships with the faculty and staff of NISD. This is accomplished by assigning Law Enforcement Officers to school facilities. The SRO Program accomplishes this mission by creating and maintaining safe, secure and orderly learning environments for students, teachers, and staff.

2.2 The SRO’s will establish a trusting channel of communication with students, parents, and teachers. SRO’s will serve as a positive role model to instill in students’ good moral standards, good judgment and discretion, respect for other students, and a sincere concern for the school community. SRO’s will promote citizen awareness of the law to enable students to become better informed and effective citizens, while empowering students with the knowledge of law enforcement efforts and obligations regarding enforcement as well as consequences for violations of the law.

2.3 SRO’s will serve as a confidential source of counseling for students and parents concerning problems they face as well as providing information on community resources available to them. Goals and objectives are designed to develop and enhance rapport between youth, police officers, and school administrators.

ARTICLE III **TERM AND TERMINATION**

3.1 The term of this agreement is for one (1) year. The Parties agree to assign two (2) Law Enforcement Officers to perform Law Enforcement duties at the NISD campuses within the City of Navasota limits.

3.2 Any Party to this agreement may terminate its participation in this agreement by providing ninety (90) days written notice. In the event of termination of this agreement, compensation will be made to the City for all SRO services performed to the date of termination.

ARTICLE IV
SCHOOL ASSIGNMENTS

4.1 The Chief of Police shall assign SRO's to the following school campuses on a full time basis during Fall and Spring Semesters.

- a.** One (1) SRO at the Navasota High School to primarily act as a law enforcement presence, mentor, problem-solver, and provide positive police-student relations.
- b.** One (1) SRO at the Navasota Junior High School to primarily act as a law enforcement presence, mentor, problem-solver, and provide positive police-student relations.

4.2 When requested by school staff and when available, SRO's shall divide time between Webb Elementary, Brule Elementary, and the NELC campus.

ARTICLE V
SCHOOL RESOURCE OFFICER DUTIES AND RESPONSIBILITIES

5.1 Administrative Duties

- a.** SRO's will check in with designated school staff upon arriving on campus and will report with school staff prior to leaving campus, unless circumstances prevent the SRO from checking in or out.
- b.** The day-to-day operation and administrative control of the SRO Program will be the responsibility of the NPD. Responsibility for the conduct of SRO personnel, both personally and professionally, shall remain with the NPD. The Navasota Police department will assign supervisory personnel to oversee the program. SRO's shall remain employees of the NPD and shall not be employees of the NISD.
- c.** All acts of commission shall conform to the guidelines of the NPD's Policy and Procedure Manual.
- d.** SRO's will not enforce "school or house rules." SRO's are not school disciplinarians and will not assume that role. However, if the principal or other staff believes an incident involves a violation of the law, the principal or staff member may contact the SRO and the SRO will determine whether law enforcement action is appropriate.

5.2 Regular Hours, Vacation, Personal Leave, and Training Responsibilities

- a.** Each SRO shall be assigned on a full-time basis for eight (8) hours, on those days and during those hours that the school is in regular session.
- b.** The SRO hours and days of work are to be considered flexible and may be changed to meet the needs of the NPD and/or NISD at the direction of the Chief of Police.
- c.** Prior to taking any personal leave time, the school principal must be made aware of the SRO's absence. Each SRO will follow the NPD leave policy; however, no officer may take personal leave/vacation time during the school year without prior approval from their NPD supervisor.
- d.** When a SRO is absent from his or her assigned campus for training or other reasons in a school session day, NPD will make reasonable efforts to provide a police presence for that campus. When a law enforcement officer is needed and neither a SRO or other officer is present, school personnel should call NPD dispatch at the non-emergency number (936) 825-6410 or 911 in case of an emergency.
- e.** SRO's are subject to current policy and procedures that are in effect for all NPD officers, including attendance at all mandated training and testing to maintain state peace officer licensing and certification. This training and certification takes place throughout the year and may necessitate the temporary absence of the SRO from his or her assigned campus.

5.3 Law Enforcement Duties

- a.** Assist NISD in maintaining lawful order on school property while in full NPD uniform at all times or other apparel approved by the NPD.
- b.** Enforce the laws of the State of Texas and City Ordinances of Navasota and protect the students, teachers, staff, and public against criminal activity.
- c.** Take enforcement action on criminal matters according to NPD policy. As soon as practical, the SRO shall make the principal of the school aware of such action. At the principal's request, the SRO shall take appropriate law enforcement action against intruders and unwanted guests who may appear at the school and school functions, to the extent that the SRO may do so under the authority of law.
- d.** Gather information regarding potential problems such as gang activity, criminal activity, and student unrest and handle initial police reports of crimes committed on campus.
- e.** Coordinate investigative procedures between police and school administrators that follow NPD Policy.

5.4 Educational and Counseling Duties and Responsibilities

- a.** Provide information about law enforcement topics to students and staff.
- b.** Provide informational programs for NISD staff, students, and parents on a variety of topics including, but not limited to issues related to alcohol and other drugs, criminal law, violence, gangs, safety and security.
- c.** Refer students and their families to the appropriate agencies for assistance when the need is determined.
- d.** Maintain good communication between NPD and NISD administration, principals, and staff.
- e.** SRO's will not replace any school counselor nor are they to conduct or offer any formal psychological testing or counseling.
- f.** SRO's will give advice to help resolve issues between students that involve matters that may result in a criminal violation, disturbances, and disruptions.
- g.** SRO's should not go to the home of a student without another officer or school administrator. When a visit is warranted, it should be reported to the SRO supervisor as soon as practical.
- h.** SRO's shall maintain confidentiality of student communications to the extent permitted under law.

ARTICLE VI **SELECTION, TRANSFER AND REMOVAL OF SRO**

6.1 Notice of SRO job openings will be made to all Law Enforcement Officers at NPD through regular postings. NPD policy at the time of the opening will be followed during the selection process for SRO's. The officer(s) will be interviewed by a board consisting of NPD representatives as determined by the Chief of Police and representatives of the school for which the SRO will be assigned as determined by the school principal. The Chief of Police or his appointed designee will make the final decision on all appointments or assignments related to the SRO program.

6.2 The NPD will maintain the responsibility, while receiving significant input from the NISD, for the recruitment, interviewing, and overall evaluation of the SRO's.

6.3 A SRO may request to transfer to another school if the request meets the approval of the principals of each affected school and the Chief of Police or his appointed designee.

6.4 If the NISD is dissatisfied with the performance of a SRO, the district will notify the Chief of Police who will attempt to resolve the issue to the satisfaction of both the school district and the police department.

6.5 The NPD may take appropriate corrective or disciplinary action regarding any allegation of misconduct on the part of a SRO in accordance with NPD policy and procedures.

6.6 The Chief of Police or his appointed designee may dismiss or reassign a SRO when it is in the best interest of the City or NISD.

6.7 In the event of a resignation, retirement, dismissal, or reassignment of a SRO, or in case of long-term absences by a SRO, NPD will provide a temporary replacement for the SRO within thirty (30) school days of receiving notice of such absence, dismissal, resignation, retirement, reassignment. As soon as practicable, an interview board shall convene and recommend a permanent replacement for the SRO position.

ARTICLE VII

SCHOOL DISTRICT RESPONSIBILITIES

7.1 NISD will provide the SRO's with access to an office that allows for security and privacy. The office must include, but is not limited to, a telephone, desk with lockable drawers, chair, office supplies, filing cabinet, which can be properly locked and secured, and computer.

7.2 The opportunity for SRO's to address teachers and school administrators about the SRO program's goals and objectives and provide SRO's the opportunity to address teachers and school administrators about criminal justice problems relating to students during in-service workdays.

7.3 Seek input from SRO's regarding criminal justice problems relating to students.

7.4 Police Vehicle

- The City will provide SRO's with a fully equipped NPD Patrol Vehicle for SRO use in their duties at the campuses and for emergency calls as needed. This vehicle will be used by SRO's for the safety and security of the faculty and students of the high school.
- The City will own the Patrol Vehicle(s) and it will not be property of NISD nor will NISD have a special right of access to the Patrol Vehicle(s).
- The City will pay for all repairs, upkeep and other associated costs for the life of the Patrol Vehicle(s). The Patrol Vehicle(s) will be on a six (6) year replacement schedule.

- NISD will pay the monthly lease for the purchase of the vehicle.

ARTICLE VIII

SALARY AND BENEFITS OF SRO

8.1 NISD agrees to reimburse the City for SRO hours when SRO's are working on campus or other NISD required assignments such as school training, school related court but not to include off-duty security. The reimbursement is based on the City current hourly pay rate of the SRO annual salary.

8.2 NISD shall pay all expenses related to off-duty security performed by NPD personnel including those off-duty securities performed by SRO's as detailed in the NISD/NPD Security Contract Agreement, which is incorporated herein for all relevant purposes.

8.3 The City and NISD will evenly share the cost of all SRO-related training.

8.4 The City will invoice NISD monthly determined by the City pay period. Payment to the City shall be made no later than the 15th day of each month in which services are rendered.

ARTICLE IX

MISCELLANEOUS TERMS

9.1 Interlocal Cooperation Act. The Parties expressly acknowledge that each Party to this Agreement is a local government as that term is defined in the Interlocal Cooperation Act. Nothing in this Agreement will be construed as a waiver or relinquished by either Party of its right to claim such exemptions, privileges and immunities as may be provided by law.

9.2 Amendment. The terms and conditions of this agreement may be amended upon mutual consent of all Parties. Mutual consent will be demonstrated by approval of each governing body of each Party hereto. No amendment to this agreement shall be effective and binding unless and until it is reduced to writing and signed by duly authorized representatives of all Parties.

9.3 Effective. This Agreement shall become effective immediately upon execution by all Parties and shall continue in effect until terminated as provided herein.

9.4 Indemnification. Subject to the limitations as to damages and liability under the Texas Tort Claims Act, and without waiving its governmental immunity, each Party to this Agreement agrees to hold harmless each other, its governing board, officers, agents, and employees for any liability, loss, damages, claims, or causes of action caused, or asserted to

be caused, directly or indirectly by any other Party to this Agreement, or any of its officers, agents or employees as a result of its performance under this Agreement.

9.5 Consent to Suit. Nothing in this Agreement will be construed as a waiver or relinquishment by any Party of its right to claim such exemptions, privileges and immunities as may be provided by law.

9.6 Invalidity. If any provision of this Agreement shall be held invalid, illegal, or unenforceable by a court or other tribunal of competent jurisdiction, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The Parties shall use their best efforts to replace the respective provision or provisions of the agreement with legal terms and conditions approximating the original intent of the Parties.

9.7 Notices. Any notices, approval, consent, or communications by one Party to another must be in writing and be personally delivered or sent by registered or certified United States Mail, properly addressed to the respective Parties as follows:

NAVASOTA:

City Manager
200 East McAlpine
Navasota, TX 77868

Additional Contact Information:

Tel: (936) 825-6408

Mail to:
PO Box 910
Navasota, TX 77868

NISD:

Superintendent
705 East Washington Ave
Navasota, TX 77868

Tel: (936) 825-4200

9.8 Entire Agreement. It is understood that this Agreement contains the entire agreement between the parties and supersedes any and all prior agreements, arrangements, or understandings between the Parties relating to the subject matter. No oral understandings, statements, promises, or inducements contrary to the terms of this agreement exist. This agreement cannot be changed or terminated orally. No verbal agreement or conversation with any officer, agent, or employee of any Party before or after the execution of this Agreement shall affect or modify any of the terms or obligations hereunder.

9.9 Texas Law. This Agreement has been made under and shall be governed by the laws of the State of Texas.

9.10 Venue. Performance and all matters related thereto shall be in Grimes County, Texas, United States of America.

9.11 Authority to Contract. Each Party has the full power and authority to enter into and perform this Agreement and the person signing this Agreement on behalf of each Party has been properly authorized and empowered to enter into this agreement. The persons executing this

agreement hereby represent that they have authorization to sign on behalf of their respective Governmental Bodies.


9.12 Waiver. Failure of any Party, at any time, to enforce the provision of this Agreement, shall in no way constitute a waiver of that provision, nor in any way affect the validity of this agreement, any part hereof, or the right of either Party thereafter to enforce each and every provision hereof. No term of this Agreement shall be deemed waived or breach excused unless the waiver shall be in writing and signed by the party claimed to have waived. Furthermore, any consent to or waiver of a breach will not constitute consent to or waiver of or excuse of any other different or subsequent breach.

9.13 Agreement Read. The Parties acknowledge that they have read, understand, and intend to be bound by the terms and conditions of this Agreement.

9.14 Assignment. This Agreement and the rights and obligations contained herein may not be assigned by any Party without prior written approval of the other Party to this Agreement.

9.15 Multiple Originals. It is understood and agreed that this Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes.

**NAVASOTA INDEPENDENT
SCHOOL DISTRICT**

By: 
School Board President
Date: 7/17/23

CITY OF NAVASOTA STATION

By: _____
Mayor
Date: _____

ATTEST:

City Secretary
Date: _____

APPROVED:

City Manager
Date: _____

City Attorney
Date: _____

Executive Director Business Services
Date: _____



REQUEST FOR CITY COUNCIL AGENDA ITEM #7

Agenda Date Requested: July 24, 2023

Requested By: Michelle Savensky, Adm. Asst.

Department: Administration

☒ Report ☐ Resolution ☐ Ordinance

Exhibits: Board & Commission Applications, Barcak Resignation Letter

Appropriation

Source of Funds: N/A

Account Number: N/A

Amount Budgeted: N/A

Amount Requested: N/A

Budgeted Item: ☒ Yes ☐ No

AGENDA ITEM #7

Consideration and possible action on appointments to Boards and Commissions.

SUMMARY & RECOMMENDATION

The City of Navasota has an opening on the Zoning Board of Adjustments ("ZBOA") due to Ethan Barcak being appointed to the Planning & Zoning Commission ("P&Z"). Legal Counsel believes it is in the best interest to avoid any conflicts of interest for Mr. Barcak to not occupy a position on both the P&Z Commission and ZBOA; therefore, staff recommends City Council appointing a replacement for Mr. Barcak on ZBOA. Staff received two applications for this position from Louis Vidotto and Jill Conlin.

Staff received an application from Michael Medeiros, a Navasota Citizens University graduate, to be on the Parks Board or Keep Navasota Beautiful. The Parks Board is currently full. Keep Navasota Beautiful has several openings.

The Navasota Public Library has an opening but currently we have not received any applications for this position.

ACTION REQUIRED BY CITY COUNCIL

Appoint one person to the Zoning Board of Adjustments and one person to the Keep Navasota Beautiful Commission.

Approved for the City Council meeting agenda.

Jason Weeks

Jason B. Weeks, City Manager

7/21/23

Date

CITY OF NAVASOTA VOLUNTEER APPLICATION

Dear Navasota Citizen:

Below is an application for volunteer service(s) to the City of Navasota. Please let us know if you are interested in serving on one of these Advisory Boards/Commission by completing the bottom of this form. You will be contacted in order to verify your continued interest and availability. If you are currently serving on one of the Advisory Boards/Commission, we appreciate your hard work and dedication thus far. If you would like to continue serving on this Advisory Board/Commission, inform us by marking the appropriate box below. Please do not miss this great opportunity to play a vital role in shaping your community!

Sincerely,

Bert Miller, Mayor of Navasota

NAME : Louis M. Vidotto
ADDRESS: 110 MEADOW LAKE DR.
PHONE: 512.917.6212 EMAIL: louisvidotto@gmail.com

PLEASE CHECK APPROPRIATE BOX: ☒ I am ☐ I am not a resident of Navasota
☒ I do ☐ I do not own property located in Navasota

I CURRENTLY SERVE ON THE NONE AT THIS TIME.

☐ I DO ☐ I DO NOT WISH TO BE REAPPOINTED TO THIS ADVISORY BOARD

PLEASE INDICATE AREA(S) OF PREFERENCE. SEE ATTACHED FOR DESCRIPTIVE. (IF MORE THAN ONE AREA IS INDICATED, PLEASE NUMBER YOUR PREFERENCES WITH "1" BEING YOUR FIRST CHOICE, "2" BEING YOUR SECOND CHOICE, ETC.)

<input checked="" type="checkbox"/> Planning & Zoning Commission	<input type="checkbox"/> Parks & Recreation Committee
<input checked="" type="checkbox"/> Board of Adjustment (ALTERNATE 2)	<input type="checkbox"/> Navasota Economic Development Corporation
<input type="checkbox"/> Airport Advisory Committee	<input type="checkbox"/> Navasota Housing Authority Board
<input type="checkbox"/> Keep Navasota Beautiful Commission	<input type="checkbox"/> Library Advisory Committee
<input type="checkbox"/> Historic Preservation Committee	

OTHER COMMUNITY PROJECT INTEREST: BOARD OF ADJUSTMENT ALTERNATE 2

SPECIAL INTEREST/SKILLS YOU FEEL MAY BE HELPFUL: SETTLING DISPUTES

EDUCATION / EXPERIENCE / CURRENT OCCUPATION: 14 / CDL DTR / CASHIER A&M

SIGNATURE OF APPLICANT: Louis M. Vidotto Date: 6/16/23

Please return Applications to: City Secretary, P.O. Box 910, Navasota, Texas 77868

Susie Homeyer

From: Nancy Vidotto <navidotto@hotmail.com>
Sent: Sunday, June 11, 2023 8:58 PM
To: Lupe Diosdado; Susie Homeyer; Michelle Savensky; Louis Vidotto
Subject: Re: ZBOA Alternate Members - Vacancy on Primary Position 2

Lupe

Louis is interested in being considered for this position.

If he is selected I would like to request that I be taken off as an alternate.

Thanks
Nancy Vidotto

From: Lupe Diosdado <gdiosdado@shomeyer@navasotatx.gov@navasotatx.gov>
Sent: Tuesday, June 6, 2023 10:41 AM
To: jmd5021@gmail.com <jmd5021@gmail.com>; navidotto@hotmail.com <navidotto@hotmail.com>; meganbarcak11@gmail.com <meganbarcak11@gmail.com>; mac vaughn <macvaughn@yahoo.com>
Cc: Susie Homeyer <shomeyer@navasotatx.gov>; Michelle Savensky <msavensky@navasotatx.gov>
Subject: ZBOA Alternate Members - Vacancy on Primary Position 2

Good morning Alternate ZBOA members,

There will be a vacancy on the primary position 2 of the ZBOA soon. Are any you interested in serving as a primary member? If so, please let me know before the end of next week. Please include Susie and Michelle in your response email. Their emails are listed below:

msavensky@navasotatx.gov

Best regards,

Lupe Diosdado
Development Services Director
City of Navasota



📞 936-825-6475 📠 936-870-4720 🌐 navasotatx.gov

✉️ gdiosdado@NavasotaTX.gov 📍 200 E. McAlpine St Navasota TX 77868



CAUTION: This email originated from outside of the City of Navasota's organization. DO NOT click links or open attachments unless you recognize the sender and know the content is safe.

CITY OF NAVASOTA VOLUNTEER APPLICATION

Dear Navasota Citizen:

Below is an application for volunteer service(s) to the City of Navasota. Please let us know if you are interested in serving on one of these Advisory Boards/Commission by completing the bottom of this form. You will be contacted in order to verify your continued interest and availability. If you are currently serving on one of the Advisory Boards/Commission, we appreciate your hard work and dedication thus far. If you would like to continue serving on this Advisory Board/Commission, inform us by marking the appropriate box below. Please do not miss this great opportunity to play a vital role in shaping your community!

Sincerely,
Bert Miller, Mayor of Navasota

NAME : Jill Conlin

ADDRESS: 902 Victoria St., Navasota

PHONE: 832-360-0540 EMAIL: jillconlin1@gmail.com

PLEASE CHECK APPROPRIATE BOX: ☒ I am ☐ I am not a resident of Navasota
☒ I do ☐ I do not own property located in Navasota

I CURRENTLY SERVE ON THE N/A

☐ I DO ☐ I DO NOT WISH TO BE REAPPOINTED TO THIS ADVISORY BOARD

PLEASE INDICATE AREA(S) OF PREFERENCE. SEE ATTACHED FOR DESCRIPTIVE. (IF MORE THAN ONE AREA IS INDICATED, PLEASE NUMBER YOUR PREFERENCES WITH "1" BEING YOUR FIRST CHOICE, "2" BEING YOUR SECOND CHOICE, ETC.)

<input type="checkbox"/> Planning & Zoning Commission	<input type="checkbox"/> Parks & Recreation Committee
<input checked="" type="checkbox"/> Board of Adjustment	<input type="checkbox"/> Navasota Economic Development Corporation
<input type="checkbox"/> Airport Advisory Committee	<input type="checkbox"/> Navasota Housing Authority Board
<input type="checkbox"/> Keep Navasota Beautiful Commission	<input type="checkbox"/> Library Advisory Committee
<input type="checkbox"/> Historic Preservation Committee	

OTHER COMMUNITY PROJECT INTEREST: Keep Navasota Beautiful

SPECIAL INTEREST/SKILLS YOU FEEL MAY BE HELPFUL: I have a background in teaching engineering and architecture, so I understand the building industry and how it can impact a community. I currently work as a technical specialist focusing on training architects on design software, so I believe I have the communication skills to be part of this public committee. I have lived in Navasota for 7 years and in the Brazos valley for 10 years. My husband and I own a business here so I want to see success for the city. And I am a Navasota Grimes County Chamber of Commerce Ambassador.

EDUCATION / EXPERIENCE / CURRENT OCCUPATION: B.S. in Technology Education from University of Wisconsin Platteville, M.S. in Educational Leadership from Sam Houston State University; Occupation: Technical Specialist for U.S. CAD. I also worked as a secondary teacher in public schools for 10 years and as a Training Manager for a modular prefabricated cleanroom manufacturer for 2 years.

SIGNATURE OF APPLICANT:



Date: 6/13/23

Please return Applications to: City Secretary, P.O. Box 910, Navasota, Texas 77868

CITY OF NAVASOTA VOLUNTEER APPLICATION

Dear Navasota Citizen:

Below is an application for volunteer service(s) to the City of Navasota. Please let us know if you are interested in serving on one of these Advisory Boards/Commission by completing the bottom of this form. You will be contacted in order to verify your continued interest and availability. If you are currently serving on one of the Advisory Boards/Commission, we appreciate your hard work and dedication thus far. If you would like to continue serving on this Advisory Board/Commission, inform us by marking the appropriate box below. Please do not miss this great opportunity to play a vital role in shaping your community!

Sincerely,

Bert Miller, Mayor of Navasota

NAME : MICHAEL MEDEIROS
ADDRESS: 7903 PUTTER PLACE CT., NAVASOTA, TX 77868
PHONE: 714/815-6972 EMAIL: MM.CM@outlook.com

PLEASE CHECK APPROPRIATE BOX: ☒ I am ☐ I am not a resident of Navasota
☒ I do ☐ I do not own property located in Navasota

I CURRENTLY SERVE ON THE NO ADVISORY BOARD

☐ I DO ☐ I DO NOT WISH TO BE REAPPOINTED TO THIS ADVISORY BOARD

PLEASE INDICATE AREA(S) OF PREFERENCE. SEE ATTACHED FOR DESCRIPTIVE. (IF MORE THAN ONE AREA IS INDICATED, PLEASE NUMBER YOUR PREFERENCES WITH "1" BEING YOUR FIRST CHOICE, "2" BEING YOUR SECOND CHOICE, ETC.)

<input type="checkbox"/> Planning & Zoning Commission	<input type="checkbox"/> Parks & Recreation Committee
<input type="checkbox"/> Board of Adjustment	<input type="checkbox"/> Navasota Economic Development Corporation
<input type="checkbox"/> Airport Advisory Committee	<input type="checkbox"/> Navasota Housing Authority Board
<input checked="" type="checkbox"/> Keep Navasota Beautiful Commission	<input type="checkbox"/> Library Advisory Committee
<input type="checkbox"/> Historic Preservation Committee	

OTHER COMMUNITY PROJECT INTEREST: HISTORIC SITES - HISTORY SHARING
SPECIAL INTEREST/SKILLS YOU FEEL MAY BE HELPFUL: 35 YEARS IN LANDSCAPE INC.
EDUCATION / EXPERIENCE / CURRENT OCCUPATION: RETIRED
SIGNATURE OF APPLICANT: Anchor Addison Date: 5/07/2023

Please return Application to: City Secretary, P.O. Box 910, Navasota, Texas 77868

Susie Homeyer

From: Ethan Barcak <ethan@thenerdbee.com>
Sent: Tuesday, June 6, 2023 12:34 PM
To: Lupe Diosdado
Cc: Susie Homeyer; Michelle Savensky
Subject: Re: Resignation from ZBOA

To all,

May this email serve as notice of my resignation from ZBOA due to being appointed to P&Z.

Thanks,

Ethan

Get [Outlook for iOS](#)

From: Lupe Diosdado <gdiosdado@navasotatx.gov>
Sent: Tuesday, June 6, 2023 10:37
To: Ethan Barcak <ethan@thenerdbee.com>
Cc: Susie Homeyer <shomeyer@navasotatx.gov>; Michelle Savensky <msavensky@navasotatx.gov>
Subject: Resignation from ZBOA

Ethan,

Now that you have been appointed to the P&Z you will be unable to serve on ZBOA. Can you send me an email or simply reply to this email resigning from ZBOA?

Council will try to fill the ZBOA seat on the second meeting of June.

Best regards,

Lupe Diosdado
Development Services Director
City of Navasota



📞 936-825-6475 📠 936-870-4720 🌐 navasotatx.gov

✉️ gdiosdado@NavasotaTX.gov 📍 200 E. McAlpine St Navasota TX 77868



CAUTION: This email originated from outside of the City of Navasota's organization. DO NOT click links or open attachments unless you recognize the sender and know the content is safe.



REQUEST FOR CITY COUNCIL AGENDA ITEM #8

Agenda Date Requested: <u>July 24, 2023</u>	Appropriation
Requested By: <u>Jon MacKay, Graduate Eng.</u>	Source of Funds: <u>Capital Outlay</u>
Department: <u>Public Works</u>	Account Number: <u>905-500-910.00</u>
<input checked="" type="radio"/> Report <input type="radio"/> Resolution <input type="radio"/> Ordinance	Amount Budgeted: <u>\$9,400,000</u>
	Amount Requested: <u>\$18,924.50</u>
	Budgeted Item: <input checked="" type="radio"/> Yes <input type="radio"/> No

Exhibits: Change Order Detail Sheet, Revised Construction Drawing, & Location Exhibit

AGENDA ITEM #8

Consideration and possible action on Change Order No 1 for the Streets and Utilities Capital Improvement Project in the amount of \$18,924.50.

SUMMARY & RECOMMENDATION

The house at 1103 E Washington Avenue received sewer service when sewer was first run on Kettler St. The service line runs through the neighbor's front yard between four large trees. These sewer service lines are made of clay and have broken numerous times in the past, leading to sewer backups for the resident at 1103 E Washington Ave. This sewer service line is expected to continue breaking as the trees grow.

This change order would move the service line of 1103 E Washington Ave. into McNair St. Because McNair St. was not considered as part of the original project scope, this is a change order needed to address these concerns. Performing the work now will prevent future repairs to the Kettler St. pavement compared to waiting to replace the service lines during the next line break. Additionally, this change order is more economical to perform the work while equipment is in the area and the Kettler sewer line is already exposed.

The original contract value was \$7,572,446.90. The new contract value will be \$7,591,371.40, which is an increase of \$18,924.50 or 0.25%. City Staff recommend City Council approving Change Order No. 1 to this contract.

ACTION REQUIRED BY CITY COUNCIL

Approve the Change Order to the contract between the City of Navasota and Keischnick General Contractors in the amount of \$18,924.50.

Approved for the City Council meeting agenda.



Jason B. Weeks, City Manager

7/20/23

Date

SECTION 00 63 36
CHANGE ORDER No. 1

PROJECT: Navasota 2020 Street & Utility Rehabilitation
PROJECT NO.: 12732


TO: City of Navasota Mayor, Bert Miller

1.01 DESCRIPTION OF CHANGES

		CONTRACT CHANGE	
		AMOUNT	TIME
ITEM B.10:	ADD - 75 SY Sawcut and replace Existing HMAC w/ 2" Type D HMAC (bid item B.10) @\$95.70/SY	\$ 7,177.50	0 Days
ITEM B.53:	ADD - 194 LF Sewer Line Trench Safety (bid item B.53) @\$0.50/LF	\$ 97.00	0 Days
ITEM B.71:	ADD - 1 Long Sewer Service to ROW with Cleanout, including all fittings, PVC box, excavation, embedment, and trench backfill (bid item B.71) @\$1100/EA	\$ 1,100.00	0 Days
ITEM CO 1:	ADD - 1 4" Cleanout in roadway including Cleanout Boot, Cast Iron Lid, and Concrete Collar (new bid item) @\$1000/EA	\$ 1,000.00	0 Days
ITEM CO 2:	ADD - 174 LF 4" ASTM D3034 SDR 26 PVC sewer sewer line All Depths, including all fittings, excavation, embedment, and trench backfill (new bid item) @\$50/LF	\$ 8,700.00	5 Days
ITEM CO 3:	ADD - 1 Joint 4" DI pipe through Box Culvert, including all fittings, excavation, embedment, and grouting (new bid item) @\$850/EA	\$ 850.00	0 Days
TOTALS:		\$ 18,924.50	5 Days


1.02 ACCEPTANCE BY CONTRACTOR

CONTRACTOR agrees to perform change(s) included in this Change Order for the price and time indicated. The prices for the changes include all costs associated with this Change Order.

 7/18/23
CONTRACTOR Signature Date

1.03 ACCEPTANCE BY THE OWNER

Owner Signature Date

 7-18-2023
Project Manager Signature Date

END OF DOCUMENT

EXECUTIVE SUMMARYC.O. # 1 Project No. 12732**1.01 CONTRACT PRICE SUMMARY**

	DOLLAR AMOUNT	PERCENT
A. Original Contract Price	\$ 7,572,446.90	100%
B. Previous Change Orders	\$ -	0%
C. This Change Order	\$ 18,924.50	0.25%
D. Contract Price	\$ 7,591,371.40	100%

Date of Commencement of the Work, Notice to Proceed:

May 24, 2023

1.02 CONTRACT TIME SUMMARY**DURATION****COMPLETION DATE**

A. Original Contract Time	420 Days	July 17, 2024
B. Previous Change Orders	0 Days	July 17, 2024
C. This Change Order	5 Days	July 22, 2024
D. Contract Time	425 Days	July 22, 2024

1.03 TOTAL VALUE OF INCREASES OUTSIDE OF GENERAL SCOPE OF WORK

A. Including this Change Order, the following table is provided to track conditions

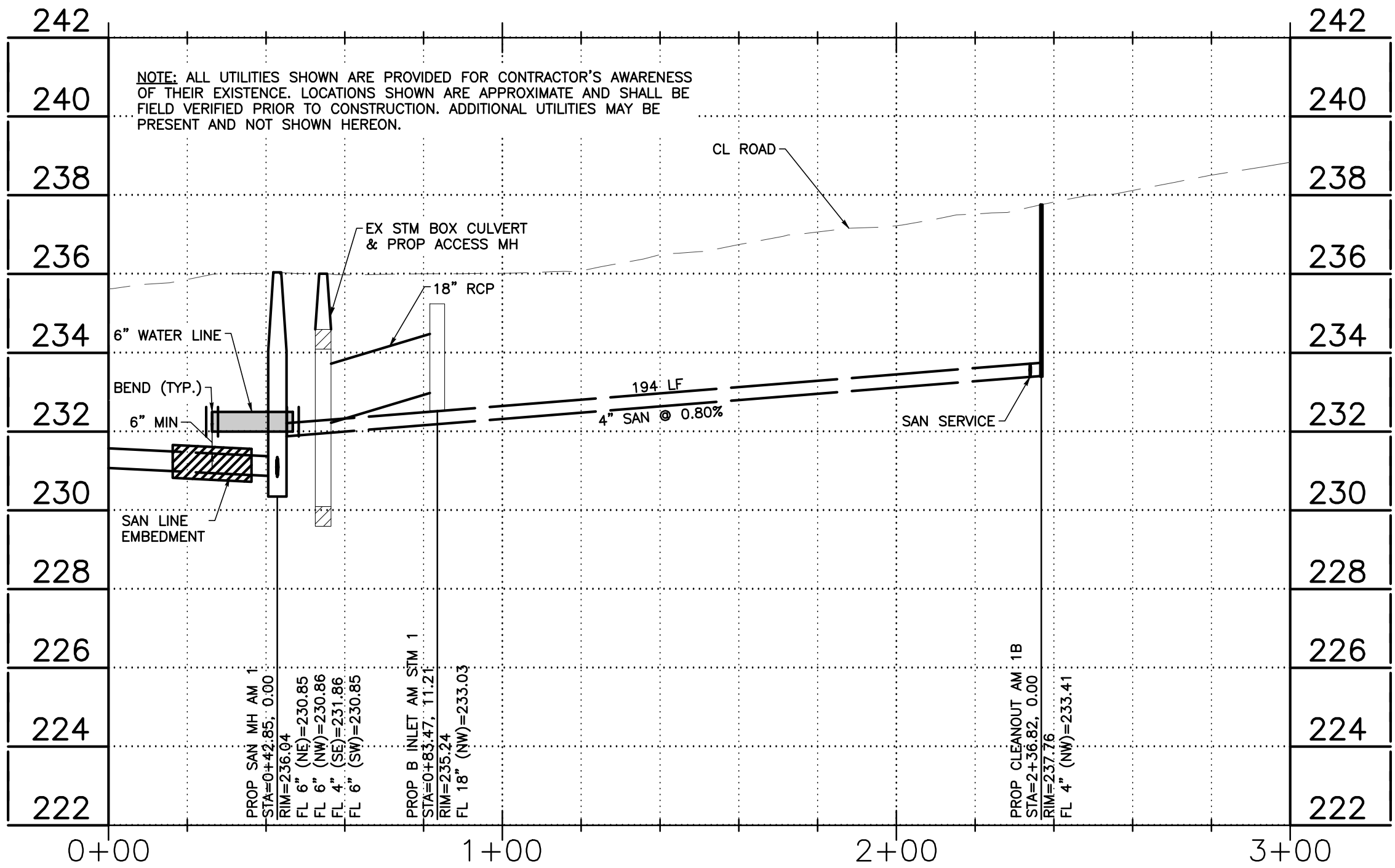
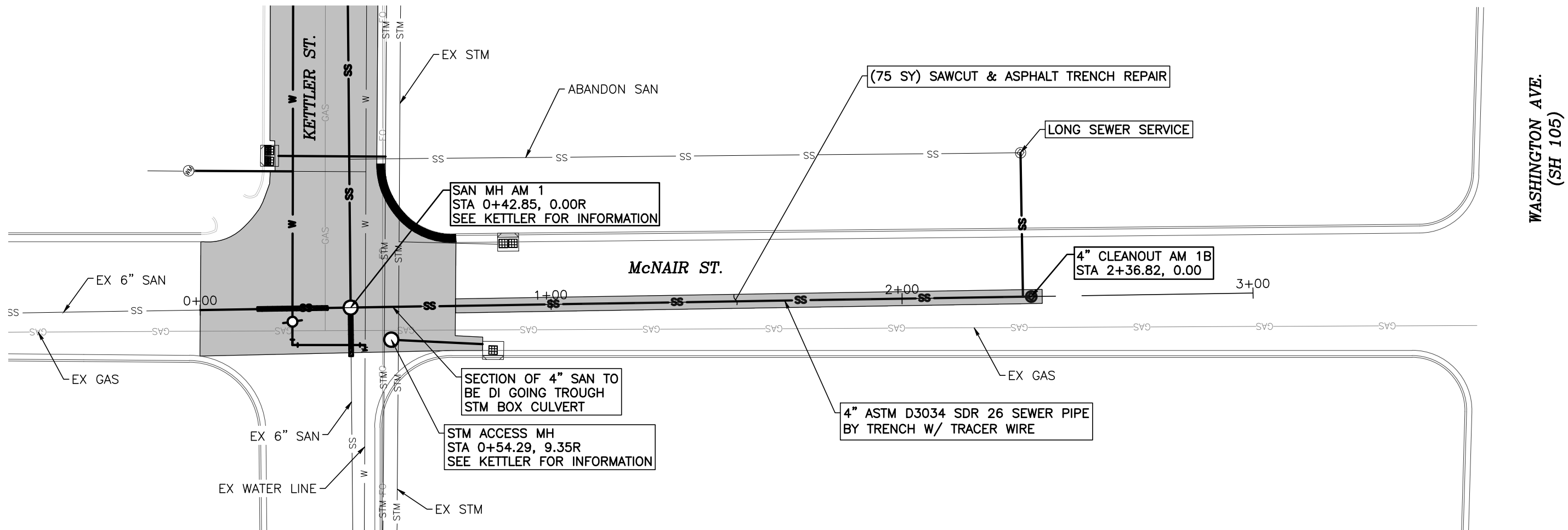
No.	Change Description	Amount Added	Percentage Added
1	McNair Service Line	\$ 18,924.50	0.25%
TOTALS		\$ 18,924.50	0.25%

END OF SUMMARY

Service Line Exhibit

CURRENT CLAY
SERVICE LINE
LOCATION

PROPOSED NEW
PVC LINE LOCATION



- NOTES TO CONTRACTOR:
1. TRENCH REPAIR REQUIRES STRUCTURAL FILL WITHIN 5' FROM BACK OF CURB.
 2. ALL ABANDONED LINES AND SERVICE CONNECTIONS NOT BEING USED SHALL BE CAPPED AT ALL OPENINGS.
 3. WHEN ABANDONING WATER LINES, THE ACTIVE LINE SHALL BE CAPPED AT NSP TO THE CONTRACTOR.
 4. NOTIFY CITY STAFF OR ENGINEER OF ANY SERVICE LINES DISCOVERED NOT SHOWN ON THE PLANS.
 5. VERIFY FLOW LINE OF ALL EXISTING SAN BEFORE ORDERING OR PLACEMENT OF MH.
 6. ALL CURB REPLACEMENTS ARE TO START AND END AT A JOINT.
 7. WATER LINES SHALL BE BURIED 4' DEEP WHENEVER SANITARY SEWER WILL ALLOW IT.
 8. BLUE REFLECTORS SHALL BE PLACED 8" FROM CL OF ROAD ON THE SAME SIDE OF THE STREET AS THE FIRE HYDRANT.

LEGEND		
	W	WATER LINE
	WM	WATER METER
	GV	GATE VALVE & BOX
	FH	FIRE HYDRANT
	SS	SANITARY SEWER LINE
	SMH	SANITARY SEWER MANHOLE
	SSC	SANITARY SEWER CLEANOUT
	STM	STORM SEWER LINE
	SSGI	STORM SEWER GRATE INLET
	SSCI	STORM SEWER CURB INLET
	GAS	EX GAS LINE
	FO	EX FIBER OPTICS
	CONC	CONCRETE
	ASPH	ASPHALT
	FEMA	FEMA FLOODPLAIN

0 15 30 60
SCALE: 1" = 30'

1

PREPARED FOR:

CITY OF NAVASOTA
200 EAST MCALPINE ST
NAVASOTA, TX 77868-0910

BLEYL ENGINEERING

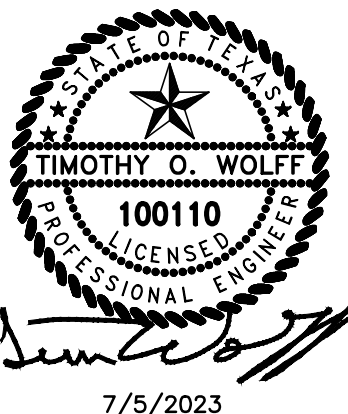
PLANNING • DESIGN • MANAGEMENT
1722 Broadmoor, Suite 210, Bryan Tx 77802
Texas Firm Registration No. F-678
Tel. 979-268-1125 Fax 979-260-3849
www.bleylengineering.com

AUSTIN BRYAN CONROE HOUSTON

MCNAIR ST. 0+00 TO END

2020 STREET & UTILITY
REHABILITATION

NAVASOTA, TEXAS



DESIGN: ZMV
CAD: ZMV | RVW: TOW
PROJECT NO: 12732
SHEET: CO 1 OF:



REQUEST FOR CITY COUNCIL AGENDA ITEM #9

Agenda Date Requested: <u>July 24, 2023</u>	Appropriation
Requested By: <u>Jason Weeks, City Manager</u>	Source of Funds: <u>N/A</u>
Department: <u>Administration</u>	Account Number: <u>N/A</u>
<input type="radio"/> Report <input type="radio"/> Resolution <input checked="" type="radio"/> Ordinance	Amount Budgeted: <u>N/A</u>
	Amount Requested: <u>N/A</u>
	Budgeted Item: <input checked="" type="radio"/> Yes <input type="radio"/> No

Exhibits: Letter from TMRS & Ordinance No. 1026-23

AGENDA ITEM #9

Consideration and possible action on the first reading of Ordinance No. 1026-23, authorizing Restricted Prior Service Credit (RPSC) for employees who are members of the Texas Municipal Retirement System.

SUMMARY & RECOMMENDATION

The Texas Municipal Retirement System (TMRS) offers a benefit called “Restricted Prior Service Credit” (RPSC). RPSC is an optional TMRS benefit that a municipality can offer our employees that allows them to use previous full-time employment at another public employer to satisfy length of service requirements for TMRS retirement eligibility. There is no financial obligation to the municipality or the employee. Full-time employment for any of the following entities may qualify:

- A public authority or agency created by the United States.
- Any state or territory of the United States.
- Any political subdivision or any state of the United States.
- Any public agency or authority created by a state or territory of the United States - Teacher Retirement System of Texas, Employees Retirement System of Texas, and Judicial Retirement System of Texas.
- Any institution of higher education at which the person was commissioned as a campus security personnel employee.
- Previous active-duty military service.

The time credit added through RPSC can be used by employees to help meet the city’s vesting requirement and retirement eligibility. This time is treated the same as time with the city, so there is not a minimum amount of time of service with the city that is actually required. For example, if an employee was hired that had five years of military service before they started employment in our TMRS system, they would be immediately vested as soon as they applied for the time credit. The same thing happens with retirement

eligibility. To be clear, this is the way it works for time with other TMRS cities as well. If an employee worked for College Station for five years and then came to Navasota, they would begin employment with the city already vested.

The city's contribution rate will reflect the cost of RPSC as employees qualify for the credit. Also, staff wants to make sure that it is clear that there is no monetary benefit with this time credit. While it can help some employees qualify for TMRS benefits sooner, the benefit they will receive will be smaller. Since TMRS is a cash balance retirement plan, each employee's benefit is calculated based on the amount of money in their account at retirement. If they retire sooner, that balance will be smaller and less expensive for the city. We have numerous military veterans that are employees as well as some employees that have been teachers or worked for one of the approved entities above that could benefit from this change; therefore, staff recommends City Council approving the attached Ordinance.

ACTION REQUIRED BY CITY COUNCIL

Approve or deny the first reading of Ordinance 1026-23 authorizing Restricted Prior Service Credit (RPSC) for employees who are members of the Texas Municipal Retirement System.

Approved for the City Council meeting agenda.



Jason B. Weeks, City Manager

7/20/23

Date

ORDINANCE NO. 1026-23

**AN ORDINANCE AUTHORIZING RESTRICTED PRIOR
SERVICE CREDIT FOR EMPLOYEES WHO ARE MEMBERS OF
THE TEXAS MUNICIPAL RETIREMENT SYSTEM**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NAVASOTA,
TEXAS:**

Authorization of Restricted Prior Service Credit.

(a) The City of Navasota, Texas (the "City") authorizes each employee who is a member ("Member") of the Texas Municipal Retirement System (the "System"), now or in the future, to be granted restricted prior service credit for service previously performed as an employee of any entity described in Section 853.305 of Subtitle G of Title 8, Texas Government Code, as amended (which subtitle is referred to as the "TMRS Act"), provided that (1) the employee does not otherwise have credited service in the System for that service, (2) the service meets the requirements of TMRS Act §853.305, and (3) the Member seeking to establish restricted prior service credit submits an application with the verifications required by TMRS Act §853.305.

(b) Pursuant to TMRS Act §853.305, restricted prior service credit may be used only to satisfy length-of-service requirements for retirement eligibility with the System, has no monetary value in computing the annuity payments allowable to the Member, and may not be used in other computations, including computation of Updated Service Credits.

(c) This Ordinance shall be effective on the first day of October 2023.

PASSED AND APPROVED THIS THE 24TH DAY OF JULY, 2023.

BERT MILLER, MAYOR

ATTEST:

SUSIE M. HOMEYER, SECRETARY



July 17, 2023

Maribel Frank
Chief Financial Officer
City of Navasota
PO Box 910
Navasota, TX 77868-0910

Re: Restricted Prior Service Credit

Dear Ms. Frank,

Thank you for your interest in offering your employees Restricted Prior Service Credit (RPSC) with TMRS.

RPSC is an optional TMRS benefit that you can offer to your employees that allows them to use previous full-time employment at another public employer to satisfy length of service requirements for TMRS retirement eligibility.

Full-time employment for any of the following entities may qualify:

- A public authority or agency created by the United States;
- Any state or territory of the United States;
- Any political subdivision of any state of the United States;
- Any public agency or authority created by a state or territory of the United States;
- Previously forfeited service with TMRS or one of the following retirement systems: Teacher Retirement System of Texas, Employees Retirement System of Texas, and Judicial Retirement System of Texas; or
- Any institution of higher education at which the person was commissioned as a campus security personnel employee

The city's contribution rate will reflect the cost of RPSC as employees qualify for the credit.

Enclosed for your information is a TMRS model ordinance that would have to be adopted by the city council in order to provide RPSC.

Please make sure the ordinance is adopted and signed before the effective date. When the ordinance is adopted, please send a copy to the City Services Team at cityservices@tmrs.com.

If you have any questions about the model ordinance or anything else, please call me at 512-225-3742.

Sincerely,

Colin Davidson
City Services Director



REQUEST FOR CITY COUNCIL AGENDA ITEM #10

Agenda Date Requested: <u>July 24, 2023</u>	Appropriation
Requested By: <u>Susie M. Homeyer, Secretary</u>	Source of Funds: <u>N/A</u>
Department: <u>Administration</u>	Account Number: <u>N/A</u>
<input checked="" type="radio"/> Report <input type="radio"/> Resolution <input type="radio"/> Ordinance	Amount Budgeted: <u>N/A</u>
	Amount Requested: <u>N/A</u>
	Budgeted Item: <input type="radio"/> Yes <input checked="" type="radio"/> No

Exhibits:

AGENDA ITEM #10

The City Council shall meet in Executive Session in accordance with Texas Government Code, Section 551.071, Consultation with Attorney – Consultation with legal counsel regarding City of Navasota water and sewer utility service area(s), and associated matters.

SUMMARY & RECOMMENDATION

City staff has determined there is a need for City Council to meet in Executive Session in accordance with Texas Government Code, Section 551.071, Consultation with Attorney – Consultation with legal counsel regarding City of Navasota water and sewer utility service area(s), and associated matters.

The time is _____p.m.

ACTION REQUIRED BY CITY COUNCIL

Conduct an Executive Session in accordance with Texas Government Code, Section 551.071, Consultation with Attorney - Consultation with legal counsel regarding City of Navasota water and sewer utility service area(s), and associated matters.

Approved for the City Council meeting agenda.


Jason B. Weeks, City Manager

7/20/23
Date



REQUEST FOR CITY COUNCIL AGENDA ITEM # 11

Agenda Date Requested: July 24, 2023

Requested By: Susie M. Homeyer, Secretary

Department: Administration

☒ Report ☐ Resolution ☐ Ordinance

Exhibits:

Appropriation

Source of Funds: N/A

Account Number: N/A

Amount Budgeted: N/A

Amount Requested: N/A

Budgeted Item: ☐ Yes ☒ No

AGENDA ITEM #11

Reconvene into open session from Executive Session.

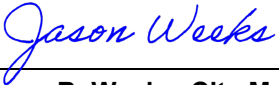
SUMMARY & RECOMMENDATION

Reconvene in open session. The time is _____p.m.

ACTION REQUIRED BY CITY COUNCIL

Reconvene in open session.

Approved for the City Council meeting agenda.



Jason B. Weeks, City Manager

7/20/23

Date



REQUEST FOR CITY COUNCIL AGENDA ITEM #12

Agenda Date Requested: July 24, 2023

Requested By: Susie M. Homeyer, Secretary

Department: Administration

☒ Report ☐ Resolution ☐ Ordinance

Exhibits: None

Appropriation

Source of Funds: N/A

Account Number: N/A

Amount Budgeted: N/A

Amount Requested: N/A

Budgeted Item: ☐ Yes ☒ No

AGENDA ITEM #12

Consideration and possible action on City of Navasota water and sewer utility service area(s), including but not limited to retaining legal counsel regarding the City of Navasota water and sewer utility service area(s), and associated matters.

SUMMARY & RECOMMENDATION

Based on items discussed during executive session, there is a need to take action as recommended by legal counsel.

ACTION REQUIRED BY CITY COUNCIL

City Council to take action, if necessary, on Executive Session Item.

Approved for the City Council meeting agenda.

Jason Weeks
Jason B. Weeks, City Manager

7/20/23
Date