

CITY OF NEDERLAND, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Prepared by:
FINANCE DEPARTMENT

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City of Nederland

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

Don Albanese, Mayor
Talmadge Austin, Mayor Pro-Tem
Billy Neal, Councilmember
Randy Sonnier, Councilmember
Sylvia Root, Councilmember
Christopher Duque, City Manager

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

State and local law requires that the City of Nederland annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report was prepared by the Finance Department, in accordance with the City Charter and in compliance with State law, to provide the public, investors, grantor agencies, and other interested parties with reliable financial information about the City. Accordingly, we hereby respectfully submit the Annual Comprehensive Financial Report of the City of Nederland for the fiscal year ended September 30, 2021.

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

The City's financial statements have been audited by Wathen, DeShong & Juncker, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2021, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

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

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

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

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

History

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

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

FACTORS AFFECTING FINANCIAL CONDITIONS

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

Local Economy

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

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

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

Over the past several years, ad valorem and sales tax have indicated modest growth. In the past five years, taxable assessable values have increased by over \$308M or 28.34%. During the same period, ad valorem tax revenue has increased by 23.95% or 4.79% annually, but this increase also reflects ad valorem tax rate increases in October 2017 (Nederland Avenue project debt). For the fiscal years 2019-2020 and 2020-2021, the City's ad valorem tax rate was reduced as increasing property values resulted in the tax rate calculations decreasing. In addition, during the past five years, sales tax collections increased by 35.93%; a significant increase resulted from the repairs and reconstruction following Hurricanes Laura and Delta and Winter Storm Uri. During this period, industrial in lieu of taxes revenues has increased by 92.28%, which reflects tax rate increases, capital investments in the plants, and expiring tax abatements that helped facilitate the capital improvements. Looking beyond the past five years, long-term trends in taxable values, ad valorem revenue, and sales tax revenue, as well as the on-going instability in the local economy due to oil prices and the COVID-19 pandemic, have resulted in staff conservatively estimating any potential short-term growth. Due to the level of economic growth, the City has previously initiated actions to ensure financial stability while continuing to identify potential improvements for increased operational efficiencies.

In 1994, voters adopted an additional one half of one percent sales and use tax to be used for the promotion and development of new or expanded business enterprises as authorized by Section 4B, Article 5190.6, V.T.C.S. With this additional sales tax revenue, an economic development corporation, also authorized by the Act, was created to promote, assist, and enhance economic and community development activities for the City. In 2007, voters adopted a quarter cent of the City sales tax to be allocated to a Street Improvement Fund by reducing the Section 4B tax to a quarter cent. Funds would be expended on street-related improvement projects. With 82.55 0% votes of approval, the street sales tax was re-authorized during the May 2019 election.

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

FY 2020-2021 IN REVIEW

- ✓ Reduced the tax rate from \$0.599159 to \$0.579708 per \$100 assessed taxable value; maintained the lowest municipal tax rates in Jefferson County; continued to provide \$15,000 Homestead Tax Exemptions for the elderly and the disabled.
- ✓ Completed street improvements to address the City's transportation network, approximately \$1,693,000, including the hot mix overlay of Boston Avenue (15th St to Twin City Highway), 20th Street (Helena Ave to Canal), the intersection of 27th Street and Nederland Avenue, Avenue L (Twin City Highway to South 16th St), North 23rd Street (Nederland Ave to Helena Ave), South 23rd Street (Ave H to Nederland Ave), and Luling (Twin City Highway to 14th St), concrete street repairs of Avenue H (Twin City Highway to 14th St), Hardy Avenue (Nederland Ave to Ave A), and approximately 500 square yards of repairs on 18th Street due to the winter storm, and bomag and chip sealed over 3 miles of mainly residential neighborhood streets.
- ✓ Completed the Hodgson Road/Bourque Road Rehabilitation project (\$1,347,168).
- ✓ Completed the Hodgson Road Lift Station Reconstruction project (\$505,315).
- ✓ Completed the South 14th Street Sanitary Sewer Rehabilitation project (\$126,061).
- ✓ Completed the South 6th Street Water Main Improvement project (\$289,267), which facilitated one of the NISD bond projects—the expansion/remodeling of Highland Park Elementary.
- ✓ Completed the Canal Avenue Elevated Water Storage Tank and Avenue G Elevated Water Storage Tank Rehabilitation project (\$800,400).
- ✓ Commenced the installation of generators at four lift stations with Hazard Mitigation Grant Program funding (\$289,620).
- ✓ Commenced Wastewater Treatment Plant Improvements Phase 1 project (\$1,198,236), which encompasses ultraviolet disinfection system upgrades, replacing the clarifier weirs, baffles, and suction headers, and expanding the lift station MCC building.
- ✓ Commenced Wastewater Treatment Plant Improvements Phase 2 project (\$1,135,572), which includes removal and replacement of the submersible lift station pumps, installation of variable frequency drives for the lift station pumps, replacing the existing polymer feed systems, a new mechanical screen at the headworks, and upgrades of the sludge de-watering centrifuges.
- ✓ Completed the Homer E. Nagel Public Safety Complex Parking Lot Improvement project (\$224,602.45).
- ✓ Funded the widening of the Lower Neches Valley Authority's 18th Street bridge following a traffic impact study triggered by the construction of the new high school (\$370,000).
- ✓ Issued Combination Tax and Revenue Certificates of Obligation, Series 2021 in the amount of \$4,350,000 that will be utilized for streets, bridge, and drainage improvements.
- ✓ Adjusted Utility Rates to ensure the fiscal stability of services; the water base rate was adjusted by \$0.25 (\$10 to \$10.25); and the garbage rate was adjusted by \$0.50 (\$19.75 to \$20.25).
- ✓ Received \$59,083 in grant funding and donations: \$2,522 – Law Enforcement Officer Standards and Education Funds (Police), \$691 – Law Enforcement Officer Standards and Education Funds (Fire), \$1,170 – Texas Forest Service (Fire) \$34,200 – Wilton and Effie Mae Hebert Foundation (Library); received donations of \$1,500 from Friends of the Library (Library), \$14,000 from Sunoco (Fire), and \$5,000 from Exxon Mobil (Fire).
- ✓ Purchased two Police patrol SUVs, a gradall excavator for the Streets Department, a truck for the Wastewater Treatment Plant, a truck for the Water/Sewer Distribution Department, and a trash truck for the Solid Waste Department.
- ✓ Purchased four sets of bunker gear for the Nederland Fire Department (\$13,500).
- ✓ Purchased four in-car cameras, ticket writer and printer, and laptop for cell phone forensics for the Nederland Police Department.
- ✓ Completed the installation of a new waterslide for the Nederland Swimming Pool (\$152,600) utilizing pipeline easement funds, not tax funds.
- ✓ Continued to fund spay & neutering program of Nederland residents' pets in an effort to control the pet population and commenced a feline population control program.
- ✓ Adopted a five year Capital Improvement Program, 2021-2026.
- ✓ Approved a five-year collective bargaining agreement with the International Association of Firefighters, Local 3339 and a three-year collective bargaining agreement with the Nederland Police Officers Association.

- ✓ Approved the Final Plat of “Heritage Estates private subdivision,” a 20-lot subdivision.
- ✓ Revised the City’s Essential Services Policy.
- ✓ Continued the strong working relationship with the Nederland Independent School District to include discounting building permit fees for the NISD bond projects, serving as a secondary evacuation location for Hillcrest Elementary, and approving an interlocal agreement to share CRF funds to assist with the school district’s COVID-19-related expenses.
- ✓ Completed the Hurricane Delta debris operation and responded to the Winter Storm Uri.
- ✓ Completed the re-design of the City website providing a greater amount of and better organized information, as well as a greater emphasis on financial transparency.
- ✓ Hosted three Town Hall meetings to improve communication with citizens.
- ✓ Continued to reduce the crime rate.
- ✓ Resumed holding community events including the National Day of Prayer and the July 4th Fireworks Extravaganza.
- ✓ Awarded for the 23rd year in a row the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for the City’s annual comprehensive financial report.
- ✓ Continued the partnership with Adaptive Sports for Kids, which provides athletic/recreational activities, such as baseball, soccer, basketball, Tae Kwan Do, cheerleading, and flag football, for children and adults with disabilities.
- ✓ Improved workplace safety and reduced the number of injury claims.
- ✓ Continued the strong relationship with the Nederland Economic Development Corporation and Nederland Chamber of Commerce in order to promote commerce and industrial growth.
- ✓ Continuation of residential and commercial growth in our City that will impact economic growth and opportunities for our citizenry.
- ✓ Continued to assess each City department’s delivery of services to ensure the maximum efficiency and effectiveness of tax dollars to provide a better municipal government.

GOALS FOR FISCAL YEAR 2021-2022

- Maintain the lowest municipal tax rates in Jefferson County (\$0.517206 per \$100 assessed taxable value); continue to provide \$15,000 Homestead Tax Exemptions for the elderly and the disabled.
- Continuation of street improvements to improve the transportation network—\$3,015,200.
- Complete the installation of generators at four lift stations with Hazard Mitigation Grant Program funding (\$289,620).
- Complete Wastewater Treatment Plant Improvements Phase 1 project (\$1,198,236), which encompasses ultraviolet disinfection system upgrades, replacing the clarifier weirs, baffles, and suction headers, and expanding the lift station MCC building.
- ✓ Complete Wastewater Treatment Plant Improvements Phase 2 project (\$1,135,572), which includes removal and replacement of the submersible lift station pumps, installation of variable frequency drives for the lift station pumps, replacing the existing polymer feed systems, a new mechanical screen at the headworks, and upgrades of the sludge de-watering centrifuges.
- Install and/or repair sidewalks near Highland Park Elementary, Hillcrest Elementary, and Langham Elementary.
- Complete \$4,350,000 in street, bridge, and drainage improvements (City of Nederland, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021) to include widening of the 18th Street bridge, concrete repairs of Nederland Ave (the railroad tracks to 3rd Street), hot mix overlays of various streets, drainage improvements, and drainage studies.
- Commence the Hurricane Harvey CDBG Disaster Recovery Program to address drainage issues in the Hilldale/Hill Terrace area and the areas near 3rd Street, Texas, and 1st Street between Nederland Avenue and Boston Avenue.
- Negotiate a new industrial in lieu of tax agreement with Sunoco.
- Adjust City Utility Rates to ensure the long-term fiscal stability of water/wastewater services and solid waste services.
- Complete a waterline replacement project and other capital improvements to the Water System.
- Create a new Police Officer position for the Police Department.
- Continue to fund spay & neutering program of Nederland residents’ pets in an effort to control the pet population and a feline population control program.
- Increase monthly allocation for the Senior Citizen Center.
- Allocate \$50,000 for installation of street lights in underserved neighborhoods.

- Purchase three detective units for the Police Department, a streets broom for the Streets Department, and a garbage truck for the Solid Waste Department.
- Complete landscaping improvements and electrical repairs at Tex Ritter Park.
- Install new playground equipment at 5th Street Park, construct half-court for basketball at Cropo LeBlanc Park, re-surface tennis court at Doornbos Park, install new playground at Doornbos Park, re-surface parking lot at Babe Ruth field, making parking lot/concrete drive repairs at Doornbos Park, install fencing around the waterslide, and re-surface the swimming pool deck.
- Install new carpet at the Marion & Ed Hughes Public Library.
- Continue to host town halls/public forums with City leadership to discuss various issues with the public as part of a citizen engagement/outreach effort.
- Continue to reduce the crime rate.
- Continuation of water and sewer line improvements to upgrade the City's utility infrastructure.
- Continue to provide community events including "Trash Bash", Nederland Family Nights at the Pool, Monsters in the Park, holiday decorating, Christmas on the Avenue, National Night Out, Veterans' Day, Memorial Day, and the 4th of July Fireworks Extravaganza.
- Improve workplace safety and reduce the number of injury claims.
- Continue the strong relationship with the Nederland Economic Development Corporation and Chamber of Commerce in order to promote commerce and industrial growth.
- Continuation of residential and commercial growth in our City that will impact economic growth and opportunities for our citizenry.
- Continue to assess each City department's delivery of services to ensure the maximum efficiency and effectiveness of tax dollars to provide a better municipal government.

Long-term Financial Planning

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

Development opportunities continue to be pursued by the Nederland Economic Development Corporation with the greatest focus on the Jack Brooks Airport Development. Annexed in 2010, this highway frontage acreage is marketed for retail and commercial development. The Nederland EDC actively works with the City of Nederland and Jefferson County. The City's efforts are focused on industrial development opportunities with Sunoco, Phillips 66, and Air Liquide.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in approved investment pools, and interest-bearing demand deposits. The average yield on investments was 0.0489% during fiscal year ended September 30, 2021.

Risk Management

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

Pension and Other Postemployment Benefits

The City provides pension benefits for all full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by the actuary. The City has funded 108.89% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 25 years as part of the annual required contribution calculated by the actuary.

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

Additional information on the City's pension arrangements and post-employment benefits can be found in Note 9 and Note 11 in the notes to the financial statements.

AWARDS AND ACKNOWLEDGMENTS

Awards

The City of Nederland participates in the Certificate of Achievement for Excellence in Financial Reporting Award program sponsored by the Government Finance Officers Association (GFOA). Receiving this prestigious award is the result of achieving the highest standards in governmental accounting and financial reporting. Fiscal year ended September 30, 2020 marked the twenty-fourth consecutive year the City received this annual award. A Certificate of Achievement is valid for a period of one year only. We believe that our fiscal year ended September 30, 2021ACFR continues to meet the program requirements and this document will be submitted to GFOA for consideration.

Acknowledgments

The preparation of the Annual Comprehensive Financial Report was made possible by the dedicated service of the entire staff of the City. We would like to express our appreciation to all employees who assisted and contributed to its preparations. We would also like to thank the City Council for their interest and support in planning and conducting financial operations of the City in a responsible and progressive manner.

Respectfully submitted,


Christopher Duque
City Manager


Cheryl Dowden
Director of Finance

March 14, 2022



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Nederland
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

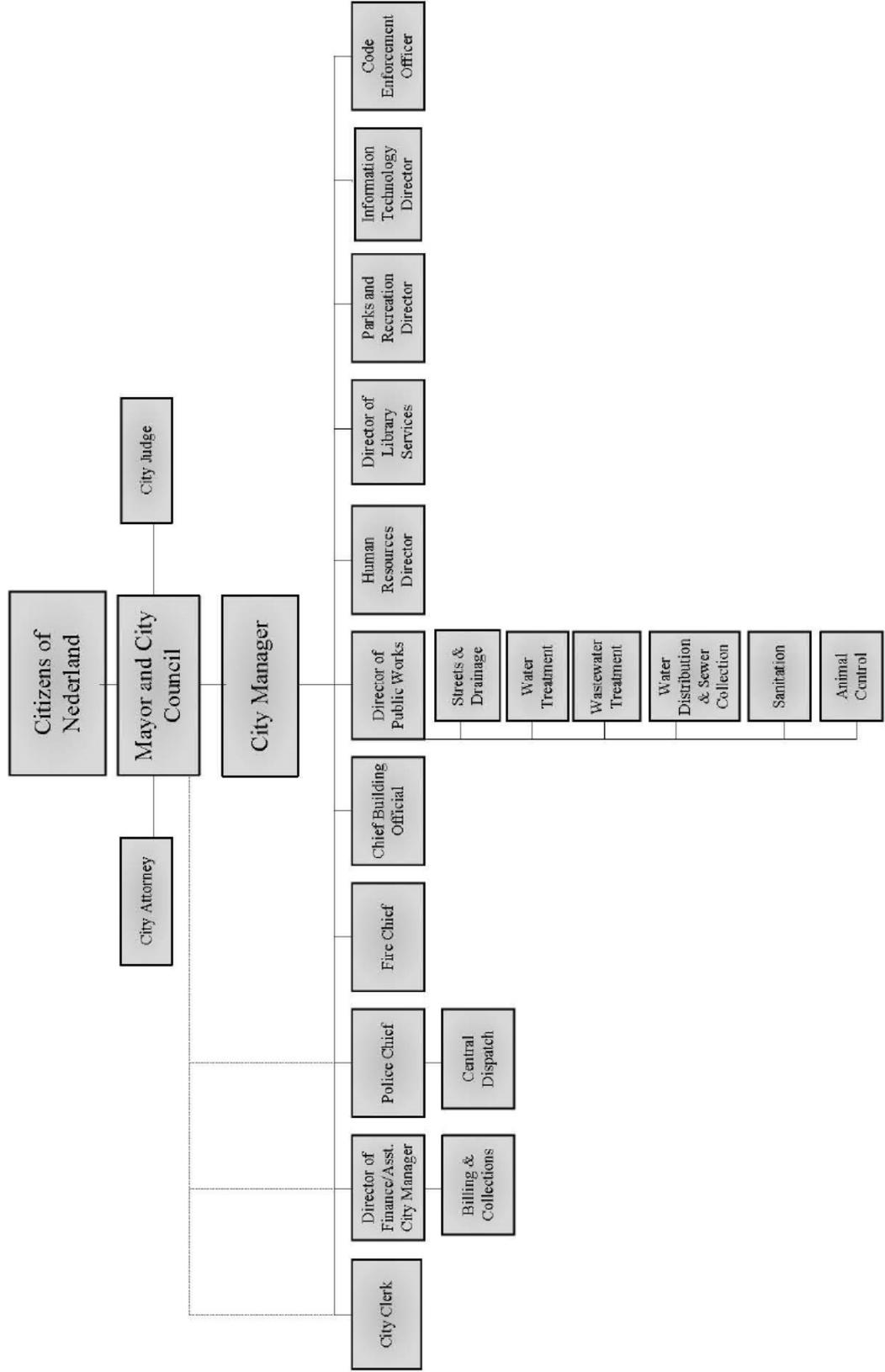
Executive Director/CEO

CITY OF NEDERLAND, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
September 30, 2021

CITY OFFICIALS	ELECTED POSITIONS
Don Albanese	Mayor
Talmadge Austin	Council Member - Ward 1, Mayor Pro-Tem
Billy Neal	Council Member - Ward 2
Randy Sonnier	Council Member - Ward 3,
Sylvia Root	Council Member - Ward 4

KEY STAFF	POSITION
Christopher Duque	City Manager
Cheryl Dowden	Director of Finance / Assistant City Manager
Gay Ferguson	City Clerk
Jesse Branick	City Attorney

City of Nederland Organizational Chart



FINANCIAL SECTION

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



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

March 14, 2022

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Nederland, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nederland, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nederland, Texas as of September 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and
Members of City Council
City of Nederland, Texas
Page 2
March 14, 2022

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the schedule of changes in net pension liability and related ratios on page 50, the schedule of employer contributions – pension plan on page 51, and the schedule of changes in the total OPEB liability and related ratio on page 52, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nederland, Texas's basic financial statements. The combining and individual fund financial statements and schedules, the other supplementary information, and the introductory and statistical sections, as referenced in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 14, 2022 on our consideration of the City of Nederland, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City of Nederland, Texas's internal control over financial reporting and compliance.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Nederland (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The net position of the City at the close of the most recent fiscal year was \$97,236,845. This number must be viewed in the context that the majority of the City's net position of \$57,746,222 (59.39%) is the net investment in capital assets and that most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The net position restricted for specific purposes totals \$929,521 (0.96%). The remaining \$38,561,102 (39.66%) is the unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net position increased by \$2,004,682 in fiscal year 2021.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$34,898,099. Within this total \$1,536,234 is non-spendable for prepaid items, \$11,262,227 is restricted by specific legal requirements, such as by debt covenants and \$3,878,191 has been committed and assigned to specific expenditures. The remaining \$18,221,447 is unassigned fund balance in the general fund and can be used for any lawful purpose.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources and deferred inflows of resources, and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, public safety, cultural and recreation, and administration and general. The business-type activities of the City include two enterprise activities; water and sewer system and a solid waste system. The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements - A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories- governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Non-financial assets such as governmental buildings, roads, drainage ways, park land and long-term liabilities such as bonds payable or long-term liabilities that will not be paid with current assets are excluded. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains eight governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Capital Improvement Fund and Debt Service Fund. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the Annual Comprehensive Financial Report. The basic governmental funds financial statements can be found on pages 11-14.

Proprietary Funds - The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Solid Waste operations since they are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 16-19 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-49 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. The City's net position was \$97,236,845 as of September 30, 2021. The largest portion of the City's net position (59.39%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (0.96%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$38,561,102 (39.66%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Net Position September 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 43,315,183	\$ 37,471,534	\$ 12,798,608	\$ 12,732,760	\$ 56,113,791	\$ 50,204,294
Capital Assets	42,564,660	40,582,770	31,958,048	30,045,511	74,522,708	70,628,281
Total Assets	<u>85,879,843</u>	<u>78,054,304</u>	<u>44,756,656</u>	<u>42,778,271</u>	<u>130,636,499</u>	<u>120,832,575</u>
Deferred Outflows	1,107,211	873,262	573,470	454,397	1,680,681	1,327,659
Current Liabilities	8,092,080	4,653,367	1,274,911	1,179,393	9,366,991	5,832,760
Long-term Liabilities						
Outstanding	23,016,491	20,806,716	611,319	569,343	23,627,810	21,376,059
Total Liabilities	<u>31,108,571</u>	<u>25,460,083</u>	<u>1,886,230</u>	<u>1,748,736</u>	<u>32,994,801</u>	<u>27,208,819</u>
Deferred Inflows	1,471,332	1,668,184	614,202	704,575	2,085,534	2,372,759
Net Position						
Net Investment in						
Capital Assets	36,664,862	34,417,770	31,958,048	30,045,511	57,746,222	54,996,633
Restricted	783,691	865,425	145,830	160,178	929,521	1,025,603
Unrestricted	16,958,598	16,516,104	10,725,816	10,573,668	38,561,102	36,556,420
Total Net Position	<u>\$ 54,407,151</u>	<u>\$ 51,799,299</u>	<u>\$ 42,829,694</u>	<u>\$ 40,779,357</u>	<u>\$ 97,236,845</u>	<u>\$ 92,578,656</u>

Governmental activities: Governmental activities increased the City's net position by \$2,607,852. The increase is due to several factors including greater than anticipated revenues from the City's property tax revenue, sales tax revenue, and in lieu of tax contracts revenue. Grant funds were received from the federal government due to the Coronavirus pandemic. Several Park and Recreation projects were delayed due to weather with funds reallocated in the current budget. In addition, the City received a onetime street use payment from a pipeline company for temporary street use. In Lieu of tax payments increased due to higher industrial values and lower construction contract reductions. The City's Municipal Court entered into a contract for collection of court fines and fees resulting in greater than expected payments.

Business type activities. Business-type activities increased the City's net position by \$2,050,337. The increase is attributable to nonoperating transfers in of \$3,371,554.

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

Changes in Net Position

For the fiscal years ended September 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 679,849	\$ 480,203	\$ 6,929,101	\$ 6,820,447	\$ 7,608,950	\$ 7,300,650
Operating Grants and Contributions	421,216	1,383,225	-	-	421,216	1,383,225
Capital Grants and Contributions	53,242	-	-	-	53,242	-
General Revenues						
Property Taxes	7,202,505	7,158,736	-	-	7,202,505	7,158,736
Industrial Payments	3,215,618	2,402,073	-	-	3,215,618	2,402,073
Sales Tax	5,063,576	5,065,369	-	-	5,063,576	5,065,369
Gross Receipts Tax	1,160,013	1,203,836	-	-	1,160,013	1,203,836
Interest	13,317	267,685	4,181	78,758	17,498	346,443
Miscellaneous	176,469	314,717	328,159	177,212	504,628	491,929
Total Revenues	17,985,805	18,275,844	7,261,441	7,076,417	25,247,246	25,352,261
Expenses						
General Government	1,038,063	1,711,575	-	-	1,038,063	1,711,575
Public Safety	7,175,908	6,941,338	-	-	7,175,908	6,941,338
Public Works	2,474,918	2,295,576	-	-	2,474,918	2,295,576
Culture and recreation	1,520,515	1,332,467	-	-	1,520,515	1,332,467
Administrative and general	473,705	361,156	-	-	473,705	361,156
Interest on Long Term Debt	633,917	817,081	-	-	633,917	817,081
Other Debt Service	121,461	-	-	-	121,461	-
Water & Sewer	-	-	5,353,822	5,076,567	5,353,822	5,076,567
Solid Waste	-	-	1,796,748	1,472,886	1,796,748	1,472,886
Total Expenses	13,438,487	13,459,193	7,150,570	6,549,453	20,589,057	20,008,646
Increase (Decrease) in Net Position before Transfers	4,547,318	4,816,651	110,871	526,964	4,658,189	5,343,615
Transfers	(1,939,466)	(2,649,925)	1,939,466	2,649,925	-	-
Increase in Net Position	2,607,852	2,166,726	2,050,337	3,176,889	4,658,189	5,343,615
Net Position-Beginning of Year	51,799,299	49,632,573	40,779,357	37,602,468	92,578,656	87,235,041
Net Position-End of Year	\$ 54,407,151	\$ 51,799,299	\$ 42,829,694	\$ 40,779,357	\$ 97,236,845	\$ 92,578,656

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$34.9 million, an increase of \$2,592,082 over the prior year. The increase is mainly attributable to activities in the General Fund resulting in an increase of \$2,298,401 in Fund Balance. Approximately \$18.2 million of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and committed to indicate that it is not available for new spending because it has already been committed to prepaid items \$1,536,234, restricted for payment of debt service \$146,718, restricted for Capital Acquisition and Contractual Obligations \$10,813,415, restricted for Public Safety \$171,029, and restricted for Culture and Recreation \$131,065. In addition, \$3,415,705 is committed for capital projects and \$462,486 is assigned for Culture and Recreation.

The General Fund is the chief operating fund of the City. At September 30, 2021, the unassigned fund balance of the General Fund was \$18,221,447 while total fund balance was \$22,733,100. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures (including transfers out). Unassigned fund balance represents 128.6 percent of total general fund expenditures (including transfers out), while total fund balance represents 160.5 percent of that same amount.

Fund balance of the City's General Fund increased by \$2,298,401 during 2021. This increase was primarily due to increases in property tax revenue and in lieu of tax contracts revenue.

The Debt Service Fund has a total fund balance of \$146,718. The net decrease in fund balance during the fiscal year 2021 in this fund was \$43,157 and was due to ad valorem tax revenues being below budget. The Debt Service Fund is funded with property tax revenue at the level necessary to meet debt service requirements.

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

The unrestricted net position at the end of the year amounted to \$6,823,857 for the Water and Sewer Fund, and \$3,901,959 for the Solid Waste Fund. The change in net position for the enterprise funds in 2021 were an increase of \$2,104,617 for the Water & Sewer Fund and a decrease of \$54,280 for the Solid Waste Fund.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase in budgeted expenditures from the original budget of \$1,097,306 or 8.9%. The major changes were Highways and Streets increased \$814,850, and Parks and Recreation increased \$103,151. During the year budgeted revenues increased \$2,466,490 from the original budget which was attributable to better than expected ad valorem tax collections, sales tax collections industrial in lieu of contract collections.

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

The City's highway and street expenditures were \$404,114 greater than the anticipated budget due to added street projects including a rebuilt industrial road with concrete material to extend its useful life. Parks and recreation expenditures were \$227,296 under budget. Police expenditures were \$99,935 under budget.

CAPITAL ASSETS

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2021, amounted to \$74,522,708 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements, and equipment. The total increase in capital assets for the current fiscal year was approximately 5.51% (4.88% increase for governmental activities and 6.37% increase in business-type activities.)

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,319,781	\$ 4,095,179	\$ -	\$ -	\$ 4,319,781	\$ 4,095,179
Construction in Progress	1,322,023	164,100	2,822,849	436,541	4,144,872	600,641
Buildings	15,248,220	15,220,952	21,450,340	21,450,340	36,698,560	36,671,292
Improvements other than Buildings	-	-	37,861,637	36,854,978	37,861,637	36,854,978
Machinery and Equipment	6,785,629	6,121,911	5,286,223	4,956,742	12,071,852	11,078,653
Infrastructure	46,119,738	44,365,748	-	-	46,119,738	44,365,748
	73,795,391	69,967,890	67,421,049	63,698,601	141,216,440	133,666,491
Less: Accumulated Depreciation	(31,230,731)	(29,385,120)	(35,463,001)	(33,653,090)	(66,693,732)	(63,038,210)
Capital Assets, net	<u>\$ 42,564,660</u>	<u>\$ 40,582,770</u>	<u>\$ 31,958,048</u>	<u>\$ 30,045,511</u>	<u>\$ 74,522,708</u>	<u>\$ 70,628,281</u>

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

- Street improvements including concrete overlays, chip seal and hot mix totaling \$2,548,738
- Purchase of Street Department Gradall at a cost of \$365,253
- Completion of a Public Safety Building Parking Lot at a cost of \$224,602
- Completion of a new Waterline along S. 6th Street totaling \$336,068
- Wastewater Treatment Plant Improvements totaling \$1,591,281
- Completion of elevated water towers rehabilitation totaling \$852,370
- Purchase of Solid Waste Freightliner Trash Truck at a cost of \$205,769

Additional information on the City's capital assets can be found in Note 1 on page 26 and Note 5 on pages 34-35 of this report.

DEBT ADMINISTRATION

Long-Term Debt

Long-term debt. At September 30, 2021, the City had \$23,899,840 of long-term debt.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General & Certificates of Obligations	\$ 3,550,000	\$ 4,335,000	\$ -	\$ -	\$ 3,550,000	\$ 4,335,000
Tax & Revenue CO's	18,320,000	15,170,000	-	-	18,320,000	15,170,000
Unamortized Bond Premium	1,489,840	1,350,259	-	-	1,489,840	1,350,259
Tax Notes Payable	540,000	1,040,000	-	-	540,000	1,040,000
	<u>\$ 23,899,840</u>	<u>\$ 21,895,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,899,840</u>	<u>\$ 21,895,259</u>

Total long-term bonds and other liabilities outstanding at September 30, 2021 increased by \$2,004,581 over September 30, 2020.

The City's General Obligation bond rating is AA.

Additional information regarding the City's long-term debt can be found in Note 7 on pages 36-37 of this report.

ECONOMIC FACTORS AND NET YEAR'S BUDGET

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

The City of Nederland's budget for fiscal year 2022 includes a small increase in property tax revenue due to properties added to the tax roll and increased property values. The tax rate decreased from fiscal year 2021 at .517206 per \$100 valuation. On the expenditure side, increases are expected in health insurance premiums and the City is actively taking steps to minimize these increases by providing healthy lifestyle incentives.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF NEDERLAND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Nonmajor Component Unit
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 5,225,543	\$ 570,823	\$ 5,796,366	\$ 166,482
Investments - Current	32,705,708	9,017,452	41,723,160	7,411,174
Taxes Receivable, Net	354,501	-	354,501	74,583
Accounts Receivable, Net	1,020,178	875,922	1,896,100	5,359
Due from Component Unit	1,991	-	1,991	-
Due from Others	22,705	-	22,705	-
Inventories	-	125,995	125,995	-
Prepaid Items	1,536,234	-	1,536,234	-
Total current assets	<u>40,866,860</u>	<u>10,590,192</u>	<u>51,457,052</u>	<u>7,657,598</u>
Noncurrent assets:				
Cash and Cash Equivalents	-	179,607	179,607	-
Investments	-	855,415	855,415	-
Capital Assets:				
Land Purchase and Improvements	4,319,781	-	4,319,781	350,204
Infrastructure and Improvements, Net	27,275,136	17,538,499	44,813,635	-
Buildings, Net	7,828,592	10,345,893	18,174,485	514,961
Machinery and Equipment, Net	1,819,128	1,250,807	3,069,935	7,431
Construction in Progress	1,322,023	2,822,849	4,144,872	200,619
Net Pension Asset	2,448,323	1,173,394	3,621,717	70,521
Total noncurrent assets	<u>45,012,983</u>	<u>34,166,464</u>	<u>79,179,447</u>	<u>1,143,736</u>
Total assets	<u>85,879,843</u>	<u>44,756,656</u>	<u>130,636,499</u>	<u>8,801,334</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge for Refunding	28,118	-	28,118	-
Deferred Outflow Related to Pension Plan	868,596	481,402	1,349,998	27,931
Deferred Outflow Related to OPEB	210,497	92,068	302,565	39,047
Total Deferred Outflows of Resources	<u>1,107,211</u>	<u>573,470</u>	<u>1,680,681</u>	<u>66,978</u>

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

EXHIBIT A

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Nonmajor Component Unit
LIABILITIES				
Current liabilities:				
Accounts Payable	\$ 2,398,506	\$ 195,961	\$ 2,594,467	\$ 147
Wages and Salaries Payable	361,042	121,055	482,097	-
Compensated Absences Payable	368,273	102,480	470,753	-
Refundable Customer Deposits	-	855,415	855,415	-
Retainage Payable	299,142	-	299,142	-
Intergovernmental Payable	68,159	-	68,159	-
Due to General Fund	-	-	-	1,991
Accrued Interest Payable	65,743	-	65,743	-
Unearned Revenues	2,168,945	-	2,168,945	2,500
Bonds Payable - Current	2,362,270	-	2,362,270	-
Total current liabilities	8,092,080	1,274,911	9,366,991	4,638
Noncurrent Liabilities:				
Bonds Payable - Noncurrent	21,537,570	-	21,537,570	-
Compensated Absences	338,994	122,857	461,851	-
Net OPEB Liability	1,139,927	488,462	1,628,389	207,242
Total noncurrent liabilities	23,016,491	611,319	23,627,810	207,242
Total liabilities	31,108,571	1,886,230	32,994,801	211,880
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Pension Plan	1,354,175	549,379	1,903,554	35,463
Deferred Inflow Related to OPEB	117,157	64,823	181,980	36,272
Total Deferred Inflows of Resources	1,471,332	614,202	2,085,534	71,735
NET POSITION				
Net Investment in Capital Assets	36,664,862	31,958,048	57,746,222	1,073,215
Restricted for:				
Restricted for Debt Service	259,079	145,830	404,909	-
Restricted for Public Works	222,518	-	222,518	-
Restricted for Other Funds	302,094	-	302,094	-
Unrestricted	16,958,598	10,725,816	38,561,102	7,511,482
Total Net Position	\$ 54,407,151	\$ 42,829,694	\$ 97,236,845	\$ 8,584,697

CITY OF NEDERLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,038,063	\$ -	\$ -	\$ -
Public Safety	7,175,908	401,552	334,162	-
Public Works	2,474,918	166,978	-	53,242
Culture and Recreation	1,520,515	111,319	65,381	-
Administrative and General	473,705	-	21,673	-
Interest on Debt	633,917	-	-	-
Other Debt Service	121,461	-	-	-
Total Governmental Activities	<u>13,438,487</u>	<u>679,849</u>	<u>421,216</u>	<u>53,242</u>
BUSINESS-TYPE ACTIVITIES:				
Water and Sewer Fund	5,353,822	5,175,026	-	-
Solid Waste Fund	1,796,748	1,754,075	-	-
Total Business-Type Activities	<u>7,150,570</u>	<u>6,929,101</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 20,589,057</u>	<u>\$ 7,608,950</u>	<u>\$ 421,216</u>	<u>\$ 53,242</u>
Component Unit:				
Nonmajor Component Unit	\$ 416,540	\$ -	\$ -	\$ -
TOTAL COMPONENT UNIT	<u>\$ 416,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes
Sales Tax
In Lieu of Tax Contracts
Other Taxes
Penalty and Interest on Taxes
Miscellaneous Revenue
Investment Earnings
Transfers In (Out)
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Nonmajor Component Unit
\$ (1,038,063)	\$ -	\$ (1,038,063)	\$ -
(6,440,194)	-	(6,440,194)	-
(2,254,698)	-	(2,254,698)	-
(1,343,815)	-	(1,343,815)	-
(452,032)	-	(452,032)	-
(633,917)	-	(633,917)	-
(121,461)	-	(121,461)	-
<u>(12,284,180)</u>	<u>-</u>	<u>(12,284,180)</u>	<u>-</u>
-	(178,796)	(178,796)	-
-	(42,673)	(42,673)	-
<u>-</u>	<u>(221,469)</u>	<u>(221,469)</u>	<u>-</u>
<u>(12,284,180)</u>	<u>(221,469)</u>	<u>(12,505,649)</u>	<u>-</u>
-	-	-	(416,540)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(416,540)</u>
7,106,884	-	7,106,884	-
5,063,576	-	5,063,576	1,012,715
3,215,618	-	3,215,618	-
1,160,013	-	1,160,013	-
95,621	-	95,621	-
176,469	328,159	504,628	24,194
13,317	4,181	17,498	13,651
<u>(1,939,466)</u>	<u>1,939,466</u>	<u>-</u>	<u>-</u>
<u>14,892,032</u>	<u>2,271,806</u>	<u>17,163,838</u>	<u>1,050,560</u>
2,607,852	2,050,337	4,658,189	634,020
<u>51,799,299</u>	<u>40,779,357</u>	<u>92,578,656</u>	<u>7,950,677</u>
<u>\$ 54,407,151</u>	<u>\$ 42,829,694</u>	<u>\$ 97,236,845</u>	<u>\$ 8,584,697</u>

CITY OF NEDERLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

EXHIBIT C

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,363,371	\$ 38,558	\$ 1,635,995	\$ 187,619	\$ 5,225,543
Investments - Current	22,519,568	185,944	9,863,759	136,437	32,705,708
Taxes Receivable	283,908	140,676	-	-	424,584
Allowance for Uncollectible Taxes (credit)	(47,651)	(23,915)	-	-	(71,566)
Accounts Receivable Net	576,113	-	-	21,709	597,822
Due from Other Governments	31,271	1,483	53,242	-	85,996
Due from Others	22,705	-	-	-	22,705
Due from Other Funds	128,457	-	-	-	128,457
Due from Component Unit	1,991	-	-	-	1,991
Prepaid Items	70,178	-	1,466,056	-	1,536,234
Total Assets	<u>\$ 26,949,911</u>	<u>\$ 342,746</u>	<u>\$ 13,019,052</u>	<u>\$ 345,765</u>	<u>\$ 40,657,474</u>
LIABILITIES					
Accounts Payable	\$ 1,308,250	\$ -	\$ 1,063,381	\$ 26,871	\$ 2,398,502
Wages and Salaries Payable	361,042	-	-	-	361,042
Retainage Payable	104,448	-	194,694	-	299,142
Intergovernmental Payable	68,159	-	-	-	68,159
Due to Other Funds	-	83,667	44,790	-	128,457
Unearned Revenues	2,152,145	-	-	16,800	2,168,945
Total Liabilities	<u>3,994,044</u>	<u>83,667</u>	<u>1,302,865</u>	<u>43,671</u>	<u>5,424,247</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	222,767	112,361	-	-	335,128
Total Deferred Inflows of Resources	<u>222,767</u>	<u>112,361</u>	<u>-</u>	<u>-</u>	<u>335,128</u>
FUND BALANCES					
Nonspendable Fund Balance: Prepaid Items	70,178	-	1,466,056	-	1,536,234
Restricted Fund Balance: Capital Acquisition and Contractual Obligation	3,978,989	-	6,834,426	-	10,813,415
Retirement of Long-Term Debt	-	146,718	-	-	146,718
Other Restricted Fund Balance	-	-	-	302,094	302,094
Committed Fund Balance: Other Committed Fund Balance	-	-	3,415,705	-	3,415,705
Assigned Fund Balance: Other Assigned Fund Balance	462,486	-	-	-	462,486
Unassigned Fund Balance	18,221,447	-	-	-	18,221,447
Total Fund Balances	<u>22,733,100</u>	<u>146,718</u>	<u>11,716,187</u>	<u>302,094</u>	<u>34,898,099</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 26,949,911</u>	<u>\$ 342,746</u>	<u>\$ 13,019,052</u>	<u>\$ 345,765</u>	<u>\$ 40,657,474</u>

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

CITY OF NEDERLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

EXHIBIT C-1

Total Fund Balances - Governmental Funds	\$34,898,099
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	42,564,660
Deferred outflow of resources are not reported in the governmental funds:	1,107,211
Deferred outflows related to pension	\$ 868,596
Deferred outflows related to OPEB	210,497
Deferred amounts on refunding bonds	28,118
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(23,899,840)
OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds.	(1,139,927)
The net pension asset related to TMRS is not a current financial resource and is not included in the governmental funds.	2,448,323
Compensated absences that are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(707,267)
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	335,128
Accrued interest on bonds is not reported in the funds	(65,743)
Deferred inflow of resources are not reported in the governmental funds.	(1,471,332)
Warrants and fines outstanding are not recorded as revenue in the governmental funds because they are not considered measurable and available. However, in the Statement of Net Position, they are considered accounts receivable and recorded.	337,839
Net Position of Governmental Activities	<u>\$ 54,407,151</u>

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

CITY OF NEDERLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT D

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property Taxes	\$ 5,061,346	\$ 2,045,798	\$ -	\$ -	\$ 7,107,144
Sales Tax	5,063,576	-	-	-	5,063,576
In Lieu of Tax Contracts	3,215,618	-	-	-	3,215,618
Other Taxes	1,053,513	-	-	106,500	1,160,013
Penalty and Interest on Taxes	65,824	29,797	-	-	95,621
Grants and Private Contributions	325,520	-	53,242	95,695	474,457
Forfeitures	-	-	-	2,090	2,090
Charges for Services	278,297	-	-	-	278,297
Fines and Court Costs	359,280	-	-	8,757	368,037
Investment Earnings	10,231	92	2,903	91	13,317
Other Revenue	172,994	-	-	1,390	174,384
Total Revenues	<u>15,606,199</u>	<u>2,075,687</u>	<u>56,145</u>	<u>214,523</u>	<u>17,952,554</u>
EXPENDITURES:					
Current:					
General Government:	1,338,390	-	541,984	-	1,880,374
Public Safety	6,721,477	-	284,641	79,114	7,085,232
Public Works	3,609,223	-	389,798	-	3,999,021
Culture and Recreation	1,182,292	-	-	179,285	1,361,577
Administrative and General	472,363	-	-	-	472,363
Debt Service:					
Principal on Debt	-	2,305,000	-	-	2,305,000
Interest on Debt	-	769,059	-	-	769,059
Other Debt Service	-	1,873	121,461	-	123,334
Capital Outlay:					
Capital Outlay	-	-	277,844	-	277,844
Total Expenditures	<u>13,323,745</u>	<u>3,075,932</u>	<u>1,615,728</u>	<u>258,399</u>	<u>18,273,804</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,282,454</u>	<u>(1,000,245)</u>	<u>(1,559,583)</u>	<u>(43,876)</u>	<u>(321,250)</u>
OTHER FINANCING SOURCES (USES):					
Issuance of Bonds	-	-	4,476,851	-	4,476,851
Transfers In	485,000	957,088	825,000	20,000	2,287,088
Transfers Out	<u>(845,000)</u>	<u>-</u>	<u>(3,371,554)</u>	<u>(10,000)</u>	<u>(4,226,554)</u>
Total Other Financing Sources (Uses)	<u>(360,000)</u>	<u>957,088</u>	<u>1,930,297</u>	<u>10,000</u>	<u>2,537,385</u>
Net Change in Fund Balances	1,922,454	(43,157)	370,714	(33,876)	2,216,135
Fund Balance - Beginning	20,434,699	189,875	11,345,473	335,970	32,306,017
Prior Period Adjustment	375,947	-	-	-	375,947
Fund Balance - Ending	<u>\$ 22,733,100</u>	<u>\$ 146,718</u>	<u>\$ 11,716,187</u>	<u>\$ 302,094</u>	<u>\$ 34,898,099</u>

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

CITY OF NEDERLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT D-1

Total Net Change in Fund Balances - Governmental Funds \$ 2,216,135

Revenues in the Statement of Activities that do not provide current financial resources
are not reported as revenues in the funds. 33,255

Prior year deferred property taxes \$ (335,388)

Current year deferred property taxes 335,128

Prior year warrants and fines (304,330)

Current year warrants and fines 337,845

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. 1,981,884

Capital outlays \$ 3,882,968

Depreciation (1,901,084)

The issuance of long-term debt provides current financial resources to governmental
funds, while the repayment of the principal of long-term debt consumes the current
financial resources of governmental funds; however, neither transaction has an
effect on net position. (2,171,851)

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in the
governmental funds. Conversely, certain items reported as expenditures in the
governmental funds are considered assets in the government-wide statements. 548,429

Bond premium amortization \$ 167,270

Decrease in net pension asset 494,534

Increase OPEB liability (32,237)

Increase in compensated absences (50,884)

Decrease in deferred charge on refunding (28,118)

Decrease in interest payable (2,136)

Change in Net Position of Governmental Activities \$ 2,607,852

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

CITY OF NEDERLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT E

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive of (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 4,559,000	\$ 4,776,334	\$ 5,061,346	\$ 285,012
Sales Tax	3,687,500	4,712,500	5,063,576	351,076
In Lieu of Tax Contracts	2,025,000	3,169,156	3,215,618	46,462
Other Taxes	996,975	996,975	1,053,513	56,538
Penalty and Interest on	55,900	55,900	65,824	9,924
Grants and Private Contributions	257,025	257,025	325,520	68,495
Charges for Services	240,700	320,700	278,297	(42,403)
Fines and Court Costs	224,800	224,800	359,280	134,480
Investment Earnings	122,800	122,800	10,231	(112,569)
Other Revenue	71,000	71,000	172,994	101,994
Total Revenues	<u>12,240,700</u>	<u>14,707,190</u>	<u>15,606,199</u>	<u>899,009</u>
EXPENDITURES:				
Current:				
General Government:				
City Council	23,820	23,820	22,297	1,523
Legal	81,050	81,050	80,204	846
City Manager	522,195	487,195	478,566	8,629
Financial Administration	383,330	405,330	394,685	10,645
Personnel	314,929	317,629	305,296	12,333
Civil Service	4,150	4,150	675	3,475
City Hall	54,450	57,800	56,667	1,133
Public Safety:				
Police	4,469,253	4,550,253	4,450,318	99,935
Fire Protection	1,918,476	1,997,326	1,954,951	42,375
Protective Inspections	238,844	236,094	223,978	12,116
Code Enforcement	104,397	104,397	92,230	12,167
Public Works	337,162	356,712	341,107	15,605
Highways and Streets	1,910,180	2,725,030	3,129,144	(404,114)
Animal Control	142,562	147,027	138,972	8,055
Culture and Recreation:				
Parks and Recreation	797,525	900,676	673,380	227,296
Libraries	532,356	540,241	508,912	31,329
Administrative and General	566,021	563,276	472,363	90,913
Total Expenditures	<u>12,400,700</u>	<u>13,498,006</u>	<u>13,323,745</u>	<u>174,261</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(160,000)</u>	<u>1,209,184</u>	<u>2,282,454</u>	<u>1,049,184</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	485,000	485,000	485,000	-
Transfers Out (Use)	<u>(325,000)</u>	<u>(845,000)</u>	<u>(845,000)</u>	-
Total Other Financing Sources (Uses)	<u>160,000</u>	<u>(360,000)</u>	<u>(360,000)</u>	-
Change in Fund Balance	-	849,184	1,922,454	1,073,270
Fund Balance -Beginning	20,434,699	20,434,699	20,434,699	-
Prior Period Adjustment	-	-	375,947	375,947
Fund Balance - Ending	<u>\$ 20,434,699</u>	<u>\$ 21,283,883</u>	<u>\$ 22,733,100</u>	<u>\$ 1,449,217</u>

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

CITY OF NEDERLAND

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 352,899	\$ 217,924	\$ 570,823
Investments - Current	5,453,203	3,564,249	9,017,452
Accounts Receivable Net	597,115	278,807	875,922
Inventories	125,995	-	125,995
Total Current Assets	<u>6,529,212</u>	<u>4,060,980</u>	<u>10,590,192</u>
Noncurrent Assets:			
Cash and Cash Equivalents	179,607	-	179,607
Investments	855,415	-	855,415
Capital Assets:			
Infrastructure and Improvements	37,861,637	-	37,861,637
Accumulated Depreciation - Infra. & Improvements	(20,323,138)	-	(20,323,138)
Buildings	21,450,340	-	21,450,340
Accumulated Depreciation - Buildings	(11,104,447)	-	(11,104,447)
Machinery and Equipment	2,286,461	2,999,762	5,286,223
Accumulated Depreciation - Machinery & Equipment	(1,830,363)	(2,205,053)	(4,035,416)
Construction in Progress	2,822,849	-	2,822,849
Net Pension Asset	976,228	197,166	1,173,394
Total Noncurrent Assets	<u>33,174,589</u>	<u>991,875</u>	<u>34,166,464</u>
Total Assets	<u>39,703,801</u>	<u>5,052,855</u>	<u>44,756,656</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	429,477	51,925	481,402
Deferred Outflow Related to OPEB	66,946	25,122	92,068
Total Deferred Outflows of Resources	<u>496,423</u>	<u>77,047</u>	<u>573,470</u>

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

EXHIBIT F

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	105,499	90,462	195,961
Wages and Salaries Payable	89,921	31,134	121,055
Compensated Absences Payable	73,176	29,304	102,480
Refundable Customer Deposits	855,415	-	855,415
Total Current Liabilities	<u>1,124,011</u>	<u>150,900</u>	<u>1,274,911</u>
Noncurrent Liabilities:			
Compensated Absences	93,131	29,726	122,857
Net OPEB Liability	355,195	133,267	488,462
Total Noncurrent Liabilities	<u>448,326</u>	<u>162,993</u>	<u>611,319</u>
Total Liabilities	<u>1,572,337</u>	<u>313,893</u>	<u>1,886,230</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	448,180	101,199	549,379
Deferred Inflow Related to OPEB	46,681	18,142	64,823
Total Deferred Inflows of Resources	<u>494,861</u>	<u>119,341</u>	<u>614,202</u>
NET POSITION			
Net Investment in Capital Assets	31,163,339	794,709	31,958,048
Restricted for Debt Service	145,830	-	145,830
Unrestricted	6,823,857	3,901,959	10,725,816
Total Net Position	<u>\$ 38,133,026</u>	<u>\$ 4,696,668</u>	<u>\$ 42,829,694</u>

CITY OF NEDERLAND

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT G

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Water Services	\$ 2,227,150	\$ -	\$ 2,227,150
Charges for Sewerage Services	2,947,876	-	2,947,876
Charges for Sanitation Services	-	1,754,075	1,754,075
Penalties and Interest	157,611	-	157,611
Other Revenue	83,583	86,965	170,548
Total Operating Revenues	<u>5,416,220</u>	<u>1,841,040</u>	<u>7,257,260</u>
OPERATING EXPENSES:			
Other Operating Costs			
Water Treatment	1,243,238	-	1,243,238
Water and Sewer Distribution	883,369	-	883,369
Wastewater Treatment	985,341	-	985,341
Billings and Collections	624,472	-	624,472
Solid Waste	-	1,600,496	1,600,496
Other Operating Expenses	3,744	-	3,744
Total Other Operating Costs	<u>3,740,164</u>	<u>1,600,496</u>	<u>5,340,660</u>
Depreciation	<u>1,613,658</u>	<u>196,252</u>	<u>1,809,910</u>
Total Operating Expense	<u>5,353,822</u>	<u>1,796,748</u>	<u>7,150,570</u>
Operating Income	<u>62,398</u>	<u>44,292</u>	<u>106,690</u>
NONOPERATING REVENUES (EXPENSES):			
Investment Earnings	<u>2,753</u>	<u>1,428</u>	<u>4,181</u>
Total Nonoperating Revenue (Expenses)	<u>2,753</u>	<u>1,428</u>	<u>4,181</u>
Income Before Transfers	65,151	45,720	110,871
Transfers In	3,371,554	-	3,371,554
Transfers Out	<u>(1,332,088)</u>	<u>(100,000)</u>	<u>(1,432,088)</u>
Change in Net Position	2,104,617	(54,280)	2,050,337
Total Net Position - Beginning	<u>36,028,409</u>	<u>4,750,948</u>	<u>40,779,357</u>
Total Net Position - Ending	<u>\$ 38,133,026</u>	<u>\$ 4,696,668</u>	<u>\$ 42,829,694</u>

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

CITY OF NEDERLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT H

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$ 5,332,216	\$ 1,654,881	\$ 6,987,097
Cash Payments to Employees for Services	(1,526,687)	(474,605)	(2,001,292)
Cash Payments for Goods and Services	(2,307,447)	(1,119,005)	(3,426,452)
Other operating cash receipts	83,583	86,965	170,548
Net Cash Provided by Operating Activities	<u>1,581,665</u>	<u>148,236</u>	<u>1,729,901</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Transfer from Other Funds	3,371,554	-	3,371,554
Transfers to Other Funds	<u>(1,332,088)</u>	<u>(100,000)</u>	<u>(1,432,088)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>2,039,466</u>	<u>(100,000)</u>	<u>1,939,466</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	<u>(3,489,026)</u>	<u>(233,422)</u>	<u>(3,722,448)</u>
<u>Cash Flows from Investing activities:</u>			
Purchase of Investment Securities	(932,755)	(701,428)	(1,634,183)
Investment Income	2,753	1,428	4,181
Net Cash Provided by (Used for) Investing Activities	<u>(930,002)</u>	<u>(700,000)</u>	<u>(1,630,002)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(797,897)	(885,186)	(1,683,083)
Cash and Cash Equivalents at the Beginning of the Year	<u>1,330,403</u>	<u>1,103,110</u>	<u>2,433,513</u>
Cash and Cash Equivalents at the End of the Year	532,506	217,924	750,430
Cash and Cash Equivalents End of Year, Restricted	<u>(179,607)</u>	<u>-</u>	<u>(179,607)</u>
Cash and Cash Equivalents, Current	<u>\$ 352,899</u>	<u>\$ 217,924</u>	<u>\$ 570,823</u>

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

CITY OF NEDERLAND

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT H(continued)

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash</u>			
<u> Provided By Operating Activities:</u>			
Operating Income	\$ 62,398	\$ 44,292	\$ 106,690
Adjustments to Reconcile Operating Income			
To Net Cash Provided by Operating Activities:			
Depreciation	1,613,658	196,252	1,809,910
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	(25,690)	(99,194)	(124,884)
Decrease (Increase) in Inventories	9,840	-	9,840
Decrease (Increase) in Net Pension Asset	10,500	(10,203)	297
Decrease (Increase) in Pension Outflows	(78,013)	(17,234)	(95,247)
Decrease (Increase) in OPEB Outflows	(17,325)	(6,501)	(23,826)
Increase (Decrease) in Accounts Payable	15,386	39,424	54,810
Increase (Decrease) in Wages Payable	8,003	1,421	9,424
Increase (Decrease) in Compensated Absences	4,377	1,638	6,015
Increase (Decrease) in Customer Deposits	25,269	-	25,269
Increase (Decrease) in Noncurrent Compensated Absences	17,815	6,435	24,250
Increase (Decrease) in Net Pension Inflows	(91,483)	(18,477)	(109,960)
Increase (Decrease) in OPEB Liabilities	12,890	4,836	17,726
Increase (Decrease) in OPEB Inflows	14,040	5,547	19,587
Net Cash Provided by Operating activities	\$ 1,581,665	\$ 148,236	\$ 1,729,901

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Discretely Presented Component Unit

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

The NEDC is funded by one-quarter of one percent City sales and use tax. The City performs all accounting functions for the NEDC. The City tax provided to the Corporation during the year ended September 30, 2021 totaled \$1,012,715. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The notes to the financial statements include disclosures pertaining to the City as the primary government and also the EDC as a component unit. Separately issued financial statements for the EDC are not available.

C. Related Organizations

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

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Joint Venture

Mid-County Dispatch

The City of Nederland and two neighboring cities, Groves and Port Neches, have a contractual agreement to pool resources and share the costs, risks, and rewards of providing a central radio dispatching service and information technology services for the participating cities in compliance with the "Interlocal Cooperation Act". Each of the participating cities has an ongoing financial interest in, and responsibility for the Mid-County Dispatch. Funds shall be provided by each City for dispatch operations based on their population and evenly split for information technology services. Based on the agreement, there is no explicit, measurable equity interest for any of entities in the joint ventures resources. During the year ended September 30, 2021 the City contributed \$571,415 to the joint venture. Fund balance of the joint venture at September 30, 2021 was \$399,072. Separately issued financial statements are not available for this joint venture.

E. Government-wide and Fund Financial Statements

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

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

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

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

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

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

G. Budgetary Data

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

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

H. Encumbrance Accounting

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

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Investments

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

For the purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. All certificates of deposits and investments in other securities and instruments are considered to be investments.

Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the city adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

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

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

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

Public funds investment pools ("Pools") in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Investments, (Continued)

Investments, (Continued)

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least on nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within on half of one percent of the value of its shares.

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

J. Property Taxes Receivable

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

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

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

K. Tax Abatements

During the fiscal year ending September 30, 2021, the City did not participate in a tax abatement agreement relating to the property taxes levied for the 2020 tax year levy.

L. Receivables

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

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Short-Term Interfund Receivables and Payables

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

N. Inventories and Prepaid Items

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

O. Restricted Assets

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

P. Capital Assets

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

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

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

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

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Long-term Obligations

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

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

R. Fund Equity

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

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

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

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

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

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity, (Continued)

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

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

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

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

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

S. Deferred Outflows/Inflows of Resources

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

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

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Deferred Outflows/Inflows of Resources, (Continued)

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

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

- a. A deferred inflow which arises under the accrual basis of accounting and reported in the statement of financial position. The deferred inflow is the difference in the expected and actual pension and OPEB experience and is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- b. A deferred inflow which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

T. Net Position flow assumption

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

As of September 30, 2021, Restricted for Other Funds included these balances:

Public Safety:	
Police Narcotics	\$ 88,410
Court Technology	7,258
Fire Department	75,361
	<u>171,029</u>
Culture and Recreation:	
Library	34,002
Hotel/Motel	97,063
	<u>131,065</u>
Total Restricted for Other Funds	<u>\$ 302,094</u>

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund balance flow assumptions

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

V. Compensated absences

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

W. Interfund Transactions

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

X. Grants from Other Governmental Agencies

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

Y. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z. Date of Management’s Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition for disclosure through March 14, 2022 the date that the financial statements were available to be issued.

AA. Other Post-Employment Benefits

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

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

	Governmental Activities	Business Type Activities	Reclassif- ications	Total
Net Investment in Capital Assets	\$ 36,664,862	\$ 31,958,048	\$ (10,876,688)	\$ 57,746,222
Restricted for:				
Debt Service	259,079	145,830	-	404,909
Public Works	222,518	-	-	222,518
Other Funds	302,094	-	-	302,094
Unrestricted	16,958,598	10,725,816	10,876,688	38,561,102
Total Net Position	\$ 54,407,151	\$ 42,829,694	\$ -	\$ 97,236,845

NOTE 3: CASH AND INVESTMENTS

Cash Deposits

At year-end, the City’s carrying amount of deposits (including NEDC) was \$6,142,455 and the bank balance was \$6,457,188. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining bank balance was collateralized by securities held by the City or by the City’s agent in name of the City. The City was under collateralized for multiple days during the months of January and February.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Investments – The City has a written investment policy regarding the investment of its funds. The investments of the City are in compliance with the investment policy, the City Charter, the Public Funds Investment Act (Chapter 2256 of the Government Code, as amended) and all other state and local statutes governing the investment of public funds. The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, collateralized certificates of deposit, fully collateralized repurchase agreements, no load money market mutual funds and approved government investment pools. As of September 30, 2021, the City of Nederland (including NEDC) had the following investments:

<u>Investment Type</u>	Fair Value	Maturity
TexPool	\$ 47,170,266	N/A
First Public - Lone Star	2,322,219	N/A
Certificates of Deposit	<u>497,264</u>	6 months - 1 year
	<u>\$ 49,989,749</u>	

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

Credit risk. It is the policy of the City to limit its investment in commercial paper and corporate bonds to those having received a top rating of “A” or its equivalent from a nationally recognized investment rating firm. Standard & Poor’s rated TexPool AAAm as of September 30, 2021. Standard & Poor’s rated First Public – Lone Star AAA as of September 30, 2021.

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

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

Local government Investment Pools are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (PFIA), Chapter 2236 of the Texas Government Code. In addition to other provisions of the PFIA designed to promote liquidity and safety of principle, the (PFIA) requires Pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least on nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. In addition, the Texas State of Comptroller of Public Accounts exercises oversight responsibility over TexPool.

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

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 4: RECEIVABLES

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

The balance of property taxes receivable and property tax assessments included in unavailable revenues as of September 30, 2021 are as follows:

	General Fund	Debt Service	Total
Property Taxes Receivable:			
Gross Receivables	\$ 283,908	\$ 140,676	\$ 424,584
Less: Allowance for Doubtful Accounts	(47,651)	(23,915)	(71,566)
Net Property Taxes Receivable	\$ 236,257	\$ 116,761	\$ 353,018
Unavailable Property Taxes	\$ 222,767	\$ 112,361	\$ 335,128

Other Receivables as of September 30, 2021 for the City are as follows:

	General Fund	Debt Service	Capital Projects	Other Funds	Total
Accounts Due From	\$ 784,937	\$ -	\$ -	\$ 21,709	\$ 806,646
Other Governments	31,271	1,483	53,242	-	85,996
Due From Others	22,705	-	-	-	22,705
Gross Receivables	838,913	1,483	53,242	21,709	915,347
Less: Allowance for Uncollectibles	(208,824)	-	-	-	(208,824)
Net Total Receivables	\$ 630,089	\$ 1,483	\$ 53,242	\$ 21,709	\$ 706,523

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2021 is described in the table below.

Governmental Activities:

	<u>Beginning Balance</u>	<u>Current Year Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 4,095,179	\$ 224,602	\$ -	\$ 4,319,781
Construction in progress	164,100	1,317,023	(159,100)	1,322,023
Total capital assets not being depreciated	<u>4,259,279</u>	<u>1,541,625</u>	<u>(159,100)</u>	<u>5,641,804</u>
Capital assets being depreciated:				
Buildings	15,220,952	27,268	-	15,248,220
Machinery and equipment	6,121,911	719,191	(55,473)	6,785,629
Infrastructure	<u>44,365,748</u>	<u>1,753,990</u>	<u>-</u>	<u>46,119,738</u>
Total capital assets being depreciated	<u>65,708,611</u>	<u>2,500,449</u>	<u>(55,473)</u>	<u>68,153,587</u>
Less accumulated depreciation:				
Buildings	(7,107,765)	(311,863)	-	(7,419,628)
Machinery and equipment	(4,539,010)	(482,964)	55,473	(4,966,501)
Infrastructure	<u>(17,738,345)</u>	<u>(1,106,257)</u>	<u>-</u>	<u>(18,844,602)</u>
Total capital assets being depreciated	<u>(29,385,120)</u>	<u>(1,901,084)</u>	<u>55,473</u>	<u>(31,230,731)</u>
Total capital assets being depreciated, net	<u>36,323,491</u>	<u>599,365</u>	<u>-</u>	<u>36,922,856</u>
Governmental activities capital assets, net	<u>\$ 40,582,770</u>	<u>\$ 2,140,990</u>	<u>\$ (159,100)</u>	<u>\$ 42,564,660</u>

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

General Government	\$ 117,335
Public Safety	311,785
Public Works	1,253,983
Culture & Recreation	217,981
Total Depreciation Expense - Governmental Activities	<u>\$ 1,901,084</u>

Construction in progress consisted of payments made towards construction of a pool slide and road reconstruction project.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5: CAPITAL ASSETS, (CONTINUED)

Business-type Activities:

	Beginning Balance	Current Year		Ending Balance
		Increases	Decreases	
Capital assets not being depreciated:				
Construction in progress	\$ 436,541	\$ 3,247,083	\$ (860,775)	\$ 2,822,849
Total capital assets not being depreciated	<u>436,541</u>	<u>3,247,083</u>	<u>(860,775)</u>	<u>2,822,849</u>
Capital assets being depreciated:				
Buildings	21,450,340	-	-	21,450,340
Improvements other than buildings	36,854,978	1,006,659	-	37,861,637
Machinery and equipment	<u>4,956,742</u>	<u>329,481</u>	<u>-</u>	<u>5,286,223</u>
Total capital assets being depreciated	<u>63,262,060</u>	<u>1,336,140</u>	<u>-</u>	<u>64,598,200</u>
Less accumulated depreciation:				
Buildings	(10,632,826)	(471,621)	-	(11,104,447)
Improvements other than buildings	(19,352,300)	(970,838)	-	(20,323,138)
Machinery and equipment	<u>(3,667,964)</u>	<u>(367,452)</u>	<u>-</u>	<u>(4,035,416)</u>
Total capital assets being depreciated	<u>(33,653,090)</u>	<u>(1,809,911)</u>	<u>-</u>	<u>(35,463,001)</u>
Total capital assets being depreciated, net	<u>29,608,970</u>	<u>(473,771)</u>	<u>-</u>	<u>29,135,199</u>
Business-type activities capital assets, net	<u>\$ 30,045,511</u>	<u>\$ 2,773,312</u>	<u>\$ (860,775)</u>	<u>\$ 31,958,048</u>

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

Water & Sewer	\$ 1,613,658
Solid Waste	<u>196,253</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 1,809,911</u>

Construction in progress consisted of wastewater treatment plant rehabilitation and Hodgson Road Lift Station repairs.

NOTE 6: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 83,667
General	Capital Projects	<u>44,790</u>
		<u>\$ 128,457</u>

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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

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

	Transfers In					Total
	General	Debt Service	Capital Projects	Other Governmental	Water & Sewer	
Transfers out						
General fund	\$ -	\$ -	\$ 825,000	\$ 20,000	\$ -	\$ 845,000
Capital Projects	-	-	-	-	3,371,554	3,371,554
Other Governmental	10,000	-	-	-	-	10,000
Water & Sewer	375,000	957,088	-	-	-	1,332,088
Solid Waste	100,000	-	-	-	-	100,000
	<u>\$ 485,000</u>	<u>\$ 957,088</u>	<u>\$ 825,000</u>	<u>\$ 20,000</u>	<u>\$ 3,371,554</u>	<u>\$ 5,658,642</u>

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

NOTE 7: LONG TERM-DEBT

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

General obligation bonds and certificates of obligation payable at September 30, 2021, are summarized as follows:

Date of Issue	Original issue	Final Maturity	Annual Installments	% Rate	Outstanding Debt
2013	\$ 3,520,000	2023	\$25,000 to \$665,000	2.00% - 3.50%	\$ 1,310,000
2013	2,600,000	2033	\$80,000 to \$185,000	3.75% - 4.50%	1,800,000
2017	4,975,000	2027	\$100,000 to \$680,000	3.00% - 4.00%	3,710,000
2018	9,695,000	2038	\$340,000 to \$655,000	2.00% - 3.50%	8,640,000
2020	2,410,000	2031	\$15,000 to \$285,000	5.00%	2,240,000
2021	4,170,000	2036	\$190,000 to \$330,000	1.375% - 4.00%	4,170,000
					<u>\$ 21,870,000</u>

The tax notes payable at September 30, 2021, are summarized as follows:

Date of Issue	Original issue	Final Maturity	Annual Installments	% Rate	Outstanding Debt
2020	\$ 1,040,000	2025	\$130,000 to \$500,000	1.26%	<u>\$ 540,000</u>

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 7: LONG TERM-DEBT, (CONTINUED)

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

Fiscal Year	Bonds			Tax Notes		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 2,065,000	\$ 782,107	\$ 2,847,107	\$ 130,000	\$ 6,804	\$ 136,804
2023	2,145,000	701,331	2,846,331	135,000	5,166	140,166
2024	1,585,000	617,057	2,202,057	135,000	3,465	138,465
2025	1,645,000	557,066	2,202,066	140,000	1,764	141,764
2026	1,710,000	495,326	2,205,326	-	-	-
2027-2031	6,605,000	1,625,438	8,230,438	-	-	-
2032-2036	4,825,000	643,532	5,468,532	-	-	-
2037-2038	1,290,000	68,075	1,358,075	-	-	-
	<u>\$ 21,870,000</u>	<u>\$ 5,489,932</u>	<u>\$ 27,359,932</u>	<u>\$ 540,000</u>	<u>\$ 17,199</u>	<u>\$ 557,199</u>

Changes in long-term debt

Long-term debt activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable					
General obligations bonds	\$ 19,505,000	\$ 4,170,000	\$ 1,805,000	\$ 21,870,000	\$ 2,065,000
Add: Premium on bonds	1,350,259	306,851	167,270	1,489,840	167,270
Total Bonds	20,855,259	4,476,851	1,972,270	23,359,840	2,232,270
Notes Payable					
Tax Notes	1,040,000	-	500,000	540,000	130,000
Total governmental long-term debt	<u>\$ 21,895,259</u>	<u>\$ 4,476,851</u>	<u>\$ 2,472,270</u>	<u>\$ 23,899,840</u>	<u>\$ 2,362,270</u>

In August 2021, the City issued general obligation refunding bonds, Series 2021, of \$4,170,000 with a stated interest rate ranging from 1.375% to 4.00% and a final maturity of September 1, 2036. The bonds were issued to fund study, design, acquisition, construction, equipping, renovation, extension, and improvement of streets and bridges as well as drainage and detention facilities.

Arbitrage Rebate Liability

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The City had no arbitrage liability as of September 30, 2021.

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 8: OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2020-2021, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

The City continues to carry commercial insurance for the risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

B. Contingent Liabilities

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

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

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

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

CITY OF NEDERLAND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 9: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

Benefits Provided

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

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

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

Employee deposit rate	7%
City deposit rate	7.36% for calendar year 2021 and 6.47% for 2020
Years required for vesting	10
Service retirement eligibility	20 years at any age, 10 years at age 60 and above
Updated service credit	Last adopted 2000 – Annually repeating- 100%
Cost of living adjustment (COLA) for retirees	Last adopted 1984 – 30%
Military service credit	Yes, adopted 3-1982
Restricted prior service credit	Yes, adopted 1-2000
Buy back last adopted	12-1983
SDB for employees	Not elected
SDB for Retirees	Not elected

Employees covered by benefit terms –

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>124</u>
	265

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 9: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

Contributions

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

Employees for The City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 7.36% and 6.47% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$664,995, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

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

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 9: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

Actuarial assumptions, Continued

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 (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core-Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	<u>100.00%</u>	

Discount Rate

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

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 9: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balance at 12/31/2019	\$ 58,686,455	\$ 62,316,801	\$ (3,630,346)
Changes for year:			
Service cost	1,408,909	-	1,408,909
Interest	3,909,780	-	3,909,780
Difference between expected and actual experience	561,380	-	561,380
Changes in assumptions	-	-	-
Contributions - employer	-	600,503	(600,503)
Contributions - employee	-	649,694	(649,694)
Net investment income	-	4,723,565	(4,723,565)
Benefit payments, including refunds of employee contributions	(2,936,482)	(2,936,482)	-
Administrative expense	-	(30,608)	30,608
Other changes	-	(1,193)	1,193
Net change	<u>2,943,587</u>	<u>3,005,479</u>	<u>(61,892)</u>
Balance at 12/31/2020	<u>\$ 61,630,042</u>	<u>\$ 65,322,280</u>	<u>\$ (3,692,238)</u>

Plan fiduciary net position as a percentage
of the total pension liability

105.99%

Covered-employee payroll

\$ 9,281,348

Net pension liability/(asset) as a percentage
of covered employee payroll

-39.78%

Presented in Exhibit A as follows:

Governmental Activities	\$ 2,448,323
Business-Type Activities	1,173,394
Nonmajor Component Unit	<u>70,521</u>
	<u>\$ 3,692,238</u>

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Primary government's net pension liability (asset)	\$ 3,678,949	\$ (3,621,717)	\$ (9,736,301)
Nonmajor component unit net pension liability (asset)	71,636	(70,521)	(189,584)

CITY OF NEDERLAND, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 9: DEFINED BENEFIT PENSION PLAN, (CONTINUED)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension income of \$50,139.

At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 828,954	\$ 164,521
Changes in actuarial assumptions	49,175	-
Difference between projected and actual investment earnings	-	1,774,496
Contributions subsequent to the measurement date	499,800	-
Total	<u>\$ 1,377,929</u>	<u>\$ 1,939,017</u>

Presented in Exhibit A as follows:

Governmental Activities	\$ 868,596	\$ 1,354,175
Business-Type Activities	481,402	549,379
Nonmajor Component Unit	27,931	35,463
	<u>\$ 1,377,929</u>	<u>\$ 1,939,017</u>

Deferred outflows of resources of \$499,800 related to employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
2021	\$ (512,236)
2022	286,331
2023	(838,366)
2024	3,383
2025	-
Thereafter	-
	<u>\$ (1,060,888)</u>

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 10: DEFERRED COMPENSATION PLAN

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

The City has delegated administrative and investment responsibilities to a third-party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City's financial statements at September 30, 2021.

NOTE 11: POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

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

Benefits provided

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

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

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 11: POST-EMPLOYMENT HEALTH CARE BENEFITS, (CONTINUED)

Benefits provided (continued)

- Retirees who retired between January 1, 1997 and July 1, 2012 would receive:
 - i. For those retirees who have remained eligible but have yet to receive the SSB subsidy, they would receive a one-time flat rate contribution of \$7,675 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
 - ii. For those retirees who have already begun to receive the SSB subsidy, they would receive a one-time flat rate contribution equivalent to \$7,675 minus the calculated SSB subsidy the retiree has already received (i.e. retiree is age 62 and City's subsidy equaled \$2,000, then the retiree would receive a contribution of \$5,765) that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
 - iii. The age requirement of 58 years old does not apply to these groups of retirees.
 - iv. Retirees who have not remained eligible for the previous "Sliding Scale Benefit" would not receive any additional benefit

Once a retiree reaches age 65, he/she is no longer eligible to participate in the Health Insurance Plan and coverage is terminated.

Employees Covered by Benefit Term at December 31, 2020

Inactive employees or beneficiaries currently receiving benefit payments	66
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>124</u>
	<u>190</u>

Total OPEB Liability

The City's total OPEB liability of \$1,835,631 was measured as of December 31, 2020 for the measurement period January 1, 2020 through December 31, 2020 and was determined by an actuarial valuation as of December 31, 2020.

CITY OF NEDERLAND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 11: POST-EMPLOYMENT HEALTH CARE BENEFITS, (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date: December 31, 2020

Methods and Assumptions:

Actuarial cost method	Individual Entry-Age Normal
Discount Rate	2.00% as of December 31, 2020
Inflation Rate	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 6.80% declining to an ultimate rate of 4.15% after 12 years
Participation Rates	75% of pre-65 retirees who are eligible for HRA contribution are assumed to initially maintain health coverage. After the HRA contribution is depleted, 60% of retirees who initially maintained coverage are assumed to discontinue. For those not eligible for the HRA contribution, 30% were assumed to maintain health coverage at their own expense.

Other Information:

Notes The discount rate changed from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 2.00% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 2.75% as of the prior measurement date.

Plan Assets

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

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 11: POST-EMPLOYMENT HEALTH CARE BENEFITS, (CONTINUED)

Changes in OPEB Liability

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

	Total	City's Amount
Total OPEB liability		
Service Cost	\$ 92,408	\$ 81,975
Interest on the total OPEB liability	48,206	42,764
Changes of benefit terms	-	-
Difference between expected and actual experience	(114,992)	(100,430)
Changes of assumptions	151,019	133,969
Benefit payments	(95,522)	(84,738)
Net change in total OPEB liability	81,119	73,540
Total OPEB liability - beginning	1,754,512	1,554,849
Total OPEB liability - ending	\$ 1,835,631	\$ 1,628,389
Covered-employee payroll	\$ 9,281,349	
Total OPEB liability as a percentage of covered-employee payroll	19.78%	
Presented in Exhibit A as follows:		
Governmental Activities	\$ 1,139,927	
Business-Type Activities	488,462	
Nonmajor Component Unit	207,242	
	\$ 1,835,631	

Sensitivity of the Total OPEB liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 2.00%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate 1.00%	Current Discount Rate 2.00%	1% Increase in Discount Rate 3.00%
Primary government's OPEB liability	\$ 1,840,603	\$ 1,628,389	\$ 1,453,740
Nonmajor component unit's OPEB liability	234,251	207,242	185,015

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

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

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Primary government's OPEB liability	\$ 1,534,382	\$ 1,628,389	\$ 1,739,718
Nonmajor component unit's OPEB liability	195,279	207,242	221,412

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 11: POST-EMPLOYMENT HEALTH CARE BENEFITS, (CONTINUED)

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

For the fiscal year ended September 30, 2021, the City recognized OPEB expense of \$149,853. At September 30, 2021, the City's deferred outflows of resources and deferred 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	\$ 7,617	\$ 170,079
Changes in actuarial assumptions	267,140	48,173
Contributions subsequent to the measurement date	66,855	-
Total	\$ 341,612	\$ 218,252

Presented in Exhibit A as follows:

Governmental Activities	\$ 210,497	\$ 117,157
Business-Type Activities	92,068	64,823
Nonmajor Component Unit	39,047	36,272
	\$ 341,612	\$ 218,252

The \$66,855 reported as deferred outflow of resources related to contributions subsequent to the December 31, 2020 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Net Deferred Outflows/ (Inflows) of Resources
2022	\$ 9,239
2023	9,239
2024	7,118
2025	8,551
2026	18,508
Thereafter	3,850
	\$ 56,505

CITY OF NEDERLAND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 12: LEASE OBLIGATIONS

The City of Nederland is obligated under operating (noncapitalized) leases for equipment. For the year ended September 30, 2021, lease expenditures of \$5,533 were made from the General Fund. The following is a schedule of minimum lease payments under non-cancelable operating leases as of September 30, 2021.

<u>Year Ending September 30,</u>	<u>General Fund</u>
2022	\$ 4,341
2023	3,545
2024	1,800
2025	1,800
2026	600
Thereafter	-
	<u>\$ 12,086</u>

NOTE 13: PRIOR PERIOD ADJUSTMENT

The General Fund recorded a prior period adjustment of \$375,947 to remove the beginning Compensated Absences Payable. It was determined that the Compensated Absences Payable did not related to terminated employees as of September 30, 2020 so therefore it should not be recorded in the governmental financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEDERLAND

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability				
Service Cost	\$ 1,408,909	\$ 1,304,271	\$ 1,262,738	\$ 1,207,336
Interest (on the Total Pension Liability)	3,909,780	3,742,924	3,664,635	3,534,367
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	561,380	629,983	(335,625)	38,533
Changes of Assumptions	-	83,207	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,936,482)</u>	<u>(3,745,039)</u>	<u>(3,160,312)</u>	<u>(2,595,771)</u>
Net Change in Total Pension Liability	2,943,587	2,015,346	1,431,436	2,184,465
Total Pension Liability - Beginning	<u>58,686,455</u>	<u>56,671,109</u>	<u>55,239,673</u>	<u>53,055,208</u>
Total Pension Liability - Ending	<u><u>\$61,630,042</u></u>	<u><u>\$58,686,455</u></u>	<u><u>\$56,671,109</u></u>	<u><u>\$55,239,673</u></u>
B. Total Fiduciary Net Position				
Contributions - Employer	\$ 600,503	\$ 547,036	\$ 536,414	\$ 528,708
Contributions - Employee	649,694	603,032	583,058	558,213
Net Investment Income	4,723,565	8,690,225	(1,800,508)	7,507,467
Benefit Payments, Including Refunds of Employee Contributions	(2,936,482)	(3,745,039)	(3,160,312)	(2,595,772)
Administrative Expenses	(30,608)	(49,157)	(34,822)	(38,925)
Other	<u>(1,193)</u>	<u>(1,477)</u>	<u>(1,819)</u>	<u>(1,973)</u>
Net Change in Plan Fiduciary Net Position	3,005,479	6,044,620	(3,877,989)	5,957,718
Plan Fiduciary Net Position - Beginning	<u>62,316,801</u>	<u>56,272,181</u>	<u>60,150,170</u>	<u>54,192,452</u>
Plan Fiduciary Net Position - Ending	<u><u>\$65,322,280</u></u>	<u><u>\$62,316,801</u></u>	<u><u>\$56,272,181</u></u>	<u><u>\$60,150,170</u></u>
C. Net Pension Liability (Asset)	<u><u>\$ (3,692,238)</u></u>	<u><u>\$ (3,630,346)</u></u>	<u><u>\$ 398,928</u></u>	<u><u>\$ (4,910,497)</u></u>
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.99%	106.19%	99.30%	108.89%
E. Covered Payroll	\$ 9,281,348	\$ 8,614,739	\$ 8,329,405	\$ 7,974,475
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	-39.78%	-42.14%	4.79%	-61.58%

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

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

EXHIBIT I

FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$ 1,131,700	\$ 1,107,837	\$ 933,120
3,440,413	3,369,020	3,258,955
-	-	-
(563,449)	(190,195)	(521,515)
-	1,086,415	-
<u>(2,713,373)</u>	<u>(2,376,190)</u>	<u>(1,994,954)</u>
1,295,291	2,996,887	1,675,606
<u>51,759,917</u>	<u>48,763,030</u>	<u>47,087,424</u>
<u><u>\$53,055,208</u></u>	<u><u>\$51,759,917</u></u>	<u><u>\$48,763,030</u></u>
\$ 405,945	\$ 462,351	\$ 516,968
524,282	525,397	470,583
3,544,819	79,424	2,968,745
(2,713,373)	(2,376,190)	(1,994,954)
(40,050)	(48,383)	(31,001)
<u>(2,158)</u>	<u>(2,390)</u>	<u>(2,549)</u>
1,719,465	(1,359,791)	1,927,792
<u>52,472,987</u>	<u>53,832,778</u>	<u>51,904,986</u>
<u><u>\$54,192,452</u></u>	<u><u>\$52,472,987</u></u>	<u><u>\$53,832,778</u></u>
<u><u>\$ (1,137,244)</u></u>	<u><u>\$ (713,070)</u></u>	<u><u>\$ (5,069,748)</u></u>
102.14%	101.38%	110.40%
\$ 7,489,760	\$ 7,505,674	\$ 6,722,617
-15.18%	-9.50%	-75.41%

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

TEXAS MUNICIPAL RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contributions	\$ 664,995	\$ 590,570	\$ 540,779	\$ 534,340
Contributions in Relation to the Actuarially Determined Contributions	<u>664,995</u>	<u>590,570</u>	<u>540,779</u>	<u>534,340</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$9,344,015	\$9,173,167	\$8,483,398	\$8,231,820
Contributions as a Percentage of Covered Payroll	7.12%	6.44%	6.37%	6.49%

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

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

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actual Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a full generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes: There were no benefit changes during the year.

EXHIBIT J

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 496,719	\$ 414,694	\$ 462,576
<u>496,719</u>	<u>414,694</u>	<u>462,576</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,879,026	\$ 7,409,498	\$ 7,102,664
6.30%	5.60%	6.51%

CITY OF NEDERLAND

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT K

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Total OPEB Liability				
Service Cost	\$ 92,408	\$ 79,410	\$ 86,825	\$ 53,710
Interest on the Total OPEB Liability	48,206	57,710	57,081	59,825
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(114,992)	4,977	(132,721)	9,959
Changes of Assumptions	151,019	144,242	(88,544)	91,702
Benefit Payments	(95,522)	(95,277)	(80,574)	(74,340)
Net Change in Total OPEB Liability	<u>81,119</u>	<u>191,062</u>	<u>(157,933)</u>	<u>140,856</u>
Total OPEB Liability - Beginning	1,754,512	1,563,450	1,721,383	1,580,527
Total OPEB Liability - Ending	<u><u>\$1,835,631</u></u>	<u><u>\$1,754,512</u></u>	<u><u>\$1,563,450</u></u>	<u><u>\$1,721,383</u></u>
Covered Payroll	\$9,281,349	\$8,614,734	\$8,106,393	\$7,608,396
Total OPEB Liability as a Percentage of the Covered Payroll	19.78%	20.37%	19.29%	22.62%

Notes to Schedule:

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

FYE19 – The health care trend assumption was slightly modified.

Changes of assumptions reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

<u>FYE</u>	<u>Discount Rate</u>
2021	2.00%
2020	2.75%
2019	3.71%
2018	3.31%
2017	3.81%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF NEDERLAND, TEXAS

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

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

Police Narcotics Fund

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

Library Fund

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

Court Technology Fund

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

Hotel/Motel Tax Fund

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

Fire Department Fund

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

CITY OF NEDERLAND, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Police Narcotics Fund	Library Fund	Court Technology Fund	Hotel/Motel Occupancy Tax Fund
ASSETS				
Cash and Cash Equivalents	\$ 2,645	\$ 828	\$ 7,258	\$ 101,527
Investments - Current	85,765	50,672	-	-
Accounts Receivable Net	-	-	-	21,709
Total Assets	<u>\$ 88,410</u>	<u>\$ 51,500</u>	<u>\$ 7,258</u>	<u>\$ 123,236</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 698	\$ -	\$ 26,173
Unearned Revenues	-	16,800	-	-
Total Liabilities	<u>-</u>	<u>17,498</u>	<u>-</u>	<u>26,173</u>
FUND BALANCES				
Other Restricted Fund Balance	<u>88,410</u>	<u>34,002</u>	<u>7,258</u>	<u>97,063</u>
Total Fund Balances	<u>88,410</u>	<u>34,002</u>	<u>7,258</u>	<u>97,063</u>
Total Liabilities and Fund Balances	<u>\$ 88,410</u>	<u>\$ 51,500</u>	<u>\$ 7,258</u>	<u>\$ 123,236</u>

EXHIBIT L

Fire Department Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 75,361	\$ 187,619	\$ 187,619
-	136,437	136,437
-	21,709	21,709
<u>\$ 75,361</u>	<u>\$ 345,765</u>	<u>\$ 345,765</u>
\$ -	\$ 26,871	\$ 26,871
-	16,800	16,800
-	43,671	43,671
75,361	302,094	302,094
<u>75,361</u>	<u>302,094</u>	<u>302,094</u>
<u>\$ 75,361</u>	<u>\$ 345,765</u>	<u>\$ 345,765</u>

CITY OF NEDERLAND, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Police Narcotics Fund	Library Fund	Court Technology Fund	Hotel/Motel Occupancy Tax Fund
REVENUES:				
Taxes:				
Other Taxes	\$ -	\$ -	\$ -	\$ 106,500
Grants and Private Contributions	2,522	63,382	-	-
Forfeitures	2,090	-	-	-
Fines and Court Costs	-	-	8,757	-
Investment Earnings	52	39	-	-
Other Revenue	1,100	290	-	-
Total Revenues	<u>5,764</u>	<u>63,711</u>	<u>8,757</u>	<u>106,500</u>
EXPENDITURES:				
Public Safety	11,971	-	6,951	-
Culture and Recreation	-	68,753	-	110,532
Total Expenditures	<u>11,971</u>	<u>68,753</u>	<u>6,951</u>	<u>110,532</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,207)</u>	<u>(5,042)</u>	<u>1,806</u>	<u>(4,032)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	<u>(10,000)</u>	-	-	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	-	-	-
Net Change in Fund Balance	(16,207)	(5,042)	1,806	(4,032)
Fund Balance - Beginning	<u>104,617</u>	<u>39,044</u>	<u>5,452</u>	<u>101,095</u>
Fund Balance - Ending	<u>\$ 88,410</u>	<u>\$ 34,002</u>	<u>\$ 7,258</u>	<u>\$ 97,063</u>

EXHIBIT M

Fire Department Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 106,500	\$ 106,500
29,791	95,695	95,695
-	2,090	2,090
-	8,757	8,757
-	91	91
-	1,390	1,390
<u>29,791</u>	<u>214,523</u>	<u>214,523</u>
60,192	79,114	79,114
-	179,285	179,285
<u>60,192</u>	<u>258,399</u>	<u>258,399</u>
<u>(30,401)</u>	<u>(43,876)</u>	<u>(43,876)</u>
20,000	20,000	20,000
-	(10,000)	(10,000)
<u>20,000</u>	<u>10,000</u>	<u>10,000</u>
(10,401)	(33,876)	(33,876)
<u>85,762</u>	<u>335,970</u>	<u>335,970</u>
<u>\$ 75,361</u>	<u>\$ 302,094</u>	<u>\$ 302,094</u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT N

	<u>Budgeted Amounts</u>		Actual	Variance With
	<u>Original</u>	<u>Final</u>	GAAP BASIS	Final Budget
			(See Note)	Positive or
				(Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 2,088,441	\$ 2,088,441	\$ 2,045,798	\$ (42,643)
Penalty and Interest on Taxes	25,000	25,000	29,797	4,797
Investment Earnings	<u>1,000</u>	<u>1,000</u>	<u>92</u>	<u>(908)</u>
Total Revenues	<u>2,114,441</u>	<u>2,114,441</u>	<u>2,075,687</u>	<u>(38,754)</u>
EXPENDITURES:				
Debt Service:				
Principal on Debt	2,305,000	2,305,000	2,305,000	-
Interest on Debt	763,279	763,279	769,059	(5,780)
Other Debt Service	<u>3,250</u>	<u>3,250</u>	<u>1,873</u>	<u>1,377</u>
Total Expenditures	<u>3,071,529</u>	<u>3,071,529</u>	<u>3,075,932</u>	<u>(4,403)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(957,088)	(957,088)	(1,000,245)	(43,157)
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>957,088</u>	<u>957,088</u>	<u>957,088</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>957,088</u>	<u>957,088</u>	<u>957,088</u>	<u>-</u>
Change in Fund Balance	-	-	(43,157)	(43,157)
Fund Balance - Beginning	<u>189,875</u>	<u>189,875</u>	<u>189,875</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 189,875</u>	<u>\$ 189,875</u>	<u>\$ 146,718</u>	<u>\$ (43,157)</u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – POLICE NARCOTIC FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT O

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS	Final Budget
			(See Note)	Positive or
				(Negative)
REVENUES:				
Grants and Private Contributions	\$ -	\$ -	\$ 2,522	\$ 2,522
Forfeitures	35,000	35,000	2,090	(32,910)
Investment Earnings	400	400	52	(348)
Other Revenue	-	-	1,100	1,100
Total Revenues	35,400	35,400	5,764	(29,636)
EXPENDITURES:				
Public Safety	25,400	25,400	11,971	13,429
Total Expenditures	25,400	25,400	11,971	13,429
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,000	10,000	(6,207)	(16,207)
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	(10,000)	(10,000)	(10,000)	-
Change in Fund Balance	-	-	(16,207)	(16,207)
Fund Balance - Beginning	104,617	104,617	104,617	-
Fund Balance - Ending	\$ 104,617	\$ 104,617	\$ 88,410	\$ (16,207)

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT P

	Budgeted Amounts		Actual GAAP BASIS (See Note)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Grants and Private Contributions	\$ 60,800	\$ 60,800	\$ 63,382	\$ 2,582
Investment Earnings	1,000	1,000	39	(961)
Other Revenue	6,500	6,500	290	(6,210)
Total Revenues	<u>68,300</u>	<u>68,300</u>	<u>63,711</u>	<u>(4,589)</u>
EXPENDITURES:				
Culture and Recreation	<u>111,380</u>	<u>111,380</u>	<u>68,753</u>	<u>42,627</u>
Total Expenditures	<u>111,380</u>	<u>111,380</u>	<u>68,753</u>	<u>42,627</u>
Change in Fund Balance	(43,080)	(43,080)	(5,042)	38,038
Fund Balance - Beginning	<u>39,044</u>	<u>39,044</u>	<u>39,044</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (4,036)</u>	<u>\$ (4,036)</u>	<u>\$ 34,002</u>	<u>\$ 38,038</u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – COURT TECHNOLOGY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT Q

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP BASIS</u>	<u>Final Budget</u>
			<u>(See Note)</u>	<u>Positive or</u>
				<u>(Negative)</u>
REVENUES:				
Fines and Court Costs	<u>\$ 5,600</u>	<u>\$ 8,300</u>	<u>\$ 8,757</u>	<u>\$ 457</u>
Total Revenues	<u>5,600</u>	<u>8,300</u>	<u>8,757</u>	<u>457</u>
EXPENDITURES:				
Public Safety	<u>5,600</u>	<u>7,000</u>	<u>6,951</u>	<u>49</u>
Total Expenditures	<u>5,600</u>	<u>7,000</u>	<u>6,951</u>	<u>49</u>
Change in Fund Balance	<u>-</u>	<u>1,300</u>	<u>1,806</u>	<u>506</u>
Fund Balance - Beginning	<u>5,452</u>	<u>5,452</u>	<u>5,452</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 5,452</u></u>	<u><u>\$ 6,752</u></u>	<u><u>\$ 7,258</u></u>	<u><u>\$ 506</u></u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HOTEL/MOTEL OCCUPANCY TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT R

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive or (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Other Taxes	\$ 100,000	\$ 100,000	\$ 106,500	\$ 6,500
Investment Earnings	100	100	-	(100)
Total Revenues	<u>100,100</u>	<u>100,100</u>	<u>106,500</u>	<u>6,400</u>
EXPENDITURES:				
Culture and Recreation	<u>100,100</u>	<u>115,122</u>	<u>110,532</u>	<u>4,590</u>
Total Expenditures	<u>100,100</u>	<u>115,122</u>	<u>110,532</u>	<u>4,590</u>
Change in Fund Balance	-	(15,022)	(4,032)	10,990
Fund Balance - Beginning	<u>101,095</u>	<u>101,095</u>	<u>101,095</u>	<u>-</u>
 Fund Balance - Ending	<u><u>\$ 101,095</u></u>	<u><u>\$ 86,073</u></u>	<u><u>\$ 97,063</u></u>	<u><u>\$ 10,990</u></u>

CITY OF NEDERLAND, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – FIRE DEPARTMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT S

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive or (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES:				
Grants and Private Contributions	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 29,791</u>	<u>\$ 4,791</u>
Tota Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>29,791</u>	<u>4,791</u>
EXPENDITURES:				
Public Safety	<u>25,000</u>	<u>30,000</u>	<u>60,192</u>	<u>(30,192)</u>
Total Expenditures	<u>25,000</u>	<u>30,000</u>	<u>60,192</u>	<u>(30,192)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,000)	(30,401)	(25,401)
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Change in Fund Balance	-	15,000	(10,401)	(25,401)
Fund Balance - Beginning	<u>85,762</u>	<u>85,762</u>	<u>85,762</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 85,762</u></u>	<u><u>\$ 100,762</u></u>	<u><u>\$ 75,361</u></u>	<u><u>\$ (25,401)</u></u>

CITY OF NEDERLAND

**COMPONENT UNIT
NEDERLAND ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2021**

EXHIBIT T

	<u>General</u>	<u>Total Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 166,482	\$ 166,482
Investments	7,411,174	7,411,174
Receivables (net of allowances for doubtful accounts)		
Taxes Receivable	74,583	74,583
Accounts Receivable	5,359	5,359
Total Assets	<u>\$ 7,657,598</u>	<u>\$ 7,657,598</u>
 LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accrued Expenses and Other Liabilities	\$ 147	\$ 147
Due to General Fund	1,991	1,991
Unearned Revenues	2,500	2,500
Total Liabilities	<u>4,638</u>	<u>4,638</u>
 FUND BALANCES:		
Committed Fund Balance	4,250,000	4,250,000
Unassigned Fund Balance	3,402,960	3,402,960
Total Fund Balances	<u>7,652,960</u>	<u>7,652,960</u>
 Total Liabilities and Fund Balances	 <u>\$ 7,657,598</u>	
 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in these funds		1,073,215
 Included in restricted assets is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$70,521, a Deferred Resource Outflow related to TMRS in the amount of \$27,931, and a Deferred Resource inflow related to TMRS in the amount of \$35,463. This amounted to an increase in Net Position in the amount of \$62,989.		62,989
 Included in restricted assets is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$207,242, a Deferred Resource Outflow related to TMRS in the amount of \$39,047, and a Deferred Resource Inflow related to TMRS in the amount of \$36,272. This amounted to a decrease in Net Position in the amount of (\$204,467).		<u>(204,467)</u>
		<u>\$8,584,697</u>

CITY OF NEDERLAND

COMPONENT UNIT

**NEDERLAND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT U

	General	Total Funds
REVENUES:		
Sales Tax	\$ 1,012,715	\$ 1,012,715
Interest	13,651	13,651
Other Miscellaneous	24,194	24,194
Total Revenues	1,050,560	1,050,560
EXPENDITURES:		
Current:		
Economic Development	1,032,022	1,032,022
Total Expenditures	1,032,022	1,032,022
Net Change in Fund Balances	18,538	18,538
Fund Balance - October 1 (Beginning)	7,634,422	
Fund Balance - September 30 (Ending)	\$ 7,652,960	
The change in capital assets are reflected in the current financial resources of governmental funds, however has no effect on net position		609,335
The implementation of GASB 68 eliminates pension expenditures reflected in the current financial resources and decreases net position.		15,691
The implementation of GASB 75 eliminates pension expenditures reflected in the current financial resources and decreases in net position.		(9,544)
CHANGE IN NET POSITION		634,020
NET POSITION - BEGINNING		7,950,677
NET POSITION - ENDING		\$ 8,584,697

CITY OF NEDERLAND

COMPONENT UNIT

NEDERLAND ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT V

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive or (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Sales Tax	\$ 794,022	\$ 794,022	\$ 1,012,715	\$ 218,693
Interest	70,335	70,335	13,651	(56,684)
Other Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>24,194</u>	<u>22,694</u>
Total Revenues	<u>865,857</u>	<u>865,857</u>	<u>1,050,560</u>	<u>184,703</u>
EXPENDITURES:				
Current:				
Economic Development	<u>865,857</u>	<u>865,857</u>	<u>1,032,022</u>	<u>166,165</u>
Total Expenditures	<u>865,857</u>	<u>865,857</u>	<u>1,032,022</u>	<u>166,165</u>
Net Change in Fund Balances	-	-	18,538	18,538
Fund Balance - Beginning	<u>7,634,422</u>	<u>7,634,422</u>	<u>7,634,422</u>	-
Fund Balance - Ending	<u><u>\$7,634,422</u></u>	<u><u>\$7,634,422</u></u>	<u><u>\$ 7,652,960</u></u>	<u><u>\$ 18,538</u></u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Nederland, Texas' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	66-71
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	72-75
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	76-81
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	82-83
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	84-88

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

SCHEDULE I

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities										
Invested in capital assets, net of related debt	\$ 23,127,039	\$ 24,837,113	\$ 29,440,152	\$ 28,104,077	\$ 29,940,213	\$ 30,868,378	\$ 30,923,655	\$ 32,660,306	\$ 34,417,770	\$ 36,664,862
Restricted	2,405,754	4,633,213	3,161,349	7,880,701	3,977,350	4,893,240	7,634,601	814,301	865,425	783,691
Unrestricted	(9,596,034)	(8,070,156)	(5,404,853)	(396,078)	4,570,988	5,817,251	7,120,631	16,157,966	16,516,104	16,958,598
Total governmental activities net position	\$ 15,936,759	\$ 21,400,170	\$ 27,196,648	\$ 35,588,700	\$ 38,488,551	\$ 41,578,869	\$ 45,678,887	\$ 49,632,573	\$ 51,799,299	\$ 54,407,151
Business-type Activities										
Invested in capital assets, net of related debt	\$ 29,921,166	\$ 29,502,539	\$ 29,813,324	\$ 29,931,590	\$ 29,443,855	\$ 28,413,217	\$ 27,438,324	\$ 26,140,194	\$ 30,045,511	\$ 31,958,048
Restricted	2,324,808	1,401,389	1,402,225	2,114,473	931,829	788,521	1,476,711	160,178	160,178	145,830
Unrestricted	3,790,728	4,421,146	5,042,025	6,280,610	7,490,363	8,274,313	8,243,111	11,302,096	10,573,668	10,725,816
Total business-type activities net position	\$ 36,036,702	\$ 35,325,074	\$ 36,257,574	\$ 38,326,673	\$ 37,866,047	\$ 37,476,051	\$ 37,158,146	\$ 37,602,468	\$ 40,779,357	\$ 42,829,694
Primary Government										
Invested in capital assets, net of related debt	\$ 34,208,205	\$ 37,034,652	\$ 43,683,476	\$ 44,265,667	\$ 47,444,068	\$ 59,281,595	\$ 50,256,979	\$ 51,575,045	\$ 54,996,633	\$ 57,746,222
Restricted	4,730,562	6,034,602	4,563,574	9,995,174	4,909,179	9,111,312	9,111,312	974,479	1,025,603	929,521
Unrestricted	13,034,694	13,655,990	15,207,172	19,654,532	24,001,351	14,091,564	23,468,742	34,685,517	36,556,420	38,561,102
Total primary government net position	\$ 51,973,461	\$ 56,725,244	\$ 63,454,222	\$ 73,915,373	\$ 76,354,598	\$ 82,484,471	\$ 82,837,033	\$ 87,235,041	\$ 92,578,656	\$ 97,236,845

CITY OF NEDERLAND, TEXAS

SCHEDULE II

CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS (1)
 (ACCRUAL BASIS OF ACCOUNTING)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
General government	\$ 912,280	\$ 873,884	\$ 1,022,795	\$ 1,133,595	\$ 1,877,002	\$ 1,879,601	\$ 1,453,810	\$ 2,759,459	\$ 1,711,575	\$ 1,038,063
Public safety	4,873,250	4,991,907	5,447,749	5,380,222	5,596,872	6,506,680	6,090,633	6,390,752	6,941,338	7,175,908
Public works	1,825,249	1,805,477	1,839,892	2,276,934	1,908,479	1,116,983	1,984,912	2,027,955	2,295,576	2,474,918
Culture and recreation	1,075,263	1,160,750	1,280,927	1,225,890	1,410,272	1,360,968	1,352,159	1,432,531	1,332,467	1,520,515
Administrative and general	395,998	418,261	349,660	313,638	317,459	323,600	540,643	431,598	361,156	473,705
Interest on long-term debt and other debt service	700,763	679,559	616,072	513,579	330,460	411,785	470,165	708,938	817,081	755,378
Capital Outlay	-	-	-	-	-	634,102	-	-	-	-
Total governmental activities	<u>9,782,803</u>	<u>9,929,838</u>	<u>10,557,095</u>	<u>10,843,858</u>	<u>11,440,544</u>	<u>12,233,719</u>	<u>11,892,322</u>	<u>13,751,233</u>	<u>13,459,193</u>	<u>13,438,487</u>
Business-type activities										
Water and sewer	4,408,929	4,480,355	4,387,935	4,193,292	4,635,956	4,664,576	4,842,030	4,505,371	5,076,567	5,353,822
Solid Waste	1,015,675	1,103,974	1,092,862	1,076,963	1,169,954	1,513,065	1,599,620	1,431,112	1,472,886	1,796,748
Total business-type activities	<u>5,424,604</u>	<u>5,584,329</u>	<u>5,480,797</u>	<u>5,270,255</u>	<u>5,805,910</u>	<u>6,177,641</u>	<u>6,441,650</u>	<u>5,936,483</u>	<u>6,549,453</u>	<u>7,150,570</u>
Total Primary Government Expenses	<u>\$ 15,207,407</u>	<u>\$ 15,514,167</u>	<u>\$ 16,037,892</u>	<u>\$ 16,114,113</u>	<u>\$ 17,246,454</u>	<u>\$ 18,411,360</u>	<u>\$ 18,333,972</u>	<u>\$ 19,687,716</u>	<u>\$ 20,008,646</u>	<u>\$ 20,589,057</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 166,945	\$ 350,177	\$ 193,761	\$ 317,684	\$ 153,263	\$ 231,213	\$ 290,766	\$ 408,929	\$ 361,094	\$ 401,552
Public works	126,566	147,864	147,716	146,329	154,082	101,530	156,561	135,808	71,465	166,978
Culture and recreation	95,460	85,630	92,762	110,178	124,360	105,674	104,374	90,538	47,644	111,319
Operating grants and contributions	248,145	431,584	3,458,451	1,333,094	218,717	303,049	287,856	422,790	1,383,225	421,216
Capital grants and contributions	-	-	-	-	-	-	-	-	-	53,242
Total governmental activities program revenues	<u>637,116</u>	<u>1,015,255</u>	<u>3,892,690</u>	<u>1,907,285</u>	<u>650,422</u>	<u>741,466</u>	<u>839,557</u>	<u>1,058,065</u>	<u>1,863,428</u>	<u>1,154,307</u>
Business activities:										
Charges for services:										
Water & sewer	4,313,232	4,198,873	4,233,087	4,525,083	4,348,123	4,444,922	4,730,022	4,989,641	5,117,728	5,175,026
Solid waste	1,364,893	1,405,833	1,590,802	1,631,189	1,643,525	1,682,773	1,691,752	1,699,844	1,702,719	1,754,075
Capital grants and contributions	-	-	-	-	-	355,233	296,417	-	-	-
Total business-type activities program revenues	<u>5,678,125</u>	<u>5,604,706</u>	<u>5,823,889</u>	<u>6,156,272</u>	<u>5,991,648</u>	<u>6,482,928</u>	<u>6,718,191</u>	<u>6,689,485</u>	<u>6,820,447</u>	<u>6,929,101</u>
Total primary government program revenues	<u>\$ 6,315,241</u>	<u>\$ 6,619,961</u>	<u>\$ 9,716,579</u>	<u>\$ 8,063,557</u>	<u>\$ 6,642,070</u>	<u>\$ 7,224,394</u>	<u>\$ 7,557,748</u>	<u>\$ 7,747,550</u>	<u>\$ 8,683,875</u>	<u>\$ 8,083,408</u>
Net (expense) revenue										
Governmental activities	\$ (9,145,687)	\$ (8,914,583)	\$ (6,664,405)	\$ (8,936,573)	\$ (10,790,122)	\$ (11,492,253)	\$ (11,052,765)	\$ (12,693,168)	\$ (11,595,765)	\$ (12,284,180)
Business-type activities	253,521	20,377	343,092	886,017	185,738	305,287	276,541	753,002	270,994	(221,469)
Total primary government net expense	<u>\$ (8,892,166)</u>	<u>\$ (8,894,206)</u>	<u>\$ (6,321,313)</u>	<u>\$ (8,050,556)</u>	<u>\$ (10,604,384)</u>	<u>\$ (11,186,966)</u>	<u>\$ (10,776,224)</u>	<u>\$ (11,940,166)</u>	<u>\$ (11,324,771)</u>	<u>\$ (12,505,649)</u>

CHANGES IN NET POSITION (continued)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property taxes, penalties and interest	\$ 5,634,574	\$ 5,727,560	\$ 5,786,607	\$ 5,929,520	\$ 6,095,105	\$ 6,335,621	\$ 6,748,020	\$ 6,873,738	\$ 7,158,736	\$ 7,202,505
In lieu of tax contracts	1,768,745	1,819,377	1,784,626	1,737,247	1,723,214	1,672,348	1,995,382	2,205,696	2,402,073	3,215,618
Sales tax	3,713,845	3,681,434	3,844,714	4,227,148	4,104,845	3,725,211	4,550,091	4,621,939	5,065,369	5,063,576
Other taxes	1,230,797	1,164,178	1,219,125	1,261,713	1,216,030	1,297,399	1,364,631	1,314,128	1,203,836	1,160,013
Interest	21,291	27,164	19,828	17,529	26,515	51,219	216,153	498,468	267,685	13,317
Gain on sale of capital assets	-	1,125,155	678,376	155,000	317,411	-	-	-	13,900	-
Grants and Contributions Not Restricted	-	-	-	-	-	279,208	-	-	-	-
Other miscellaneous	55,811	81,126	103,041	124,263	97,460	219,290	445,105	524,100	300,817	176,469
Transfers	959,948	752,000	(620,963)	(198,629)	685,784	733,175	546,900	608,785	(2,649,925)	(1,939,466)
Total government activities	<u>13,385,011</u>	<u>14,377,994</u>	<u>12,815,354</u>	<u>13,253,791</u>	<u>14,266,364</u>	<u>14,313,471</u>	<u>15,866,282</u>	<u>16,646,854</u>	<u>13,762,491</u>	<u>14,892,032</u>
Business-type activities										
Interest	11,927	8,119	7,703	7,302	10,320	14,866	39,213	127,701	177,212	4,181
Other miscellaneous	(120,378)	11,876	(39,258)	(62,007)	77,187	23,026	167,311	172,404	78,758	328,159
Transfers	(959,948)	(752,000)	620,963	198,629	(685,784)	(733,175)	(546,900)	(608,785)	2,649,925	1,939,466
Total business-type activities	<u>(1,068,399)</u>	<u>(732,005)</u>	<u>589,408</u>	<u>143,924</u>	<u>(598,277)</u>	<u>(695,283)</u>	<u>(340,376)</u>	<u>(308,680)</u>	<u>2,905,895</u>	<u>2,271,806</u>
Total primary government	<u>\$ 12,316,612</u>	<u>\$ 13,645,989</u>	<u>\$ 13,404,762</u>	<u>\$ 13,397,715</u>	<u>\$ 13,668,087</u>	<u>\$ 13,618,188</u>	<u>\$ 15,525,906</u>	<u>\$ 16,338,174</u>	<u>\$ 16,668,386</u>	<u>\$ 17,163,838</u>
Change in Net Position										
Governmental activities	\$ 4,239,324	\$ 5,463,411	\$ 6,150,949	\$ 4,317,218	\$ 3,476,242	\$ 2,821,218	\$ 4,793,545	\$ 3,953,686	\$ 2,166,726	\$ 2,607,852
Business-type activities	(814,878)	(711,628)	932,500	1,029,941	(412,539)	(389,996)	(68,965)	444,322	3,176,889	2,050,337
Prior Period Adjustment	-	-	-	-	(372,116)	269,101	(942,469)	-	-	-
Total primary government	<u>\$ 3,424,446</u>	<u>\$ 4,751,783</u>	<u>\$ 7,083,449</u>	<u>\$ 5,347,159</u>	<u>\$ 2,691,587</u>	<u>\$ 2,700,323</u>	<u>\$ 3,782,111</u>	<u>\$ 4,398,008</u>	<u>\$ 5,343,615</u>	<u>\$ 4,658,189</u>

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS (1)

(ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>In Lieu of Tax</u>	<u>Sales Tax</u>	<u>Other Taxes</u>	<u>Total</u>
2012	5,635	1,769	3,714	1,231	12,349
2013	5,728	1,819	3,681	1,164	12,392
2014	5,787	1,785	3,845	1,219	12,636
2015	5,930	1,737	4,227	1,262	13,156
2016	6,095	1,723	4,105	1,216	13,139
2017	6,326	1,672	3,725	1,297	13,020
2018	6,613	1,995	4,550	1,365	14,523
2019	6,783	2,206	4,622	1,314	14,925
2020	7,082	2,402	5,065	1,204	15,753
2021	7,107	3,216	5,064	1,160	16,547

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	3	2	2	3	1	2	12	123	3	70
Restricted	-	1,135	-	197	-	-	3,176	4,005	3,799	3,979
Assigned	-	1,350	-	2,800	2,692	2,953	223	364	256	463
Unassigned	9,332	8,809	12,660	10,817	11,850	12,174	13,012	14,314	16,377	18,221
Total general fund	9,335	11,296	12,662	13,817	14,543	15,129	16,423	18,806	20,435	22,733
All other governmental funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	1,466	1,466
Restricted										
Debt Service	309	261	229	224	174	157	136	166	190	147
Grants and Awards	289	320	310	414	417	427	301	312	336	302
Construction	-	-	-	280	4	5,330	3,179	8,968	6,311	6,834
Committed										
Capital projects	1,795	4,939	3,029	2,495	2,384	2,642	3,937	4,145	3,568	3,416
Total all other governmental funds	2,393	5,520	3,568	3,413	2,979	8,556	7,553	13,591	11,871	12,165
Total governmental funds	\$ 11,728	\$ 16,816	\$ 16,230	\$ 17,230	\$ 17,522	\$ 23,685	\$ 23,976	\$ 32,397	\$ 32,306	\$ 34,898

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Property taxes, penalties and interest	\$ 5,615,078	\$ 5,699,431	\$ 5,785,757	\$ 5,911,963	\$ 6,113,742	\$ 6,326,289	\$ 6,781,817	\$ 6,894,413	\$ 7,138,819	\$ 7,202,765
In lieu of tax contracts	1,768,745	1,819,377	1,784,628	1,737,247	1,723,214	1,672,348	1,995,382	2,205,696	2,402,073	3,215,618
Sales Tax	3,713,845	3,681,434	3,844,714	4,227,148	4,104,845	3,725,211	4,550,091	4,621,939	5,065,369	5,063,576
Other taxes	1,230,797	1,164,178	1,219,125	1,261,713	1,216,030	1,297,399	1,364,631	1,314,128	1,203,836	1,160,013
Charges for services	222,026	233,494	240,478	256,507	278,442	207,204	260,935	226,346	119,109	278,297
Fines, forfeits and penalties	187,836	276,470	226,571	267,359	227,737	231,213	265,662	298,190	309,866	370,127
Interest	21,291	27,164	19,826	17,528	26,515	51,219	216,153	498,468	267,685	13,317
Grants and Private contributions	248,145	431,584	3,458,451	1,333,096	218,717	582,257	287,857	422,790	1,383,224	474,457
Other miscellaneous	91,373	81,126	103,041	124,261	97,460	100,674	87,554	91,980	318,727	174,384
Total revenues	<u>13,099,136</u>	<u>13,414,258</u>	<u>16,682,591</u>	<u>15,136,822</u>	<u>14,006,702</u>	<u>14,193,814</u>	<u>15,810,082</u>	<u>16,573,950</u>	<u>18,208,708</u>	<u>17,952,554</u>
Expenditures										
Current:										
General government	910,170	965,139	1,008,005	2,561,602	1,217,555	1,328,398	1,265,040	2,391,589	1,467,170	1,880,374
Public safety	4,718,219	4,834,661	5,227,808	5,311,775	5,402,174	6,179,043	7,926,820	9,686,702	7,112,430	7,085,232
Public works	1,408,350	1,644,195	3,151,978	1,619,023	2,983,236	1,908,454	2,254,408	1,723,813	3,001,415	3,999,021
Culture and recreation	1,096,082	1,132,087	1,148,460	1,297,498	1,499,537	1,496,688	1,280,388	1,415,757	1,425,624	1,361,577
Administration and general	353,183	369,587	323,473	296,162	317,459	323,600	785,762	431,598	365,167	472,363
Capital Outlay	511,508	2,120,742	4,030,394	555,478	812,262	769,887		268,929	118,781	277,844
Debt Service:										
Principal retirement	1,825,000	1,680,000	1,815,000	1,890,000	1,925,000	1,985,000	2,154,999	2,415,000	2,395,000	2,305,000
Interest and fiscal charges	713,822	853,412	617,638	559,780	511,780	517,041	593,068	817,175	764,984	769,059
Issuance Costs	61,537	198,462	2,325	2,724	2,225	3,250	2,625	2,766	130,050	123,334
Total expenditures	<u>11,597,871</u>	<u>13,798,285</u>	<u>17,325,081</u>	<u>14,094,042</u>	<u>14,671,228</u>	<u>14,511,361</u>	<u>16,263,110</u>	<u>19,153,329</u>	<u>16,780,621</u>	<u>18,273,804</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,501,265</u>	<u>(384,027)</u>	<u>(642,490)</u>	<u>1,042,780</u>	<u>(664,526)</u>	<u>(317,547)</u>	<u>(453,028)</u>	<u>(2,579,379)</u>	<u>1,428,087</u>	<u>(321,250)</u>
Other Financing Sources (Uses)										
Bonds issued	85,000	6,120,000	-	-	-	4,975,000	-	9,695,000	4,076,662	4,476,851
Premium on bonds	-	337,985	-	-	-	624,206	-	263,787	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Payment to refunded escrow agent	-	(3,375,000)	-	-	-	-	-	-	(2,946,021)	-
Transfers in	1,334,948	3,160,650	1,799,078	1,170,298	2,243,055	2,175,099	2,288,098	3,124,695	3,443,495	2,287,088
Transfers out	(375,000)	(2,408,650)	(2,420,041)	(1,368,927)	(1,557,272)	(1,441,925)	(1,741,198)	(2,515,910)	(6,093,420)	(4,226,554)
Sale of general capital assets	-	1,636,470	678,376	155,000	317,412	147,802	332,448	432,120	0	-
Total Other Financing Sources and Uses	<u>1,044,948</u>	<u>5,471,455</u>	<u>57,413</u>	<u>(43,629)</u>	<u>1,003,195</u>	<u>6,480,182</u>	<u>879,348</u>	<u>10,999,692</u>	<u>(1,519,284)</u>	<u>2,537,385</u>
Net Change in Fund Balance	<u>\$ 2,546,213</u>	<u>\$ 5,087,428</u>	<u>\$ (585,077)</u>	<u>\$ 999,151</u>	<u>\$ 338,669</u>	<u>\$ 6,162,635</u>	<u>\$ 426,320</u>	<u>\$ 8,420,313</u>	<u>\$ (91,197)</u>	<u>\$ 2,216,135</u>
Debt service as a percentage of non-capital expenditures	24.01%	23.77%	21.57%	20.71%	20.97%	20.67%	21.84%	23.87%	22.65%	21.36%

ASSESED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

FISCAL YEAR	TAX ROLL YEAR	ESTIMATED MARKET VALUE			LESS: TAX-EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE
		RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	INDUSTRIAL PROPERTY			
2012	2011	\$ 759,356,680	\$ 223,565,400	\$ 9,378,740	\$ 31,566,020	\$ 960,734,800	0.0578000
2013	2012	752,795,130	220,034,960	13,785,390	29,928,476	956,687,004	0.0591853
2014	2013	762,806,954	228,548,890	46,558,802	72,936,303	964,978,343	0.0591853
2015	2014	784,202,131	218,685,410	69,521,792	80,972,053	991,437,280	0.0591853
2016	2015	813,977,607	224,764,320	95,130,156	112,331,501	1,021,540,582	0.0591853
2017	2016	841,020,598	232,242,560	94,158,834	111,045,255	1,056,376,737	0.0594000
2018	2017	872,766,523	231,908,670	98,115,491	115,842,819	1,086,947,865	0.0609578
2019	2018	884,850,214	246,951,596	101,241,859	113,461,412	1,119,582,257	0.0609578
2020	2019	943,506,133	260,889,005	101,664,495	119,762,104	1,186,297,529	0.5991590
2021	2020	993,343,211	264,457,623	99,591,657	120,453,897	1,236,938,594	0.5797080

Source: Jefferson County Appraisal District

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

PROPERTY TAX RATES- DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates			
	Maintenance & Operations Rate	Debt Service Rate	Total Direct Rate	Jefferson County	Nederland ISD	Drainage District #7	Navigation District
2012	\$ 0.370566	\$ 0.207434	\$ 0.578000	\$ 0.365000	\$ 1.109500	\$ 0.140949	\$ 0.027311
2013	0.390395	0.201458	0.591853	0.365000	1.105000	0.140949	0.027870
2014	0.371479	0.220374	0.591853	0.365000	1.120000	0.149917	0.029374
2015	0.372368	0.219485	0.591853	0.365000	1.145000	0.170602	0.089374
2016	0.385689	0.206164	0.591853	0.365000	1.160000	0.165305	0.091640
2017	0.390828	0.203172	0.594000	0.365000	1.160000	0.160545	0.091640
2018	0.390828	0.218750	0.609578	0.364977	1.150000	0.199875	0.091640
2019	0.404100	0.205478	0.609578	0.364977	1.150000	0.239850	0.092067
2020	0.414765	0.184394	0.599159	0.364977	1.330000	0.311805	0.092067
2021	0.413141	0.166567	0.579708	0.364977	1.275200	0.294990	0.090426

Source: Jefferson County Tax Office

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

PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

TAXPAYER	Fiscal Year 2012		Fiscal Year 2021	
	Assessed Valuation	Percent of Estimated Actual Value	Assessed Valuation	Percent of Estimated Actual Value
Philpott Ford, Inc.	\$ 13,748,970	1.43%	\$ 14,723,046	1.19%
Nederland Avenue Apartments	7,681,440	0.80%	13,195,783	1.07%
Entergy Texas, Inc.	8,286,250	0.86%	11,619,056	0.94%
Fivepoint Federal Credit Union	8,707,330	0.91%	9,973,503	0.81%
Chateau Residential LP	3,906,250	0.41%	6,202,654	0.50%
Albanese Nederland Spe LLC	-	-	6,051,250	0.49%
JK Chevrolet Isuzu	-	-	5,979,153	0.48%
LaPlace Apartments	-	-	5,311,037	0.43%
JAG Nederland Properties LTD	5,035,820	0.52%	5,293,803	0.43%
Florida Gas Transmission Co	-	-	4,898,258	0.40%
Megas Constantine	6,659,120	0.69%	-	-
Southwestern Bell Telephone Co	3,842,220	0.40%	-	-
Edward Hughes	3,927,750	0.41%	-	-
HLP Properties or Port Arthur	5,333,220	0.56%	-	-
Total	<u>\$ 67,128,370</u>	6.99%	<u>\$ 83,247,543</u>	6.73%

Source: Jefferson County Appraisal District

Notes:

Total taxable value including real and personal property for tax year 2011 (fiscal year 2012) is \$960,734,800

Total taxable value including real and personal property for tax year 2020 (fiscal year 2021) is \$1,236,938,594

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

FISCAL YEAR ENDED SEPTEMBER 30,	TAXES LEVIED FOR FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF LEVY		COLLECTIONS IN SUBSEQUENT YEAR	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2012	\$ 5,556,337	\$ 5,422,024	97.58%	\$ 122,113	\$ 5,544,137	99.78%
2013	5,639,091	5,502,387	97.58%	124,074	5,626,461	99.78%
2014	5,692,249	5,555,702	97.60%	120,998	5,676,700	99.73%
2015	5,858,251	5,726,009	97.74%	116,000	5,842,009	99.72%
2016	6,030,615	5,908,543	97.98%	102,231	6,010,774	99.67%
2017	6,265,415	6,139,152	97.98%	99,092	6,238,244	99.57%
2018	6,614,207	6,500,741	98.28%	76,865	6,577,606	99.45%
2019	6,799,257	6,680,461	98.25%	68,532	6,748,993	99.26%
2020	7,099,045	6,983,872	98.38%	41,286	7,025,158	98.96%
2021	7,141,696	7,021,913	98.32%	-	7,021,913	98.32%

Source: Jefferson County Appraisal District and Jefferson County Tax Office

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Obligation	Tax Notes	General Obligation Bonds	Water & Sewer Revenue Bonds			
2012	\$ 4,350,000	\$ -	\$ 14,490,000	\$ -	\$ 18,840,000	4.26%	\$ 1,074
2013	6,914,234	-	13,508,405	-	20,422,639	4.64%	1,164
2014	6,660,360	-	11,914,996	-	18,575,356	4.41%	1,059
2015	6,448,900	-	10,400,809	-	16,849,709	3.82%	960
2016	6,349,772	-	8,367,763	-	14,717,535	3.34%	839
2017	11,373,884	-	6,809,971	-	18,183,855	4.13%	1,036
2018	10,915,799	-	4,965,170	-	15,880,969	3.60%	905
2019	20,053,305	-	3,210,369	-	23,263,674	3.66%	1,326
2020	15,887,031	1,040,000	4,968,228	-	21,895,259	3.67%	1,248
2021	19,248,430	540,000	4,111,410	-	23,899,840	3.41%	1,267

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

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding					Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
	Certificates of Obligation	Tax Notes	General Obligation Bonds	Amounts Available in Debt Service Fund				
2012	\$ 4,350,000	\$ -	\$ 14,490,000	\$ 308,653		\$ 18,531,347	1.93%	\$ 1,056
2013	6,790,000	-	13,115,000	261,027		19,643,973	2.05%	1,120
2014	6,545,000	-	11,545,000	228,616		17,861,384	1.85%	1,018
2015	6,285,000	-	9,915,000	223,567		15,976,433	1.61%	910
2016	6,349,772	-	8,367,763	174,078		14,543,457	1.42%	829
2017	11,373,884	-	6,809,971	156,911		18,026,944	1.71%	1,027
2018	10,915,799	-	4,965,170	136,158		15,744,811	1.45%	897
2019	20,053,305	-	3,210,369	165,746		23,097,928	2.06%	1,316
2020	15,887,031	1,040,000	4,968,228	189,875		21,705,384	1.83%	1,237
2021	19,248,430	540,000	4,111,410	146,718		23,753,122	1.92%	1,260

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

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

ALL DIRECT AND OVERLAPPING GOVERNMENTS

SEPTEMBER 30, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Nederland Independent School District	\$149,453,333	36.96%	\$55,237,952
Jefferson County, Texas	31,295,000	3.67%	1,148,527
Jefferson County Drainage District #7	14,515,000	7.29%	1,058,144
Subtotal overlapping debt			57,444,622
City direct debt			23,899,840
TOTAL			\$ 81,344,462

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

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2021

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes; City	\$ 11,530,000	100.00%	\$ 11,530,000

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(AMOUNTS EXPRESSED IN THOUSANDS)

Debt Margin Calculation for Fiscal Year 2021

Assessed value	<u>\$ 1,236,939</u>
Debt Limit (25% of assessed value)	<u>309,235</u>
Debt applicable to limit:	
General Obligation Bonds	11,530
Less: amount set aside for repayment of general obligation debt	<u>(147)</u>
Total net debt applicable to limit	<u>11,383</u>
Debt Margin	<u><u>\$ 297,852</u></u>

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt limit	\$ 221,641	\$ 219,528	\$ 223,384	\$ 231,883	\$ 241,284	\$ 264,081	\$ 271,723	\$ 279,886	\$ 270,941	\$ 297,852
Total net debt applicable to limit	<u>18,543</u>	<u>19,644</u>	<u>17,861</u>	<u>15,976</u>	<u>14,101</u>	<u>14,101</u>	<u>11,669</u>	<u>9,764</u>	<u>8,955</u>	<u>11,383</u>
Legal debt margin	<u>\$ 203,098</u>	<u>\$ 199,884</u>	<u>\$ 205,523</u>	<u>\$ 215,907</u>	<u>\$ 227,183</u>	<u>\$ 249,980</u>	<u>\$ 260,054</u>	<u>\$ 270,122</u>	<u>\$ 261,986</u>	<u>\$ 286,469</u>
Legal debt margin as a percentage of the debt limit	91.63%	91.05%	92.00%	93.11%	94.16%	94.66%	95.71%	96.51%	96.69%	96.18%

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

PLEGGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					
	Water & Sewer Charges for Services	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2012	4,127,641	3,089,241	1,038,400	-	-	-
2013	4,064,990	2,906,750	1,158,240	-	-	-
2014	4,065,404	2,975,514	1,089,890	-	-	-
2015	4,364,421	2,983,052	1,381,369	-	-	-
2016	4,348,123	3,233,957	1,114,166	-	-	-
2017	4,444,922	3,254,861	1,190,061	-	-	-
2018	4,876,004	3,428,757	1,447,247	-	-	-
2019	5,134,333	3,096,940	2,037,393	-	-	-
2020	5,232,827	3,639,226	1,593,601	-	-	-
2021	5,332,637	3,740,164	1,592,473	-	-	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest, depreciation, or amortization expenses.

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2012	\$ 17,547	\$ 461,223	\$ 26,285	37.3	5,022	** 9.89%
2013	17,547	460,539	26,246	37.3	5,026	** 9.70%
2014	17,547	483,157	27,535	36.8	5,006	** 7.3%
2015	17,547	545,431	31,084	36.6	5,156	** 6.4%
2016	17,547	541,571	30,864	38.7	5,030	** 7.2%
2017	17,547	566,259	32,271	38.8	5,229	** 8.2%
2018	17,547	546,449	31,142	39.1	5,388	** 5.6%
2019	17,547	635,728	36,230	38.3	5,372	** 5.3%
2020	17,547	597,107	34,029	36.5	4,981	**11.9%
2021	18,856	700,859	37,169	37.0	5,022	**8.0%

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

Notes:

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

N/A-Data not available

PRINCIPAL EMPLOYERS

CURRENT YEAR

Employer	2021	
	Employees	Percentage of Total City Employment
Nederland Independent School District	665	7.67%
Mid Jefferson Extended Care Hospital	169	1.95%
Time Warner	130	1.50%
Philpott Motors	133	1.53%
Energy Transfer	125	1.44%
Five Point Credit Union	125	1.44%
City of Nederland	124	1.43%
Whataburger	72	0.83%
Dupont	75	0.87%
Unocal	66	0.76%
JK Chevrolet	64	0.74%
Hargrove Engineers	58	0.67%

Source: Nederland Economic Development Corporation

Note: Historical Information not available.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>Function/Program</u>										
General government										
City manager	3	3	3	3	3	3	3	3	3	3
Finance	1	1	1	1	1	1	1	2	2	2
Personnel	2	2	2	2	2	2	2	2	2	2
Public safety										
Police	26	27	27	28	28	29	29	31	31	31
Fire	15	15	15	15	15	15	15	15	16	16
Dispatch	10	10	10	11	11	11	11	11	11	11
Information Technology	1	2	2	3	3	3	3	3	3	3
Public works										
Inspections	2	2	2	2	2	2	2	2	2	2
Code Enforcement	-	-	1	1	1	1	1	1	1	1
Public works administration	2	2	2	2	2	2	2	2	2	2
Streets	8	8	8	8	8	8	8	8	8	9
City shop	2	2	3	2	2	**	**	**	**	**
Animal Control	-	-	-	1	1	1	1	1	1	1
Culture and recreation										
Parks and recreation	3	3	3	4	4	4	4	4	4	4
Library	4	4	4	4	4	4	4	4	4	4
Water and sewer										
Water treatment	6	6	6	6	6	7	6	6	6	6
Water utility billing/collections	4	4	5	5	5	5	5	5	5	5
Wastewater treatment	*	*	*	*	*	4	4	4	4	4
Water and sewer distribution	10	10	9	9	9	9	9	9	9	9
Solid Waste	7	7	7	7	7	9	9	9	9	9
Total	106	108	110	114	114	120	119	122	123	124

Source: Finance Department

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

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

** Operations of City Shop were moved under Solid Waste

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN CALENDAR YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>Function/Program</u>										
General government										
Building permits issued	1,026	1,028	981	1,035	1,127	815	990	901	821	945
Public safety										
Police										
Physical arrests	360	245	364	459	413	438	427	612	440	506
Traffic violations	2,058	3,503	2,589	2,508	1,704	1,735	1,824	2,457	*6,945	*3,759
Dispatch calls for service	12,463	14,455	14,667	17,377	17,199	19,246	17,453	19,754	17,434	19,967
Offense reports filled	2,049	2,195	2,015	2,161	1,973	2,151	1,797	3,437	1,819	1,755
Fire										
Fire runs	91	66	72	52	77	74	81	65	63	56
EMS & other non-fire runs	1,608	1,632	1,731	1,830	1,700	1,938	1,894	2,204	2,280	2,147
Library										
Total volumes borrowed	103,602	106,526	96,449	94,428	89,490	86,499	85,784	82,764	47,982	49,721
Water and sewer										
Number of connections	7,865	7,926	8,308	8,569	8,680	8,680	9,021	8,910	9,093	9,135
Water main breaks	176	248	114	129	103	133	99	66	69	79
Average daily consumption (thousands of gallons)	2	2.13	2.01	1.97	1.97	2.00	2.11	2.02	2.19	2.13
Peak daily consumption (thousands of gallons)	3.47	3.43	3.63	3.16	2.77	2.76	3.65	2.44	2.65	4.46
Solid waste										
Refuse collected average yards per day (compacted)	128.000	117.000	120.000	85.000	117.000	85.000	84.000	106.000	129.000	93.000
Refuse collected average yards per day (non-compacted)	104.000	192.000	117.000	110.000	144.000	138.000	114.000	128.000	144.000	89.000

Source: City Departments

* Change in recording method to including warnings

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	20	19	19	19	19	19	21	21	21	21
Fire stations	1	1	1	1	1	1	1	1	1	1
Aerials	1	1	1	1	1	1	1	1	1	1
Engines	3	3	3	3	3	3	3	3	3	3
Vehicles	3	3	3	3	3	3	3	3	4	4
Rescue	1	1	1	1	1	1	2	2	2	2
Public works										
Streets (lane miles)	175	175	175	175	175	175	175	175	175	175
Traffic signals	6	7	7	7	7	7	7	7	7	7
Parks and recreation										
Parks	6	5	5	6	6	6	6	6	6	6
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water and sewer										
Water mains (miles)	103.96	103.96	103.96	103.96	103.96	103.96	104.22	104.22	104.22	104.22
Sewer mains (miles)	93.67	94	94	94	94	94	97.77	97.77	97.77	97.77
Fire hydrants	407	407	407	407	407	407	481	481	481	481

Source: City Departments

Industrial Contract Revenue

2011-2012 Fiscal Year

	2011 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 31,177,290	\$ 23,211,219	\$ 134,161
Union Oil of California	149,718,890	61,835,512	357,409
Sun Pipeline Company	301,689,110	220,964,553	1,277,175
Total	\$ 482,585,290	\$ 306,011,284	\$ 1,768,745

2012-2013 Fiscal Year

	2012 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 24,067,050	\$ 17,907,656	\$ 105,987
Union Oil of California	125,825,490	57,674,339	341,347
Sun Pipeline Company	321,881,020	231,821,470	1,372,042
Total	\$ 471,773,560	\$ 307,403,465	\$ 1,819,376

2013-2014 Fiscal Year

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

2014-2015 Fiscal Year

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

2015-2016 Fiscal Year

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

Industrial Contract Revenue

2016-2017 Fiscal Year

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

2017-2018 Fiscal Year

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

2018-2019 Fiscal Year

	2018		
	Assessed	Taxable	
	Valuation	Value	Payments
Air Liquide America Corporation	\$ 21,193,760	\$ 15,746,600	\$ 95,988
Phillips 66	135,645,520	98,359,140	599,576
Sun Pipeline Company	628,272,240	247,734,064	1,510,132
Total	\$ 785,111,520	\$ 361,839,804	\$ 2,205,696

2019-2020 Fiscal Year

	2019		
	Assessed	Taxable	
	Valuation	Value	Payments
Air Liquide America Corporation	\$ 21,397,860	\$ 15,895,341	\$ 95,238
Phillips 66	204,609,530	121,580,498	728,461
Sun Pipeline Company	689,322,200	263,431,541	1,578,374
Total	\$ 915,329,590	\$ 400,907,380	\$ 2,402,073

2020-2021 Fiscal Year

	2020		
	Assessed	Taxable	
	Valuation	Value	Payments
Air Liquide America Corporation	\$ 19,316,334	\$ 14,334,205	\$ 83,097
Phillips 66	269,869,575	133,802,596	775,664
Sun Pipeline Company	709,418,500	406,559,323	2,356,857
Total	\$ 998,604,409	\$ 554,696,124	\$ 3,215,618