

Ben Campbell, President  
Suzanne Eiben, Vice President  
Kim Willmott, Secretary/Treasurer  
Dan Bochsler, Director  
Joseph Thompson, Director  
Linda Dickens, Director  
Charles Drane, Director



Christophe Trahan, EDC  
Director  
Lisa Bowman, Admin.  
Assistant

**NOTICE OF MEETING  
ECONOMIC DEVELOPMENT BOARD  
April 11, 2023  
11:30 A.M.  
PEDC Office  
100 Willow Creek Pkwy, Suite A  
Palestine, TX**

**Zoom Link:**

<https://us06web.zoom.us/j/82954270172?pwd=TKVTdXNxeWxtTkxnMmQ2MWVYMhQxZz09>

Meeting ID: 829 5427 0172

Passcode: 107164

One tap mobile

+13462487799,,82954270172#,,,,\*107164# US

Note: when you are joining a Zoom meeting by phone, you can use your phone's dial pad to enter the commands \*6 for toggling mute/unmute and \*9 to "raise your hand." [Learn more here.](#)

Follow us live at: [facebook.com/palestinetc/](https://www.facebook.com/palestinetc/)

**A. CALL TO ORDER**

**B. PROPOSED CHANGES OF AGENDA ITEMS**

**C. PUBLIC COMMENTS**

Any citizen wishing to speak during public comments regarding an item on or off the agenda may do so during this section of the agenda. All comments must be no more than five minutes in length. Any comments regarding items, not on the posted agenda may not be discussed or responded to by the Board. Members of the public may join via Zoom or in person.

**D. CONFLICT OF INTEREST DISCLOSURES**

**E. ITEMS FROM BOARD**

**F. DIRECTOR'S REPORT**

1. Review Monthly Director's Report.

**G. DISCUSSION AND ACTION ITEMS**

1. Discussion and possible action to approve PEDC Minutes From July 6, 2022.
2. Discussion and possible action to approve PEDC Minutes from March 21, 2023.
3. Discussion and possible action to approve PEDC's Financial Statement from March 2023.

4. Discussion and possible action regarding PEDC's Annual Financial Comprehensive report.
5. Discussion and possible action regarding previously approved Community Development Grants.
6. Discussion and possible action regarding budgetary amendments to PEDC's fiscal year 2022-2023 budget.

**H. CLOSED SESSION**

The Board will go into Closed Session pursuant to Texas Government Code, Chapter 551, Subchapter D.

1. Section 551.072 deliberation regarding real property: the purchase, exchange, lease, or value of real property.
  - a.) 100 Willow Creek Pkwy., Suite B.
  - b.) Project Short Line
  
2. Section 551.087 deliberation regarding Economic Development negotiations.
  - a.) PEDC / TVCC
  - b.) Prospect# 1061 Bingo

**I. RECONVENE IN REGULAR SESSION**

1. Section 551.072 deliberation regarding real property: the purchase, exchange, lease, or value of real property.

Take any action regarding:

  - a.) 100 Willow Creek Pkwy., Suite B.
  - b.) Project Short Line
  
2. Section 551.087 deliberation regarding Economic Development negotiations.

Take any action regarding:

  - a.) PEDC / TVCC
  - b.) Prospect# 1061 Bingo

**J. ADJOURNMENT**

I certify that the above Notice of Meeting was posted at the main entrance of the Palestine Economic Development Corporation located at 100 Willow Creek Parkway, Suite A, Palestine, Texas, in compliance with Chapter 551 of the Texas Government Code on **Thursday, April 6, 2023, at 4:30 p.m.**



Lisa Bowman, EDC Admin. Assistant

PERSONS IN NEED OF SPECIAL ACCOMMODATION TO PARTICIPATE IN THIS PROCEEDING SHALL, CONTACT THE CITY SECRETARY'S OFFICE VIA EMAIL AT [citysecretary@palestine-tx.org](mailto:citysecretary@palestine-tx.org) or 903-731-8414.



Agenda Date: 04/11/2023  
To: Palestine Economic Development Corporation  
From: Lisa Bowman, Economic Development Admin  
Agenda Item: Review Monthly Director's Report.

---

**SUMMARY:**

Review Monthly Director's Report.

**RECOMMENDED ACTION:**

Staff recommends the board review the Monthly Director's Report.

---

**Attachments**

Board Report  
ETEX Report



## Economic Development Activities- March/April 2023

### New Business/Investment

---

- Conducted Site Development meeting with business prospect Texas Futura LLC
- Participated in a site tour and Business Retention/Expansion visit with Verdant Specialty Solutions to discuss expansion opportunities at their Palestine facility.
- Introduction to Prospect #1061 Bingo
- Attended the Trinity Valley Community College Board of Trustees meeting on April 3<sup>rd</sup> to hear the board's decision regarding expanding TDCJ correctional officer training in Palestine.

### Marketing

---

- Updated properties and information on PEDC website
- Initiated the process of a website redesign as part of the existing marketing contract with Golden Shovel Agency.

### Administration

---

- Addressing safety concerns within Willow Creek Business Park.
- Reviewing and assessing the viability of PEDC Downtown and Community Development Grant Programs.
- Attended the monthly meeting of the Texas State Railroad Authority on March 22<sup>nd</sup>.
- Met with County Commissioners Greg Chapin and Kenneth Dickson (Precincts 1 & 3) to discuss ongoing economic development projects in Anderson County on March 27<sup>th</sup>.
- Filed EDC Annual Report with the Texas State Comptroller ahead of April 1 deadline.

### Prospects

PEDC March leads: 2

1 Expansion

1 New

No. of projects by industry:

2 Manufacturing

Source of Leads

2 Direct

No. of open leads

12



## ETEX/PEDC Broadband Initiative Revenue Share Report

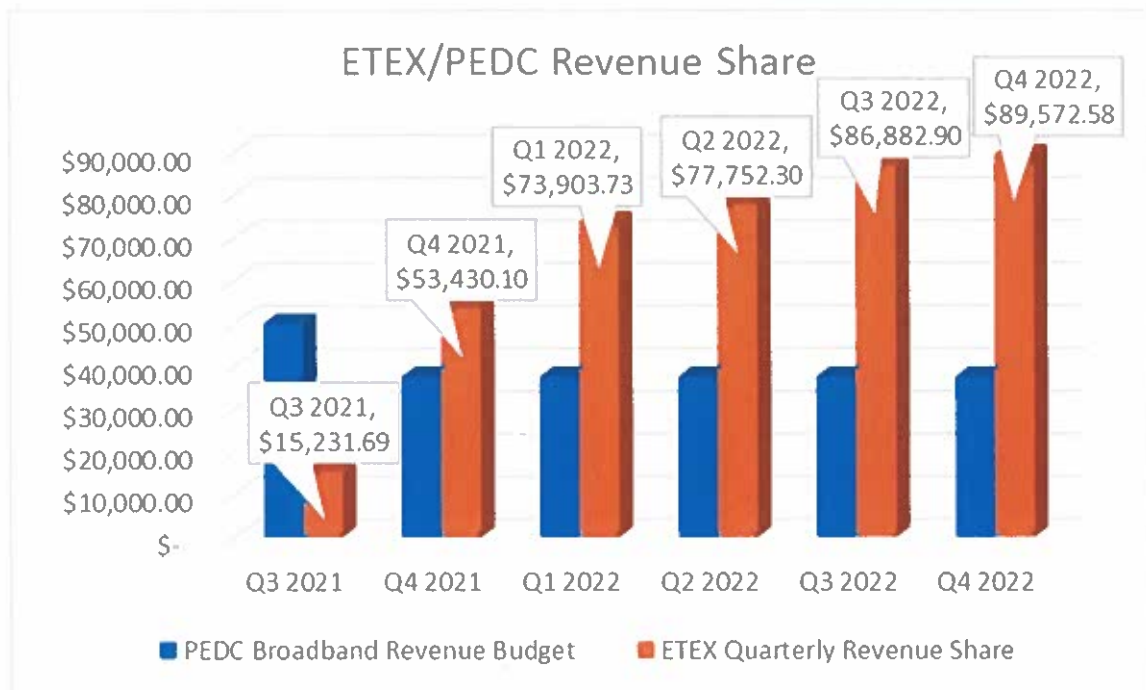
As of Q1 2023

Initial investment payback period: 5 years

Approximate investment payback period based on current revenues: 3.25 years

PEDC Revenue Budget	
Q3 2021	\$ 50,000.00
Q4 2021	\$ 37,500.00
Q1 2022	\$ 37,500.00
Q2 2022	\$ 37,500.00
Q3 2022	\$ 37,500.00
Q4 2022	\$ 37,500.00
Q1 2023	\$ 37,500.00

ETEX Quarterly Revenue Share	
Q3 2021	\$ 15,231.69
Q4 2021	\$ 53,430.10
Q1 2022	\$ 73,903.73
Q2 2022	\$ 77,752.30
Q3 2022	\$ 86,882.90
Q4 2022	\$ 89,572.58
Q1 2023	\$ 91,437.60





As a result of the revenue share agreement, PEDC receives revenue from clients serviced with the funded infrastructure located in the cities of Jacksonville and Palestine. The following are quarterly breakdowns of revenue received by city.

Q3 2021				
City	July	August	September	Location Totals
JACKSONVILLE	\$ 161.42	\$ 89.98	\$ 242.94	\$ 494.34
PALESTINE	\$ -	\$ 7,449.04	\$ 7,120.48	\$ 14,569.52

Q4 2021				
City	October	November	December	Location Totals
JACKSONVILLE	\$ 391.92	\$ -	\$ 519.89	\$ 911.81
PALESTINE	\$ 18,160.22	\$ 16,922.67	\$ 17,436.28	\$ 52,519.17

Q1 2022				
City	January	February	March	Location Totals
JACKSONVILLE	\$ 1,119.36	\$ 1,571.28	\$ 1,098.20	\$ 3,788.84
PALESTINE	\$ 23,074.41	\$ 21,242.20	\$ 25,398.28	\$ 69,714.89

Q2 2022				
City	April	May	June	Location Totals
JACKSONVILLE	\$ 1,340.40	\$ 1,225.68	\$ 1,225.18	\$ 3,791.25
PALESTINE	\$ 24,058.96	\$ 24,418.52	\$ 25,483.58	\$ 73,961.05

Q3 2022				
City	July	August	September	Location Totals
JACKSONVILLE	\$ 1,370.81	\$ 1,324.15	\$ 1,324.15	\$ 4,019.11
PALESTINE	\$ 26,410.62	\$ 28,280.68	\$ 28,172.50	\$ 82,863.80

Q4 2022				
City	October	November	December	Location Totals
JACKSONVILLE	\$ 1,324.15	\$ 1,324.15	\$ 1,324.15	\$ 3,972.45
PALESTINE	\$ 28,387.26	\$ 28,354.90	\$ 28,857.97	\$ 85,600.13

Q1 2023				
City	January	February	March	Location Totals
JACKSONVILLE	\$ 1,324.15	\$ 1,361.65	\$ 1,324.15	\$ 4,009.95
PALESTINE	\$ 28,879.02	\$ 29,209.09	\$ 29,339.54	\$ 87,427.65

<b>Grand Total</b>	<b>\$ 30,203.17</b>	<b>\$ 30,570.74</b>	<b>\$ 30,663.69</b>	<b>\$ 91,437.60</b>
--------------------	---------------------	---------------------	---------------------	---------------------



Agenda Date: 04/11/2023  
To: Palestine Economic Development Corporation  
From: Lisa Bowman, Economic Development Admin  
Agenda Item: Consider approval of PEDC Minutes from July 6, 2022.

---

**SUMMARY:**

Discussion and possible action to approve PEDC Minutes From July 6, 2022.

**RECOMMENDED ACTION:**

Staff recommends approval of PEDC Minutes from July 6, 2022.

---

**Attachments**

PEDC Minutes 7.6.22



THE STATE OF TEXAS           §  
COUNTY OF ANDERSON       §  
CITY OF PALESTINE           §

The Economic Development Board of the City of Palestine convened in a Special Meeting on Wednesday, July 6, 2022, at 8:00 a.m., at PEDC Office, 100 Willow Creek Pkwy, Suite A, Palestine, Texas, with the following people present: President Ben Campbell; Directors Dan Bochsler, Charles Drane, and Joseph Thompson.

Staff present: Administrative Assistant Lisa Bowman, City Manager Teresa Herrera, Finance Director Andrew Sibai.

Others Present: Chris Nichols of The Nichols Firm, PLLC.

Secretary/Treasurer Kim Willmott arrived at 8:59 a.m.

**CALL TO ORDER**

With a quorum present, President Ben Campbell called the meeting to order at 8:01 a.m.

**PROPOSED CHANGES OF AGENDA ITEMS**

There were no proposed changes.

**PUBLIC COMMENTS**

There were none.

**CONFLICT OF INTEREST DISCLOSURES**

There were none.

**ITEMS FROM BOARD**

There were none.

**DIRECTOR'S REPORT**

There was none.

**DISCUSSION AND ACTION ITEMS**

1. Discussion regarding proposed changes to the Bylaws of Economic Development Corporation.

The following Bylaw items were proposed, by the Economic development board, to be changed, corrected, or edited by Chris Nichols of The Nichols Firm, PLLC.:

**Article IV - Officers**

- Section 2. Executive Officers – line 4: Grammar and punctuation corrections
- Section 3. Powers and Duties of the President: Verbiage corrections

- Section 5 Powers and Duties of the Secretary: Grammar corrections
- Section 6. Powers and Duties of the Treasurer: Punctuation correction for section title; verbiage corrections
- Section 7. Powers and Duties of the Director of Economic Development: Verbiage and grammar corrections

**Article VIII – Miscellaneous**

- Section 2. Negotiable Instruments: Verbiage corrections
- Section 9. Training Requirements: Grammar and verbiage corrections

**Article IX – Indemnification and Insurance**

- Paragraph 1 – Line 3: Grammar correction
- Paragraph 2: Verbiage and grammar corrections

2. Discussion regarding the proposed Economic Development Budget for Fiscal Year 2022-2023.

The following Budget line-item amounts were proposed by President Ben Campbell, Secretary/Treasurer Kim Willmott; Directors: Joseph Thompson, Charles Drane, Linda Dickens, and Dan Bochsler; City Manager Teresa Herrera and Finance Director Andrew Sabai to be implemented for Fiscal Year 2022-2023:

**Revenue**

- 215-4-1013 PEDC Sales Tax: \$1,040,000.00
- 215-4-1705.001 Rent – Suite B: \$6,000

**Expense**

- 215-5-110-010 Salaries & Wages, 215-5-110-1015 Salary Premium, 215-5-110-1020 Overtime, 215-5-110-1030 Longevity, 215-5-110-1031 Certification Pay, 215-5-110-1036 Cell Phone Allowance, 215-5-110-1040 Social Security, 215-5-110-1050 Health Insurance, 215-5-110-1061 Workers Compensation, 215-5-110-1070 Retirement: Total of \$200,000.00
- 215-5-110-2010 Office Supplies/Equipment: \$2,000.00
- 215-5-110-2020 Postage: \$250.00
- 215-5-110-3010 Legal Services: \$45,000.00
- 215-5-110-3020 Audit & Accounting Services: \$5,000.00
- 215-5-110-3030 Professional Services: \$0.00
- 215-5-110-3031 Consultant Services: \$2,500.00
- 215-5-110-3040 Communication: \$0.00
- 215-5-110-3051 Utilities-Water/Sewer: \$4,000.00
- 215-5-110-3080 Membership & Subscription: \$8,000.00
- 215-5-110-3082 Travel and Training: \$10,000.00
- 215-5-110-3090 IT Support: \$2,000.00
- 215-5-110-3095 Software Maintenance: \$1,000.00
- 215-5-110-3110 Advertising: \$500.00

- 215-5-110-3112 Printing Services: \$600.00
- 215-5-110-3150 Marketing Services: \$40,000.00
- 215-5-110-3315 Vehicle Lease Fees: \$0.00
- 215-5-110-3330 City-Paid Expenses: \$0.00
- 215-5-110-3400 Janitorial Service: \$4,100.00
- 215-5-110-4010 Business Park Maintenance: \$50,000.00
- 215-5-110-4500 Utilities-Electric: \$7,500.00
- 215-5-110-4503 Phones/Internet: \$6,000.00
- 215-5-110-5060 Business Retention/Expansion: \$10,000.00
- 215-5-110-5200 Meeting Meals: \$2,000.00
- 215-5-110-8010 Furniture & Office Equipment: \$1,000.00
- 2115-5-110-9570 Transfer to Fleet Fund: \$500.00
- 215-5-111-3617 Projects Support Grants: \$400,000.00
- 215-5-111-3662 Park Improvements > Park Improvements/Athletic Complex: \$50,000.00
- 215-5-111-3663 Com Dev Grant-General Program: \$100,000.00
- 215-5-111-3664 Bldg Improvement Grant Prog: \$150,000.00
- 215-5-111-5066 Community Events: \$3,000.00
- 215-5-999-3220 TML Insurance: \$6,000.00

**ADJOURN**

With no other business to come before the Board, President Campbell adjourned the meeting at 10:14 a.m., meeting was adjourned.

PASSED AND APPROVED THIS 21ST DAY OF JULY 2022.

\_\_\_\_\_  
Ben Campbell, President

ATTEST:

\_\_\_\_\_  
Lisa Bowman, Administrative Assistant



Agenda Date: 04/11/2023  
To: Palestine Economic Development Corporation  
From: Lisa Bowman, Economic Development Admin  
Agenda Item: Consider approval of PEDC Minutes from March 21, 2023.

---

**SUMMARY:**

Discussion and possible action to approve PEDC Minutes from March 21, 2023.

**RECOMMENDED ACTION:**

Staff recommends approval of PEDC Minutes from March 21, 2023.

---

**Attachments**

PEDC Minutes 3.21.23

THE STATE OF TEXAS           §  
COUNTY OF ANDERSON       §  
CITY OF PALESTINE           §

The Economic Development Board of the City of Palestine convened in a regular meeting on Tuesday, March 21, 2023, at 10:00 a.m., at PEDC Office, 100 Willow Creek Pkwy, Suite A, Palestine, Texas, with the following people present: President Ben Campbell; Vice President Dan Bochsler; Secretary/Treasurer Kim Willmott; Directors: Linda Dickens, Joseph Thompson, Suzanne Eiben & Charles Drane (via Zoom).

Staff present: PEDC Director Christophe Trahan; Administrative Assistant Lisa Bowman

Others Present: City Manager Teresa Herrera; Finance Director Andrew Sibai; Megan J. Mikutis of Randle Law Office Ltd., L.L.P.

Director Dickens entered the Board Meeting at 10:07 a.m.

Director Eiben entered the Board Meeting at 10:15 a.m.

**CALL TO ORDER**

With a quorum present, President Ben Campbell called the meeting to order at 10:00 a.m.

**PROPOSED CHANGES OF AGENDA ITEMS**

There were none.

**PUBLIC COMMENTS**

There were none.

**CONFLICT OF INTEREST DISCLOSURES**

President Ben Campbell recused himself from all discussion and motions regarding Project Short Line. President Campbell currently serves as a board member of the Texas State Railroad Authority. All board members serve voluntarily and receive no financial remuneration.

**ITEMS FROM BOARD**

There were none.

**DIRECTOR'S REPORT**

PEDC Director Christophe Trahan presented the board with a monthly report with the following information:

- PEDC Director's monthly economic development activities
- Texas Labor Market Information Data – Regional Unemployment comparison & Private Sector Wage data.
- Retail sector data from Texas State Comptroller – City, County, & Index Cities.
- Attendance of TVCC Board Meeting on March 3, 2023, for introduction to new TVCC Board President & discussion regarding Workforce Development Project.

## **DISCUSSION AND ACTION ITEMS**

1. Consider approval of PEDC Minutes from February 14, 2023.

Motion by Vice President Bochsler, seconded by Director Thompson to approve item as presented. Upon vote, motion carried unanimously 6-0.

2. Consider Approval of February 2023 PEDC Financial Statement.

Motion by Director Willmott, seconded by Director Dickens to approve item as presented. Upon vote, motion carried unanimously 6-0.

3. Proposal for the possible sale of land acreage within the Willow Creek Business Park.

Steve Presley gave a presentation to the PEDC Board offering to purchase acreage located in the Willow Creek Business Park. Mr. Presley proposed to use the land he would be purchasing for large-tract residential development.

## **CLOSED SESSION**

President Campbell announced the Board would go into Closed Session pursuant to Texas Government Code, Chapter 551, Subchapter D. The time was 10:27 a.m.

1. Section 551.072 deliberation regarding real property: the purchase, exchange, lease, or value of real property.

- a.) Proposal for the possible sale of land acreage within the Willow Creek Business Park.
- b.) 100 Willow Creek Pkwy., Suite B.

President Campbell recused himself and exited the board meeting at 11:18 a.m.

- c.) Project: Short Line

2. Section 551.087 deliberation regarding Economic Development negotiations.

- a.) Texas Futura, LLC.

Director Dickens exited the board meeting at 11:50 a.m.

## **RECONVENE IN REGULAR SESSION**

President Campbell re-entered and reconvened the Board Meeting into open session at 11:53 a.m.

1. Section 551.072 deliberation regarding real property: the purchase, exchange, lease, or value of real property.

Take any action regarding section 551.072 deliberation regarding real property: the purchase, exchange, lease, or value of real property.

- a.) Proposal for the possible sale of land acreage within the Willow Creek Business Park. – Motion by Director Eiben, seconded by Director Thompson to authorize EDC Director and staff to move forward to advertise property available for sale in the Willow Creek Business Park for 90 days. Upon vote, motion carried unanimously 5-0.
- b.) 100 Willow Creek Pkwy., Suite B. – NO ACTION TAKEN
- c.) Project: Short Line – NO ACTION TAKEN

2. Section 551.087 deliberation regarding Economic Development negotiations.

Take any action regarding section 551.087 deliberation regarding Economic Development negotiations.

- a.) Texas Futura, LLC. – NO ACTION TAKEN

### **PUBLIC HEARINGS**

1. Public Hearing to receive public comments regarding PEDC offering an Economic Development Grant to incentivize Texas Futura, LLC.

Joined Board Meeting: City council members Christopher Gibbs & Ava Harmon, Judge Carey McKinney, and Texas Futura representatives Karthik Sundaram & Nelson Varughese.

Karthik & Nelson spoke in favor of Texas Futura, LLC. and their plans for development in Palestine, TX. No other comments were made in favor of or against Texas Futura, LLC.

### **ADJOURN**

With no other business to come before the Board, President Campbell adjourned the meeting at 12:21 p.m.

PASSED AND APPROVED THIS 11th DAY OF April 2023.

\_\_\_\_\_  
Ben Campbell, President

ATTEST:

\_\_\_\_\_  
Lisa Bowman, Administrative Assistant



Agenda Date: 04/11/2023  
To: Palestine Economic Development Corporation  
From: Lisa Bowman, Economic Development Admin  
Agenda Item: Consider approval of PEDC's Financial Statement for March 2023.

---

**SUMMARY:**

Discussion and possible action to approve PEDC's Financial Statement from March 2023.

**RECOMMENDED ACTION:**

Staff recommends approval of PEDC's Financial Statement from March 2023.

---

**Attachments**

PEDC Financial Report March 2023





Palestine Economic Development Corporation  
Financial Statement  
As of March 31, 2023

		Current Budget	Current Period	Current Y-T-D	% of Budget	Budget Balance	Prior Year Y-T-D Actual	INC/(DEC) Prior Year
<b>BEGINNING FUND BALANCE</b>		<u>\$ 2,611,873</u>		<u>\$ 2,611,873</u>			<u>\$ 3,506,092</u>	
<b>REVENUE</b>								
4-1013	PEDC SALES TAX	1,039,394	97,650	696,030	67.0%	343,364	615,194	80,836
4-1705.001	RENT - CARTMELL SUITE B	13,500	-	-	0.0%	13,500	10,500	(10,500)
4-1705.004	RENT - RESULTS CO	215,444	17,954	107,722	50.0%	107,722	125,676	(17,954)
4-1806	OTHER REVENUE	-	-	-	0.0%	-	200	(200)
4-1807	ETEX FIBER RECAPTURE	150,000	-	176,455	117.6%	(26,455)	53,430	123,025
4-1901	INTEREST REVENUE	15,000	3,736	22,514	150.1%	(7,514)	2,353	20,161
4-1903	TAH LOAN PYMT	33,557	2,839	5,593	16.7%	27,964	19,575	(13,982)
	<b>*** TOTAL REVENUE ***</b>	<u>1,466,895</u>	<u>122,178</u>	<u>1,008,315</u>	<u>68.7%</u>	<u>458,580</u>	<u>826,928</u>	<u>181,387</u>
<b>EXPENSE</b>								
<b>PERSONNEL</b>								
5-1010	SALARIES & WAGES	125,555	8,964	41,311	32.9%	84,244	46,864	(5,553)
5-1030	LONGEVITY	144	12	63	44.0%	81	396	(333)
5-1031	CERTIFICATION PAY	-	-	-	0.0%	-	1,121	(1,121)
5-1036	CELL PHONE ALLOWANCE	600	50	175	29.2%	425	280	(105)
5-1040	SOCIAL SECURITY	9,616	689	3,260	33.9%	6,356	4,046	(786)
5-1050	HEALTH INSURANCE	15,764	1,187	5,370	34.1%	10,394	7,487	(2,117)
5-1061	WORKER'S COMPENSATION	338	8	37	11.0%	301	42	(5)
5-1070	RETIREMENT	17,761	1,280	5,863	33.0%	11,898	7,487	(1,625)
	<b>*** EXPENSE CATEGORY TOTALS ***</b>	<u>169,778</u>	<u>12,190</u>	<u>56,078</u>	<u>33.0%</u>	<u>113,700</u>	<u>67,724</u>	<u>(11,646)</u>
<b>SUPPLIES AND MATERIALS</b>								
5-2010	OFFICE SUPPLIES/EQUIPMENT	2,000	55	1,235	61.8%	765	514	721
5-2020	POSTAGE	100	-	-	0.0%	100	3	(3)
	<b>*** EXPENSE CATEGORY TOTALS ***</b>	<u>2,100</u>	<u>55</u>	<u>1,235</u>	<u>58.8%</u>	<u>865</u>	<u>517</u>	<u>718</u>
<b>PROF/CONTRACTUAL SERV</b>								
5-3010	LEGAL SERVICES	45,000	4,454	16,124	35.8%	28,877	8,396	7,728
5-3020	AUDIT & ACCOUNTING SERVICES	5,000	698	3,763	75.3%	1,237	-	3,763
5-3030	PROFESSIONAL SERVICES	5,000	4,395	8,395	167.9%	(3,395)	4,000	4,395
5-3031	CONSULTANT SERVICES	5,000	-	-	0.0%	5,000	-	-
5-3040	LEGAL NOTICES	250	234	234	93.6%	16	114	120
5-3051	UTILITIES-WATER/SEWER	4,000	151	1,444	36.1%	2,556	1,925	(481)
5-3080	MEMBERSHIP & SUBSCRIPTION	10,000	220	7,351	73.5%	2,649	2,866	4,485
5-3082	TRAVEL AND TRAINING	10,000	-	157	1.6%	9,844	3,920	(3,764)
5-3112	PRINTING SERVICES	2,500	487	1,502	60.1%	998	1,406	96
5-3150	MARKETING SERVICES	40,000	-	12,825	32.1%	27,175	12,100	725
5-3220	TML INSURANCE	5,460	-	6,827	125.0%	(1,367)	4,199	2,628
5-3400	JANITORIAL SERVICES	4,100	-	1,965	47.9%	2,135	1,775	190
5-3617	PROJECTS SUPPORT GRANTS	300,000	-	-	0.0%	300,000	-	-
5-3662	PARK IMPROVEMENTS - CITY	50,000	-	-	0.0%	50,000	-	-



Palestine Economic Development Corporation  
Financial Statement  
As of March 31, 2023

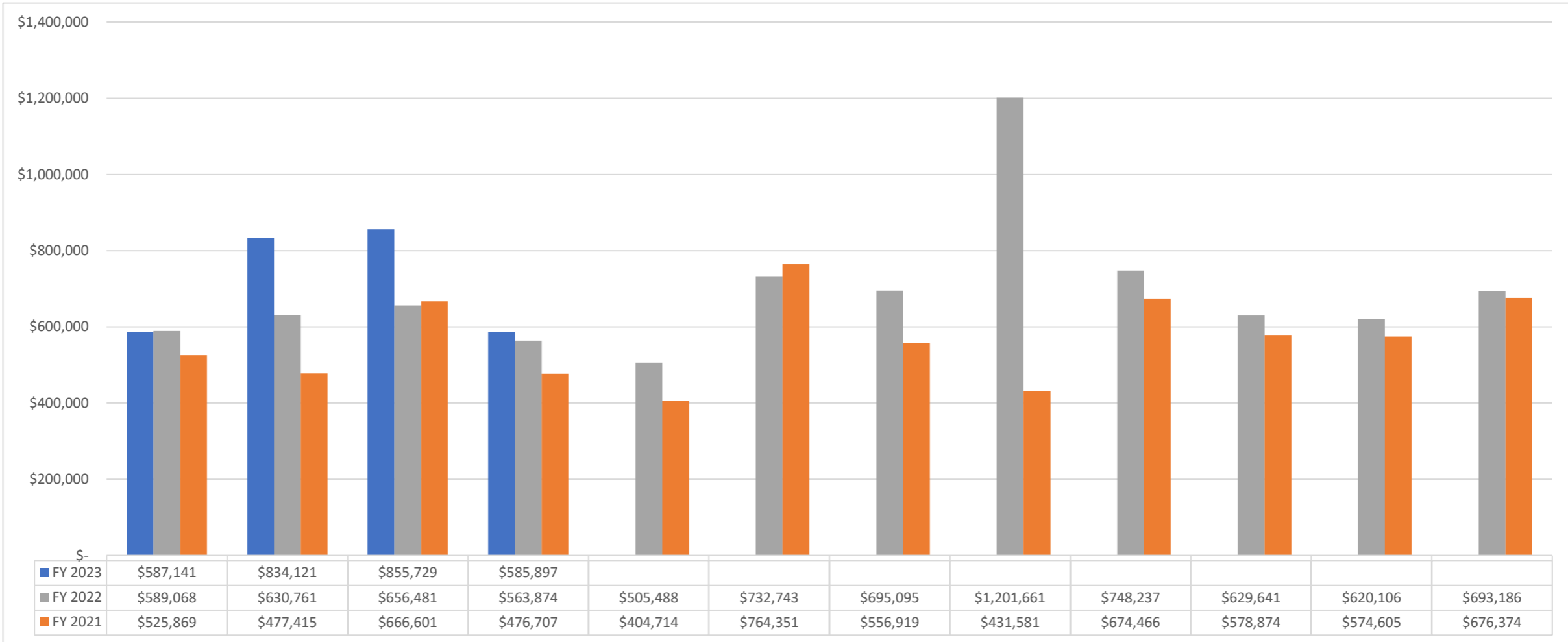
		Current Budget	Current Period	Current Y-T-D	% of Budget	Budget Balance	Prior Year Y-T-D Actual	INC/(DEC) Prior Year
5-3663	COM DEV GRANT-GENERAL PROGRAM	50,000	10,000	10,000	20.0%	40,000	-	10,000
5-3664	BLDG IMPROVEMENT GRANT PROG	150,000	-	-	0.0%	150,000	-	-
<b>*** EXPENSE CATEGORY TOTALS ***</b>		<b>686,310</b>	<b>20,639</b>	<b>70,586</b>	<b>10.3%</b>	<b>615,724</b>	<b>40,702</b>	<b>29,884</b>
<b>MAINTENANCE &amp; REPAIR</b>								
5-4010	BLDG/STRUCTURE/GRNDS MAINTENAN	75,000	2,813	14,846	19.8%	60,154	25,366	(10,520)
<b>*** EXPENSE CATEGORY TOTALS ***</b>		<b>75,000</b>	<b>2,813</b>	<b>14,846</b>	<b>19.8%</b>	<b>60,154</b>	<b>25,366</b>	<b>(10,520)</b>
<b>UTILITIES</b>								
5-4500	UTILITIES - ELECTRIC	6,000	501	3,180	53.0%	2,820	2,538	642
5-4503	PHONES/INTERNET	3,000	383	1,707	56.9%	1,293	3,350	(1,644)
<b>*** EXPENSE CATEGORY TOTALS ***</b>		<b>6,000</b>	<b>501</b>	<b>3,180</b>	<b>53.0%</b>	<b>2,820</b>	<b>2,538</b>	<b>642</b>
<b>OTHER/MISC.</b>								
5-5060	BUSINESS RETENTION/EXPANSION	15,000	-	-	0.0%	15,000	2,055	(2,055)
5-5200	MEETING MEALS	2,000	203	1,066	53.3%	934	614	452
<b>*** EXPENSE CATEGORY TOTALS ***</b>		<b>17,000</b>	<b>203</b>	<b>1,066</b>	<b>6.3%</b>	<b>15,934</b>	<b>2,669</b>	<b>(1,603)</b>
<b>DEBT SERVICE</b>								
5-6005	REVENUE BOND PRIN PAYMENT	393,580	-	46,480	11.8%	347,100	45,263	1,217
5-6050	BOND INTEREST EXP	58,577	-	21,830	37.3%	36,747	8,516	13,314
<b>*** EXPENSE CATEGORY TOTALS ***</b>		<b>452,157</b>	<b>-</b>	<b>68,310</b>	<b>15.1%</b>	<b>383,847</b>	<b>53,779</b>	<b>14,532</b>
<b>CAPITAL OUTLAY</b>								
5-8010	FURNITURE & OFFICE EQUIPMENT	1,000	-	-	0.0%	1,000	-	-
<b>*** EXPENSE CATEGORY TOTALS ***</b>		<b>1,000</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>	<b>1,000</b>	<b>-</b>	<b>-</b>
<b>INTERFUND ACTIVITY</b>								
5-9010	TRANSFER TO/FROM GENERAL FUND	31,371	2,614	15,686	50.0%	15,686	15,665	21
<b>*** EXPENSE CATEGORY TOTALS ***</b>		<b>31,371</b>	<b>2,614</b>	<b>15,686</b>	<b>50.0%</b>	<b>15,686</b>	<b>15,665</b>	<b>21</b>
<b>*** TOTAL EXPENSE ***</b>		<b>1,440,716</b>	<b>39,014</b>	<b>230,987</b>	<b>16.0%</b>	<b>1,209,729</b>	<b>208,958</b>	<b>22,029</b>
<b>PROJECTED ENDING FUND BALANCE</b>		<b>\$ 2,638,052</b>		<b>\$ 3,389,200</b>			<b>\$ 4,124,061</b>	

## Sales Tax History: Fiscal Years 2020 - 2022

FY 2021				
	CITY 83.33%	PEDC 16.67%	TOTAL 100.00%	CUMULATIVE TOTAL
October	\$ 438,207	\$ 87,662	\$ 525,869	\$ 525,869
November	397,830	79,585	\$ 477,415	1,003,284
December	555,479	111,122	\$ 666,601	1,669,885
January	397,240	79,467	\$ 476,707	2,146,592
February	337,248	67,466	\$ 404,714	2,551,306
March	636,934	127,417	\$ 764,351	3,315,657
April	464,081	92,838	\$ 556,919	3,872,576
May	359,636	71,944	\$ 431,581	4,304,157
June	562,033	112,434	\$ 674,466	4,978,623
July	482,376	96,498	\$ 578,874	5,557,498
August	478,818	95,787	\$ 574,605	6,132,103
September	563,623	112,752	\$ 676,374	6,808,477
	<u>\$ 5,673,504</u>	<u>\$ 1,134,973</u>	<u>\$ 6,808,477</u>	

FY 2022				
	CITY 83.33%	PEDC 16.67%	TOTAL 100.00%	CUMULATIVE TOTAL
October	\$ 490,870	\$ 98,198	\$ 589,068	\$ 589,068
November	\$ 525,613	105,148	\$ 630,761	1,219,828
December	\$ 547,046	109,435	\$ 656,481	1,876,309
January	\$ 469,876	93,998	\$ 563,874	2,440,183
February	\$ 421,224	84,265	\$ 505,488	2,945,672
March	\$ 610,594	122,148	\$ 732,743	3,678,414
April	\$ 579,223	115,872	\$ 695,095	4,373,509
May	\$ 1,001,344	200,317	\$ 1,201,661	5,575,170
June	\$ 623,506	124,731	\$ 748,237	6,323,407
July	\$ 524,680	104,961	\$ 629,641	6,953,048
August	\$ 516,734	103,372	\$ 620,106	7,573,154
September	\$ 577,632	115,554	\$ 693,186	8,266,340
	<u>\$ 6,888,341</u>	<u>\$ 1,377,999</u>	<u>\$ 8,266,340</u>	

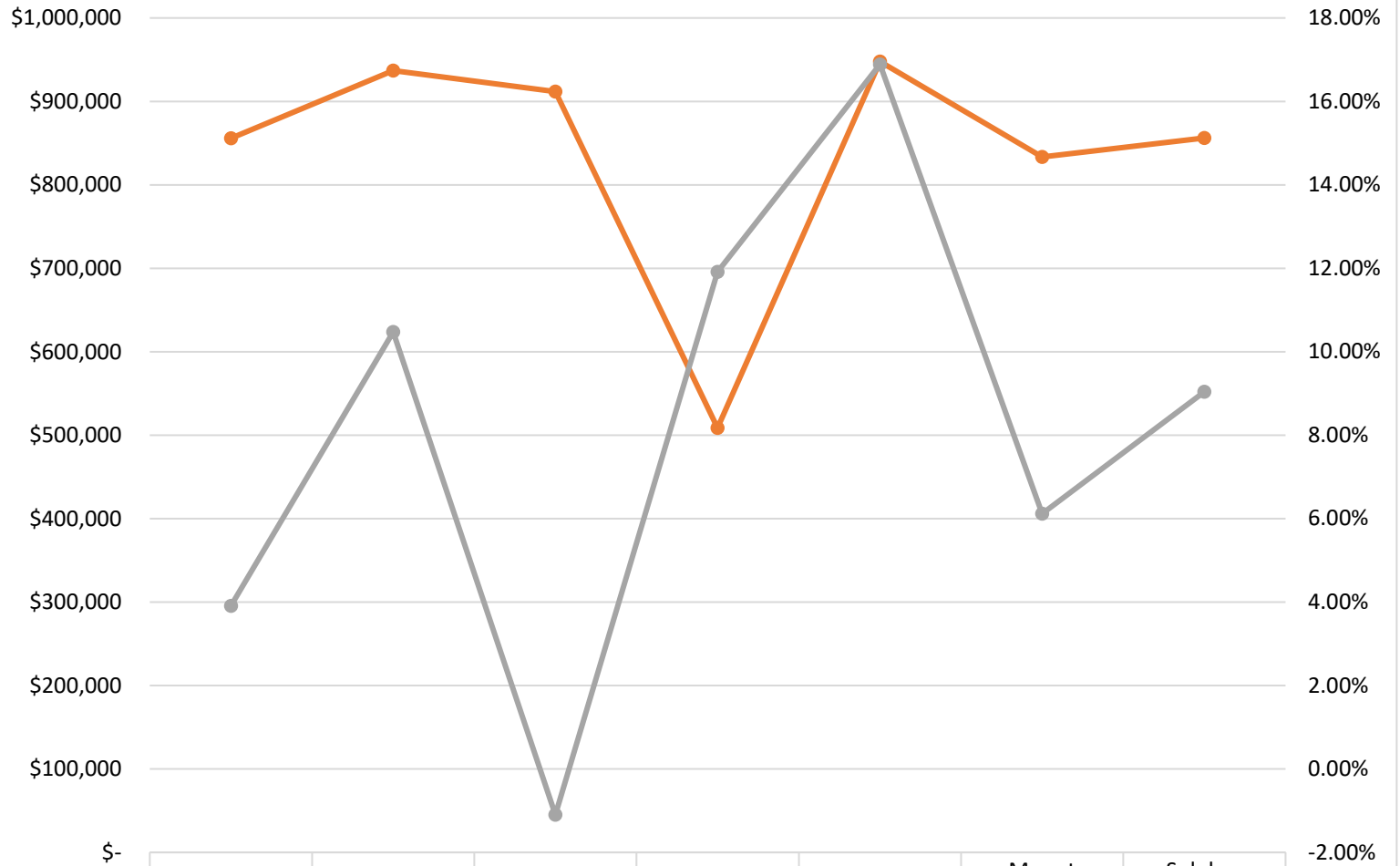
FY 2023				
	CITY 83.33%	PEDC 16.67%	TOTAL 100.00%	CUMULATIVE TOTAL
October	\$ 489,264	\$ 97,876	\$ 587,141	\$ 587,141
November	695,073	139,048	\$ 834,121	1,421,262
December	713,079	142,650	\$ 855,729	2,276,991
January	488,228	97,669	\$ 585,897	2,862,888
February	-	-	-	2,862,888
March	-	-	-	2,862,888
April	-	-	-	2,862,888
May	-	-	-	2,862,888
June	-	-	-	2,862,888
July	-	-	-	2,862,888
August	-	-	-	2,862,888
September	-	-	-	2,862,888
	<u>\$ 2,385,645</u>	<u>\$ 477,243</u>	<u>\$ 2,862,888</u>	





Palestine Economic Development Corporation  
 Financial Statement  
 As of March 31, 2023

Sales Tax FY 2023 - January - Period 4



	Palestine	Athens	Henderson	Jacksonville	Kilgore	Mount Pleasant	Sulphur Springs
● \$ Sales Tax Received Mar-2023	855,729.30	936,867.90	911,670.86	508,681.60	947,748.58	833,565.99	856,241.56
● % Inc(+)/Dec(-) from prior year	3.91%	10.47%	-1.10%	11.91%	16.89%	6.12%	9.04%

**Palestine Economic Development Corporation**  
**Summary of Cash and Investment Activity**  
**For the Month Ending: March 31, 2023**



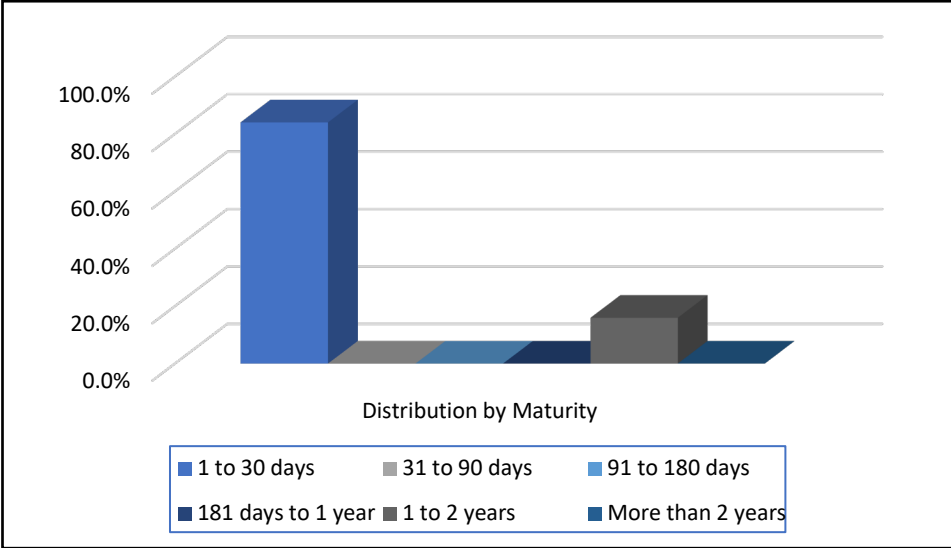
	Par Value	Market Value	Ratio Market-to-Book Value
<b>Beginning Balances</b>			
Cash	\$300,058.93	\$ 300,058.93	100.00%
Investments	\$2,710,018.35	\$2,710,018.35	100.00%
<b>Total</b>	<b>3,010,077.28</b>	<b>\$3,010,077.28</b>	<b>100.00%</b>
<b>Activity</b>			
Cash	(\$9,984.08)	(\$9,984.08)	
Investments	\$92,519.44	\$92,519.44	
Net Accretion & Amortization			
Purchases			
Maturities/Calls	-	-	
Changes to Market Value	-	(3,456.80)	
Net Monthly Activity	\$82,535.36	\$79,078.56	
<b>Ending Balances</b>			
Cash	290,074.85	290,074.85	100.00%
Investments	\$2,802,537.79	\$2,799,080.99	99.88%
<b>Total</b>	<b>\$ 3,092,612.64</b>	<b>\$ 3,089,155.84</b>	<b>99.89%</b>

**Palestine Economic Development Corporation**  
**Summary of Cash and Investment Activity**  
**For the Month Ending: March 31, 2023**

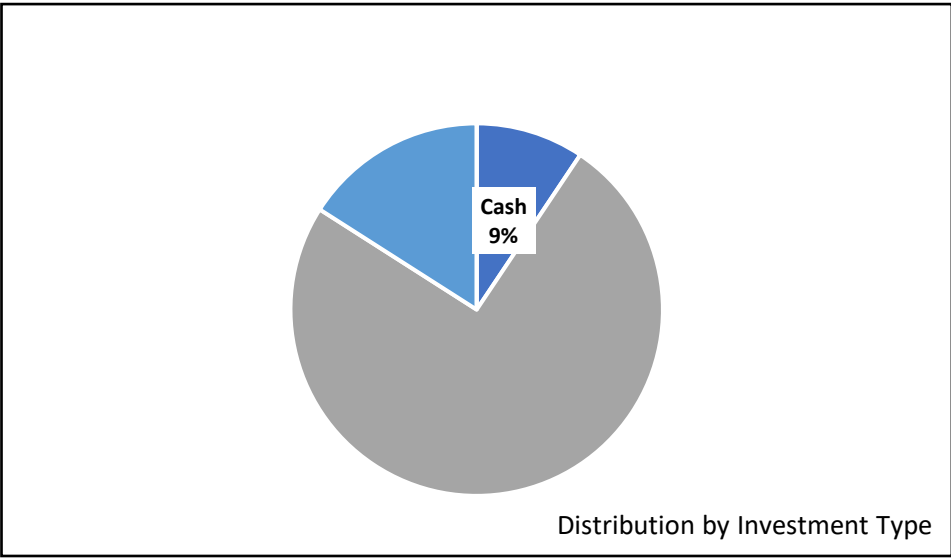
Purchase Date	Maturity Date	CUSIP / CD Number	Security Type	Par Value	Coupon	Purchase			Book Value	Market Value	Gain / (Loss)	Days to Maturity
						Price	Yield	Principal				
N/A	N/A	N/A	Cash In Bank	\$ 290,075		\$ 100.000	0.200%	\$ 290,075	\$ 290,075	\$ 290,075	\$ -	1
N/A	N/A	N/A	TEXSTAR Investment Pool	2,305,899		\$ 100.000	4.500%	\$ 2,305,899	\$ 2,305,899	\$ 2,305,899	-	1
12/23/2022	12/23/2024	9497634P8	Wells Fargo Bank	249,000	4.50%	100.000	4.500%	249,000	249,000	246,968	-	633
1/20/2023	7/22/2024	564759RU4	Manufacturers and Traders TR CO	244,000	4.60%	100.000	4.600%	244,000	244,000	242,575	-	479
<b>Totals/Weighted Average</b>				<b>\$ 3,088,973</b>			<b>4.104%</b>	<b>\$ 3,088,973</b>	<b>\$ 3,088,973</b>	<b>\$ 3,085,516</b>	<b>\$ -</b>	<b>90</b>
<b>Benchmark - 4-Week Coupon Equivalent Treasury Bill Rate</b>								<b>4.020%</b>				

# Palestine Economic Development Corporation Summary of Cash and Investment Activity For the Month Ending: March 31, 2023

Distribution by Maturity		
	Par Value	Percent
1 to 30 days	\$ 2,595,973	84.0%
31 to 90 days	-	0.0%
91 to 180 days	-	0.0%
181 days to 1 year	-	0.0%
1 to 2 years	493,000	16.0%
More than 2 years	-	0.0%
	<u>\$ 3,088,973</u>	<u>100.0%</u>



Distribution by Investment Type		
	Book Value	Percent
Cash	\$ 290,075	9.4%
US Agencies & Instrumentalities	-	0.0%
Eligible Investment Pools	2,305,899	74.6%
Certificates of Deposit	493,000	16.0%
US Treasury Bills / Notes / Bonds	-	0.0%
Money Market Mutual Funds	-	0.0%
Repurchase Agreements	-	0.0%
	<u>\$ 3,088,973</u>	<u>100.0%</u>



**Palestine Economic Development Corporation  
Monthly Interest  
For the Month Ending: March 31, 2023**

Cash	\$74.85
Investment Pool	\$ 2,794.58
CDs	\$ 866.16

**Total Monthly Interest** **\$3,735.59**

This monthly report is in full compliance with the investment strategies as established in the City's Investment Policies and the Public Funds Investment Act, Chapter 2256, Texas Government Code.



Andrew Sibai  
Finance Director





Agenda Date: 04/11/2023  
To: Palestine Economic Development Corporation  
From: Lisa Bowman, Economic Development Admin  
Agenda Item: Discussion regarding PEDC's Annual Financial Comprehensive report.

---

**SUMMARY:**

Discussion and possible action regarding PEDC's Annual Financial Comprehensive report.

**RECOMMENDED ACTION:**

Staff recommends discussion and possible action regarding PEDC's Annual Financial Comprehensive report.

---

**Attachments**

Comprehensive Financial Report



**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2022**



**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**OF THE**

**CITY OF PALESTINE, TEXAS**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2022**

**OFFICIALS ISSUING REPORT**

Teresa Herrera  
City Manager

Andrew Sibai  
Director of Finance

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CITY OF PALESTINE, TEXAS**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

TABLE OF CONTENTS

	<b><u>Page Number</u></b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i - iv
City Officials .....	v
Organizational Chart .....	vi
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	vii
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report .....	1 - 3
Management Discussion and Analysis .....	4 - 11
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	12 - 13
Statement of Activities.....	14 - 15
Fund Financial Statements:	
Governmental Funds	
Balance Sheet.....	16 - 17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	19 - 20
Reconciliation of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds to the Statement of Activities .....	21
Proprietary Funds	
Statement of Net Position .....	22 - 23
Statement of Revenues, Expenses, and Changes in Net Position.....	24 - 25
Statement of Cash Flows .....	26 - 29
Notes to the Financial Statements .....	30 - 58

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund – Budget and Actual .....	59 – 60
Notes to Budgetary Schedules .....	61
Schedule of Changes in Net Pension Liability and Related Ratios.....	62 – 63
Schedule of Employer Pension Contributions .....	64 – 65
Schedule of Changes in Total OPEB Liability and Related Ratios TMRS Supplemental Death Benefits Fund.....	66
Schedule of Changes in Total OPEB Liability and Related Ratios Retiree Health Plan.....	67

Combining and Individual Fund Statements and Schedules

Combining Balance Sheet – Nonmajor Governmental Funds .....	68 – 69
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	70 – 71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund .....	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Forest Fund .....	73
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Tourism Fund .....	74
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Municipal Court Security Fund .....	75
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Municipal Court Technology Fund.....	76
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Municipal Court Child Safety Fund .....	77
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Perpetual Cemetery Fund.....	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance –Budget and Actual - Police Grants Fund .....	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Airport fund.....	80
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Sales Tax Repairs & Maintenance Fund .....	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Emergency Fund .....	82

**STATISTICAL SECTION**

Net Position by Component .....	1	83 – 84
Change in Net Position .....	2	85 – 88
Fund Balances of Governmental Funds.....	3	89 – 90
Changes in Fund Balances, Governmental Funds .....	4	91 – 92
Tax Revenue by Source – Governmental Funds.....	5	93
Assessed Value and Estimated Value of Taxable Property .....	6	94 – 95
Property Tax Rates – Direct and Overlapping Governments.....	7	96 – 97
Principal Property Taxpayers .....	8	98
Property Tax Levies and Collections.....	9	99 – 100
Legal Debt Margin .....	10	101 – 102
Ratios of Outstanding Debt by Type .....	11	103 – 104
Ratios of Net Bonded Debt to Assessed Value .....	12	105 – 106
Direct and Overlapping Debt .....	13	107
Pledged Revenue Coverage .....	14	108
Demographic and Economic Statistics.....	15	109
Principal Employers.....	16	110
Full-Time Equivalent City Government Employees by Function/Program.....	17	111 – 112
Operating Indicators by Function/Program.....	18	113 – 114
Capital Asset Statistics by Function/Program .....	19	115 – 116

**COMPLIANCE SECTION**

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....		117 – 118
Summary Schedule of Prior Audit Findings.....		119



**THIS PAGE LEFT BLANK INTENTIONALLY**

## **INTRODUCTORY SECTION**

**THIS PAGE LEFT BLANK INTENTIONALLY**



City of Palestine  
504 North Queen Street  
Palestine, Texas 75801

March 31, 2023

#### Letter of Transmittal

Honorable Mayor, City Council Members, and Citizens of Palestine, Texas:

The Financial Report, for the fiscal year that ended September 30, 2022, is hereby submitted. This report was prepared through the cooperative effort of the finance department and the city's independent auditor, in accordance with Section 103.001 of the Texas Local Government Code and Article VII, Section 7.15 of the Charter of the City of Palestine. The purpose of the report is to provide the city council, management, staff, the public, and other interested parties with detailed information reflecting the city's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control. In developing and maintaining the city's accounting system, consideration is given to the adequacy of the internal control structure. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements that are free of any material misstatements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the city's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Pattillo, Brown and Hill, LLP certified public accountants, have issued an unmodified ("clean") opinion on the City of Palestine's financial statements for the year ended September 30, 2022. In addition to meeting City Charter requirements, the goal of the independent audit was to provide reasonable assurance that the financial statements of the city are 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 on the city's financial statements for the fiscal year ended September 30, 2022, and that the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Also included in the financial section is Management's Discussion and Analysis (MD&A), which provides users of the basic financial statements a narrative introduction, overview, and analysis of the basic financial statements. The basic financial statements, including the accompanying notes, represent the core of the financial section. These financial statements present the financial condition of the city as a single entity, as well as the individual funds that account for the city's various governmental and business-type activities. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

## *City Profile*

The City of Palestine, Texas was created by the Texas Legislature in 1846 as the county seat for Anderson County. The City of Palestine is where five major highways converge and then go out in a pentagon. This makes it possible to head in any direction and reach major metros such as Dallas-Fort Worth, Houston, Austin, Oklahoma City, Jackson, New Orleans, and Kansas City in less than a day. The city, encompassing approximately 19.5 square miles, has an estimated population of 18,756. Palestine is a designated a Main Street City and features architecture from the early 1800's through the 1950's. Palestine developed as a railroad community and has preserved its historic charm with classic brick buildings and walkways, gas lanterns illuminating the sidewalks, quaint shops, and intimate dining establishments.

The city is a home rule city operating under the council-manager form of government. The home rule corporation status is granted under the Constitution and laws of the State of Texas. The city council is comprised of the mayor and six council members who function as the policy-making body of the city's government, determining the overall goals, objectives, and direction for city services, and adopting the annual operating budgets for all city departments. The city manager is appointed by the city council and is responsible for the daily management and implementation of policy of the city including appointing the various key leaders and department heads. The mayor and council members serve two- year terms, with general council elections occurring each year based on district. The mayor is elected at large; the remaining council members are elected by district.

For financial reporting purposes, the city is a primary government. As previously mentioned, the city's governing body is elected by the citizens of Palestine. This report includes all organizations and activities for which the elected officials exercise financial control. The city is legally responsible for the Palestine Economic Development Corporation (PEDC) which is reported separately within the government wide financial statements of the city.

The city is a full-service municipality including general government, public safety (police and fire), streets, parks and recreation, planning and zoning, code enforcement, a public library, and business-type activities, such as water and sewer utilities, and sanitation.

The City Charter provides that the city council shall adopt an annual budget prepared by the city manager. This budget is presented to the city council and opportunities are provided for public comment during a series of public hearings before adoption. The individual fund level is the legal level of control for budget expenditures. Budgetary reporting is provided at the department level within the individual fund. Transfers of budget appropriations within funds may occur with the approval of the city manager provided there is no increase in overall expenditures. Transfers of budget appropriations between funds, as well as any increase in total appropriations, require a formal budget amendment adopted by the city council. Unless otherwise noted, except for capital projects funds, all appropriations lapse at year-end, encumbrances are recorded as a reservation of fund balance, and then re-appropriated in the subsequent year.

## *Local Economy*

The information presented in the budget document is perhaps best understood when it is considered from the broader perspective of the specific environment within which the city operates. The chief industries in and around Palestine include logistics and distribution, health care services, food processing, energy and alternative energy, retail, and tourism. This diversification is evident in the fact that no single taxpayer represents more than 2.4% of assessed valuation in the city. Sales tax revenues increased 21.4% FY 2022 from FY 2021. This is due to inflation issues seen country wide and economic development and growth in Palestine following the state of Texas as a whole. Unemployment dropped from 5.1% to 3.9%.

Educationally, the University of Texas at Tyler operates a campus within Palestine and Trinity Valley Community College-Palestine provides two locations for service. The city is also served by Palestine Independent School District (3,500 students), Westwood Independent School District (1,700 students), and UT-Tyler University Academy a public charter school (165 students) that incorporates Science, Technology, Engineering, and Math (STEM) education into daily classroom curriculum.

Palestine is also the medical center of Anderson County. The Palestine Regional Medical Center and Palestine Regional Rehabilitation Hospital is renowned for providing advanced diagnostic, therapeutic and rehabilitative services. Employing over 500 people, including 80 physicians representing 28 different specialties, these facilities feed and draw from auxiliary doctors and dentist offices and assisted living centers

Additionally, Palestine has many tourist attractions and is home to over 1,800 historic sites. With a classic railroad that operates both steam and diesel excursions through the forests of East Texas between Palestine and Rusk year-round, and constant festivals and events, Palestine has become a top travel destination in Texas and the southern United States. It was recently named among the top 10 'Texas Towns that Look Like Something from a Hallmark Movie' according to travel site, Only in your State.

The city actively works with the PEDC and local industries to encourage expansions and relocations to our community. The PEDC's 352-acre Willow Creek Business Park features landscaped streetscapes, fully functional utilities, access to high-speed communication technologies, and is just a few steps away from award-winning restaurants, hotels, and shopping. Shovel-ready sites are available, and the PEDC offers incentives and relocation assistance.

### *Long-term Financial Planning*

The city's fund balance policy sets the target reserve at 25% for the general fund, which is above the Government Finance Officers Association of the United States and Canada (GFOA) recommended best practice minimum of 15%. GFOA recommends that "general-purpose governments, regardless of size, maintain unassigned fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." This policy allows the city to better weather economic downturns and strategically handle contingencies and unforeseen emergencies. The city's general fund's unassigned fund balance is approximately \$10 million or 67.5% of general fund operating expenditures as of September 30, 2022. In addition, the City uses a five-year forecast in its budget process to guide decisions and assist in policy. The long-range view allows the city to plan appropriately for the future impact of current decisions.

The city maintains a five-year capital improvement program (CIP), with all planned capital projects reviewed annually by the city staff. This annual review allows the city to change and adjust priorities by responding to changing growth patterns, economic conditions, or federal and state mandates. The CIP is used exclusively as a planning tool, and therefore does not commit the city to any project or project funding. The intent of the CIP is for the city staff to identify specific capital improvements needed during the subsequent five years and to project affordability (five-year forecast). The CIP is not a capital budget, and as such provides only recommended projects and the means of financing the improvements. Recommended improvements are not approved until official action has been taken by the city council.

### *Awards and Acknowledgements*

This will be the fifth consecutive year that the city has made application to the GFOA to be considered for the Certificate of Achievement for Excellence in Financial Reporting (COA) Program for our financial report for the fiscal year ended September 30, 2022. The city was awarded the COA for our FY 2018, FY 2019, FY 2020, and FY 2021 financial reports. To be awarded a COA, the city must publish an easily readable and efficiently organized financial report. This report must satisfy both GAAP and applicable legal requirements. We believe that our financial report will meet the COA Program's requirements, and we are submitting it to the GFOA to determine its eligibility for the award.

The city has a history of submitting annual budgets to the GFOA to be considered for the Distinguished Budget Presentation Award, the FY 2020-2021, and FY 2021-2022 budgets were not submitted, but the budget for FY 2022-2023 has been submitted for the Distinguished Budget Presentation Award. The city will be submitting its upcoming FY 2023-2024 budget not only to participate in the awards program but also to provide an extra level of communication and transparency for citizens and other stakeholders.

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the finance department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report. Appreciation is expressed to the city employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based.

Acknowledgment and appreciation are also given to representatives of Pattillo, Brown and Hill, PLLC, certified public accountants, for their dedicated assistance and input into the preparation of this report. Finally, our appreciation is extended to the mayor and the members of the city council for their interest and support in planning and conducting the financial operations of the city in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Andrew Sibai". The signature is stylized and cursive.

Andrew Sibai  
Finance Director

**CITY OF PALESTINE, TEXAS**

CITY OFFICIALS

MAYOR

JUSTIN FLORENCE

MAYOR PRO-TEM

VICKEY L. CHIVERS

CITY COUNCIL

SEAN CONNER

AVA HARMON

VICKEY L. CHIVERS

KENNETH DAVIDSON

KRISSY CLARK

CHRISTOPHER GIBBS

CITY MANAGER

TERESA HERRERA

DIRECTOR OF FINANCE

ANDREW SIBAI

CITY ATTORNEY

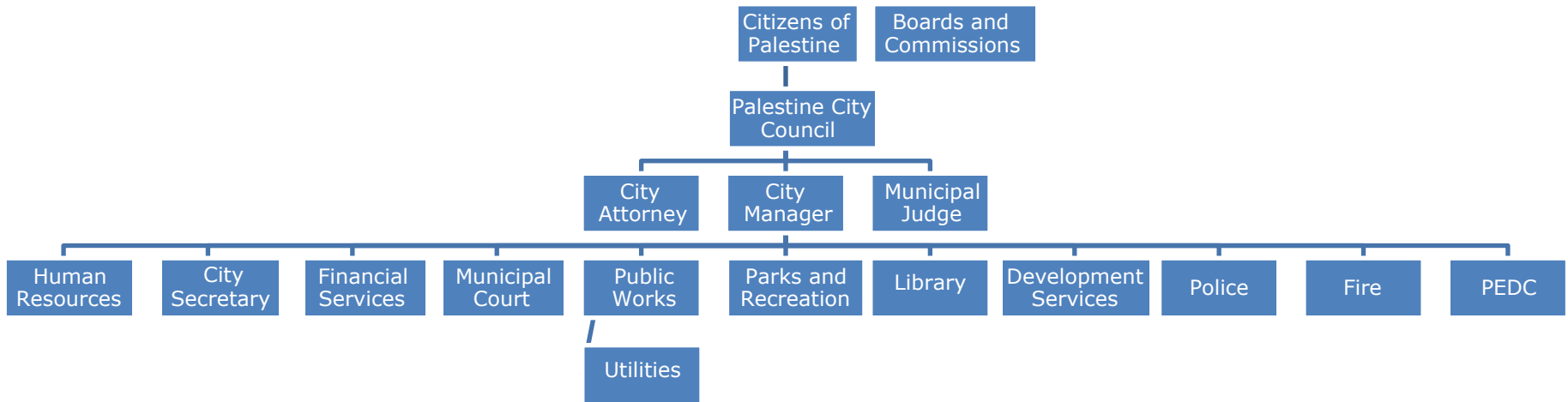
REZZIN PULLUM



**CITY OF PALESTINE, TEXAS**

ORGANIZATIONAL CHART

SEPTEMBER 30, 2022





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Palestine  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2021

*Christopher P. Morill*

Executive Director/CEO

**THIS PAGE LEFT BLANK INTENTIONALLY**

## **FINANCIAL SECTION**

**THIS PAGE LEFT BLANK INTENTIONALLY**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Pro Tem  
and Members of the City Council  
City of Palestine, Texas

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palestine, Texas, (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Palestine, Texas's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palestine, Texas, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Emphasis of Matter – Change in Accounting Principle**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

#### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

## ***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information Included in the Annual Comprehensive Financial Report**

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section, but does not include the financial statements and our auditor’s report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

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

Waco, Texas  
March 31, 2023



**THIS PAGE LEFT BLANK INTENTIONALLY**

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

**THIS PAGE LEFT BLANK INTENTIONALLY**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Palestine, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Palestine for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### Financial Highlights

The assets and deferred outflows of the City of Palestine exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$41,445,671 (net position). Of this amount, \$5,725,045 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$4,133,175. The primary reason for this increase was an increase in sales tax revenues due to economic growth in the City, as well as an increase in water and wastewater revenues resulting from a rate increase supported by a long-term rate study.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37,837,338, an increase of \$29,686,319 in comparison with the prior year. The primary cause of this increase was an increase in property and sales tax revenues, and a one-time transfer from the Retail enterprise fund of \$1.7 million. The Retail enterprise fund closed during 2022.

At the end of the fiscal year, the combined total of the General Fund assigned and unassigned fund balances was \$10,044,643 which is 67.47% of the general fund expenditures.

### Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Palestine that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Palestine include general government, public safety, community services and community development. The business-type activities of the City of Palestine include water and wastewater, sanitation, and retail.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Palestine maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other 12 governmental 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 this report.

**Proprietary funds.** The City of Palestine maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Palestine uses enterprise funds to account for its water and wastewater department, sanitation department and for its retail department. The City also maintains an internal service fund to account for equipment replacement to departments or agencies of the City on a cost-reimbursement basis.

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 wastewater fund and for the sanitation fund, both of which are considered to be major funds of the City of Palestine, as well as the retail fund and internal service fund.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund budgetary schedule. The City of Palestine adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Palestine, assets and deferred outflows exceeded liabilities and deferred inflows by \$41,445,671 at the close of the most recent fiscal year. The largest portion of the City's total net position (80%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding, plus bond proceeds that have not yet been spent. The City of Palestine uses these capital assets to provide services to citizens; consequently, these assets are not available for operational type of future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,725,045, may be used to meet the government's ongoing obligations to citizens and creditors.

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

**City of Palestine's Net Position  
Government-Wide**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 44,030,344	\$ 12,051,242	\$ 22,367,290	\$ 13,772,956	\$ 66,397,634	\$ 25,824,198
Capital assets	<u>17,874,490</u>	<u>17,427,474</u>	<u>28,748,669</u>	<u>25,609,884</u>	<u>46,623,159</u>	<u>43,037,358</u>
Total assets	<u>61,904,834</u>	<u>29,478,716</u>	<u>51,115,959</u>	<u>39,382,840</u>	<u>113,020,793</u>	<u>68,861,556</u>
Deferred outflows of resources	<u>1,825,973</u>	<u>1,437,465</u>	<u>376,636</u>	<u>296,433</u>	<u>2,202,609</u>	<u>1,733,898</u>
Current liabilities	6,598,976	3,411,771	2,337,314	1,983,783	8,936,290	5,395,554
Long-term liabilities	<u>35,204,590</u>	<u>12,775,307</u>	<u>25,874,794</u>	<u>13,142,999</u>	<u>61,079,384</u>	<u>25,918,306</u>
Total liabilities	<u>41,803,566</u>	<u>16,187,078</u>	<u>28,212,108</u>	<u>15,126,782</u>	<u>70,015,674</u>	<u>31,313,860</u>
Deferred inflows of resources	<u>3,131,529</u>	<u>1,641,976</u>	<u>630,528</u>	<u>327,122</u>	<u>3,762,057</u>	<u>1,969,098</u>
Net position:						
Net investment in capital assets	12,454,448	12,702,019	20,816,496	16,524,817	33,270,944	29,226,836
Restricted	2,057,551	1,828,471	392,131	219,017	2,449,682	2,047,488
Unrestricted	<u>4,283,713</u>	<u>( 1,443,363)</u>	<u>1,441,332</u>	<u>7,481,535</u>	<u>5,725,045</u>	<u>6,038,172</u>
Total net position	<u>\$ 18,795,712</u>	<u>\$ 13,087,127</u>	<u>\$ 22,649,959</u>	<u>\$ 24,225,369</u>	<u>\$ 41,445,671</u>	<u>\$ 37,312,496</u>

The City's net position increased by \$4,133,175 during the current fiscal year. The primary factors causing this increase are as follows:

- Property tax revenues increased due to a tax rate increase that was budgeted to raise approximately \$600,000 of additional revenue.
- Sales tax revenues increased over \$1.5 million primarily due to increased e-commerce related to warehousing facilities within the City.
- Water and wastewater charges for services increased approximately \$600,000 due to a hot and dry summer in 2022, water usage was unusually high, and this generated more revenue for the City.

Additionally, expenses influenced the change in net position from the following notable factors:

- Salary expenses increased all functions by approximately 6% or \$700,000 due to pay raises given to employees to promote recruitment and retention.
- Interest expense increased due to new debt issuances requiring greater debt service.

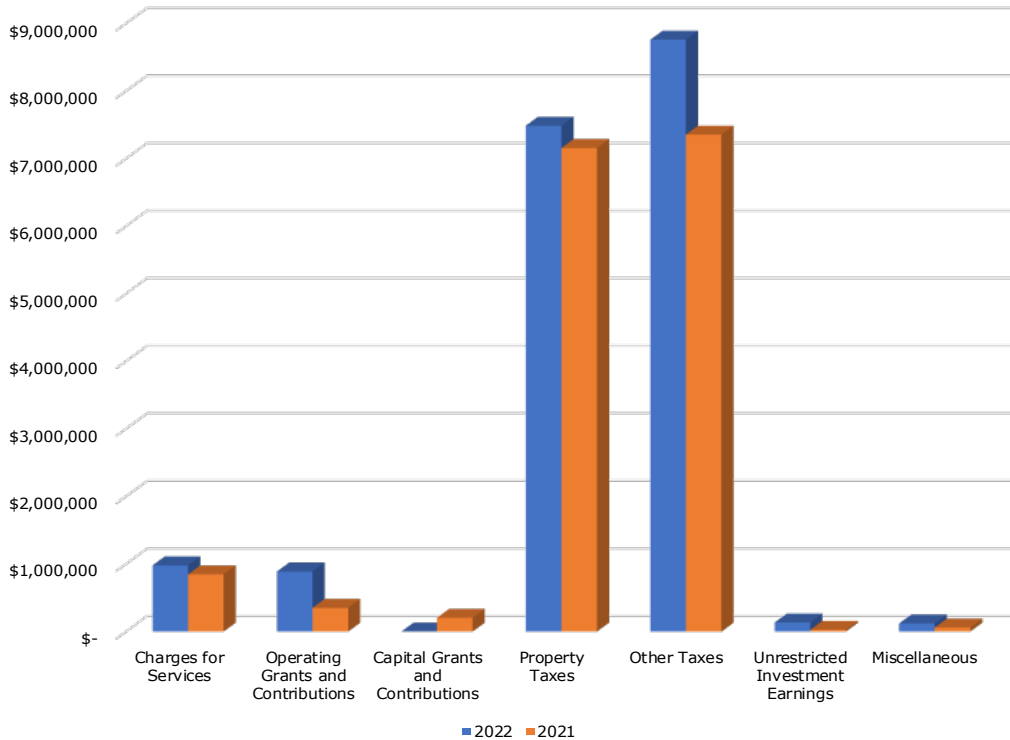
In the business-type activities, net position decreased despite the rate increases mentioned above. This was caused by the closure of the Retail Fund in 2022, which accounted for buildings owned by the City and leased for income. The assets were sold in 2021 and, after payment of all liabilities, the residual \$1.7 million was transferred to the General Fund.

The following table indicates changes in net position for governmental and business-type activities followed by graphs displaying total revenues and expenses by type:

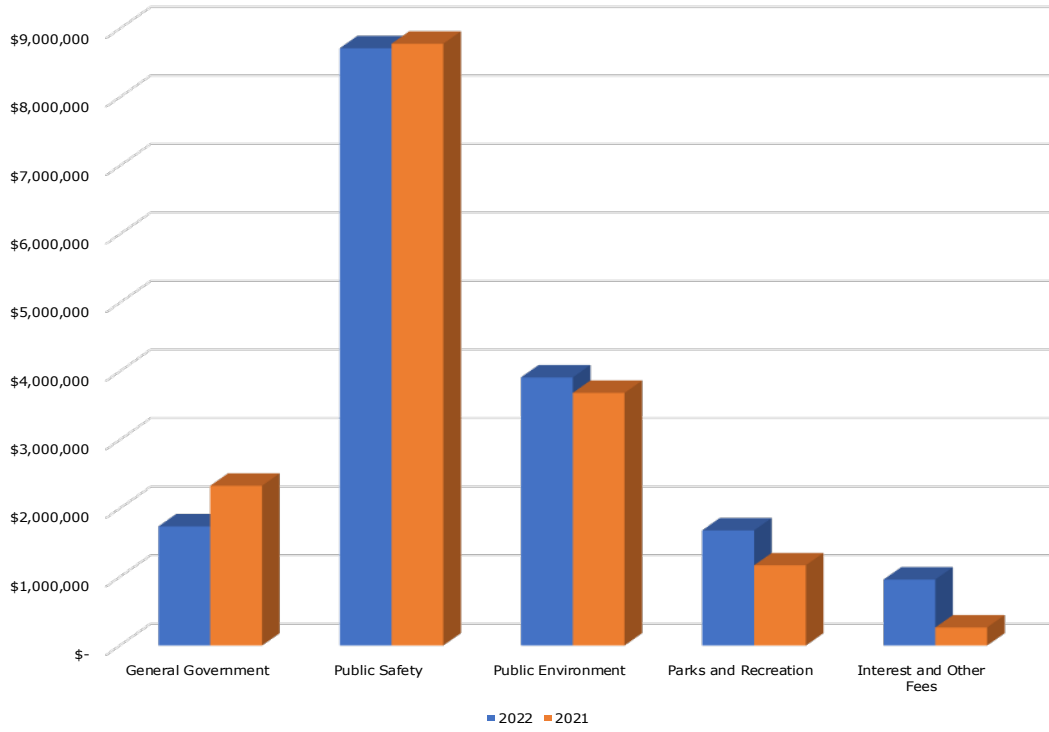
**City of Palestine's Changes in Net Position  
Government-Wide**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 980,083	\$ 847,168	\$ 13,360,437	\$ 12,781,628	\$ 14,340,520	\$ 13,628,796
Operating grants & contributions	889,137	350,686	-	-	889,137	350,686
Capital contributions	-	203,741	-	48,265	-	252,006
General revenues:						
Property taxes	7,486,723	7,157,149	-	-	7,486,723	7,157,149
Other taxes	8,760,400	7,354,982	-	-	8,760,400	7,354,982
Investment earnings	134,572	26,286	58,997	28,590	193,569	54,876
Gain (loss) on sale of assets	-	( 252,819)	-	( 1,453,508)	-	( 1,706,327)
Miscellaneous	122,759	59,306	5,271	-	128,030	59,306
<b>Total revenues</b>	<b>18,373,674</b>	<b>15,746,499</b>	<b>13,424,705</b>	<b>11,404,975</b>	<b>31,798,379</b>	<b>27,151,474</b>
<b>Expenses:</b>						
General government	1,737,810	2,331,274	-	-	1,737,810	2,331,274
Public safety	8,715,309	8,781,870	-	-	8,715,309	8,781,870
Public environment	3,912,448	3,686,702	-	-	3,912,448	3,686,702
Parks and recreation	1,680,252	1,170,347	-	-	1,680,252	1,170,347
Interest and other fees	962,335	263,690	-	-	962,335	263,690
Water and sewer	-	-	8,108,099	7,212,875	8,108,099	7,212,875
Sanitation	-	-	2,477,865	2,772,983	2,477,865	2,772,983
Retail	-	-	71,086	293,776	71,086	293,776
<b>Total expenses</b>	<b>17,008,154</b>	<b>16,233,883</b>	<b>10,657,050</b>	<b>10,279,634</b>	<b>27,665,204</b>	<b>26,513,517</b>
Increase in net position before transfers	1,365,520	( 487,384)	2,767,655	1,125,341	4,133,175	637,957
Transfers	4,343,065	5,054,185	( 4,343,065)	( 5,054,185)	-	-
Change in net position	5,708,585	4,566,801	( 1,575,410)	( 3,928,844)	4,133,175	637,957
Net position - beginning of year	13,087,127	8,520,326	24,225,369	28,154,213	37,312,496	36,674,539
<b>Net position - end of year</b>	<b>\$ 18,795,712</b>	<b>\$ 13,087,127</b>	<b>\$ 22,649,959</b>	<b>\$ 24,225,369</b>	<b>\$ 41,445,671</b>	<b>\$ 37,312,496</b>

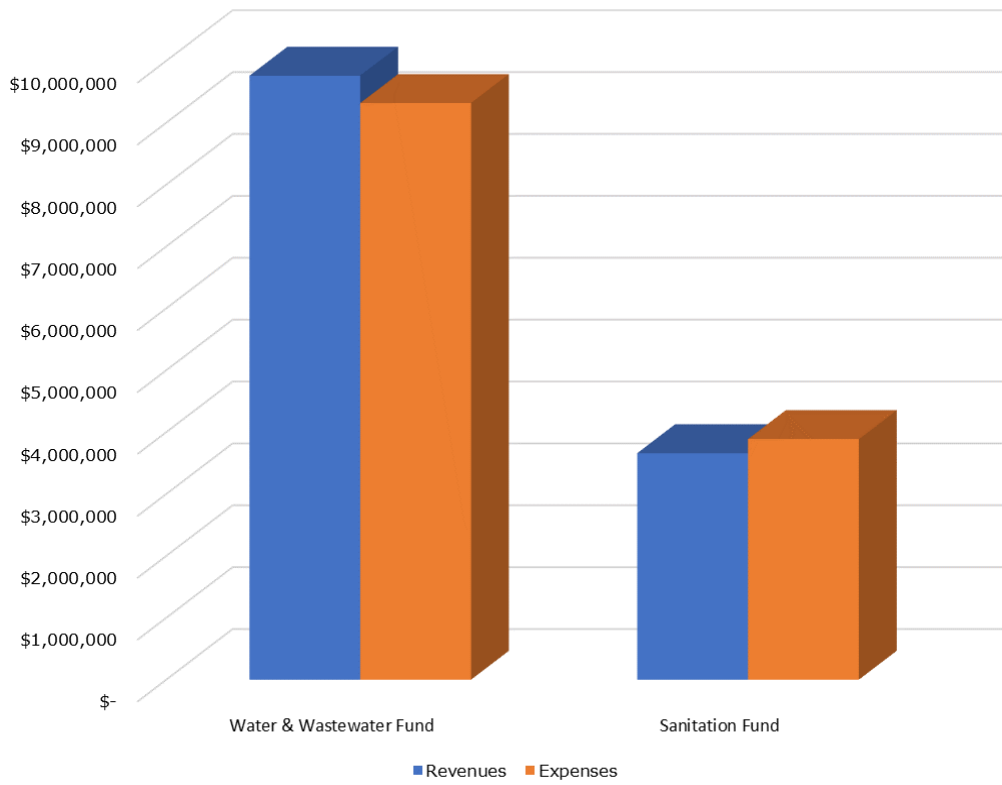
**TOTAL REVENUES – GOVERNMENTAL ACTIVITIES**



TOTAL EXPENSES – GOVERNMENTAL ACTIVITIES



REVENUES AND EXPENSES – ENTERPRISE FUNDS





## Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37,837,338. Of this total amount, \$10,025,346 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed to pay debt service, for capital improvement projects, and other assigned purposes.

The general fund is the chief operating fund of the City of Palestine. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,044,643, while total fund balance was \$10,259,819, a increase of \$4,276,538 from the prior year. The primary cause of this increase was an increase in property and sales tax revenues, and a one-time transfer from the closure of the Retail enterprise fund of \$1.7 million discussed previously. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 67.47% of total general fund expenditures, not including capital outlay.

The debt service fund has a total fund balance of \$431,211, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$84,323. This increase resulted from the raising of the debt service property tax rate in anticipation of the issuance of Series 2022 bonds that will require additional debt service.

The capital projects fund has a total fund balance of \$24,844,165, an increase of \$24,821,863. This was caused by the issuance of bonds discussed above. Capital outlays on projects amounted to \$1.3 million. Fund balance will decrease as bond proceeds are spent.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and wastewater fund at the end of the year amounted to \$861,231 and those for the sanitation fund amounted to \$580,101, which are 12% and 23% of fund operating costs, respectively.

The water and wastewater fund reported an increase in net position of \$441,047. This increase primarily resulted from the dry and hot summer discussed previously that exceeded more steady operating costs.

The sanitation fund decreased net position by \$228,744. This decrease was primarily the result of an increased transfer to the General Fund for administrative cost reimbursement and payments in lieu of franchise fees.

### General Fund Budgetary Highlights

The general fund expenditures were \$4,552,802 less than the \$19,440,172 budget. This was the result of cost savings across most of the General Fund, as well as sanitation expenses budgeted in the General Fund but ultimately covered by the Sanitation Fund. Revenues were \$1,755,814 more than budgeted, primarily due to the sales tax revenue increases discussed previously. Overall, ending fund balance in the general fund was \$9,286,549 higher than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$46,623,159 (net of accumulated depreciation), including several projects in progress from voter approved bonds.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Nondepreciable	\$ 1,972,979	\$ 1,777,638	\$ 5,517,367	\$ 3,507,896	\$ 7,490,346	\$ 5,285,534
Depreciable, net of accumulated depreciation	<u>15,901,511</u>	<u>15,649,836</u>	<u>23,231,302</u>	<u>22,101,988</u>	<u>39,132,813</u>	<u>37,751,824</u>
TOTALS	<u>\$ 17,874,490</u>	<u>\$ 17,427,474</u>	<u>\$ 28,748,669</u>	<u>\$ 25,609,884</u>	<u>\$ 46,623,159</u>	<u>\$ 43,037,358</u>

Significant capital asset activity for the year included the following:

- Construction in progress costs for bond-funded projects amounted to \$2.8 million.
- Additions to water and sewer infrastructure of \$2.3 million.
- Completion of street improvement projects of \$708,603.

Additional information on the City's capital assets can be found in note E to the basic financial statements.

## LONG TERM DEBT

At the end of the current fiscal year, the City of Palestine had total long-term debt outstanding of \$57,489,735. The related principal and interest payment for the bonds are backed by an annual ad valorem tax levied against all taxable property within the City.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 1,795,000	\$ 2,000,000	\$ -	\$ -	\$ 1,795,000	\$ 2,000,000
Certificates of obligation	22,939,000	-	23,265,000	11,180,000	46,204,000	11,180,000
Financing arrangements	1,392,216	2,693,957	-	-	1,392,216	2,693,957
Leases	751,886	-	-	-	751,886	-
Premium on bonds	3,382,313	31,498	2,470,406	582,242	5,852,719	613,740
Compensated absences	<u>1,361,293</u>	<u>1,353,785</u>	<u>132,621</u>	<u>131,290</u>	<u>1,493,914</u>	<u>1,485,075</u>
TOTALS	<u>\$ 31,621,708</u>	<u>\$ 6,079,240</u>	<u>\$ 25,868,027</u>	<u>\$ 11,893,532</u>	<u>\$ 57,489,735</u>	<u>\$ 17,972,772</u>

Total debt increased by \$39.5 million due to the following significant transactions:

- The issuance of its Series 2022 certificates of obligation in the amount of \$34,895,000 plus a premium of \$5,582,884.
- The issuance of certificates of obligation through the Texas Water Development Board in the amount of \$1,014,000.
- Principal payments reducing debt amounted to \$1,676,400.

Additional information on the City's long-term debt can be found in note F to the basic financial statements.

## Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2023 budget, tax rates, and fees that will be charged for the business-type activities. Property values increased approximately 4.3% for fiscal year 2022, total property tax revenue is expected to continue to experience moderate growth in future years. The Texas State Legislature passed Senate Bill 2 in 2019 which imposed a revenue cap on the amount of property tax that can be levied by the City. Due to the passage of Senate Bill 2, there is uncertainty that the City would be able to raise the revenue needed to fund critical operations. Considering current inflation of 8.3%, Senate Bill 2 creates even more of a strain on the City to fund operations properly. Conversely, sales tax revenue was up for the fiscal year ended September 30, 2022 and continues to be increased over prior year through the first six months of fiscal year 2023 due in part to inflation and in part to economic growth.

The general fund's largest single revenue source is property taxes followed by sales taxes. The property tax rate for FY 2022 is \$0.683774 per \$100 valuation. While the rate is the same as the FY 2021 rate, the amount of tax revenue generated is expected to increase by 4.3% due to the increase in property values. Of this rate, 80.99% is utilized for general fund activities. The remaining 19.01% is used for paying the city's outstanding debt. The general fund's portion of total property tax revenue for FY 2023 is estimated to be \$7,737,091. Sales tax revenue for FY 2022 is forecasted to be \$5,416,907.

The largest revenue source for the utility fund is water sales, with projected sales of \$4,500,000 in FY 2023. Water revenue is expected to increase in the future. FY 2023 will be year five of a five-year water meter replacement project. The new meters capture water usage with a higher degree of accuracy than the old meters. The second largest revenue source for the water and sewer fund is sewer service charges with projected collections of \$2,450,000 in FY 2023.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Palestine, 504 N. Queen Street, Palestine, Texas 75801.

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF PALESTINE, TEXAS**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Primary Government	
	Governmental Activities	Business-Type Activities
<b>ASSETS</b>		
Cash and cash equivalents	\$ 39,787,348	\$ 20,530,197
Receivables, net of allowances	2,511,316	1,386,335
Due from other governments	65,481	-
Inventories	2,184	-
Prepays	251,506	58,627
Due from component unit	2,509	-
Restricted assets:		
Cash and cash equivalents	1,410,000	392,131
Capital assets:		
Nondepreciable	1,972,979	5,517,367
Depreciable, net of accumulated depreciatoin	<u>15,901,511</u>	<u>23,231,302</u>
Total Assets	<u>61,904,834</u>	<u>51,115,959</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
OPEB related	664,180	136,998
Pension related	<u>1,161,793</u>	<u>239,638</u>
Total Deferred Outflows of Resources	<u>1,825,973</u>	<u>376,636</u>
<b>LIABILITIES</b>		
Accounts payable	830,841	857,407
Accrued wages payable	266,079	48,642
Retainage payable	-	81,566
Due to primary government	-	-
Due to other governments	23,548	26,375
Unearned revenue	4,137,133	-
Accrued interest payable	117,104	112,659
Customer deposits	-	225,879
Noncurrent liabilities:		
Due within one year:		
Long-term debt	1,224,271	984,786
Due in more than one year:		
Long-term debt	30,397,437	24,883,241
Net pension liability	3,612,566	745,150
Total OPEB liabilities	<u>1,194,587</u>	<u>246,403</u>
Total Liabilities	<u>41,803,566</u>	<u>28,212,108</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Lease related	74,666	-
OPEB related	649,620	133,995
Pension related	<u>2,407,243</u>	<u>496,533</u>
Total Deferred Inflows of Resources	<u>3,131,529</u>	<u>630,528</u>
<b>NET POSITION</b>		
Net investment in capital assets	12,454,448	20,816,496
Restricted for:		
Debt service	355,645	-
Capital projects	-	392,131
Public safety	272,217	-
Economic development	1,251,735	-
Community services	177,954	-
Unrestricted	<u>4,283,713</u>	<u>1,441,332</u>
Total Net Position	<u>\$ 18,795,712</u>	<u>\$ 22,649,959</u>

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

<u>Primary Government</u>		<u>Component Unit</u>	
<u>Total</u>		<u>PEDC</u>	
\$	60,317,545	\$	2,330,788
	3,897,651		874,707
	65,481		-
	2,184		-
	310,133		8,685
	2,509		-
	1,802,131		-
	7,490,346		954,045
	<u>39,132,813</u>		<u>2,362,351</u>
	<u>113,020,793</u>		<u>6,530,576</u>
	801,178		8,501
	<u>1,401,431</u>		<u>14,871</u>
	<u>2,202,609</u>		<u>23,372</u>
	1,688,248		12,294
	314,721		-
	81,566		-
	-		2,509
	49,923		-
	4,137,133		-
	229,763		7,277
	225,879		-
	2,209,057		394,197
	55,280,678		1,509,030
	4,357,716		46,242
	<u>1,440,990</u>		<u>15,291</u>
	<u>70,015,674</u>		<u>1,986,840</u>
	74,666		327,159
	783,615		8,315
	<u>2,903,776</u>		<u>30,813</u>
	<u>3,762,057</u>		<u>366,287</u>
	33,270,944		1,415,225
	355,645		-
	392,131		-
	272,217		-
	1,251,735		2,785,596
	177,954		-
	<u>5,725,045</u>		<u>-</u>
\$	<u>41,445,671</u>	\$	<u>4,200,821</u>

**CITY OF PALESTINE, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,737,810	\$ 106,367	\$ 762,177	\$ -
Public safety	8,715,309	642,639	36,542	-
Community services	3,912,448	231,077	90,418	-
Community development	1,680,252	-	-	-
Interest on long-term debt	962,335	-	-	-
Total Governmental Activities	<u>17,008,154</u>	<u>980,083</u>	<u>889,137</u>	<u>-</u>
Business-type activities:				
Water and wastewater	8,108,099	9,706,683	-	-
Sanitation	2,477,865	3,653,634	-	-
Retail	71,086	120	-	-
Total Business-Type Activities	<u>10,657,050</u>	<u>13,360,437</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 27,665,204</u>	<u>\$ 14,340,520</u>	<u>\$ 889,137</u>	<u>\$ -</u>
Component Unit:				
PEDC	\$ 431,116	\$ 569,432	\$ -	\$ -

General revenues:

Taxes:

Ad valorem

Sales

Franchise fees

Hotel/motel

Mixed drink

Unrestricted investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	PEDC
\$( 869,266)	\$ -	\$( 869,266)	\$ -
( 8,036,128)	-	( 8,036,128)	-
( 3,590,953)	-	( 3,590,953)	-
( 1,680,252)	-	( 1,680,252)	-
( 962,335)	-	( 962,335)	-
<u>( 15,138,934)</u>	<u>-</u>	<u>( 15,138,934)</u>	<u>-</u>
-	1,598,584	1,598,584	-
-	1,175,769	1,175,769	-
-	<u>( 70,966)</u>	<u>( 70,966)</u>	<u>-</u>
-	2,703,387	2,703,387	-
<u>( 15,138,934)</u>	<u>2,703,387</u>	<u>( 12,435,547)</u>	<u>-</u>
			<u>138,316</u>
7,486,723	-	7,486,723	-
6,888,617	-	6,888,617	1,377,723
1,093,146	-	1,093,146	-
734,930	-	734,930	-
43,707	-	43,707	-
134,572	58,997	193,569	13,666
122,759	5,271	128,030	12,183
<u>4,343,065</u>	<u>( 4,343,065)</u>	<u>-</u>	<u>-</u>
<u>20,847,519</u>	<u>( 4,278,797)</u>	<u>16,568,722</u>	<u>1,403,572</u>
<u>5,708,585</u>	<u>( 1,575,410)</u>	<u>4,133,175</u>	<u>1,541,888</u>
<u>13,087,127</u>	<u>24,225,369</u>	<u>37,312,496</u>	<u>2,658,933</u>
<u>\$ 18,795,712</u>	<u>\$ 22,649,959</u>	<u>\$ 41,445,671</u>	<u>\$ 4,200,821</u>



**CITY OF PALESTINE, TEXAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	<u>General</u>	<u>Debt Service</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,170,032	\$ 360,619
Restricted cash and cash equivalents	-	-
Prepaid items	215,176	7,333
Receivables (net of allowance for uncollectibles)	2,274,677	57,503
Due from other governments	47,612	-
Due from component unit	2,509	-
Due from other funds	91,317	54,627
Inventories	2,184	-
Total Assets	<u>15,803,507</u>	<u>480,082</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	617,529	-
Accrued wages payable	259,362	-
Unearned revenue	3,741,133	-
Due to other governments	-	-
Due to other funds	-	-
Total Liabilities	<u>4,618,024</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Lease related	74,666	-
Unavailable revenue - property taxes	259,513	48,871
Unavailable revenues - fines	591,485	-
Total Deferred Inflows of Resources	<u>925,664</u>	<u>48,871</u>
<b>FUND BALANCES</b>		
Nonspendable for:		
Prepaid items	215,176	7,333
Restricted for:		
Economic development	-	-
Debt service	-	423,878
Capital projects	-	-
Public safety	-	-
Community services	-	-
Committed for:		
Community forest	-	-
Cemetery	-	-
Community development	-	-
Unassigned	10,044,643	-
Total Fund Balances	<u>10,259,819</u>	<u>431,211</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,803,507</u>	<u>\$ 480,082</u>

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 23,936,605	\$ 2,301,734	\$ 39,768,990
1,410,000	-	1,410,000
3,792	25,205	251,506
-	179,136	2,511,316
-	17,869	65,481
-	-	2,509
-	-	145,944
-	-	2,184
<u>25,350,397</u>	<u>2,523,944</u>	<u>44,157,930</u>
110,232	103,080	830,841
-	3,856	263,218
396,000	-	4,137,133
-	23,548	23,548
-	91,317	91,317
<u>506,232</u>	<u>221,801</u>	<u>5,346,057</u>
-	-	74,666
-	-	308,384
-	-	591,485
<u>-</u>	<u>-</u>	<u>974,535</u>
3,792	25,205	251,506
-	1,251,735	1,251,735
-	-	423,878
24,840,373	-	24,840,373
-	272,217	272,217
-	177,954	177,954
-	20,593	20,593
-	240,682	240,682
-	333,054	333,054
-	( 19,297)	10,025,346
<u>24,844,165</u>	<u>2,302,143</u>	<u>37,837,338</u>
\$ <u>25,350,397</u>	\$ <u>2,523,944</u>	\$ <u>44,157,930</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CITY OF PALESTINE, TEXAS**

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

SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$	37,837,338
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		16,007,181
Bonds payable and accrued compensated absences will not be liquidated with current financial resources and, therefore, have not been included in the fund financial statements.	(	27,233,186)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	(	117,104)
Premiums on bond issuances and deferred losses on bond refunding are recorded as other financing sources and uses when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements over the life of the bonds.		
Premiums	(	3,382,313)
Receivables from grants, property taxes and fines and fees are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the fund financial statements.		899,869
Included in the items related to debt is the recognition of the City's net pension liability, total OPEB liability, and related deferred outflows and inflows of resources.		
Net pension liability	(	3,612,566)
Deferred outflows related to pensions		1,161,793
Deferred inflows related to pensions	(	2,407,243)
Total OPEB liabilities	(	1,194,587)
Deferred outflows related to OPEB		664,180
Deferred inflows related to OPEB	(	649,620)
The City uses an internal service fund to charge the costs of its group health insurance to appropriate departments in other funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		821,970
Net Position of Governmental Activities	\$	18,795,712

**CITY OF PALESTINE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>General</u>	<u>Debt Service</u>
<b>REVENUES</b>		
Taxes		
Property	\$ 6,059,604	\$ 1,416,126
Sales	6,243,462	-
Franchise	1,093,146	-
Licenses, permits, and fees	116,877	-
Intergovernmental	774,187	-
Charges for services	262,811	-
Fines and forfeitures	299,973	-
Contributions and donations	102,879	-
Investment earnings	76,477	3,086
Miscellaneous	115,447	-
Total Revenues	<u>15,144,863</u>	<u>1,419,212</u>
<b>EXPENDITURES</b>		
Current:		
General government	1,824,649	-
Public safety	8,779,488	-
Community services	3,735,409	-
Community development	547,824	-
Capital outlay	-	-
Debt service:		
Principal	-	418,246
Interest and fiscal charges	-	650,554
Bond issuance costs	-	-
Total Expenditures	<u>14,887,370</u>	<u>1,068,800</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>257,493</u>	<u>350,412</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Insurance recoveries	36,404	-
Issuance of long-term debt	-	-
Premium on issuance of long-term debt	-	-
Sale of capital assets	42,105	-
Transfers in	4,321,388	-
Transfers out	( 380,852)	( 266,089)
Total Other Financing Sources (Uses)	<u>4,019,045</u>	<u>( 266,089)</u>
<b>NET CHANGE IN FUND BALANCE</b>	4,276,538	84,323
<b>FUND BALANCES - BEGINNING</b>	<u>5,983,281</u>	<u>346,888</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 10,259,819</u>	<u>\$ 431,211</u>

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 7,475,730
-	1,423,792	7,667,254
-	-	1,093,146
-	-	116,877
-	17,556	791,743
-	25,702	288,513
-	38,797	338,770
-	38,332	141,211
37,621	17,388	134,572
-	7,312	122,759
<u>37,621</u>	<u>1,568,879</u>	<u>18,170,575</u>
-	5,066	1,829,715
-	60,293	8,839,781
-	144,815	3,880,224
-	1,128,457	1,676,281
1,328,745	-	1,328,745
-	-	418,246
-	-	650,554
340,700	-	340,700
<u>1,669,445</u>	<u>1,338,631</u>	<u>18,964,246</u>
( 1,631,824)	230,248	( 793,671)
-	-	36,404
22,939,000	-	22,939,000
3,514,687	-	3,514,687
-	-	42,105
-	315,000	4,636,388
-	( 41,653)	( 688,594)
<u>26,453,687</u>	<u>273,347</u>	<u>30,479,990</u>
24,821,863	503,595	29,686,319
<u>22,302</u>	<u>1,798,548</u>	<u>8,151,019</u>
\$ <u>24,844,165</u>	\$ <u>2,302,143</u>	\$ <u>37,837,338</u>

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

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CITY OF PALESTINE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net Changes in Fund Balances - Governmental Funds	\$ 29,686,319
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, that cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	2,184,337
Depreciation expense	( 1,294,641)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, or donations) is to decrease net position.	
	( 88,181)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	173,747
Court fines	10,993
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Issuance of long-term debt	( 26,453,687)
Repayment of principal of long-term debt	582,119
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued liabilities	128,373
Compensated absences	( 7,508)
Net pension liability	949,061
Total OPEB liability	( 86,526)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	
	( 81,059)
The City uses an internal service fund to charge the costs of group health insurance to the appropriate departments in other funds. The change in net position of the internal service fund is reported with governmental activities.	
	<u>5,238</u>
Change in Net Position of Governmental Activities	\$ <u>5,708,585</u>



**CITY OF PALESTINE, TEXAS**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

SEPTEMBER 30, 2022

	Business-Type Activities	
	Enterprise Funds	
	Water & Wastewater	Sanitation
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 20,365,764	\$ 164,433
Accounts receivable, net of allowance	943,498	442,837
Prepays	58,627	-
Total Current Assets	<u>21,367,889</u>	<u>607,270</u>
Noncurrent assets:		
Restricted cash and cash equivalents	392,131	-
Capital assets:		
Nondepreciable	5,497,086	20,281
Depreciable, net	22,879,201	352,101
Total Noncurrent Assets	<u>28,768,418</u>	<u>372,382</u>
Total Assets	<u>50,136,307</u>	<u>979,652</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
OPEB related	136,998	-
Pension related	239,638	-
Total Deferred Outflows of Resources	<u>376,636</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 857,407	\$ -
Retainage payable	81,566	-
Accrued wages payable	47,848	794
Accrued interest payable	112,659	-
Due to other governments	-	26,375
Due to other funds	-	-
Customer deposits	225,879	-
Current portion of long-term liabilities:		
Compensated absences	39,786	-
Leases	-	-
Bonds payable	945,000	-
Total Current Liabilities	<u>2,310,145</u>	<u>27,169</u>
Noncurrent liabilities:		
Compensated absences	92,835	-
Total OPEB liability	246,403	-
Net pension liability	745,150	-
Leases	-	-
Bonds payable	24,790,406	-
Total Noncurrent Liabilities	<u>25,874,794</u>	<u>-</u>
Total Liabilities	<u>28,184,939</u>	<u>27,169</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
OPEB related	133,995	-
Pension related	496,533	-
Total Deferred Inflows of Resources	<u>630,528</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	20,444,114	372,382
Restricted for capital projects	392,131	-
Unrestricted	861,231	580,101
Total Net Position	<u>\$ 21,697,476</u>	<u>\$ 952,483</u>

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

Business-Type Activities <u>Enterprise Funds</u>		Governmental Activities	
Retail	Total Enterprise Funds	Internal Service Fund	
\$ -	\$ 20,530,197	\$ 18,358	
-	1,386,335	-	
-	58,627	-	
-	<u>21,975,159</u>	<u>18,358</u>	
-	392,131	-	
-	5,517,367	-	
-	<u>23,231,302</u>	<u>1,867,309</u>	
-	<u>29,140,800</u>	<u>1,867,309</u>	
-	<u>51,115,959</u>	<u>1,885,667</u>	
-	136,998	-	
-	<u>239,638</u>	-	
-	<u>376,636</u>	-	
\$ -	\$ 857,407	\$ -	
-	81,566	-	
-	48,642	-	
-	112,659	2,861	
-	26,375	-	
-	-	54,627	
-	225,879	-	
-	39,786	-	
-	-	293,869	
-	<u>945,000</u>	-	
-	<u>2,337,314</u>	<u>351,357</u>	
-	92,835	-	
-	246,403	-	
-	745,150	-	
-	-	458,017	
-	<u>24,790,406</u>	<u>254,323</u>	
-	<u>25,874,794</u>	<u>712,340</u>	
-	<u>28,212,108</u>	<u>1,063,697</u>	
-	133,995	-	
-	<u>496,533</u>	-	
-	<u>630,528</u>	-	
-	20,816,496	861,100	
-	392,131	-	
-	<u>1,441,332</u>	<u>( 39,130)</u>	
\$ -	\$ <u>22,649,959</u>	\$ <u>821,970</u>	

**CITY OF PALESTINE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities	
	Enterprise Funds	
	Water & Wastewater	Sanitation
<b>OPERATING REVENUES</b>		
Charges for services	\$ 9,489,388	\$ 3,653,634
Other operating revenue	5,271	-
Total operating revenues	9,494,659	3,653,634
<b>OPERATING EXPENSES</b>		
Cost of sales and services	3,591,688	2,435,350
Personnel	2,137,034	-
Depreciation	1,660,900	42,515
Total operating expenses	7,389,622	2,477,865
Operating income (loss)	2,105,037	1,175,769
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment earnings	47,052	5,733
Gain/(loss) on sale or disposal of capital assets	217,295	-
Interest expense and fiscal charges	( 718,477)	-
Total non-operating revenues (expenses)	( 454,130)	5,733
Income before transfers	1,650,907	1,181,502
Transfer in	-	-
Transfers out	( 1,209,860)	( 1,410,246)
<b>CHANGE IN NET POSITION</b>	441,047	( 228,744)
<b>NET POSITION - BEGINNING</b>	21,256,429	1,181,227
<b>NET POSITION - END OF YEAR</b>	\$ 21,697,476	\$ 952,483

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

Business-Type Activities		Governmental Activities
<u>Enterprise Funds</u>	Total Enterprise Funds	<u>Internal Service Fund</u>
Retail		
\$ 120	\$ 13,143,142	\$ -
-	5,271	-
<u>120</u>	<u>13,148,413</u>	<u>-</u>
71,086	6,098,124	-
-	2,137,034	-
-	1,703,415	354,498
<u>71,086</u>	<u>9,938,573</u>	<u>354,498</u>
( 70,966)	3,209,840	( 354,498)
6,212	58,997	-
-	217,295	18,359
-	( 718,477)	( 53,894)
<u>6,212</u>	<u>( 442,185)</u>	<u>( 35,535)</u>
( 64,754)	2,767,655	( 390,033)
-	-	395,271
( 1,722,959)	( 4,343,065)	<u>-</u>
( 1,787,713)	( 1,575,410)	<u>5,238</u>
<u>1,787,713</u>	<u>24,225,369</u>	<u>816,732</u>
\$ -	\$ 22,649,959	\$ 821,970

**CITY OF PALESTINE, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities	
	Enterprise Funds	
	Water & Wastewater	Sanitation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 9,500,188	\$ 3,637,780
Cash paid to suppliers and service providers	( 3,793,965)	( 2,912,773)
Cash paid to employees for services	( 2,180,066)	-
Net cash provided (used) by operating activities	3,526,157	725,007
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer from other funds	-	-
Transfers to other funds	( 1,209,860)	( 1,410,246)
Net cash provided (used) in non-capital financing activities	( 1,209,860)	( 1,410,246)
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	( 4,856,629)	-
Proceeds from sale of capital assets	221,762	-
Interest paid on long-term debt	( 819,772)	-
Principal paid on long-term debt	( 885,000)	-
Proceeds from long-term debt	15,038,198	-
Net cash provided (used) in capital and related financing activities	8,698,559	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and investment earnings	47,052	5,733
Net cash provided (used) by investing activities	47,052	5,733
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	11,061,908	( 679,506)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:</b>		
Cash and cash equivalents	9,305,281	843,939
Restricted cash and cash equivalents	390,706	-
	9,695,987	843,939
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
Cash and cash equivalents	20,365,764	164,433
Restricted cash and cash equivalents	392,131	-
	\$ 20,757,895	\$ 164,433

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

Business-Type Activities <u>Enterprise Funds</u>	Total Enterprise Funds	Governmental Activities <u>Internal Service Fund</u>
Retail		
\$ 120	\$ 13,138,088	\$ -
( 92,152)	( 6,798,890)	-
<u>-</u>	<u>( 2,180,066)</u>	<u>-</u>
( 92,032)	4,159,132	-
-	-	395,271
( 1,722,959)	( 4,343,065)	<u>-</u>
( 1,722,959)	( 4,343,065)	<u>395,271</u>
-	( 4,856,629)	-
-	221,762	18,359
-	( 819,772)	( 58,664)
-	( 885,000)	( 336,608)
<u>-</u>	<u>15,038,198</u>	<u>-</u>
<u>-</u>	<u>( 6,339,639)</u>	<u>( 376,913)</u>
<u>6,212</u>	<u>58,997</u>	<u>-</u>
<u>6,212</u>	<u>58,997</u>	<u>-</u>
( 1,808,779)	8,573,623	18,358
1,808,779	11,957,999	-
<u>-</u>	<u>390,706</u>	<u>-</u>
1,808,779	12,348,705	-
-	20,530,197	18,358
<u>-</u>	<u>392,131</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 20,922,328</u>	<u>\$ 18,358</u>

**CITY OF PALESTINE, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities Enterprise Funds	
	Water & Wastewater Fund	Sanitation Fund
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 2,105,037	\$ 1,175,769
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,660,900	42,515
Decrease (increase) in accounts receivable	5,529	( 23,024)
Decrease (increase) in prepaid items	( 3,216)	-
Increase (decrease) in deferred OPEB outflows	( 4,830)	-
Decrease (increase) in deferred pension outflows	( 75,373)	-
Increase (decrease) in accounts payable	( 199,061)	( 478,217)
Increase (decrease) in accrued liabilities	( 4,917)	794
Increase (decrease) in customer deposits	( 4,735)	-
Increase (decrease) in due to other governments	-	7,170
Increase (decrease) in compensated absences	1,331	-
Increase (decrease) in net pension liability	( 249,506)	-
Increase (decrease) in deferred OPEB inflows	30,099	-
Increase (decrease) in deferred pension inflows	273,307	-
Increase (decrease) in total OPEB liability	( 8,408)	-
Net cash provided (used) by operating activities	<u>\$ 3,526,157</u>	<u>\$ 725,007</u>

Business-Type Activities Enterprise Funds		Total	Governmental Activities
Retail Fund	Enterprise Funds	Enterprise Funds	Internal Service Fund
\$( 70,966)	\$ 3,209,840		\$( 354,498)
-	1,703,415		354,498
-	( 17,495)		-
-	( 3,216)		-
-	( 4,830)		-
-	( 75,373)		-
( 21,066)	( 698,344)		-
-	( 4,123)		-
-	( 4,735)		-
-	7,170		-
-	1,331		-
-	( 249,506)		-
-	30,099		-
-	273,307		-
-	( 8,408)		-
<u>\$( 92,032)</u>	<u>\$ 4,159,132</u>		<u>\$ -</u>



# CITY OF PALESTINE, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Financial Statements of the City of Palestine have been prepared in conformity with general 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 more significant of the City's accounting policies are described below.

#### **A. Reporting Entity**

The City is a municipal corporation governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit for which the City is considered to be financially accountable.

#### **Discretely Presented Component Unit**

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. The City reports the following component unit:

The Palestine Economic Development Corporation, Inc. (PEDC) has been included in the reporting entity as a discretely presented component unit. PEDC is a governmental entity that promotes the creation of new and expanded industry and manufacturing activity within the City. PEDC's board of directors is appointed by and serves at the discretion of the City Council. City Council approval is required for the annual budget and the issuance of any debt. In the event of dissolution, any assets of PEDC will be transferred to the City. PEDC makes monthly payments to the City for payroll and other administrative costs. In addition, PEDC also assists the City for various project costs including appraisals, engineering fees, and park improvements. Separate financial statements of the PEDC are not prepared.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges of 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.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and *the accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Nonexchange revenues that are measurable but not available are recorded as unavailable revenue (a deferred inflow of resources). These revenues are generally property taxes and warrants outstanding. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, occupancy taxes, franchise taxes, licenses, and interest income 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 City's primary operating fund which 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 payment of interest and principal on all general obligation bonds and other long-term debt of the City.

The **Capital Projects Fund** accounts for revenue and expenditures related to capital improvements funded by bond proceeds.

The City reports the following major enterprise funds:

The **Water and Wastewater Fund** accounts for water distribution and wastewater collection and treatment provided to the citizens through user charges.

The **Sanitation Fund** accounts for solid waste collection and disposal services provided to the citizens through user charges.

Additionally, the City reports the following fund types:

The **Internal Service Fund** accounts for equipment replacement to departments or agencies of the City on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the City's general government function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes and investment earnings.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand demand deposits, and investments with an original maturity of 90 days or less from the purchase date.

For purposes of the statement of cash flows, the City considers cash and other investments with maturities of three months or less from the date of purchase to be cash and cash equivalents.

#### **E. Investments**

The City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated of not less than "AA" or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date. In addition, the City is authorized to invest in local government investment pools. The investment pools operate in accordance with appropriate state laws and regulations and have regulatory oversight from the Texas Public Funds Investment Act Sec. 2256.0016.

Investments for the City are reported at fair value, except for the position in investment pools, which are reported at net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

#### **F. Receivables and Payables**

Activities between the funds that are representative of inter-fund loans outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based upon experience and historical trends.

Property taxes for the City are levied each October 1 on the taxable value as of the preceding January 1, the date a lien attaches, for all taxable real and personal property located in the City. Taxes are due by January 31 following the October 1 assessment date and become delinquent on February 1, at which time they begin accruing penalty and interest. The enforceable legal claim date for property taxes is the assessment date; therefore, the City did not record a receivable for accrual of future taxes at year end. Accordingly, no current taxes receivable is reported. Delinquent taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Tax revenues are recognized as they become available. Accordingly, an amount equal to taxes not yet available has been reported as unavailable revenue (a deferred inflow of resources) at the government fund level.

**G. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements and in the fund financial statements are offset by a nonspendable fund balance which indicates they do not represent "available spendable resources". The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**H. Restricted Assets**

Certain proceeds from bonds, resources set aside for their repayment, and other restrictive agreements are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants and/or contractual arrangements.

**I. Capital Assets**

Capital assets, which include land, buildings and improvements, machinery, equipment, vehicles, and infrastructure assets (i.e., roads, bridges, 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 City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Donated capital assets, donated works of art and similar items received as part of a service concession arrangement are reported at acquisition value, rather than fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

<u>Assets</u>	<u>Use Lives (Years)</u>
Buildings and improvements	10 - 50
Machinery, equipment, and vehicles	2 - 20
Infrastructure	15 - 30
Right to use - equipment	5

## **J. Deferred Inflows/Outflows of Resources**

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

- Deferred charges on refunding – 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.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

## **K. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment, retirement, or death. The estimated amount of compensation for vested or accumulated vacation, sick, and compensatory time that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the government-wide and proprietary fund financial statements. The estimated amount of compensation is calculation using the pay rates in effect at September 30, 2022 and includes additional amounts for the City's share of social security and Medicare taxes.

## **L. Pensions**

For purposes of measuring the net pension liability, total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) 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.

## **M. Other Post-Employment Benefits (OPEB)**

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

**Retiree Health Insurance.** The City administers a single-employer defined benefit plan, known as the City Retiree Health Care Plan, that allows retirees to pay their premium for continuation of the medical and dental insurance coverage. Information regarding the City's total OPEB liability for this plan is obtained directly from GRS, which is also the City's consulting actuary. The City reports the liabilities for these plans on the government-wide and proprietary fund financial statements.

## **N. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, and losses on defeasance are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Losses on defeasance are reported as deferred outflows of resources. Bond issuance costs are expensed as incurred.

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

### **Leases**

The City has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

**Lessee.** The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**Lessor.** The City is a lessor in an arrangement allowing the placement of a cellular tower on City property, as well as for a building owned by the component unit. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

## **O. Fund Balance**

Fund balances in governmental funds are classified as follows:

**Nonspendable.** Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

**Restricted.** Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed.** Represents amounts that can only be used for a specific purpose because of a formal action by the government's highest level of decision-making authority: an ordinance adopted by City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**Assigned.** Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council may make assignments through formal documentation in the minutes. The City Council authorized (by way of policy) the City Manager to also make assignments. The City Manager's assignments do not require formal action; however, the City Manager has not assigned any funds at this time.

**Unassigned.** Represents the residual balance that may be spent on any other purpose of the City. Only the General Fund reports positive unassigned fund balances; if another fund were to have unassigned fund balance, it would be in the event of a deficit.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second, and assigned third.

## **P. Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed by creditors, grantors, or laws or regulations of other governments.

## **Q. Estimates**

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

## II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

### A. Cash, Cash Equivalents, and Investments

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

	<u>Reported Value</u>	<u>Weighted Average Maturity (days)</u>
Investment type:		
TexSTAR	\$ 9,309,344	16
Certificates of deposit	4,933,247	245
US agency securities	<u>1,989,500</u>	670
Subtotal	16,232,091	
Plus: depository and petty cash	<u>48,218,373</u>	
Total cash and investments	<u>\$ 64,450,464</u>	

The investment in US Agencies are valued at fair value using documented trade in exact security measurements (level 1). Investments in TexSTAR is recorded as cash equivalents in the financial statements. TexSTAR has a redemption notice period of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pools' liquidity.

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to highly liquid investments to meet unanticipated cash requirements, and/or to redeploy cash into other investments expected to outperform current holdings.

*Credit Risk* - State law limits investments in certificates of deposit to guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or the National Credit Union Share Insurance Fund, or its successor and investment pools continuously rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The City's investment policy does not further limit its investment choices. As of September 30, 2022, the City's investments in the pooled investment funds were rated AAAM by Standard & Poor's. The City has also invested in debt securities provided by the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Banks, and U.S Treasury Notes.

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2022, the City's cash and cash equivalents (including certificates of deposit, and component unit holdings) were fully collateralized by the City's depository by a combination of pledged collateral and FDIC insurance. All collateral is held in the City's name.

*Custodial Credit Risk - Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the government securities owned by the City are held by its agent in the City's name.

*Restricted Cash* - Cash is restricted in the Proprietary fund for debt service sinking funds that bond covenants require to be kept intact while debt is outstanding. In the governmental funds, restricted cash represents the grant and loan proceeds from the Texas Water Development Board (TWDB) that are only available for spending when approved by TWDB.

### B. Property Taxes

Taxes are levied on and payable as of October 1. The City has contracted with the Guadalupe County Tax Assessor-Collector to collect taxes on its behalf. Current taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action. The total taxable value as of October 1, 2021, upon which the fiscal year 2022 levy was based, was \$1,081,436,535 (i.e., market value less exemptions).



The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt for the year ended September 30, 2022, was \$0.129956 per \$100 of assessed value, which means that the City has a tax margin of \$1.8162 for each \$100 value and could increase its annual tax levy by approximately \$19,641,332 based upon the present assessed valuation before the limit is reached.

However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's effective tax rate.

Property taxes are recorded as receivables and unearned revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

### C. Receivables

Receivables as September 30, 2022, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			Business-type Activities		Component Unit
	General Fund	Debt Service	Nonmajor Governmental	Water & Wastewater	Sanitation	
Receivables:						
Property taxes	\$ 499,133	\$ 95,838	\$ -	\$ -	\$ -	\$ -
Sales tax	984,969	-	109,441	-	-	218,882
Occupancy taxes	-	-	69,695	-	-	-
Franchise taxes	338,448	-	-	-	-	-
Customers	-	-	-	995,450	476,237	-
Court fines	1,758,249	-	-	-	-	-
Grants	24,088	-	-	-	16	-
Leases	74,406	-	-	-	-	353,344
Other	( 9,584)	-	-	24,142	-	302,481
Gross receivables	3,669,709	95,838	179,136	1,019,592	476,253	874,707
Less: allowance for uncollectible accounts	( 1,395,032)	( 38,335)	-	( 76,094)	( 33,416)	-
Net receivables	\$ <u>2,274,677</u>	\$ <u>57,503</u>	\$ <u>179,136</u>	\$ <u>943,498</u>	\$ <u>442,837</u>	\$ <u>874,707</u>

#### D. Deferred Inflows and Outflows of Resources

The proprietary funds and governmental activities statements of net position report various deferred outflows and inflows of resources, primarily due to pensions and OPEB, that are summarized by column. The following table presents the disaggregated amounts.

	Governmental Activities	Business-type Activities		Component Unit
		Water & Wastewater	Total	PEDC
Deferred outflows:				
Related to pensions	\$ 1,161,793	\$ 239,638	\$ 1,401,431	\$ 14,871
Related to OPEB - SDBF	128,455	26,496	154,951	1,644
Related to OPEB - Retiree Health Plan	<u>535,725</u>	<u>110,502</u>	<u>646,227</u>	<u>6,857</u>
Total deferred outflow	<u>\$ 1,825,973</u>	<u>\$ 376,636</u>	<u>\$ 2,202,609</u>	<u>\$ 23,372</u>
Deferred inflows:				
Leases	\$ 74,666	\$ -	\$ 74,666	\$ 327,159
Related to pensions	2,407,243	496,533	2,903,776	30,813
Related to OPEB - SDBF	34,445	7,105	41,550	441
Related to OPEB - Retiree Health plan	<u>615,175</u>	<u>126,890</u>	<u>742,065</u>	<u>7,874</u>
Total deferred inflow	<u>\$ 3,131,529</u>	<u>\$ 630,528</u>	<u>\$ 3,762,057</u>	<u>\$ 366,287</u>

#### E. Interfund Balances and Transfers

The composition of interfund balances as of September 30, 2022, is as follows:

Due From	Due To	Amount	Purpose
Nonmajor governmental	General	\$ 72,020	Short-term pool cash loan
Internal service	Debt Service	54,627	Short-term pool cash loan
Nonmajor governmental	General	<u>19,297</u>	Short-term pool cash loan
		<u>\$ 145,944</u>	

The following schedule briefly summarizes the City's transfer activity for the year ending September 30, 2022:

Transfer From	Transfer To	Amount	Purpose
Nonmajor governmental	General	\$ 31,329	Supplement funds sources
Water & wastewater fund	General	1,146,530	Payment in lieu of franchise fees
Sanitation fund	General	1,410,246	Payment in lieu of franchise fees
Nonmajor enterprise	General	1,722,959	Funding for various capital projects
Nonmajor governmental	General	10,324	Funding for various capital projects
Debt service	Internal service fund	266,089	Fund lease debt service
Water & wastewater fund	Internal service fund	63,330	Fund lease debt service
General	Internal service fund	65,852	Fund lease debt service
General	Nonmajor governmental	<u>315,000</u>	Funding for airport capital projects
		<u>\$ 5,031,659</u>	

## F. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,777,638	\$ -	\$ ( 93)	\$ 1,777,545
Construction in progress	-	195,434	-	195,434
Total capital assets not being depreciated	<u>1,777,638</u>	<u>195,434</u>	<u>( 93)</u>	<u>1,972,979</u>
Capital assets being depreciated:				
Buildings	3,163,079	236,000	-	3,399,079
Improvements	10,255,775	193,774	( 489,476)	9,960,073
Machinery and equipment	12,951,436	708,603	( 297,132)	13,362,907
Infrastructure	33,408,799	813,981	-	34,222,780
Right to use - vehicles	1,395,096	36,545	-	1,431,641
Total assets being depreciated	<u>61,174,185</u>	<u>1,988,903</u>	<u>( 786,608)</u>	<u>62,376,480</u>
Less accumulated depreciation for:				
Buildings	( 2,161,889)	( 48,643)	-	( 2,210,532)
Improvements	( 7,924,990)	( 834,678)	489,476	( 8,270,192)
Machinery and equipment	( 9,565,485)	( 483,144)	209,045	( 9,839,584)
Infrastructure	( 25,445,795)	-	-	( 25,445,795)
Right to use - vehicles	( 426,190)	( 282,676)	-	( 708,866)
Total accumulated depreciation	<u>( 45,524,349)</u>	<u>( 1,649,141)</u>	<u>698,521</u>	<u>( 46,474,969)</u>
Total capital assets being depreciated, net	<u>15,649,836</u>	<u>339,762</u>	<u>( 88,087)</u>	<u>15,901,511</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 17,427,474</u>	<u>\$ 535,196</u>	<u>\$ ( 88,180)</u>	<u>\$ 17,874,490</u>
	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 63,306	\$ -	\$ -	\$ 63,306
Construction in progress	3,444,590	2,597,287	( 587,816)	5,454,061
Total capital assets, not being depreciated	<u>3,507,896</u>	<u>2,597,287</u>	<u>( 587,816)</u>	<u>5,517,367</u>
Capital assets being depreciated:				
Buildings	8,264,269	111,218	-	8,375,487
Machinery and equipment	2,139,042	423,890	-	2,562,932
Infrastructure	50,627,164	2,302,088	( 79,332)	52,849,920
Total assets being depreciated	<u>61,030,475</u>	<u>2,837,196</u>	<u>( 79,332)</u>	<u>63,788,339</u>
Less accumulated depreciation for:				
Buildings	( 7,605,500)	( 145,361)	-	( 7,750,861)
Machinery and equipment	( 989,665)	( 164,218)	-	( 1,153,883)
Infrastructure	( 30,333,322)	( 1,393,836)	74,865	( 31,652,293)
Total accumulated depreciation	<u>( 38,928,487)</u>	<u>( 1,703,415)</u>	<u>74,865</u>	<u>( 40,557,037)</u>
Total capital assets being depreciated, net	<u>22,101,988</u>	<u>1,133,781</u>	<u>( 4,467)</u>	<u>23,231,302</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 25,609,884</u>	<u>\$ 3,731,068</u>	<u>\$ ( 592,283)</u>	<u>\$ 28,748,669</u>

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
<b>Component unit:</b>				
Capital assets, not being depreciated:				
Land - developed	\$ 623,129	\$ -	\$ -	\$ 623,129
Land - undeveloped	<u>338,248</u>	<u>-</u>	<u>( 7,332)</u>	<u>330,916</u>
Total capital assets, not being depreciated	<u>961,377</u>	<u>-</u>	<u>( 7,332)</u>	<u>954,045</u>
Capital assets being depreciated:				
Buildings	4,321,478	-	-	4,321,478
Machinery and equipment	<u>108,646</u>	<u>-</u>	<u>-</u>	<u>108,646</u>
Total assets being depreciated	<u>4,430,124</u>	<u>-</u>	<u>-</u>	<u>4,430,124</u>
Less accumulated depreciation for:				
Buildings	( 1,866,518)	( 97,413)	-	( 1,963,931)
Machinery and equipment	<u>( 100,516)</u>	<u>( 3,326)</u>	<u>-</u>	<u>( 103,842)</u>
Total accumulated depreciation	<u>( 1,967,034)</u>	<u>( 100,739)</u>	<u>-</u>	<u>( 2,067,773)</u>
Total capital assets being depreciated, net	<u>2,463,090</u>	<u>( 100,739)</u>	<u>-</u>	<u>2,362,351</u>
<b>Component unit capital assets, net</b>	<u>\$ 3,424,467</u>	<u>\$( 100,739)</u>	<u>\$( 7,332)</u>	<u>\$ 3,316,396</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 110,334
Public safety	654,493
Community services	844,945
Community development	<u>39,369</u>
Total	<u>\$ 1,649,141</u>
Business-type activities:	
Water & wastewater fund	\$ 1,660,900
Sanitation fund	<u>42,515</u>
Total	<u>\$ 1,703,415</u>
Total Depreciation	<u>\$ 3,352,556</u>

## G. Long-Term Debt

Changes in long-term debt for the City for the year ending September 30, 2022 are as follows:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 2,000,000	\$ -	\$( 205,000)	\$ 1,795,000	\$ 210,000
Certificates of Obligation	-	21,925,000	-	21,925,000	-
Private Placement CO's	-	1,014,000	-	1,014,000	33,000
Unamortized Premium	31,498	3,514,687	( 163,872)	3,382,313	-
Financing Arrangements	1,664,124	-	( 271,908)	1,392,216	279,014
Leases	1,029,833	36,545	( 314,492)	751,886	293,869
Compensated Absences	<u>1,353,785</u>	<u>297,828</u>	<u>( 290,320)</u>	<u>1,361,293</u>	<u>408,388</u>
<b>Total governmental</b>	<u>\$ 6,079,240</u>	<u>\$ 26,788,060</u>	<u>\$( 1,245,592)</u>	<u>\$ 31,621,708</u>	<u>\$ 1,224,271</u>
<b>Business-type activities:</b>					
Certificates of Obligation	11,180,000	12,970,000	( 885,000)	23,265,000	945,000
Unamortized Premium	582,242	2,068,197	( 180,033)	2,470,406	-
Compensated Absences	<u>131,290</u>	<u>41,894</u>	<u>( 40,563)</u>	<u>132,621</u>	<u>39,786</u>
<b>Total business-type</b>	<u>\$ 11,893,532</u>	<u>\$ 15,080,091</u>	<u>\$( 1,105,596)</u>	<u>\$ 25,868,027</u>	<u>\$ 984,786</u>

## **General Obligation Bonds and Certificates of Obligation**

The City has issued various bonds and certificates of obligation to construct and improve City property including buildings, streets and sidewalks, water and wastewater infrastructure, and park facilities. The bonds and certificates are funded by Interest and Sinking property tax revenues and a pledge of excess revenues of the Water & Wastewater Fund. For the year ended September 30, 2022, Water & Wastewater Fund net revenues were approximately \$3.9 million (excluding depreciation expense) compared to debt service of \$1,506,999.

The bonds and certificates contain various covenants and indentures. Management has indicated that the City is substantially in compliance with these restrictions. Certain obligations have been marked as private placements. However, the terms of these obligations are not significantly different than the City's other debt. The obligations do not contain substantive acceleration clauses; in the event of default, any registered owner of the obligations may seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

On August 25, 2021, the City issued \$34,895,000 of its Combination Tax and Revenue Certificates of Obligation, Series 2022. The Certificates mature in stages through 2041 with an interest rate from 4-5%. The net proceeds of \$39,923,633 (including an issuance premium of \$5,582,884 net of costs of issuance) were deposited in the Capital Projects Fund and the Water & Wastewater Fund. Proceeds from the Certificates will be used for construction and improvement of library facilities, police and fire stations, a public safety training center, City parks, trails and recreation facilities, acquisition of equipment and vehicles for various City departments.

On February 10, 2022, the City issued \$1,014,000 of its Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2022A. The funding was issued in conjunction with the Texas Water Development Board and includes state grant funding of \$396,000. The total proceeds of \$1,410,000 was deposited in the Capital Projects Fund to fund construction of flood drainage improvements identified as TWDB Projects No. 40160, 40161, 40162 and 40163. The certificates mature in stages through 2052 with an interest rate of 0%.

A summary of bonds and certificates outstanding as of September 30, 2022, is as follows:

	Issue Amount	Maturity	Rate	Balance
<b><u>Governmental Activities</u></b>				
<b>General Obligation Bonds</b>				
Series 2020	\$ 2,215,000	2030	1.75%-2.05%	\$ 1,795,000
<b>Certificates of Obligation</b>				
Series 2022 I&S	21,925,000	2041	4.00%-5.00%	21,925,000
Series 2022A	1,014,000	2052	0.00%	<u>1,014,000</u>
<b>Total Governmental Long-Term Obligations</b>				<b><u>\$ 24,734,000</u></b>
	Issue Amount	Maturity	Rate	Balance
<b><u>Business-type Activities</u></b>				
<b>Certificates of Obligation</b>				
Series 2012	1,440,000	2023	1.58%	\$ 60,000
Series 2013	2,600,000	2028	2.15%	1,415,000
Series 2020	5,490,000	2030	1.75%-2.00%	4,290,000
Series 2021	4,585,000	2041	3.00%	4,530,000
Series 2022 W&S	12,970,000	2041	4.00%-5.00%	<u>12,970,000</u>
<b>Total Business-Type Long-Term Obligations</b>				<b><u>\$ 23,265,000</u></b>

**Financing Arrangements**

The City has entered into multiple arrangements to finance the purchase of equipment. The City retains title to the underlying equipment during and after the duration of the agreement. The arrangements are direct borrowings and are secured by the financed assets. Details on the arrangements outstanding as of September 30, 2022, is as follows:

	Issue Amount	Maturity	Rate	Balance
<b>Governmental Activities</b>				
Southside Bank - PD Equipment	598,579	2026	3.20%	\$ 254,323
Leasing 2, Inc. - Fire, Road, & Utility Equipment	1,558,865	2029	2.50%	<u>1,137,893</u>
<b>Total Financing Arrangements</b>				<b>\$ <u>1,392,216</u></b>

**Leases Payable**

The City has entered into a master lease agreement with Enterprise Fleet Services to acquire fleet vehicles for various City departments. Each vehicle is structured as an individual noncancelable lease beginning when the City takes delivery. All agreements are 60 months in duration and include both fixed monthly payments and overage charges for exceeding mileage limits. For the year ended September 30, 2022, payments amounted to \$388,549, including \$41,369 of interest expense and \$70,704 in overages and various service fees.

Details of leases payable as of September 30, 2022, is as follows:

	Issue Amount	Number of Agreements	Maturities	Fixed Monthly Payments	Rates	Balance
<b>Governmental Activities</b>						
Fleet vehicles	\$ 1,431,641	49	2023-2027	\$298-\$891	3.66%-6.38%	\$ 751,886

Year Ending September 30,	Lease Payable		Total Debt Service
	Principal	Interest	
2023	\$ 293,869	\$ 28,967	\$ 322,836
2024	291,395	14,469	305,864
2025	123,355	4,471	127,826
2026	38,353	931	39,284
2027	4,914	105	5,019
	<u>751,886</u>	<u>48,943</u>	<u>800,829</u>

### Future Maturities of Long-term Debt

Annual future debt service requirements of bonded debt as of September 30, 2022, are as follows:

#### Governmental activities:

Year Ended September 30,	General Obligation Bonds		Certificates of Obligation		CO's - Private Placement		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 210,000	\$ 33,110	\$ -	\$ 891,550	\$ 33,000	\$ -	\$ 1,167,660
2024	215,000	28,860	-	891,550	33,000	-	1,168,410
2025	220,000	24,510	-	891,550	33,000	-	1,169,060
2026	220,000	20,110	105,000	888,925	33,000	-	1,267,035
2027	225,000	15,660	180,000	881,800	33,000	-	1,335,460
2028-2032	705,000	21,011	1,850,000	4,226,150	169,000	-	6,971,161
2033-2037	-	-	3,855,000	3,584,900	170,000	-	7,609,900
2038-2042	-	-	4,695,000	2,732,500	170,000	-	7,597,500
2043-2047	-	-	5,740,000	1,692,200	170,000	-	7,602,200
2048-2052	-	-	5,500,000	451,000	170,000	-	6,121,000
Total	\$ <u>1,795,000</u>	\$ <u>143,261</u>	\$ <u>21,925,000</u>	\$ <u>17,132,125</u>	\$ <u>1,014,000</u>	\$ <u>-</u>	\$ <u>42,009,386</u>

Year Ended September 30,	Financing Arrangements			Leases		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 279,014	\$ 36,660	\$ 315,674	\$ 293,869	\$ 28,967	\$ 322,836
2024	286,307	29,317	315,624	291,395	14,469	305,864
2025	290,424	21,827	312,251	123,355	4,471	127,826
2026	155,190	14,140	169,330	38,353	931	39,284
2027	90,805	9,701	100,506	4,914	105	5,019
2028-2032	290,476	14,859	305,335	-	-	-
Total	\$ <u>1,392,216</u>	\$ <u>126,504</u>	\$ <u>1,518,720</u>	\$ <u>751,886</u>	\$ <u>48,943</u>	\$ <u>800,829</u>

#### Business-type Activities:

Year Ended September 30,	Certificates of Obligation		
	Principal	Interest	Total
2023	\$ 945,000	\$ 771,112	\$ 1,716,112
2024	1,235,000	743,685	1,978,685
2025	1,260,000	710,909	1,970,909
2026	1,280,000	679,119	1,959,119
2027	1,310,000	641,678	1,951,678
2028-2032	4,125,000	2,654,023	6,779,023
2033-2037	2,680,000	2,163,513	4,843,513
2038-2042	3,110,000	1,735,294	4,845,294
2043-2047	3,745,000	1,101,500	4,846,500
2048-2052	3,575,000	293,300	3,868,300
Total	\$ <u>23,265,000</u>	\$ <u>11,494,133</u>	\$ <u>34,759,133</u>

### Discretely Presented Component Unit Debt

Changes in long-term debt of the Palestine Economic Development Corporation for the year ending September 30, 2022, are as follows:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
Revenue Bonds	\$ 1,310,687	\$ -	\$( 290,000)	\$ 1,020,687	\$ 300,000
Note Payable	971,614	-	( 91,130)	880,484	93,580
Compensated Absences	24,210	-	( 22,154)	2,056	617
<b>Total Component Unit</b>	\$ <u>2,306,511</u>	\$ <u>-</u>	\$ <u>( 403,284)</u>	\$ <u>1,903,227</u>	\$ <u>394,197</u>

Revenue bonds were issued for refunding debt and the purchase of a commercial office building. The note payable was issued to finance the construction of fiber internet infrastructure. Both obligations are classified as direct borrowings. The note payable is secured by the financed asset. In the event of default, the debtholders may seek a writ of mandamus from a court of proper jurisdiction requiring the Corporation to make payment.

A summary of the terms of long-term debt outstanding at September 30, 2022, is as follows:

	Issue Amount	Maturity	Rate	Balance
<b>Revenue Bonds</b>				
Series 2012B	\$ 2,865,000	2026	3.35%	840,687
Series 2016	525,000	2026	3.63%	<u>180,000</u>
<b>Total Component Unit</b>				<u>\$ 1,020,687</u>

Annual future debt service requirements of bonded debt as of September 30, 2022, are as follows:

Year Ended September 30,	Revenue Bonds		Notes		Total
	Principal	Interest	Principal	Interest	
2023	\$ 300,000	\$ 35,679	\$ 93,580	\$ 22,897	\$ 452,156
2024	305,000	25,461	96,096	20,381	446,938
2025	315,000	15,076	98,680	17,797	446,553
2026	100,687	4,355	101,333	15,144	221,519
2027	-	-	104,058	12,419	116,477
2028-2031	-	-	<u>386,737</u>	<u>20,934</u>	<u>407,671</u>
Total	<u>\$ 1,020,687</u>	<u>\$ 80,571</u>	<u>\$ 880,484</u>	<u>\$ 109,572</u>	<u>\$ 2,091,314</u>

#### H. **Net Pension and Total OPEB Liabilities and Expenses**

Amounts are aggregated into a single net pension liability and total OPEB liability, and expenses for certain columns. Below is the detail of net pension liability and total OPEB liability and expenses for governmental and business-type activities.

	Business-type Activities			Component Unit
	Governmental Activities	Water & Wastewater	Totals	PEDC
Net pension liability	<u>\$ 3,612,566</u>	<u>\$ 745,150</u>	<u>\$ 4,357,716</u>	<u>\$ 46,242</u>
Total OPEB liabilities:				
TMRS SDBF	798,898	164,786	963,684	10,226
Retiree health plan	<u>395,689</u>	<u>81,617</u>	<u>477,306</u>	<u>5,065</u>
Total OPEB liability	<u>\$ 1,194,587</u>	<u>\$ 246,403</u>	<u>\$ 1,440,990</u>	<u>\$ 15,291</u>
	Business-type Activities			Component Unit
	Governmental Activities	Water & Wastewater	Totals	PEDC
Pension expense	<u>\$ 203,207</u>	<u>\$ 41,915</u>	<u>\$ 245,122</u>	<u>\$ 2,601</u>
OPEB expense:				
TMRS SDBF	83,461	17,215	100,676	1,068
Retiree Health Plan	<u>34,785</u>	<u>905</u>	<u>35,690</u>	<u>365</u>
Total OPEB expense	<u>\$ 118,246</u>	<u>\$ 18,120</u>	<u>\$ 136,366</u>	<u>\$ 1,433</u>



### III. OTHER INFORMATION

#### A. Retirement Plan

##### *Plan Description*

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

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

##### *Benefits Provided*

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

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

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

Beginning in 2008, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2008, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

Employee deposit rate	6%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% repeating transfers
Annual increase to retirees	70% of CIP, repeating

##### *Employees covered by benefit terms*

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

Inactive employees or beneficiaries currently receiving benefits	174
Inactive employees entitled to but not yet receiving benefits	183
Active employees	173
Total	<u>530</u>

## **Contributions**

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.98% and 14.29% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$1,300,054 and were equal to the required contributions.

## **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The net pension liability is typically liquidated through the General Fund and Enterprise Funds.

## **Actuarial Assumptions**

The Total Pension Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	<u>10.00%</u>	10.00%
Total	100.0%	

### **Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 6% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### **Changes in the Net Pension Liability**

As of September 30, 2022, the City reported the following changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2020	\$ 49,511,143	\$ 43,018,657	\$ 6,492,486
Changes for the year:			
Service cost	1,254,197	-	1,254,197
Interest	3,296,419	-	3,296,419
Difference between expected and actual experience	707,660	-	707,660
Change in assumptions	-	-	-
Contributions - employer	-	1,271,477	( 1,271,477)
Contributions - employee	-	545,698	( 545,698)
Net investment income	-	5,601,642	( 5,601,642)
Benefit payments, including refunds of employee contributions	( 2,604,787)	( 2,604,787)	-
Administrative expense	-	( 25,949)	25,949
Other changes	-	178	( 178)
Net changes	<u>2,653,489</u>	<u>4,788,259</u>	<u>( 2,134,770)</u>
Balance at 12/31/2021	<u>\$ 52,164,632</u>	<u>\$ 47,806,916</u>	<u>\$ 4,357,716</u>

As of September 30, 2022, the Component Unit reported the following changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2020	\$ 525,384	\$ 456,489	\$ 68,895
Changes for the year:			
Service cost	13,309	-	13,309
Interest	34,980	-	34,980
Difference between expected and actual experience	7,509	-	7,509
Change in assumptions	-	-	-
Contributions - employer	-	13,492	( 13,492)
Contributions - employee	-	5,791	( 5,791)
Net investment income	-	59,441	( 59,441)
Benefit payments, including refunds of employee contributions	( 27,640)	( 27,640)	-
Administrative expense	-	( 275)	275
Other changes	-	2	( 2)
Net changes	<u>28,158</u>	<u>50,811</u>	<u>( 22,653)</u>
Balance at 12/31/2021	<u>\$ 553,542</u>	<u>\$ 507,300</u>	<u>\$ 46,242</u>

### **Sensitivity of the Net Pension Liability**

The following presents the net pension liability/(asset) of the City and Component Unit, calculated using the discount rate of 6.75%, as well as what the City and Component Unit's net pension liabilities 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 (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 11,777,158	\$ 4,357,716	\$( 1,666,731)
Component Unit's net pension liability	<u>124,974</u>	<u>46,242</u>	<u>( 17,687)</u>
Total	<u>\$ 11,902,132</u>	<u>\$ 4,403,958</u>	<u>\$( 1,684,418)</u>

### **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](http://www.tmr.com).

### **Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2022, the City and Component Unit recognized pension expense of \$245,122 and \$2,601, respectively. As of September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 477,426	\$ 26,006
Changes in actuarial assumptions	5,778	-
Difference between projected and actual investment earnings	-	2,877,770
Contributions subsequent to the measurement date	<u>918,227</u>	<u>-</u>
Total	<u>\$ 1,401,431</u>	<u>\$ 2,903,776</u>

As of September 30, 2022, the Component Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,066	\$ 276
Changes in actuarial assumptions	61	-
Difference between projected and actual investment earnings	-	30,537
Contributions subsequent to the measurement date	9,744	-
Total	<u>\$ 14,871</u>	<u>\$ 30,813</u>

The City and Component Unit reported \$918,227 and \$9,744, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	City	Component Unit
2023	\$( 255,466)	\$( 2,711)
2024	( 1,018,193)	( 10,804)
2025	( 607,337)	( 6,445)
2026	( 539,576)	( 5,726)

## **B. Other Post-Employment Benefits**

The City participates in two defined-benefit other post-employment benefit (OPEB) plans: the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), and its own single-employer retiree health plan. Both are described in detail below.

The total OPEB liabilities of both plans are typically liquidated through the General Fund and Enterprise Funds.

### **TMRS Supplemental Death Benefits Fund**

#### ***Plan Description***

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

#### ***Benefits Provided***

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

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

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

Inactive employees or beneficiaries currently receiving benefits	130
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>173</u>
Total	<u>333</u>

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.31% for 2022 and 0.31% for 2021, of which 0.23% and 0.23%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The City and Component Unit’s contributions to the SDBF for the years ended September 30, 2022, and 2021 were \$22,205 and \$16,901 respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**Actuarial Assumptions**

The Total OPEB Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and inputs:

Measurement year ended December 31,	2021
Inflation rate	2.50% per annum
Discount rate	1.84%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational bases with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**Discount Rate**

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 1.84% was used to measure the total OPEB liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2021.

### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than (0.84%) and 1% greater than (2.84%) the discount rate that was used (1.84%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's SDBF OPEB Liability	\$ 1,174,337	\$ 963,684	\$ 802,480
Component Unit's SDBF OPEB Liability	<u>12,461</u>	<u>10,226</u>	<u>8,515</u>
Total	<u>\$ 1,186,798</u>	<u>\$ 973,910</u>	<u>\$ 810,995</u>

### OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 2022, the City and Component Unit reported a liability of \$963,684 and \$10,226, respectively, for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2021. For the year ended September 30, 2022, the City and Component Unit recognized an OPEB expense of \$100,676 and \$1,068, respectively. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

### Changes in the Total OPEB Liability

	City Total OPEB Liability	Component Unit Total OPEB Liability
Balance at 12/31/2020	\$ 918,623	\$ 9,748
Changes for the year:		
Service cost	31,832	338
Interest	18,482	196
Difference between expected and actual experience	(12,961)	(138)
Changes of assumptions or other inputs	28,626	304
Benefit payments, including refunds of employee contributions	<u>(20,918)</u>	<u>(222)</u>
Net changes	<u>45,061</u>	<u>478</u>
Balance at 12/31/2021	<u>\$ 963,684</u>	<u>\$ 10,226</u>

At September 30, 2022, the City and the Component Unit reported deferred outflows and inflows of resources related to the TMRS OPEB from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,277	\$ 31,647
Changes in actuarial assumptions	133,225	9,903
Contributions subsequent to the measurement date	<u>15,449</u>	<u>-</u>
Total	<u>\$ 154,951</u>	<u>\$ 41,550</u>
	Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 66	\$ 336
Changes in actuarial assumptions	1,414	105
Contributions subsequent to the measurement date	<u>164</u>	<u>-</u>
Total	<u>\$ 1,644</u>	<u>\$ 441</u>

The City and the Component Unit reported \$15,449 and \$164, respectively, as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to the TMRS OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	City	Component Unit
2023	\$ 42,218	\$ 448
2024	39,836	423
2025	14,315	152
2026	1,583	16

## **Retiree Health Other Post-Employment Benefit Plan**

### ***Plan Description***

The City administers a single employer defined benefit Other Post-Employment Benefits (OPEB) plan that allows retirees to pay their premium for continuation of the medical insurance coverage. The plan is known as the City Retiree Health Care Plan. In order to be eligible for this benefit, the retiree must separate from service as a current recipient of retirement benefits from the TMRS and with at least five years of service with the City or PEDC at age 60 or at least 20 years of service at any age. The health care benefit of the plan is available to the spouse if they were enrolled in the plan immediately before retirement or disability.

### ***Benefits and Contributions***

Employees and spouses who are enrolled in the City-sponsored health plan immediately before retirement or disability are eligible to continue coverage for the following periods of time.

Participant	Length of Coverage
Retiree	Retirees are eligible to continue medical coverage until age 65. If coverage is voluntarily waived, it cannot be reinstated.
Spouse	Spouses are eligible to continue medical coverage until age 65. If spouse coverage is voluntarily waived, it cannot be reinstated.
Children	Eligible dependent children may continue medical coverage while the retiree is covered. If child coverage is voluntarily waived, it cannot be reinstated.
Surviving Spouse Retiree	Surviving spouse are eligible to continue medical coverage until age 65. If coverage is voluntarily waived, it cannot be reinstated.

Retirees and their dependents are not eligible to remain on the health plan after they become eligible for Medicare. Retirees are required to pay the City for their health insurance premiums on the City-sponsored health insurance plan. Retirees paid the City \$24,341 for their health insurance premiums for the year ended September 30, 2022. The fully-insured premiums the City pays its insurance carrier are blended rates based on the combined experience of active and retired members. Because the average cost of providing the health care benefits to retirees under 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is considered an employer contribution and was valued at \$24,331 in the September 30, 2022, measurement.

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	161
Total	<u>163</u>



## Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	December 31, 2020
Actuarial Cost Method	Individual Entry-Age, Normal
Inflation Rate	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health care cost trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 13 years.
Participation rates	It was assumed that 15% of retirees would choose to receive retiree health care benefits through the City. No employees retiring through normal retirement (not disability related) prior to the age of 50 were assumed to maintain their health
Discount rate	The discount rate changed from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021.

A Single Discount Rate of 4.40% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021.

### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.40%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (3.40%)	Discount Rate (4.40%)	1% Increase in Discount Rate (5.40%)
City's total OPEB liability - retiree health	\$ 517,732	\$ 477,306	\$ 440,864
Component Unit's total OPEB liability - retiree health	<u>5,494</u>	<u>5,065</u>	<u>4,678</u>
Total	<u>\$ 523,226</u>	<u>\$ 482,371</u>	<u>\$ 445,542</u>

### Healthcare Cost Trend Rate Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's total OPEB liability - retiree health	\$ 428,892	\$ 477,306	\$ 534,421
Component Unit's total OPEB liability - retiree health	<u>4,551</u>	<u>5,065</u>	<u>5,671</u>
Total	<u>\$ 433,443</u>	<u>\$ 482,371</u>	<u>\$ 540,092</u>

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs**

At September 30, 2022, the City and Component Unit reported a total OPEB liability of \$477,306 and \$5,065, respectively. The total OPEB liability was determined by an actuarial valuation as of September 30, 2022. For the year ended September 30, 2022, the City and Component Unit recognized an OPEB expense of \$41,960 and \$445, respectively. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

**Changes in the Total OPEB Liability**

At September 30, 2022, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	<u>City</u>	<u>Component Unit</u>
	<u>Total OPEB</u>	<u>Total OPEB</u>
	<u>Liability</u>	<u>Liability</u>
Balance at 9/30/2021	\$ 579,842	\$ 6,153
Changes for the year:		
Service cost	34,779	369
Interest	12,816	136
Difference between expected and actual experience	3,434	36
Changes of assumptions or other inputs	(129,479)	(1,374)
Benefit payments, including refunds of employee contributions	<u>(24,085)</u>	<u>(256)</u>
Net changes	<u>( 102,536)</u>	<u>( 1,088)</u>
Balance at 9/30/2022	<u>\$ 477,306</u>	<u>\$ 5,065</u>

At September 30, 2022, the City and Component Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>City</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual economic experience	\$ 617,401	\$ 112,257
Changes in actuarial assumptions	<u>28,826</u>	<u>629,808</u>
Total	<u>\$ 646,227</u>	<u>\$ 742,065</u>
	<u>Component Unit</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual economic experience	\$ 6,552	\$ 1,191
Changes in actuarial assumptions	<u>305</u>	<u>6,683</u>
Total	<u>\$ 6,857</u>	<u>\$ 7,874</u>

The City reported \$0 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to the City's Retiree Health OPEB will be recognized in OPEB expense as follows:

For the Year		
Ended September 30,	<u>City</u>	<u>Component Unit</u>
2023	\$( 5,636)	\$( 60)
2024	( 5,636)	( 60)
2025	( 2,504)	( 27)
2026	( 1,952)	( 21)
2027	( 24,434)	( 259)
Thereafter	( 55,676)	( 590)

**C. Commitments and Contingencies**

***Tax Abatements***

The City entered into property tax abatement agreements with local business under the Texas Tax Code Chapter 312. As required by the Act, the City includes its own guidelines and criteria in granting abatements. Under the City's program, projects must do one of the following: (1) increase property valuation, (2) provide additional new full-time equivalent jobs, or (3) increase payroll annually. Abatements are granted for up to 100% over a specified time period not to exceed 10 years and may be extended to either new or expanding business. Uses available for tax abatement include manufacturing, distribution centers, corporate or regional office parks, research facilities, and small entrepreneurs. If the agreement is terminated, all taxes which otherwise would have been paid to the City without the benefit of abatement will become a debt to the City and shall be due to the City within 60 days after termination. At yearend, the City's tax abatements are as follows:

<u>Name of Business</u>	<u>Criteria</u>	<u>Terms of Abatement</u>	<u>Anderson County Applied Value</u>	<u>Taxes Abated Fiscal Year 2022</u>
Sanderson Farms	Provide jobs	85% of value	\$ 120,299,880	\$ 699,192

***Notes Receivable***

In December of 2018, PEDC, the component unit, entered into an economic development incentive performance agreement with a Minnesota corporation (Company) in which the Company agreed to develop, maintain, and open a facility within the City; continuously employ, staff, and maintain at least 20 full-time employees at the facility by December 31, 2018 and 30 full-time employees at the facility by December 31, 2019 and thereafter for 10 years; and certify to PEDC, every 90 days, that the Company is in compliance with the terms of the performance agreement, beginning with the issuance of a certificate of occupancy for the facility. As part of the agreement, PEDC remitted a cash incentive grant in the amount of \$100,000 to the Company in December 2018. PEDC agreed to forgive the Company's obligation to repay the economic incentive for the Company's facility in two equal amounts each occurring on the first two annual anniversary dates of the issuance of the facility's certificate of occupancy, if the Company is not in default under the performance agreement. The Company did not certify to PEDC that it was in compliance with the terms of the performance agreement during the year ended September 30, 2022, so no amount of the note was forgiven. In addition, no repayments were received either. The balance of the note receivable as of September 30, 2022 is \$100,000.

In April of 2021, PEDC entered into an economic development performance agreement with a domestic limited liability company (Company) in which the Company agreed to relocate its whiskey distillery to the rehabilitated Coors brewing facility in Palestine. As part of the agreement, PEDC provided a loan to the Company in the amount of \$150,000 for the Company's expenditures for improvements that are (1) for the creation or retention of primary jobs and (2) required or suitable for the development, retention, or expansion of the Company's manufacturing operation, including costs associated with the rehabilitation of the old Coors brewing facility into a whiskey distillery, and other expense related to the project that promote economic development. The note shall be due and payable in sixty monthly payments of \$2,796 beginning on July 1, 2021 and continuing on the first day of each month thereafter through May 1, 2026. The interest rate on the note is 4.5%. The note is secured by kettles owned by the Company and valued at \$201,747. The balance of the note receivable as of September 30, 2022 is \$115,597.

### **Construction Commitments**

The City has active construction projects as of September 30, 2022. The projects include construction of a generator for the water treatment plant, water meter replacements across the City, renovation of the Carnegie Library, and waterline replacements. At yearend, the City's commitments with contractors are follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Estimated Remaining Commitment</u>
Water Treatment Plant Generator	\$ 2,193,116	\$ 340,000
Meter Replacement Project	1,679,126	470,000
Carnegie Library Renovation	120,551	1,880,000
Water/Sewer Line Replacements	871,792	154,000

### **Litigation**

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

### **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. The City contracts with the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program providing insurance coverage in the following areas: general liability, automobile liability and physical damage, law enforcement liability, worker's compensation, real and personal property, mobile equipment, and errors and omissions liability. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. There were no significant increases or decreases in coverage from the prior year. For the past three fiscal years, no claims or settlements have exceeded deductible amounts.

## **D. New Accounting Standards**

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

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

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF PALESTINE, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$ 6,387,329	\$ 6,387,329	\$ 6,059,604	\$( 327,725)
Sales	4,977,599	4,977,599	6,243,462	1,265,863
Franchise	1,080,632	1,080,632	1,093,146	12,514
Licenses, permits, and fees	182,158	182,158	116,877	( 65,281)
Intergovernmental	106,329	106,329	774,187	667,858
Charges for services	207,610	207,610	262,811	55,201
Fines and forfeitures	358,512	358,512	299,973	( 58,539)
Contributions and donations	500	500	102,879	102,379
Investment earnings	20,640	20,640	76,477	55,837
Miscellaneous	67,740	67,740	115,447	47,707
Total Revenues	<u>13,389,049</u>	<u>13,389,049</u>	<u>15,144,863</u>	<u>1,755,814</u>
<b>EXPENDITURES</b>				
General government:				
Administration	726,466	726,466	659,932	66,534
Human resources	258,899	258,899	235,674	23,225
Financial services	597,653	597,653	568,715	28,938
Nondepartmental	427,021	427,021	360,328	66,693
Total General Government	<u>2,010,039</u>	<u>2,010,039</u>	<u>1,824,649</u>	<u>185,390</u>
Public safety:				
Municipal court	353,094	353,094	336,341	16,753
Police administration	456,301	456,301	500,132	( 43,831)
Police patrol	2,338,894	2,338,894	2,464,946	( 126,052)
Police CID	734,886	734,886	564,034	170,852
Police support services	1,685,001	1,685,001	1,397,784	287,217
Fire administration	396,666	396,666	428,162	( 31,496)
Fire suppression	2,896,506	2,896,506	3,088,089	( 191,583)
Total Public Safety	<u>8,861,348</u>	<u>8,861,348</u>	<u>8,779,488</u>	<u>81,860</u>
Community services:				
Public works administration	168,408	168,408	165,468	2,940
Street maintenance	3,647,995	3,647,995	2,073,688	1,574,307
Sanitation	2,493,843	2,493,843	19,840	2,474,003
Fleet maintenance	-	-	2,992	( 2,992)
Airport	-	-	192	( 192)
Parks and recreation	1,073,127	1,073,127	955,061	118,066
Library services	592,958	592,958	518,168	74,790
Total Community Services	<u>7,976,331</u>	<u>7,976,331</u>	<u>3,735,409</u>	<u>4,240,922</u>
Community development:				
Development services	550,535	550,535	338,653	211,882
Facility maintenance	539	539	181,756	( 181,217)
Main street	41,380	41,380	27,415	13,965
Total Community Development	<u>592,454</u>	<u>592,454</u>	<u>547,824</u>	<u>44,630</u>
Total Expenditures	<u>19,440,172</u>	<u>19,440,172</u>	<u>14,887,370</u>	<u>4,552,802</u>
Excess of revenues over expenditures	<u>( 6,051,123)</u>	<u>( 6,051,123)</u>	<u>257,493</u>	<u>( 6,308,616)</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	\$ -	\$ -	\$ 36,404	\$ 36,404
Sale of capital assets	2,500	2,500	42,105	39,605
Transfers in	1,177,859	1,177,859	4,321,388	3,143,529
Transfers out	<u>( 139,247)</u>	<u>( 139,247)</u>	<u>( 380,852)</u>	<u>( 241,605)</u>
Total Other Financing Sources (Uses)	<u>1,041,112</u>	<u>1,041,112</u>	<u>4,019,045</u>	<u>2,977,933</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 5,010,011)</u>	<u>( 5,010,011)</u>	4,276,538	9,286,549
<b>FUND BALANCE - BEGINNING</b>	<u>5,983,281</u>	<u>5,983,281</u>	<u>5,983,281</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 973,270</u>	<u>\$ 973,270</u>	<u>\$ 10,259,819</u>	<u>\$ 9,286,549</u>



**THIS PAGE LEFT BLANK INTENTIONALLY**

**CITY OF PALESTINE, TEXAS**

NOTES TO BUDGETARY SCHEDULES

SEPTEMBER 30, 2022

**Budgetary Information** - The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for the general fund, debt service fund, and all special revenue funds except for the Police Confiscated Money fund and the Special Events Fund, which was closed in 2022. Project-length financial plans are adopted for capital projects funds.

Budgetary preparation and control are exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at year-end.

Encumbrance accounting, in which appropriations are recorded as budgetary expenditures, is not utilized by the City.

**Excess of Expenditures over Appropriations** – expenditures exceeded appropriations in the Municipal Court Child Safety Fund, the Police Grants Fund, and the Emergency Fund. These overages will be funded with greater than anticipated revenues or existing fund balance.

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2022

<b>Measurement Date December 31,</b>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Total pension liability</b>			
Service cost	\$ 1,267,506	\$ 1,230,637	\$ 1,163,653
Interest on total pension liability	3,331,399	3,200,047	3,107,606
Difference between expected and actual experience	715,169	50,414	( 464,313)
Change of assumptions	-	-	103,169
Benefit payments/refunds of contributions	( 2,632,427)	( 2,474,705)	( 2,673,526)
Net Change in Total Pension Liability	2,681,647	2,006,393	1,236,589
Total Pension Liability, Beginning	<u>50,036,527</u>	<u>48,030,134</u>	<u>46,793,545</u>
Total Pension Liability, Ending (a)	<u>\$ 52,718,174</u>	<u>\$ 50,036,527</u>	<u>\$ 48,030,134</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 1,284,969	\$ 1,211,895	\$ 1,132,430
Contributions - employee	551,489	535,447	506,303
Net investment income	5,661,083	3,117,079	5,643,128
Benefit payments/refunds of contributions	( 2,632,427)	( 2,474,705)	( 2,673,526)
Administrative expenses	( 26,224)	( 20,190)	( 31,912)
Other	180	( 787)	( 958)
Net Change in Fiduciary Position	4,839,070	2,368,739	4,575,465
Fiduciary Net Position, Beginning	<u>43,475,146</u>	<u>41,106,407</u>	<u>36,530,942</u>
Fiduciary Net Position, Ending (b)	<u>48,314,216</u>	<u>43,475,146</u>	<u>41,106,407</u>
<b>Net pension liability = (a)-(b)</b>	<u>\$ 4,403,958</u>	<u>\$ 6,561,381</u>	<u>\$ 6,923,727</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	91.65%	86.89%	85.58%
Covered Payroll	\$ 9,191,489	\$ 8,924,124	\$ 8,438,379
Net Pension Liability as a Percentage of Covered Payroll	47.91%	73.52%	82.05%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 1,173,593	\$ 1,162,638	\$ 1,147,723	\$ 997,344	\$ 938,602
3,019,410	2,916,862	2,800,125	2,808,849	2,720,857
( 333,037)	( 218,064)	65,763	( 459,275)	( 303,094)
-	-	-	154,385	-
( 2,423,263)	( 2,272,078)	( 2,311,195)	( 2,127,959)	( 2,129,464)
1,436,703	1,589,358	1,702,416	1,373,344	1,226,901
<u>45,356,842</u>	<u>43,767,484</u>	<u>42,065,068</u>	<u>40,691,724</u>	<u>39,464,823</u>
<u>\$ 46,793,545</u>	<u>\$ 45,356,842</u>	<u>\$ 43,767,484</u>	<u>\$ 42,065,068</u>	<u>\$ 40,691,724</u>
\$ 1,170,053	\$ 1,195,913	\$ 1,147,962	\$ 1,152,496	\$ 1,185,438
512,778	507,702	494,708	442,936	454,154
( 1,151,180)	4,751,422	2,214,224	49,110	1,828,420
( 2,423,263)	( 2,272,078)	( 2,311,195)	( 2,127,959)	( 2,129,464)
( 22,257)	( 24,629)	( 25,011)	( 29,915)	( 19,092)
( 1,162)	( 1,248)	( 1,348)	( 1,478)	( 1,570)
( 1,915,031)	4,157,082	1,519,340	( 514,810)	1,317,886
<u>38,445,973</u>	<u>34,288,891</u>	<u>32,769,551</u>	<u>33,284,361</u>	<u>31,966,475</u>
<u>36,530,942</u>	<u>38,445,973</u>	<u>34,288,891</u>	<u>32,769,551</u>	<u>33,284,361</u>
<u>\$ 10,262,603</u>	<u>\$ 6,910,869</u>	<u>\$ 9,478,593</u>	<u>\$ 9,295,517</u>	<u>\$ 7,407,363</u>
78.07%	84.76%	78.34%	77.90%	81.80%
\$ 8,504,298	\$ 8,461,704	\$ 8,245,139	\$ 7,382,264	\$ 7,569,229
120.68%	81.67%	114.96%	125.92%	97.86%

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2022

<b>Fiscal Year Ended September 30,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Actuarially determined contribution	\$ 1,300,054	\$ 1,231,597	\$ 1,162,861
Contributions in relation to the actuarially determined contribution	<u>1,300,054</u>	<u>1,231,597</u>	<u>1,162,861</u>
Contribution deficiency (excess)	-	-	-
Covered payroll	9,446,491	8,876,760	8,586,674
Contributions as a percentage of covered payroll	13.76%	13.87%	13.54%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31st and become effective on January 1st, 13 months and a day later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 Years (longest amortization ladder)
Asset valuation method	10 year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information	There were no benefit changes during the year.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,134,073	\$ 1,171,756	\$ 1,208,961	\$ 1,688,279	\$ 1,185,438
<u>1,134,073</u>	<u>1,171,756</u>	<u>1,208,961</u>	<u>1,688,279</u>	<u>1,185,438</u>
-	-	-	-	-
8,407,939	8,479,851	8,561,675	8,565,760	7,569,229
13.49%	13.82%	14.12%	19.71%	15.66%

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
TMRS SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date December 31,	2021	2020	2019	2018	2017
<b>Total OPEB liability</b>					
Service cost	\$ 32,170	\$ 26,772	\$ 19,408	\$ 22,962	\$ 19,462
Interest on total OPEB liability	18,678	21,372	24,913	21,552	21,343
Differences in actuarial experience	( 13,099)	( 1,352)	( 57,660)	28,407	-
Change of assumptions	28,930	121,354	121,842	( 44,820)	49,868
Benefit payments	( 21,140)	( 7,139)	( 5,907)	( 5,953)	( 5,923)
Net change in total OPEB liability	45,539	161,007	102,596	22,148	84,750
Total OPEB liability, beginning	<u>928,371</u>	<u>767,364</u>	<u>664,768</u>	<u>642,620</u>	<u>557,870</u>
Total OPEB liability, ending (a)	<u>\$ 973,910</u>	<u>\$ 928,371</u>	<u>\$ 767,364</u>	<u>\$ 664,768</u>	<u>\$ 642,620</u>
Covered-employee payroll	\$ 9,191,489	\$ 8,924,124	\$ 8,438,379	\$ 8,504,298	\$ 8,461,704
Total OPEB liability as a percentage of covered-employee payroll	10.60%	10.40%	9.09%	7.82%	7.59%

Note: 10 years of data is required to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

**NOTES TO SCHEDULE**

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31st and become effective on January 1st, 13 months and a day later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the 3% floor.
Other information	The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**CITY OF PALESTINE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

<b>Measurement Date December 31</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>					
Service cost	\$ 35,148	\$ 37,713	\$ 31,768	\$ 98,389	\$ 27,899
Interest on total OPEB liability	12,952	16,636	17,777	16,126	13,134
Difference in actuarial experience	3,470	( 148,516)	( 717)	1,222,485	-
Change of assumptions	( 130,853)	22,196	19,408	( 1,010,597)	( 26,625)
Benefit payments	( 24,341)	( 26,912)	( 27,816)	( 26,180)	( 8,187)
Net change in total OPEB liability	( 103,624)	( 98,883)	40,420	300,223	6,221
Total OPEB liability, beginning	<u>585,995</u>	<u>684,878</u>	<u>644,458</u>	<u>344,235</u>	<u>338,014</u>
Total OPEB liability, ending (a)	<u>\$ 482,371</u>	<u>\$ 585,995</u>	<u>\$ 684,878</u>	<u>\$ 644,458</u>	<u>\$ 344,235</u>
Covered payroll	\$ 9,446,594	\$ 8,251,093	\$ 7,988,233	\$ 7,681,287	\$ 7,300,000
Total OPEB liability as a percentage of covered payroll	5.11%	7.10%	8.57%	8.39%	4.72%

Note: 10 years of data is required to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

**NOTES TO SCHEDULE**

<b>Valuation Date:</b>	September 30, 2021
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
Actuarial cost method	Individual Entry-Age Normal
Discount rate	4.40% as of September 30, 2022
Inflation	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 to account for future mortality improvements.
Health care trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 13 years.
Participation rates	0% for employees retiring before age 50; 5% for employees retiring at ages 50-54; 15% for employees retiring at ages 55-59; 20% for employees retiring at ages 60-64.
Other information	The discount rate changed from 2.19% as of September 30, 2021 to 4.40% as of September 30, 2022. Additionally, the methodology for determining service cost was updated to accrue the benefits over each employee's service with Palestine.



**THIS PAGE LEFT BLANK INTENTIONALLY**

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CITY OF PALESTINE, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**

**Combining Statements and Individual Fund Schedules - Nonmajor Governmental Funds**

**Community Forest Fund** – will account for committed funds and related expenditures to maintain the community forest.

**Tourism Fund** – will account for the occupancy tax on hotel accommodations. The funds are to be expended on endeavors which promote tourism and the convention and hotel industry.

**Municipal Court Security Fund** – will account for security fees the municipal court assesses. The funds are required to be used on court security.

**Municipal Court Technology Fund** – will account for technology fees that the municipal court assesses. The funds are required to be used on court technology.

**Municipal Court Child Safety Fund** – will account for child safety fees that the municipal court assesses. The funds are required to be used for child safety.

**Police Confiscated Money Fund** – will account for restricted forfeiture funds received for the police department.

**Cemetery Fund** – will account for sales of burial plots and related upkeep costs for a city-owned cemetery.

**Police Grants Fund** – will account for LEOSE and other grant funds received for the police department.

**Airport Fund** – will account for operations of the municipal airport.

**Sales Tax Repairs and Maintenance Fund** – will account for street repairs and maintenance paid for by the 1/8-cent sales tax as set forth by Ordinance No. O-17-17.

**Special Events Fund** – will account for restricted donated funds related to special events in the City (e.g. Hot Pepper Festival, Main Street, etc.).

**Emergency Fund** – will account for grant-related revenue and expenditures from COVID-19.

**CITY OF PALESTINE, TEXAS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	Special Revenue Funds				
	Community		Municipal	Municipal	Municipal
	Forest	Tourism	Court Security	Court Technology	Court Child Safety
<b>ASSETS</b>					
Cash and cash equivalents	\$ 20,593	\$ 1,190,185	\$ 64,319	\$ 47,842	\$ 75,345
Prepaid items	-	22,646	-	1,309	-
Accounts receivable, net of allowance	-	69,672	-	-	-
Due from other governments	-	-	-	-	-
Total Assets	<u>20,593</u>	<u>1,282,503</u>	<u>64,319</u>	<u>49,151</u>	<u>75,345</u>
<b>LIABILITIES</b>					
Accounts payable	-	4,266	-	640	-
Accrued wages payable	-	3,856	-	-	-
Due to other governments	-	-	-	-	23,548
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>8,122</u>	<u>-</u>	<u>640</u>	<u>23,548</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	-	22,646	-	1,309	-
Restricted for:					
Economic development	-	1,251,735	-	-	-
Public safety	-	-	64,319	47,202	51,797
Community services	-	-	-	-	-
Committed for:					
Community forest	20,593	-	-	-	-
Cemetery	-	-	-	-	-
Community development	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>20,593</u>	<u>1,274,381</u>	<u>64,319</u>	<u>48,511</u>	<u>51,797</u>
Total Liabilities and Fund Balances	<u>\$ 20,593</u>	<u>\$ 1,282,503</u>	<u>\$ 64,319</u>	<u>\$ 49,151</u>	<u>\$ 75,345</u>

Special Revenue Fund

Police Confiscated Money	Cemetery	Police Grants	Airport	Sales Tax Repairs & Maintenance	Special Events	Emergency	Total Nonmajor Governmental Funds
\$ 178,530	\$ 240,682	\$ 9,353	\$ 251,295	\$ 223,590	\$ -	\$ -	\$ 2,301,734
1,250	-	-	-	-	-	-	25,205
-	-	-	-	109,464	-	-	179,136
<u>313</u>	<u>-</u>	<u>11,956</u>	<u>5,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,869</u>
<u>180,093</u>	<u>240,682</u>	<u>21,309</u>	<u>256,895</u>	<u>333,054</u>	<u>-</u>	<u>-</u>	<u>2,523,944</u>
91,253	-	-	6,921	-	-	-	103,080
-	-	-	-	-	-	-	3,856
-	-	-	-	-	-	-	23,548
-	-	-	<u>72,020</u>	<u>-</u>	<u>-</u>	<u>19,297</u>	<u>91,317</u>
<u>91,253</u>	<u>-</u>	<u>-</u>	<u>78,941</u>	<u>-</u>	<u>-</u>	<u>19,297</u>	<u>221,801</u>
1,250	-	-	-	-	-	-	25,205
-	-	-	-	-	-	-	1,251,735
87,590	-	21,309	-	-	-	-	272,217
-	-	-	177,954	-	-	-	177,954
-	-	-	-	-	-	-	20,593
-	240,682	-	-	-	-	-	240,682
-	-	-	-	333,054	-	-	333,054
-	-	-	-	-	-	( 19,297)	( 19,297)
<u>88,840</u>	<u>240,682</u>	<u>21,309</u>	<u>177,954</u>	<u>333,054</u>	<u>-</u>	<u>( 19,297)</u>	<u>2,302,143</u>
<u>\$ 180,093</u>	<u>\$ 240,682</u>	<u>\$ 21,309</u>	<u>\$ 256,895</u>	<u>\$ 333,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,523,944</u>

**CITY OF PALESTINE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue Funds				
	Community		Municipal	Municipal	Municipal
	Forest	Tourism	Court Security	Court Technology	Court Child Safety
<b>REVENUES</b>					
Taxes:					
Sales	\$ -	\$ 734,930	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	8,521	7,086	18,497
Contributions and donations	-	-	-	-	-
Investment earnings	158	8,562	453	343	513
Miscellaneous	-	7,312	-	-	-
Total Revenues	<u>158</u>	<u>750,804</u>	<u>8,974</u>	<u>7,429</u>	<u>19,010</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	190	4,678	1,528
Community services	11,645	-	-	-	-
Community development	-	604,098	-	-	-
Total Expenditures	<u>11,645</u>	<u>604,098</u>	<u>190</u>	<u>4,678</u>	<u>1,528</u>
Excess (deficiency) of revenue over (under) expenditures	<u>( 11,487)</u>	<u>146,706</u>	<u>8,784</u>	<u>2,751</u>	<u>17,482</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	-	-	-	-	-
Transfer out	-	( 31,329)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>( 31,329)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 11,487)</u>	<u>115,377</u>	<u>8,784</u>	<u>2,751</u>	<u>17,482</u>
<b>FUND BALANCES - BEGINNING</b>	<u>32,080</u>	<u>1,159,004</u>	<u>55,535</u>	<u>45,760</u>	<u>34,315</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 20,593</u>	<u>\$ 1,274,381</u>	<u>\$ 64,319</u>	<u>\$ 48,511</u>	<u>\$ 51,797</u>

Special Revenue Fund

Police Confiscated Money	Cemetery	Police Grants	Airport	Sales Tax Repairs & Maintenance	Special Events	Emergency	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 688,862	\$ -	\$ -	\$ 1,423,792
-	-	11,956	5,600	-	-	-	17,556
-	20,250	-	5,452	-	-	-	25,702
4,693	-	-	-	-	-	-	38,797
-	-	-	-	-	38,332	-	38,332
1,310	1,730	102	1,538	19	2,660	-	17,388
-	-	-	-	-	-	-	7,312
<u>6,003</u>	<u>21,980</u>	<u>12,058</u>	<u>12,590</u>	<u>688,881</u>	<u>40,992</u>	<u>-</u>	<u>1,568,879</u>
-	5,066	-	-	-	-	-	5,066
19,546	-	15,054	-	-	-	19,297	60,293
-	-	-	84,918	-	48,252	-	144,815
-	-	-	-	524,359	-	-	1,128,457
<u>19,546</u>	<u>5,066</u>	<u>15,054</u>	<u>84,918</u>	<u>524,359</u>	<u>48,252</u>	<u>19,297</u>	<u>1,338,631</u>
( 13,543)	16,914	( 2,996)	( 72,328)	164,522	( 7,260)	( 19,297)	230,248
-	-	-	315,000	-	-	-	315,000
-	-	-	-	-	( 10,324)	-	( 41,653)
-	-	-	315,000	-	( 10,324)	-	273,347
( 13,543)	16,914	( 2,996)	242,672	164,522	( 17,584)	( 19,297)	503,595
<u>102,383</u>	<u>223,768</u>	<u>24,305</u>	<u>( 64,718)</u>	<u>168,532</u>	<u>17,584</u>	<u>-</u>	<u>1,798,548</u>
<u>\$ 88,840</u>	<u>\$ 240,682</u>	<u>\$ 21,309</u>	<u>\$ 177,954</u>	<u>\$ 333,054</u>	<u>\$ -</u>	<u>\$ ( 19,297)</u>	<u>\$ 2,302,143</u>



**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
DEBT SERVICE FUND  
BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,428,455	\$ 1,428,455	\$ 1,416,126	\$( 12,329)
Investment earnings	732	732	3,086	2,354
Total Revenue	<u>1,429,187</u>	<u>1,429,187</u>	<u>1,419,212</u>	<u>( 9,975)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	778,353	778,353	418,246	360,107
Interest and fiscal charges	626,717	626,717	650,554	( 23,837)
Total Expenditures	<u>1,405,070</u>	<u>1,405,070</u>	<u>1,068,800</u>	<u>336,270</u>
Excess (Deficiency) of Revenues over Expenditures	24,117	24,117	350,412	326,295
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	( 266,089)	( 266,089)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>( 266,089)</u>	<u>( 266,089)</u>
<b>NET CHANGE IN FUND BALANCE</b>	24,117	24,117	84,323	60,206
<b>FUND BALANCE - BEGINNING</b>	<u>346,888</u>	<u>346,888</u>	<u>346,888</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 371,005</u>	<u>\$ 371,005</u>	<u>\$ 431,211</u>	<u>\$ 60,206</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY FOREST FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Investment earnings	\$ 315	\$ 315	\$ 158	\$( 157)
Total Revenues	<u>315</u>	<u>315</u>	<u>158</u>	<u>( 157)</u>
<b>EXPENDITURES</b>				
Current:				
Community services	<u>15,000</u>	<u>15,000</u>	<u>11,645</u>	<u>3,355</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>11,645</u>	<u>3,355</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 14,685)</u>	<u>( 14,685)</u>	<u>( 11,487)</u>	<u>3,198</u>
<b>FUND BALANCE - BEGINNING</b>	<u>32,080</u>	<u>32,080</u>	<u>32,080</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 17,395</u>	<u>\$ 17,395</u>	<u>\$ 20,593</u>	<u>\$ 3,198</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
TOURISM FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>				
Taxes:				
Sales	\$ 503,752	\$ 503,752	\$ 734,930	\$ 231,178
Investment earnings	12,447	12,447	8,562	( 3,885)
Miscellaneous	<u>7,349</u>	<u>7,349</u>	<u>7,312</u>	<u>( 37)</u>
Total Revenues	<u>523,548</u>	<u>523,548</u>	<u>750,804</u>	<u>227,256</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>1,057,697</u>	<u>1,057,697</u>	<u>604,098</u>	<u>453,599</u>
Total Expenditures	<u>1,057,697</u>	<u>1,057,697</u>	<u>604,098</u>	<u>453,599</u>
Excess (deficiency) of revenue over (under) expenditures	<u>( 534,149)</u>	<u>( 534,149)</u>	<u>146,706</u>	<u>680,855</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>( 31,329)</u>	<u>( 31,329)</u>	<u>( 31,329)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>( 31,329)</u>	<u>( 31,329)</u>	<u>( 31,329)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 565,478)</u>	<u>( 565,478)</u>	<u>115,377</u>	<u>680,855</u>
<b>FUND BALANCE - BEGINNING</b>	<u>1,159,004</u>	<u>1,159,004</u>	<u>1,159,004</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 593,526</u>	<u>\$ 593,526</u>	<u>\$ 1,274,381</u>	<u>\$ 680,855</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
MUNICIPAL COURT SECURITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 10,500	\$ 10,500	\$ 8,521	\$( 1,979)
Investment earnings	<u>230</u>	<u>230</u>	<u>453</u>	<u>223</u>
Total Revenues	<u>10,730</u>	<u>10,730</u>	<u>8,974</u>	<u>( 1,756)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	<u>9,000</u>	<u>9,000</u>	<u>190</u>	<u>8,810</u>
Total Expenditures	<u>9,000</u>	<u>9,000</u>	<u>190</u>	<u>8,810</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>1,730</u>	<u>1,730</u>	<u>8,784</u>	<u>7,054</u>
<b>FUND BALANCE - BEGINNING</b>	<u>55,535</u>	<u>55,535</u>	<u>55,535</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 57,265</u>	<u>\$ 57,265</u>	<u>\$ 64,319</u>	<u>\$ 7,054</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
MUNICIPAL COURT TECHNOLOGY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 10,681	\$ 10,681	\$ 7,086	\$( 3,595)
Investment earnings	<u>156</u>	<u>156</u>	<u>343</u>	<u>187</u>
Total Revenues	<u>10,837</u>	<u>10,837</u>	<u>7,429</u>	<u>( 3,408)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	<u>4,467</u>	<u>4,467</u>	<u>4,678</u>	<u>( 211)</u>
Total Expenditures	<u>4,467</u>	<u>4,467</u>	<u>4,678</u>	<u>( 211)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>6,370</u>	<u>6,370</u>	<u>2,751</u>	<u>( 3,619)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>45,760</u>	<u>45,760</u>	<u>45,760</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 52,130</u>	<u>\$ 52,130</u>	<u>\$ 48,511</u>	<u>\$( 3,619)</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
MUNICIPAL COURT CHILD SAFETY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 13,500	\$ 13,500	\$ 18,497	\$ 4,997
Investment earnings	-	-	513	513
Total Revenues	<u>13,500</u>	<u>13,500</u>	<u>19,010</u>	<u>5,510</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>1,000</u>	<u>1,000</u>	<u>1,528</u>	<u>( 528)</u>
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>1,528</u>	<u>( 528)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>12,500</u>	<u>12,500</u>	<u>17,482</u>	<u>4,982</u>
<b>FUND BALANCE - BEGINNING</b>	<u>34,315</u>	<u>34,315</u>	<u>34,315</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 46,815</u>	<u>\$ 46,815</u>	<u>\$ 51,797</u>	<u>\$ 4,982</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
PERPETUAL CEMETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 10,000	\$ 10,000	\$ 20,250	\$ 10,250
Investment earnings	-	-	1,730	1,730
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>21,980</u>	<u>11,980</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>10,000</u>	<u>10,000</u>	<u>5,066</u>	<u>4,934</u>
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>5,066</u>	<u>4,934</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>16,914</u>	<u>16,914</u>
<b>FUND BALANCE - BEGINNING</b>	<u>223,768</u>	<u>223,768</u>	<u>223,768</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 223,768</u>	<u>\$ 223,768</u>	<u>\$ 240,682</u>	<u>\$ 16,914</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
POLICE GRANTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 11,956	\$ 11,956
Investment earnings	-	-	102	102
Total Revenues	<u>-</u>	<u>-</u>	<u>12,058</u>	<u>12,058</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	15,054	( 15,054)
Total Expenditures	<u>-</u>	<u>-</u>	<u>15,054</u>	<u>( 15,054)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>( 2,996)</u>	<u>( 2,996)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>24,305</u>	<u>24,305</u>	<u>24,305</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 24,305</u>	<u>\$ 24,305</u>	<u>\$ 21,309</u>	<u>\$( 2,996)</u>



**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
AIRPORT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,530,000	\$ 1,530,000	\$ 5,600	\$( 1,524,400)
Charges for services	16,341	16,341	5,452	( 10,889)
Investment earnings	<u>-</u>	<u>-</u>	<u>1,538</u>	<u>1,538</u>
Total Revenues	<u>1,546,341</u>	<u>1,546,341</u>	<u>12,590</u>	<u>( 1,533,751)</u>
<b>EXPENDITURES</b>				
Current:				
Community services	69,489	69,489	84,918	( 15,429)
Capital outlay	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>
Total Expenditures	<u>1,869,489</u>	<u>1,869,489</u>	<u>84,918</u>	<u>1,784,571</u>
Excess (deficiency) of revenue over (under) expenditures	<u>( 323,148)</u>	<u>( 323,148)</u>	<u>( 72,328)</u>	<u>250,820</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>315,000</u>	<u>315,000</u>	<u>315,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>315,000</u>	<u>315,000</u>	<u>315,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 8,148)</u>	<u>( 8,148)</u>	<u>242,672</u>	<u>250,820</u>
<b>FUND BALANCE - BEGINNING</b>	<u>( 64,718)</u>	<u>( 64,718)</u>	<u>( 64,718)</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$( 72,866)</u>	<u>\$( 72,866)</u>	<u>\$ 177,954</u>	<u>\$ 250,820</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 SALES TAX REPAIRS & MAINTENANCE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>				
Taxes:				
Sales	\$ 548,825	\$ 548,825	\$ 688,862	\$ 140,037
Investment earnings	-	-	19	19
Total Revenues	<u>548,825</u>	<u>548,825</u>	<u>688,881</u>	<u>140,056</u>
<b>EXPENDITURES</b>				
Current:				
Community development	<u>650,000</u>	<u>650,000</u>	<u>524,359</u>	<u>125,641</u>
Total Expenditures	<u>650,000</u>	<u>650,000</u>	<u>524,359</u>	<u>125,641</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 101,175)</u>	<u>( 101,175)</u>	<u>164,522</u>	<u>265,697</u>
<b>FUND BALANCE - BEGINNING</b>	<u>168,532</u>	<u>168,532</u>	<u>168,532</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 67,357</u>	<u>\$ 67,357</u>	<u>\$ 333,054</u>	<u>\$ 265,697</u>

**CITY OF PALESTINE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
EMERGENCY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>-</u>	<u>-</u>	<u>19,297</u>	<u>( 19,297)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>19,297</u>	<u>( 19,297)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>( 19,297)</u>	<u>19,297</u>
<b>FUND BALANCE - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$( 19,297)</u>	<u>\$( 19,297)</u>

## **STATISTICAL SECTION**

**THIS PAGE LEFT BLANK INTENTIONALLY**

**STATISTICAL SECTION  
(Unaudited)**

This part of the City of Palestine, 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 City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	83
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	93
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	101
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	109
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	111

**CITY OF PALESTINE, TEXAS**

NET POSITION BY COMPONENT

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

	Fiscal Year			
	2013	2014	2015	2016
<b>Governmental activities</b>				
Net investment in capital assets	\$ 9,669,453	\$ 9,738,059	\$ 8,484,473	\$ 8,998,486
Restricted	1,271,388	1,787,424	1,901,250	3,021,142
Unrestricted	<u>1,909,100</u>	<u>1,010,745</u>	<u>( 1,447,986)</u>	<u>( 4,857,349)</u>
Total Governmental Activities Net Position	<u>\$ 12,849,941</u>	<u>\$ 12,536,228</u>	<u>\$ 8,937,737</u>	<u>\$ 7,162,279</u>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 20,924,948	\$ 22,105,703	\$ 21,588,418	\$ 20,323,071
Restricted	1,412,470	1,412,470	1,192,779	1,012,685
Unrestricted	<u>2,070,241</u>	<u>1,744,066</u>	<u>2,378,890</u>	<u>4,742,808</u>
Total Business-Type Activities Net Position	<u>\$ 24,407,659</u>	<u>\$ 25,262,239</u>	<u>\$ 25,160,087</u>	<u>\$ 26,078,564</u>
<b>Primary government</b>				
Net investment in capital assets	\$ 30,594,401	\$ 31,843,762	\$ 30,072,891	\$ 29,321,557
Restricted	2,683,858	3,199,894	3,094,029	4,033,827
Unrestricted	<u>3,979,341</u>	<u>2,754,811</u>	<u>930,904</u>	<u>( 114,541)</u>
Total Primary Government Net Position	<u>\$ 37,257,600</u>	<u>\$ 37,798,467</u>	<u>\$ 34,097,824</u>	<u>\$ 33,240,843</u>

**TABLE 1**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 8,837,366	\$ 8,525,320	\$ 8,786,115	\$ 9,066,858	\$ 12,702,019	\$ 12,454,448
2,338,406	1,799,601	1,538,169	1,536,340	1,828,471	2,057,551
( 5,856,549)	( 5,196,457)	( 4,686,344)	( 2,082,872)	( 1,443,363)	4,283,713
<u>\$ 5,319,223</u>	<u>\$ 5,128,464</u>	<u>\$ 5,637,940</u>	<u>\$ 8,520,326</u>	<u>\$ 13,087,127</u>	<u>\$ 18,795,712</u>
\$ 19,797,152	\$ 20,021,618	\$ 20,763,626	\$ 21,664,885	\$ 16,524,817	\$ 20,816,496
906,364	1,804,479	1,206,630	1,215,940	219,017	392,131
<u>5,057,155</u>	<u>4,001,332</u>	<u>4,608,716</u>	<u>5,273,388</u>	<u>7,481,535</u>	<u>1,441,332</u>
<u>\$ 25,760,671</u>	<u>\$ 25,827,429</u>	<u>\$ 26,578,972</u>	<u>\$ 28,154,213</u>	<u>\$ 24,225,369</u>	<u>\$ 22,649,959</u>
\$ 28,634,518	\$ 28,546,938	\$ 29,549,741	\$ 30,731,743	\$ 29,226,836	\$ 33,270,944
3,244,770	3,604,080	2,744,799	2,752,280	2,047,488	2,449,682
( 799,394)	( 1,195,125)	( 77,628)	3,190,516	6,038,172	5,725,045
<u>\$ 31,079,894</u>	<u>\$ 30,955,893</u>	<u>\$ 32,216,912</u>	<u>\$ 36,674,539</u>	<u>\$ 37,312,496</u>	<u>\$ 41,445,671</u>



**CITY OF PALESTINE, TEXAS**

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

	Fiscal Year			
	2013	2014	2015	2016
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,563,593	\$ 1,668,925	\$ 1,490,998	\$ 1,642,279
Public safety	6,841,422	7,774,512	7,212,271	9,507,636
Community services	3,694,665	3,902,102	3,461,113	4,057,567
Community development	2,307,956	2,074,544	2,598,872	2,362,118
Interest expense on long-term debt	355,022	322,608	348,349	402,246
Total Governmental Activities Expenses	<u>14,762,658</u>	<u>15,742,691</u>	<u>15,111,603</u>	<u>17,971,846</u>
Business-type activities:				
Water and wastewater	6,409,019	6,319,451	5,817,415	6,138,416
Sanitation	2,800,106	2,774,345	2,871,842	2,690,298
Retail	372,873	396,571	508,108	377,125
Total Business-Type Activities Expenses	<u>9,581,998</u>	<u>9,490,367</u>	<u>9,197,365</u>	<u>9,205,839</u>
Total Primary Government Expenses	<u>24,344,656</u>	<u>25,233,058</u>	<u>24,308,968</u>	<u>27,177,685</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	-	-	-	-
Public safety	495,676	416,838	703,375	599,702
Community services	273,574	96,715	91,970	183,755
Community development	82,567	139,176	96,400	116,308
Operating grants and contributions	719,912	318,983	779,532	691,525
Capital grants and contributions	137,820	456,214	876,516	381,365
Total Governmental Activities Program Revenues	<u>1,709,549</u>	<u>1,427,926</u>	<u>2,547,793</u>	<u>1,972,655</u>
Business-type activities:				
Charges for services:				
Water and wastewater	6,744,769	7,160,493	7,613,860	7,255,558
Sanitation	2,721,246	3,271,791	3,600,036	3,414,943
Retail	536,566	598,208	585,873	618,223
Operating grants and contributions	-	-	-	-
Capital grants and contributions	175,373	-	-	-
Total Business-Type Activities Program Revenues	<u>10,177,954</u>	<u>11,030,492</u>	<u>11,799,769</u>	<u>11,288,724</u>
Total Primary Government Program Revenues	<u>11,887,503</u>	<u>12,458,418</u>	<u>14,347,562</u>	<u>13,261,379</u>
Net (expense) revenue:				
Governmental activities	( 13,053,109)	( 14,314,765)	( 12,563,810)	( 15,999,191)
Business-type activities	595,956	1,540,125	2,602,404	2,082,885
Total Primary Government Net Expense	<u>( 12,457,153)</u>	<u>( 12,774,640)</u>	<u>( 9,961,406)</u>	<u>( 13,916,306)</u>

TABLE 2

		Fiscal Year									
		2017	2018	2019	2020	2021	2022				
\$	2,230,980	\$	2,299,445	\$	1,838,526	\$	1,979,943	\$	2,331,274	\$	1,737,810
	8,476,776		7,752,446		8,466,414		8,252,405		8,781,870		8,715,309
	5,001,943		4,512,989		3,748,112		4,004,246		3,686,702		3,912,448
	1,891,830		2,372,808		2,155,926		1,479,321		1,170,347		1,680,252
	361,890		336,512		314,411		331,368		263,690		962,335
	<u>17,963,419</u>		<u>17,274,200</u>		<u>16,523,389</u>		<u>16,047,283</u>		<u>16,233,883</u>		<u>17,008,154</u>
	6,952,929		6,822,610		6,714,535		6,683,034		7,212,875		8,108,099
	2,653,193		2,849,302		3,033,192		2,838,445		2,772,983		2,477,865
	480,820		441,514		417,092		387,207		293,776		71,086
	<u>10,086,942</u>		<u>10,113,426</u>		<u>10,164,819</u>		<u>9,908,686</u>		<u>10,279,634</u>		<u>10,657,050</u>
	<u>28,050,361</u>		<u>27,387,626</u>		<u>26,688,208</u>		<u>25,955,969</u>		<u>26,513,517</u>		<u>27,665,204</u>
	-		-		-		-		-		106,367
	384,670		326,598		469,643		551,356		436,198		642,639
	58,091		112,641		259,595		159,149		183,485		231,077
	267,253		294,514		95,902		143,109		227,485		-
	520,710		481,274		608,039		1,582,343		350,686		889,137
	722,501		407,481		281,282		103,984		203,741		-
	<u>1,953,225</u>		<u>1,622,508</u>		<u>1,714,461</u>		<u>2,539,941</u>		<u>1,401,595</u>		<u>1,869,220</u>
	7,045,911		7,296,990		7,450,889		9,122,286		8,891,893		9,706,683
	3,454,821		3,608,496		3,916,708		3,601,184		3,607,878		3,653,634
	558,709		546,604		471,430		650,957		281,857		120
	-		-		47,750		-		-		-
	-		-		-		200,000		48,265		-
	<u>11,059,441</u>		<u>11,452,090</u>		<u>11,886,777</u>		<u>13,574,427</u>		<u>12,829,893</u>		<u>13,360,437</u>
	<u>13,012,666</u>		<u>13,074,598</u>		<u>13,601,238</u>		<u>16,114,368</u>		<u>14,231,488</u>		<u>15,229,657</u>
(	16,010,194)	(	15,651,692)	(	14,808,928)	(	13,507,342)	(	14,832,288)	(	15,138,934)
	972,499		1,338,664		1,721,958		3,665,741		2,550,259		2,703,387
(	<u>15,037,695</u> )	(	<u>14,313,028</u> )	(	<u>13,086,970</u> )	(	<u>9,841,601</u> )	(	<u>12,282,029</u> )	(	<u>12,435,547</u> )

**CITY OF PALESTINE, TEXAS**

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

	Fiscal Year			
	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property	\$ 6,038,462	\$ 6,064,137	\$ 6,043,894	\$ 6,301,758
Sales and use	5,333,876	5,758,329	5,899,830	5,604,257
Franchise	954,779	1,028,350	1,023,089	1,027,661
Hotel/motel	-	-	-	-
Mixed drink	-	-	-	-
Investment earnings	35,820	56,468	19,336	36,204
Gain (loss) on sales of assets	( 320,551)	-	102,283	55,586
Miscellaneous other revenue	203,100	400,452	180,662	28,681
Transfers	<u>711,302</u>	<u>693,316</u>	<u>857,729</u>	<u>1,169,587</u>
Total Governmental Activities	<u>12,956,788</u>	<u>14,001,052</u>	<u>14,126,823</u>	<u>14,223,734</u>
Business-type activities:				
Investment earnings	10,252	7,771	3,118	5,179
Gain (loss) on impairment of capital assets	-	-	-	-
Other income	-	-	-	-
Transfers	<u>( 711,302)</u>	<u>( 693,316)</u>	<u>( 857,729)</u>	<u>( 1,169,587)</u>
Total Business-Type Activities	<u>( 701,050)</u>	<u>( 685,545)</u>	<u>( 854,611)</u>	<u>( 1,164,408)</u>
Total Primary Government	<u>12,255,738</u>	<u>13,315,507</u>	<u>13,272,212</u>	<u>13,059,326</u>
<b>Change in Net Position</b>				
Governmental activities	( 96,321)	( 313,713)	1,563,013	( 1,775,457)
Business-type activities	<u>( 105,094)</u>	<u>854,580</u>	<u>1,747,793</u>	<u>918,477</u>
Total Primary Government	<u>\$( 201,415)</u>	<u>\$ 540,867</u>	<u>\$ 3,310,806</u>	<u>\$( 856,980)</u>

Source: City financial statements

**TABLE 2**

Fiscal Year						
2017	2018	2019	2020	2021	2022	
\$ 6,243,134	\$ 6,961,566	\$ 7,072,216	\$ 7,047,072	\$ 7,157,149	\$ 7,486,723	
5,284,628	5,411,426	5,602,207	5,842,057	6,325,417	6,888,617	
1,105,224	1,091,211	1,042,241	989,298	1,029,565	1,093,146	
-	-	-	-	-	734,930	
-	-	-	-	-	43,707	
67,202	106,787	151,108	86,482	26,286	134,572	
8,500	711,863	6,321	193,505	( 252,819)	-	
154,576	124,079	56,196	59,667	59,306	122,759	
<u>1,303,874</u>	<u>1,148,847</u>	<u>1,094,479</u>	<u>2,171,647</u>	<u>5,054,185</u>	<u>4,343,065</u>	
<u>14,167,138</u>	<u>15,555,779</u>	<u>15,024,768</u>	<u>16,389,728</u>	<u>19,399,089</u>	<u>20,847,519</u>	
8,041	48,636	100,650	82,446	28,590	58,997	
-	-	( 3,648)	( 1,399)	( 1,453,508)	-	
5,441	943	-	-	-	5,271	
<u>( 1,303,874)</u>	<u>( 1,148,847)</u>	<u>( 1,094,479)</u>	<u>( 2,171,647)</u>	<u>( 5,054,185)</u>	<u>( 4,343,065)</u>	
<u>( 1,290,392)</u>	<u>( 1,099,268)</u>	<u>( 997,477)</u>	<u>( 2,090,600)</u>	<u>( 6,479,103)</u>	<u>( 4,278,797)</u>	
<u>12,876,746</u>	<u>14,456,511</u>	<u>14,027,291</u>	<u>14,299,128</u>	<u>12,919,986</u>	<u>16,568,722</u>	
( 1,843,056)	( 95,913)	215,840	2,882,386	4,566,801	5,708,585	
<u>( 317,893)</u>	<u>239,396</u>	<u>724,481</u>	<u>1,575,141</u>	<u>( 3,928,844)</u>	<u>( 1,575,410)</u>	
<u>\$( 2,160,949)</u>	<u>\$ 143,483</u>	<u>\$ 940,321</u>	<u>\$ 4,457,527</u>	<u>\$ 637,957</u>	<u>\$ 4,133,175</u>	

**CITY OF PALESTINE, TEXAS**

FUND BALANCES OF GOVERNMENTAL FUNDS

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund				
Non-spendable	\$ 500,000	\$ 429,708	\$ 286,998	\$ 141,650
Restricted	-	-	-	-
Unassigned	<u>2,334,014</u>	<u>2,761,357</u>	<u>2,493,707</u>	<u>2,017,854</u>
Total general fund	<u>\$ 2,834,014</u>	<u>\$ 3,191,065</u>	<u>\$ 2,780,705</u>	<u>\$ 2,159,504</u>
 All other governmental funds				
Non-spendable	\$ -	\$ -	\$ -	\$ 36,481
Restricted	1,271,388	1,439,760	1,901,250	3,021,142
Committed	358,993	363,715	304,988	260,898
Unassigned	<u>(308,546)</u>	<u>(578,722)</u>	<u>1,299,402</u>	<u>(88,428)</u>
Total all other governmental funds	<u>\$ 1,321,835</u>	<u>\$ 1,224,753</u>	<u>\$ 3,505,640</u>	<u>\$ 3,230,093</u>

Source: Balance Sheets - Governmental Funds in City's ACFRs.

**TABLE 3**

2017	2018	2019	2020	2021	2022
\$ 169,369	\$ 277,520	\$ 251,803	\$ 226,868	\$ 153,869	\$ 215,176
-	-	-	-	36,487	-
<u>826,690</u>	<u>1,488,429</u>	<u>2,603,151</u>	<u>5,509,918</u>	<u>5,792,925</u>	<u>10,044,643</u>
\$ <u>996,059</u>	\$ <u>1,765,949</u>	\$ <u>2,854,954</u>	\$ <u>5,736,786</u>	\$ <u>5,983,281</u>	\$ <u>10,259,819</u>
\$ 3,267	\$ 17,565	\$ 30,912	\$ 9,889	\$ 16,092	36,330
2,338,406	1,799,601	1,538,169	1,536,340	1,791,984	26,966,157
902,046	864,700	954,541	1,067,993	424,380	594,329
<u>(167,989)</u>	<u>(24,138)</u>	<u>-</u>	<u>-</u>	<u>(64,718)</u>	<u>(19,297)</u>
\$ <u>3,075,730</u>	\$ <u>2,657,728</u>	\$ <u>2,523,622</u>	\$ <u>2,614,222</u>	\$ <u>2,167,738</u>	\$ <u>27,577,519</u>

**CITY OF PALESTINE, TEXAS**

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

	2013	2014	2015	2016
<b>Revenues</b>				
Taxes	\$ 12,425,956	\$ 12,882,142	\$ 13,015,304	\$ 12,923,003
Licenses, permits, and fees	82,567	139,176	96,400	116,308
Fines and forfeitures	517,533	416,838	443,291	611,532
Charges for services	273,574	96,715	91,970	183,755
Intergovernmental	719,911	612,668	1,656,048	992,384
Investment earnings	35,820	56,468	18,746	35,588
Other revenues	<u>356,640</u>	<u>400,453</u>	<u>282,945</u>	<u>164,773</u>
Total Revenues	<u>14,412,001</u>	<u>14,604,460</u>	<u>15,604,704</u>	<u>15,027,343</u>
<b>Expenditures</b>				
Current:				
General government	1,684,658	1,929,605	1,470,766	1,637,433
Public safety	6,570,137	6,886,784	7,010,322	8,548,498
Community services	3,620,593	3,654,147	3,740,776	3,622,155
Community development	1,482,267	1,569,113	3,278,387	1,986,040
Capital Outlay	660,244	824,474	2,314,441	803,499
Debt service:				
Principal	450,000	460,000	475,000	890,000
Interest and fees	393,640	344,076	327,422	384,745
Bond issuance costs	-	-	-	-
Total Expenditures	<u>14,861,539</u>	<u>15,668,199</u>	<u>18,617,114</u>	<u>17,872,370</u>
Excess of Revenues Over (Under) Expenditures	( 449,538)	( 1,063,739)	( 3,012,410)	( 2,845,027)
<b>Other Financing Sources (Uses)</b>				
Transfers in	913,049	916,589	1,467,995	1,613,065
Transfers out	( 206,747)	( 417,355)	( 1,449,499)	( 468,285)
Issuance of bonds	-	-	2,550,000	-
Premium on bonds	-	-	-	-
Sale of capital assets	-	-	-	-
Insurance proceeds	-	-	-	-
Net Other Financing Sources (Uses)	<u>706,302</u>	<u>499,234</u>	<u>2,568,496</u>	<u>1,144,780</u>
Net Change in Fund Balances	\$ <u>256,764</u>	\$ <u>( 564,505)</u>	\$ <u>( 443,914)</u>	\$ <u>( 1,700,247)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>6.2%</u>	<u>5.7%</u>	<u>5.7%</u>	<u>7.8%</u>

Source: Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds.

**TABLE 4**

2017	2018	2019	2020	2021	2022
\$ 12,623,797	\$ 13,460,749	\$ 13,712,390	\$ 13,908,213	\$ 14,511,721	\$ 16,236,130
100,586	122,050	95,902	143,109	227,485	116,877
312,614	406,310	414,518	460,461	471,491	338,770
209,783	254,727	249,198	159,149	183,485	288,513
1,157,557	743,349	781,351	1,583,492	326,063	791,743
65,710	105,070	148,633	86,482	26,117	134,572
235,979	197,075	116,600	162,502	116,294	263,970
<u>14,706,026</u>	<u>15,289,330</u>	<u>15,518,592</u>	<u>16,503,408</u>	<u>15,862,656</u>	<u>18,170,575</u>
1,876,371	2,051,514	1,703,139	1,869,467	2,941,151	1,829,715
7,661,500	7,758,766	7,562,633	7,814,019	8,424,518	8,839,781
4,020,346	3,670,963	2,961,596	3,241,261	3,361,876	3,880,224
2,405,693	2,094,621	2,102,796	1,746,350	1,843,487	1,676,281
710,872	260,306	565,647	529,770	1,043,637	1,328,745
708,000	730,000	753,000	1,083,000	6,575,726	418,246
326,785	306,388	285,100	259,715	255,092	650,554
-	-	-	-	-	340,700
<u>17,709,567</u>	<u>16,872,558</u>	<u>15,933,911</u>	<u>16,543,582</u>	<u>24,445,487</u>	<u>18,964,246</u>
( 3,003,541)	( 1,583,228)	( 415,319)	( 40,174)	( 8,582,831)	( 793,671)
1,585,883	1,885,710	1,482,519	2,468,877	5,533,232	4,636,388
( 611,022)	( 1,201,884)	( 743,427)	( 274,260)	( 648,397)	( 688,594)
-	-	-	-	2,251,417	22,939,000
-	-	-	-	-	3,514,687
-	990,984	7,250	231,046	177,960	42,105
-	-	58,229	57,173	24,993	36,404
<u>974,861</u>	<u>1,674,810</u>	<u>804,571</u>	<u>2,482,836</u>	<u>7,339,205</u>	<u>30,479,990</u>
<u>\$ ( 2,028,680)</u>	<u>\$ 91,582</u>	<u>\$ 389,252</u>	<u>\$ 2,442,662</u>	<u>\$ ( 1,243,626)</u>	<u>\$ 29,686,319</u>
<u>6.4%</u>	<u>6.3%</u>	<u>7.0%</u>	<u>8.7%</u>	<u>30.6%</u>	<u>6.4%</u>



**THIS PAGE LEFT BLANK INTENTIONALLY**

**CITY OF PALESTINE, TEXAS****TABLE 5**

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

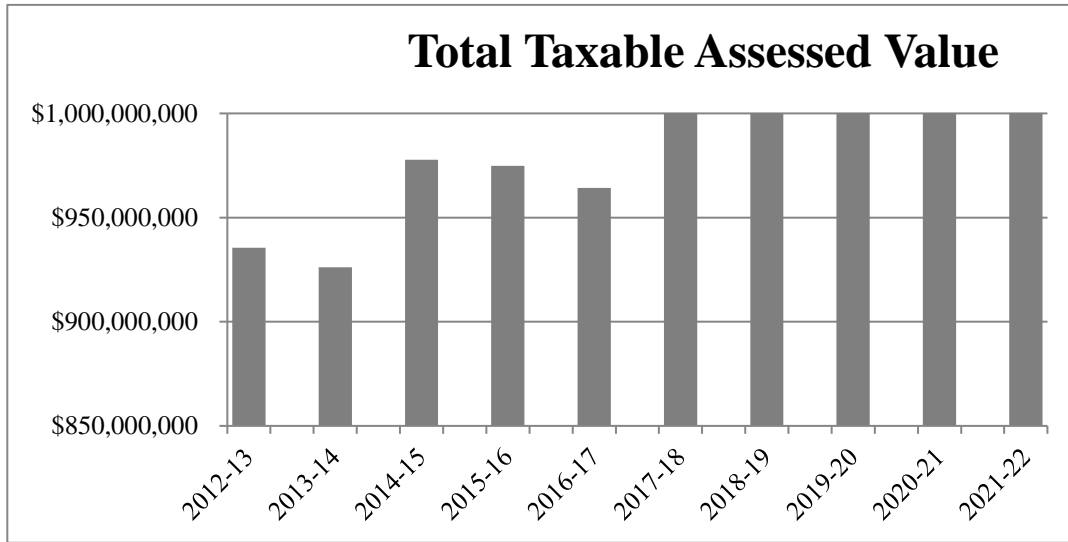
Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Hotel Occupancy	Total
2013	\$ 6,038,462	\$ 4,928,256	\$ 954,779	\$ 405,620	\$ 12,327,117
2014	6,064,137	5,286,024	1,028,350	472,305	12,850,816
2015	6,043,894	5,273,872	1,023,089	625,958	12,966,813
2016	6,301,758	5,103,185	1,027,661	501,072	12,933,676
2017	6,243,134	4,797,388	1,105,224	487,240	12,632,986
2018	6,961,566	4,897,612	1,091,211	513,814	13,464,203
2019	7,077,614	5,040,222	1,032,569	561,985	34,590,032
2020	7,067,186	5,379,442	998,970	462,615	13,908,213
2021	7,156,739	5,712,990	1,029,565	612,427	14,511,721
2022	7,475,730	6,932,324	1,093,146	734,930	16,236,130

**CITY OF PALESTINE, TEXAS**

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY

LAST TEN YEARS

	Fiscal Year			
	2013	2014	2015	2016
Real Property	\$ 838,961,643	\$ 850,217,581	\$ 965,219,052	\$ 972,571,981
Personal Property	284,433,083	263,612,335	291,199,252	302,741,992
Less: Tax Exempt Property	( 187,841,653)	( 187,625,267)	( 278,617,843)	( 300,418,316)
<b>Total Taxable Assessed Value</b>	<b>\$ 935,553,073</b>	<b>\$ 926,204,649</b>	<b>\$ 977,800,461</b>	<b>\$ 974,895,657</b>
 Total Direct Tax Rate <sup>(1)</sup>	 0.639000	 0.639000	 0.648890	 0.648890



<sup>(1)</sup> Tax rates are per \$100 of assessed value.

Source: Anderson County Appraisal District, Certified Values

**TABLE 6**

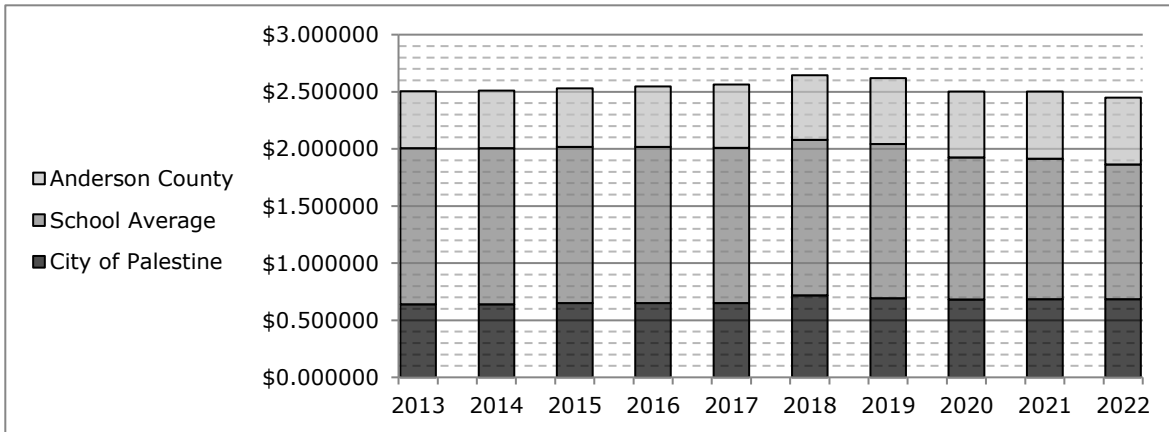
Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 1,006,673,361	\$ 1,051,244,347	\$ 1,087,510,866	\$ 1,095,578,916	\$ 1,164,784,925	\$ 1,341,340,054
275,988,192	278,623,883	279,851,203	252,340,116	251,717,182	334,434,165
( 318,487,917)	( 314,963,567)	( 333,250,004)	( 313,876,057)	( 338,006,689)	( 435,563,193)
<u>\$ 964,173,636</u>	<u>\$ 1,014,904,663</u>	<u>\$ 1,034,112,065</u>	<u>\$ 1,034,042,975</u>	<u>\$ 1,078,495,418</u>	<u>\$ 1,240,211,026</u>
0.648890	0.718741	0.692642	0.681277	0.683774	0.683774

**CITY OF PALESTINE, TEXAS**

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN YEARS

	<b>(Tax Rates per \$100 of assessed valuation)</b>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City of Palestine					
General	0.546867	0.546867	0.562460	0.559760	0.543094
Debt Service	0.092133	0.092133	0.086430	0.089130	0.105796
Total Direct Rates	<u>0.639000</u>	<u>0.639000</u>	<u>0.648890</u>	<u>0.648890</u>	<u>0.648890</u>
Palestine ISD	1.566000	1.566000	1.566000	1.566000	1.548000
Westwood ISD	<u>1.170000</u>	<u>1.170000</u>	<u>1.170000</u>	<u>1.170000</u>	<u>1.170000</u>
School Average	<u>1.368000</u>	<u>1.368000</u>	<u>1.368000</u>	<u>1.368000</u>	<u>1.359000</u>
Anderson County	<u>0.498700</u>	<u>0.503200</u>	<u>0.513780</u>	<u>0.528780</u>	<u>0.556400</u>
Total Direct and Overlapping Rates	<u>2.505700</u>	<u>2.510200</u>	<u>2.530670</u>	<u>2.545670</u>	<u>2.564290</u>



Source: Anderson County Appraisal District

**TABLE 7**

<b>(Tax Rates per \$100 of assessed valuation)</b>				
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>0.567820</u>	<u>0.572993</u>	<u>0.604524</u>	<u>0.555678</u>	<u>0.553818</u>
<u>0.150921</u>	<u>0.119649</u>	<u>0.076753</u>	<u>0.128096</u>	<u>0.129956</u>
<u>0.718741</u>	<u>0.692642</u>	<u>0.681277</u>	<u>0.683774</u>	<u>0.683774</u>
<u>1.548000</u>	<u>1.530000</u>	<u>1.418300</u>	<u>1.404700</u>	<u>1.346800</u>
<u>1.170000</u>	<u>1.170000</u>	<u>1.068300</u>	<u>1.052700</u>	<u>1.010600</u>
<u>1.359000</u>	<u>1.350000</u>	<u>1.243300</u>	<u>1.228700</u>	<u>1.178700</u>
<u>0.567542</u>	<u>0.577438</u>	<u>0.577438</u>	<u>0.589458</u>	<u>0.587247</u>
<u>2.645283</u>	<u>2.620080</u>	<u>2.502015</u>	<u>2.501932</u>	<u>2.449721</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**CITY OF PALESTINE, TEXAS**

**TABLE 8**

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Property Taxpayer	2022			2013		
	Taxable Assessed Value*	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Wal-Mart Stores # Div Store	\$ 29,464,810	1	2.4%			
MPT of Palestine-Lima LLC	20,752,723	2	1.7%	\$ 14,733,845	1	1.6%
Oncor Electric Delivery Co LLC	16,696,940	3	1.3%			
Union Pacific Railroad Co	13,918,255	4	1.1%			
Sanderson Farms	11,973,492	5	1.0%			
Atmos Energy/Mid-Tex Distribution	11,864,132	6	1.0%			
Lowes of Palestine #1892	11,390,878	7	0.9%	8,727,999	6	0.9%
Wal-Mart Stores East LP	10,980,780	8	0.9%	10,253,140	4	1.1%
Wal-Mart Real Estate Business Trust	9,013,586	9	0.7%	7,898,512	7	0.8%
Willow Creek Apartments	8,045,557	10	0.6%			
Palestine Mall Redevelopment Corporation				12,244,997	2	1.3%
Palestine Principal Healthcare LP				10,962,510	3	1.2%
Wal-Mart Super Center				9,410,363	5	1.0%
Magnolia MOB				5,672,699	8	0.6%
Donlen Trust				4,376,578	9	0.5%
All Star Ford Mercury				3,910,171	10	0.4%
Subtotal	<u>144,101,153</u>		11.6%	<u>88,190,814</u>		9.5%
Other taxpayers	<u>934,394,265</u>		75.3%	<u>842,936,337</u>		90.5%
Grand total	<u>\$ 1,240,211,026</u>		100.0%	<u>\$ 931,127,151</u>		100.0%

\*Source: Anderson County Appraisal District



**CITY OF PALESTINE, TEXAS**

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN YEARS

	Fiscal Year			
	2013	2014	2015	2016
Tax levy	\$ 5,958,329	\$ 5,983,622	\$ 6,215,454	\$ 6,240,011
Current tax collected	5,768,078	5,809,458	5,829,394	6,080,505
Percent of current tax collections	96.81%	97.09%	93.79%	97.44%
Delinquent tax collections	<u>190,198</u>	<u>125,024</u>	<u>119,282</u>	<u>100,204</u>
Total tax collections	<u>\$ 5,958,276</u>	<u>\$ 5,934,482</u>	<u>\$ 5,948,676</u>	<u>\$ 6,180,709</u>
Total collections as a percentage of tax levy	100.00%	99.18%	95.71%	99.05%

**TABLE 9**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 6,334,034	\$ 6,934,427	\$ 6,877,795	\$ 7,050,720	\$ 7,074,381	\$ 7,380,877
6,006,972 94.84%	6,801,857 98.09%	6,765,218 98.36%	6,825,785 96.81%	6,872,619 97.15%	7,232,531 97.99%
<u>86,471</u>	<u>91,706</u>	<u>112,577</u>	<u>179,518</u>	<u>154,313</u>	<u>114,845</u>
<u>\$ 6,093,443</u>	<u>\$ 6,893,563</u>	<u>\$ 6,877,795</u>	<u>\$ 7,005,302</u>	<u>\$ 7,026,932</u>	<u>\$ 7,347,376</u>
96.20%	99.41%	100.00%	99.36%	99.33%	99.55%

**CITY OF PALESTINE, TEXAS**

LEGAL DEBT MARGIN

LAST TEN YEARS

	Fiscal Year			
	2013	2014	2015	2016
Debt Limit	\$ 46,777,654	\$ 46,310,232	\$ 48,890,023	\$ 48,744,783
Total net debt applicable to limit	<u>13,585,211</u>	<u>12,469,419</u>	<u>14,533,449</u>	<u>13,409,885</u>
Legal debt margin	\$ <u>33,192,443</u>	\$ <u>33,840,813</u>	\$ <u>34,356,574</u>	\$ <u>35,334,898</u>
Total net debt applicable to the limit as a percentage of debt limit	29.0%	26.9%	29.7%	27.5%

**TABLE 10**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 48,208,682	\$ 50,745,233	\$ 51,705,603	\$ 51,702,149	\$ 53,924,771	\$ 62,010,551
<u>12,872,486</u>	<u>11,493,225</u>	<u>10,597,565</u>	<u>8,900,507</u>	<u>14,133,295</u>	<u>28,471,958</u>
<u>\$ 35,336,196</u>	<u>\$ 39,252,008</u>	<u>\$ 41,108,038</u>	<u>\$ 42,801,642</u>	<u>\$ 39,791,476</u>	<u>\$ 33,538,593</u>
26.7%	22.6%	20.5%	17.2%	26.2%	45.9%

**Legal Debt Margin Calculation:**

Assessed Value	\$ 1,240,211,026
Debt limit (5% of assessed value)	62,010,551
Debt applicable to limit:	
General obligation bonds	1,819,562
Certificates of obligation	26,296,751
Less: amount set aside for repayment of general obligation debt	355,645
Total net debt applicable to limit	<u>28,471,958</u>
Legal Debt Margin	<u>\$ 33,538,593</u>

**CITY OF PALESTINE, TEXAS**

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN YEARS

	Fiscal Year			
	2013	2014	2015	2016
<b>Primary Government</b>				
Governmental Activities:				
Financed purchases	\$ 689,159	\$ 492,533	\$ 473,329	\$ 817,066
Leases	-	-	-	-
Certificates of obligation	8,702,000	8,242,000	10,317,000	9,427,000
General obligation bonds	-	-	-	-
Subtotal	<u>9,391,159</u>	<u>8,734,533</u>	<u>10,790,329</u>	<u>10,244,066</u>
Business-Type Activities:				
Certificates of obligation	4,070,000	3,455,000	3,250,000	2,995,000
Revenue bonds	8,314,947	7,598,310	6,701,452	6,077,823
Subtotal	<u>12,384,947</u>	<u>11,053,310</u>	<u>9,951,452</u>	<u>9,072,823</u>
<b>Total Primary Government</b>	<u>\$ 21,776,106</u>	<u>\$ 19,787,843</u>	<u>\$ 20,741,781</u>	<u>\$ 19,316,889</u>
Personal Income <sup>(1)</sup>	\$ 20,636	\$ 20,636	\$ 20,636	\$ 20,636
<b>Debt as a Percentage of Personal Income</b>	5.69%	5.21%	5.49%	5.09%
Population <sup>(1)</sup>	18,550	18,391	18,313	18,383
<b>Debt per Capita</b>	1,174	1,076	1,133	1,051

<sup>(1)</sup> Source: <https://www.census.gov/quickfacts/fact/table/palestinecitytexas/INC110218#INC110217>

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

**TABLE 11**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 1,322,300	\$ 962,850	\$ 1,212,337	\$ 2,998,120	\$ 2,693,957	\$ 1,392,216
-	-	-	-	-	751,886
8,719,000	7,989,000	7,236,000	6,153,000	-	26,296,751
-	-	-	-	2,031,498	1,819,562
<u>10,041,300</u>	<u>8,951,850</u>	<u>8,448,337</u>	<u>9,151,120</u>	<u>4,725,455</u>	<u>30,260,415</u>
2,730,000	2,450,000	2,150,000	1,940,000	11,762,242	25,735,405
5,437,878	4,776,258	4,087,500	3,260,000	-	-
<u>8,167,878</u>	<u>7,226,258</u>	<u>6,237,500</u>	<u>5,200,000</u>	<u>11,762,242</u>	<u>25,735,405</u>
\$ <u>18,209,178</u>	\$ <u>16,178,108</u>	\$ <u>14,685,837</u>	\$ <u>14,351,120</u>	\$ <u>16,487,697</u>	\$ <u>55,995,820</u>
\$ 20,636	\$ 20,227	\$ 19,646	\$ 20,192	\$ 21,335	\$ 21,082
4.80%	4.37%	4.12%	4.01%	4.17%	14.16%
18,393	18,306	18,136	17,730	18,544	18,756
990	884	810	809	889	2,985

**CITY OF PALESTINE, TEXAS**

RATIOS OF NET BONDED DEBT TO ASSESSED VALUE, NET BONDED DEBT PER CAPITA,  
AND ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

	Fiscal Year			
	2013	2014	2015	2016
<b>Net Taxable Assessed Value</b>				
All property	\$ 931,127,151	\$ 935,553,073	\$ 926,204,649	\$ 977,800,461
<b>Net Bonded Debt</b>				
Gross bonded debt	12,772,000	11,697,000	13,567,000	12,422,000
Less: debt service funds	( 813,211)	( 772,419)	( 966,449)	( 987,885)
<b>Net Bonded Debt</b>	<u>\$ 11,958,789</u>	<u>\$ 10,924,581</u>	<u>\$ 12,600,551</u>	<u>\$ 11,434,115</u>
<b>Ratio of net bonded debt to assessed value</b>	1.28%	1.17%	1.36%	1.17%
Population <sup>(1)</sup>	18,550	18,391	18,313	18,383
<b>Net bonded debt per capita</b>	\$ 645	\$ 594	\$ 688	\$ 622

**TABLE 12**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 974,895,657	\$ 964,173,636	\$ 1,014,904,663	\$ 1,034,112,065	\$ 1,034,042,975	\$ 1,078,495,418
11,449,000	10,439,000	9,386,000	8,093,000	13,793,740	53,851,718
( 1,423,486)	( 1,054,225)	( 923,872)	( 704,617)	( 2,102,726)	( 355,645)
<u>\$ 10,025,514</u>	<u>\$ 9,384,775</u>	<u>\$ 8,462,128</u>	<u>\$ 7,388,383</u>	<u>\$ 11,691,014</u>	<u>\$ 53,496,073</u>
1.03%	0.97%	0.83%	0.71%	1.13%	4.96%
18,393	18,306	18,136	17,730	18,544	18,756
\$ 545	\$ 513	\$ 467	\$ 417	\$ 630	\$ 2,852



**CITY OF PALESTINE, TEXAS**

**TABLE 13**

DIRECT AND OVERLAPPING DEBT

AS OF SEPTEMBER 30, 2022

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable <sup>(1)</sup>	Estimated Share of Overlapping Debt
City of Palestine			
Financing arrangements	\$ 1,392,216	100%	\$ 1,392,216
Leases	751,886	100%	751,886
Certificates of Obligation	26,296,751	100%	26,296,751
General Obligation Bonds	<u>1,819,562</u>	100%	<u>1,819,562</u>
	<u>30,260,415</u>		<u>30,260,415</u>
 Palestine Independent School District <sup>(2)</sup>			
General Obligation Bonds	48,465,000	70%	33,721,859
Maintenance Tax Notes	<u>6,420,000</u>	70%	<u>4,467,024</u>
	<u>54,885,000</u>		<u>38,188,883</u>
 Anderson County, Texas <sup>(2)</sup>			
General Obligation Bonds	<u>21,345,000</u>	32%	<u>6,840,515</u>
	<u>21,345,000</u>		<u>6,840,515</u>
			<u>\$ 75,289,812</u>

<sup>(1)</sup> The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the position of the overlapping district's assessed value that is within the boundaries of the City divided by the overlapping district's total taxable assessed value.

<sup>(2)</sup> Debt information was obtained from most recent Annual Financial Reports for each entity - PISD 2021 Annual Financial Report and Anderson Co 2020 Annual Financial Report.

**CITY OF PALESTINE, TEXAS**

**TABLE 14**

PLEDGED REVENUE COVERAGE

AS OF SEPTEMBER 30, 2022

Water and Sewer Revenue Bonds					
Fiscal Year	Total Operating Revenues	Less: Operating Expenses	Net Available Revenue	Annual Debt Service Requirement	Times Coverage
2013	\$ 6,754,329	\$( 6,171,184)	\$ 583,145	\$ 1,245,206	0.47
2014	7,167,703	( 6,076,684)	1,091,019	949,883	1.15
2015	7,616,643	( 5,558,956)	2,057,687	956,947	2.15
2016	7,260,135	( 5,906,412)	1,353,723	725,513	1.87
2017	7,059,064	( 6,737,743)	321,321	694,996	0.46
2018	7,329,072	( 6,628,099)	700,973	696,526	1.01
2019	7,490,139	( 6,518,714)	971,425	702,241	1.38
2020	9,122,286	( 6,522,104)	2,600,182	821,978	3.16
2021	8,891,893	( 6,833,444)	2,058,449	3,304,124	0.62
2022	9,494,659	( 7,389,622)	2,105,037	1,506,999	1.40

**CITY OF PALESTINE, TEXAS**

**TABLE 15**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN YEARS

Fiscal Year Ending	Population <sup>(1)</sup>	Personal Income	Per Capita Income <sup>(1)</sup>	Unemployment Rate <sup>(2)</sup>
2013	18,550	\$ 560,210	\$ 30,200	5.8%
2014	18,391	585,110	31,815	5.0%
2015	18,313	576,860	31,500	4.5%
2016	18,383	400,510	21,787	4.5%
2017	18,393	400,728	21,787	3.7%
2018	18,306	370,275	20,227	3.7%
2019	18,136	356,300	19,646	3.4%
2020	17,730	358,004	20,192	7.9%
2021	18,544	395,636	21,335	5.1%
2022	18,756	395,414	21,082	3.9%

Data sources:

<sup>(1)</sup> US Census

<sup>(2)</sup> Bureau of Labor Statistics (2021 rate is for entire state of Texas)

**CITY OF PALESTINE, TEXAS**

**TABLE 16**

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2022			2012 *		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Wal-Mart Distribution	1,385	1	9.6%	9		
Sanderson Farms	1,376	2	9.5%			
Palestine Regional Medical & Rehabilitation	500	3	3.5%	5		
Palestine ISD	500	4	3.5%	6		
Wal-Mart Retail	390	5	2.7%	10		
The Results Company	315	6	2.2%			
Westwood ISD	265	7	1.8%	8		
Anderson County	206	8	1.4%	1		
City of Palestine	180	9	1.2%	3		
Legacy	180	10	1.2%			
Aerospace Fasteners						
Ben E. Keith						
Blue Cross & Blue Shield of Texas						
CapGemini Energy				2		
Columbia Scientific Balloon Facility						
Palestine Concrete						
Terry Manufacturing						
Union Pacific Railroad						
Texas Department of Criminal Justice				4		
Cartmell Communities				7		
Subtotal	<u>5,297</u>					
Other employers	<u>9,175</u>					
Grand total	<u>14,472</u>					

Source: Palestine Economic Development Corporation

\* Some information from 2012 could not be obtained.

**CITY OF PALESTINE, TEXAS**

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN YEARS

	Fiscal Year				
	2012	2013	2014	2015	2016
General Fund:					
Administration*	18.0	17.0	16.0	14.0	13.0
Police	52.0	54.0	56.0	58.0	59.0
Fire	41.0	41.0	41.0	40.0	40.0
Public Works	18.0	16.0	14.0	12.5	9.5
Parks	10.0	10.5	10.5	10.5	11.0
Library	14.0	13.0	10.0	10.0	10.0
Code Enforcement *	7.0	7.0	7.0	8.0	8.0
General Fund Total	<u>160.0</u>	<u>158.5</u>	<u>154.5</u>	<u>153.0</u>	<u>150.5</u>
Enterprise Funds:					
Tourism	4.0	4.0	4.0	4.0	4.0
Airport	-	-	-	-	-
Central Warehouse	1.0	1.0	1.0	1.0	-
Retail Mall	-	-	-	-	3.0
Sanitation	19.0	16.0	13.0	9.0	6.0
Water	10.0	13.5	17.0	20.5	24.0
Wastewater	2.0	4.0	7.0	9.0	11.0
Fleet Maintenance	-	-	-	-	-
Enterprise Fund Total	<u>36.0</u>	<u>38.5</u>	<u>42.0</u>	<u>43.5</u>	<u>48.0</u>
Total City Positions	<u>196.0</u>	<u>197.0</u>	<u>196.5</u>	<u>196.5</u>	<u>198.5</u>

\* Administration includes all General Fund administrative positions, except for Police and Fire

\* Administrative positions include: Admin, H.R., Fin. Svcs., Mun. Court, P.W. Admin., Development Svcs.

\* Fleet Maintenance moved out of Public Works beginning 2021-2022

**TABLE 17**

Fiscal Year					
2017	2018	2019	2020	2021	2022
18.0	16.0	18.0	15.0	17.0	21.0
46.3	53.0	53.0	55.0	56.0	58.0
39.0	32.0	35.0	40.0	40.0	39.0
12.0	11.0	12.0	16.0	19.0	13.0
14.5	9.0	4.0	10.0	10.0	10.0
10.5	9.0	8.0	7.0	6.0	6.0
9.0	-	-	-	-	-
<u>149.3</u>	<u>130.0</u>	<u>130.0</u>	<u>143.0</u>	<u>148.0</u>	<u>147.0</u>
4.0	4.0	2.0	2.0	2.0	3.0
-	-	-	-	-	-
-	-	-	-	-	-
3.0	2.0	3.0	1.0	-	-
7.0	4.0	7.0	-	-	-
24.5	20.0	23.0	20.0	20.0	20.0
11.0	13.0	13.0	9.0	17.0	16.0
-	-	-	-	-	3.0
<u>49.5</u>	<u>43.0</u>	<u>48.0</u>	<u>32.0</u>	<u>39.0</u>	<u>42.0</u>
<u>198.8</u>	<u>173.0</u>	<u>178.0</u>	<u>175.0</u>	<u>187.0</u>	<u>189.0</u>

**CITY OF PALESTINE, TEXAS**

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN YEARS

Function / Program	Fiscal Year			
	2013	2014	2015	2016
<b>Police</b>				
Arrests	795	930	1,032	1,483
Accident reports	418	464	397	474
Citations	2,116	1,745	1,752	2,708
Offense reports	2,648	2,830	2,423	2,692
Calls for service	27,930	27,211	27,381	25,290
<b>Fire</b>				
Emergency responses	1,222	1,264	1,191	1,165
Fire incidents	124	117	113	76
Average response time	3:00	3:00	3:00	3:00
<b>Water</b>				
Number of users	7,847	7,874	7,787	7,789
Source	surface	surface	surface	surface
Average daily consumption (millions of gallons)	4.301	3.904	2.553	2.600
Total consumption (millions of gallons)	1,570	1,425	932	949
Peak daily consumption (millions of gallons)	8.000	7.000	6.000	5.000
<b>Wastewater</b>				
Average daily sewage treatment (millions of gallons)	3.18	3.25	2.43	2.20
Total treatment (millions of gallons)	1,160.3	1,177.2	885.0	808.9
Peak daily consumption (millions of gallons)	4.44	4.08	3.57	3.81

Source: Various City departments

**TABLE 18**

Fiscal Year					
2017	2018	2019	2020	2021	2022
1,016	1,177	888	924	581	421
431	434	368	389	414	444
2,013	2,158	2,819	2,309	2,346	2,755
1,966	2,360	2,147	2,278	1,945	1,843
21,746	24,806	22,659	21,728	19,920	18,847
1,239	1,697	1,757	1,420	1,465	1,405
81	105	85	93	86	100
3:00	3:00	4:00	3:30	3:30	3:41
7,763	7,397	7,011	6,897	6,943	6,939
surface	surface	surface	surface	surface	surface
2.529	2.479	2.438	2.271	2.292	2.578
923	864	890	833	845	941
5.000	5.838	4.572	4.123	4.652	5.022
1.84	2.66	2.65	2.17	2.55	2.09
614.2	959.4	969.1	794.0	832.3	762.7
3.10	4.17	6.56	6.94	9.31	4.51



**CITY OF PALESTINE, TEXAS**

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN YEARS

Function / Program	Fiscal Year			
	2013	2014	2015	2016
<b>Police</b>				
Stations	1	1	1	1
Patrol units	3	3	3	3
<b>Fire stations</b>				
Number of stations	4	4	4	4
Number of stations (operational)	3	3	3	3
<b>Other public works</b>				
Streets (miles - centerlines)	134.2	134.2	134.2	134.2
Streetlights	2,044	2,044	2,050	2,050
<b>Parks and recreation</b>				
Parks	14	14	14	14
Parks acreage	161.0	161.0	161.0	161.0
Community forest	1	1	1	1
Community forest acreage	900.0	900.0	900.0	900.0
Swimming pools	1	1	1	1
Baseball / softball diamonds	15	15	15	15
Soccer fields	1	1	1	1
Tennis courts	6	6	6	6
Basketball courts	4	4	4	4
<b>Water</b>				
Water mains (miles)	123.1	123.1	123.1	123.1
Fire hydrants	990	990	990	990
Storage capacity (millions of gallons)	3.27	3.27	3.27	3.27
Plant capacity (millions of gallons)	9.00	9.00	9.00	9.00
<b>Sewer</b>				
Sanitary sewers (miles)	118.7	118.7	118.7	118.7
Storm sewers (miles)	9.0	9.0	9.0	9.0
Treatment capacity (millions of gallons)	4.60	4.60	4.60	4.60

Source: Various City departments

**TABLE 19**

Fiscal Year					
2017	2018	2019	2020	2021	2022
1	1	1	1	2	2
3	3	3	3	3	3
4	4	4	4	4	4
3	3	3	3	3	3
134.2	134.2	134.2	134.2	134.2	134.2
2,050	2,050	2,050	2,050	2,050	2,050
14	14	14	14	14	14
161.0	161.0	161.0	161.0	161.0	161.0
1	1	1	1	1	1
900.0	900.0	900.0	900.0	900.0	900.0
1	1	1	1	1	1
15	15	15	15	15	15
1	1	1	1	1	1
6	6	6	6	6	6
4	4	4	4	4	4
123.1	123.1	123.1	123.1	123.1	123.1
990	990	990	990	990	990
3.27	3.27	3.27	3.27	3.27	3.27
9.00	9.00	10.00	10.00	10.00	11.00
118.7	118.7	118.7	118.7	118.7	118.7
9.0	9.0	9.0	9.0	9.0	9.0
4.60	4.60	4.60	4.60	4.60	4.60

**THIS PAGE LEFT BLANK INTENTIONALLY**

## **COMPLIANCE SECTION**

**THIS PAGE LEFT BLANK INTENTIONALLY**

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

Honorable Mayor Pro Tem  
and Members of the City Council  
City of Palestine, Texas

We have audited in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palestine, Texas, (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements which collectively comprise the City of Palestine, Texas's basic financial statements and have issued our report thereon dated March 31, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Palestine, Texas's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Palestine, Texas's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Palestine, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

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

Waco, Texas  
March 31, 2023

**CITY OF PALESTINE, TEXAS**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

**Item 21-001: Reconciliations and Monitoring**

Material Weakness in Internal Control Over Financial Reporting

Current Status: This matter has been resolved.



**THIS PAGE LEFT BLANK INTENTIONALLY**



Agenda Date: 04/11/2023

To: Palestine Economic Development Corporation

From: Lisa Bowman, Economic Development Admin

Agenda Item: Discussion regarding previously approved Community Development Grants.

---

**SUMMARY:**

Discussion and possible action regarding previously approved Community Development Grants.

**RECOMMENDED ACTION:**

Staff recommends discussion and possible action regarding previously approved Community Development Grants.

---



Agenda Date: 04/11/2023  
To: Palestine Economic Development Corporation  
From: Lisa Bowman, Economic Development Admin  
Agenda Item: Discussion regarding PEDC's 2022-2023 Budget Amendments.

---

**SUMMARY:**

Discussion and possible action regarding budgetary amendments to PEDC's fiscal year 2022-2023 budget.

**RECOMMENDED ACTION:**

Staff recommends discussion and possible action be taken regarding budgetary amendments to PEDC's fiscal year 2022-2023 budget.

---