

Mitchell Jordan, Mayor
Sean Conner, Council District #1
Ava Harmon, Council District #2
James Smith, Council District #3
Kenneth Davidson, Council District #4
Angela Woodard, Council District #5
Christopher Gibbs, Council District #6



Teresa Herrera, City Manager
April Jackson, City Secretary
Rezzin Pullum, City Attorney

**NOTICE OF MEETING
CITY COUNCIL AGENDA
July 14, 2025
Work Session at 3:00 p.m.
Regular Meeting at 5:30 p.m.
City Council Chambers
504 N. Queen Street
Palestine, Texas**

Zoom Link:

<https://us02web.zoom.us/j/81007184585?pwd=r56PzZ9wPMoLTniG62cq083Ddsk8ak.1>

Meeting ID: 810 0718 4585
Passcode: 134556

One tap mobile
+13462487799,,81007184585#,,, *134556# 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/palestinetx

WORK SESSION

1. Discussion regarding drainage issues. James Smith, Council Member
2. Discussion regarding residency requirements for members of City boards, commissions, and committees. Christopher Gibbs, Council Member
3. Discussion regarding a proposed round-up donation program for fixed-income senior citizens. Mitchell Jordan, Mayor
4. Discussion regarding the Huey Helicopter Project. Mitchell Jordan, Mayor
5. Discussion regarding a possible bond election for Reagan School and City Hall improvements. Mitchell Jordan, Mayor
6. Discussion regarding the proposed budget for Fiscal Year 2025-2026. Andrew Sibai, Finance Director

REGULAR MEETING

- A. **CALL TO ORDER**
- B. **INVOCATION AND PLEDGE OF ALLEGIANCE**
- C. **PROPOSED CHANGES OF AGENDA ITEMS**

D. PUBLIC RECOGNITION, PUBLIC COMMENTS, AND ANNOUNCEMENTS

Any citizen wishing to speak during public comments regarding an item on or off the agenda may do so after completing the required Request to Speak form. 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 City Council. Members of the public may join via Zoom or in person.

It is not the intention of the City of Palestine to provide a public forum for the embarrassment or demeaning of an individual or group. Neither is it the intention of the Council to allow a member of the public to slur the performance, honesty, and/or integrity of any person or threaten any person. Accordingly, profane, insulting, or threatening language will not be read aloud at the meeting.

E. CONFLICT OF INTEREST DISCLOSURES

F. CITY MANAGER'S REPORT

1. June 2025 Fire Monthly Report
2. June 2025 Library Monthly Report
3. June 2025 Municipal Court Monthly Report
4. June 2025 Parks and Recreation/Facility Maintenance Monthly Report
5. June 2025 Public Works Monthly Report

G. BOARD APPOINTMENTS

1. Consider the appointment of Laura Harston to fill vacant Place 7 on the Historical Landmarks Commission, with a term to expire on September 30, 2027. Mitchell Jordan, Mayor
2. Consider the appointment of Anja Cline to replace Ly Sath in Place 4 on the Main Street Advisory Board, with a term to expire on September 30, 2027. Mitchell Jordan, Mayor
3. Consider the appointment of Ross Dickerson to serve as Alternate 2 on the Zoning Board of Adjustments and Appeals for a term to expire on September 30, 2026. Mitchell Jordan, Mayor

H. CONSENT AGENDA

The following items may be acted upon in one motion. No separate discussion or action is necessary unless requested by the Mayor or a Council Member, in which event those items will be pulled for separate consideration. Approval of the consent agenda authorizes the City Manager to implement each item in accordance with staff recommendations.

1. Consider approval of the minutes of the Work Session and Regular Agenda of June 23, 2025. April Jackson, City Secretary
2. Consider approval of a resolution suspending the July 31, 2025, effective date of Oncor Electric Delivery Company's requested rate change to permit the City time to study the request and establish reasonable rates; approving cooperation with the Steering Committee of Cities Served by Oncor to hire legal and consulting services and to negotiate with company and direct any necessary litigation and appeals. Teresa Herrera, City Manager
3. Consider approval of an interlocal agreement with Palestine I.S.D. for the assignment of two School Resource Officers. Mark Harcrow, Police Department
4. Consider approval of a resolution authorizing the City of Palestine to become a participant in the Local Government Investment Cooperative (LOGIC) Trust. Andrew Sibai, Finance Director
5. Consider approval of amendments to the City of Palestine Travel and Training Card Agreement. Andrew Sibai, Finance Director
6. Consider authorizing the City Manager to execute a Sanitary Sewer Easement Agreement between Atwood Distributing, LP, and the City of Palestine relating to the new construction of Atwoods Ranch and Home at 804 East Newman Street. Susan Davis, Planning Technician

7. Consider authorizing the City Manager to seek sealed bids for Wastewater Treatment Plant Chemicals. Jason Shelton, Interim Public Works Director
8. Consider authorizing the City Manager to seek sealed bids for Water Treatment Plant Chemicals. Jason Shelton, Interim Public Works Director
9. Consider approval of an emergency purchase of three 300-horsepower drives from Timberlake & Dickson, Inc. in the amount of \$59,900.00 for the Raw Water Pump Station. Jason Shelton, Interim Public Works Director
10. Consider authorizing the City Manager to seek sealed bids for waterline replacement on Woodland Drive, from Rambling Road to Lakeshore Drive. Jason Shelton, Interim Public Works Director
11. Consider authorizing the City Manager to seek sealed bids for waterline replacement on Sunset Road, from Sandy Lane to Crockett Road. Jason Shelton, Interim Public Works Director
12. Consider authorizing the City Manager to seek sealed bids for waterline replacement on Sandy Lane, from Sunset Road to Crockett Road. Jason Shelton, Interim Public Works Director
13. Consider approval of Hotel Occupancy Tax Funding Agreements for Palestine I.S.D. and Palestine YMCA. Cassie Ham, Tourism Marketing Manager

I. **REGULAR AGENDA**

1. Discussion and possible action regarding acceptance of the Fiscal Year 2024 Audit and Comprehensive Annual Financial Report. Andrew Sibai, Finance Director
2. Discussion and possible action regarding a Community Development Grant Performance Agreement between the Palestine Economic Development Corporation and ICEE Success Foundation for a grant not to exceed \$32,000.00 for architectural services for the Curious Museum expansion project. Christophe Trahan, EDC Director
3. Discussion and possible action regarding a proposed round-up donation program for fixed-income senior citizens. Mitchell Jordan, Mayor
4. Discussion and possible action regarding the Huey Helicopter Project. Mitchell Jordan, Mayor
5. Discussion and possible action regarding the start times of work sessions. Mitchell Jordan, Mayor

J. **ITEMS FROM COUNCIL**

K. **MAYOR'S REPORT**

L. **CLOSED SESSION**

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

1. Section 551.087 deliberation regarding Economic Development negotiations: Chapter 380 Agreement related to, and Special Warranty Deed for, the sale of Hangar 7 at Palestine Municipal Airport.
2. Section 551.074 Personnel Matters: To deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee: City Manager's Contract.

M. **RECONVENE IN REGULAR SESSION**

1. Take any action necessary regarding the Chapter 380 Economic Development Agreement and authorize the Mayor to execute the Special Warranty Deed for the sale of Hangar 7 at Palestine Municipal Airport.

2. Take any action necessary regarding the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee: City Manager's Contract.

N. **ADJOURNMENT**

The Palestine City Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices), and 551.087 (Economic Development), and §551.086 (Competitive Matters regarding Electric Utility).

I certify that the above Notice of Meeting was posted on the outdoor bulletin board at the main entrance to City Hall, 504 N. Queen Street, Palestine, Texas, in compliance with Chapter 551 of the Texas Government Code on **Friday, July 11, 2025, at 2:00 p.m.**



April Jackson, City Secretary

IN ACCORDANCE WITH THE PROVISIONS OF THE AMERICANS WITH DISABILITIES ACT (ADA) 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 or 903-731-8414.



Agenda Date: July 14, 2025
To: City Council
From: Shannon Davis, Fire Department Chief
Agenda Item: June 2025 Fire Monthly Report
Date Submitted: 07/08/2025

SUMMARY:

Monthly Fire Report June 2025

RECOMMENDED ACTION:

No action is required.

CITY MANAGER APPROVAL:

Attachments

Fire Report



Monthly Call Report - 2025

INCIDENT TYPE	COL_1
100 - Fire, other	1
118 - Trash or rubbish fire, contained	1
138 - Off-road vehicle or heavy equipment fire	1
311 - Medical assist, assist EMS crew	85
320 - Emergency medical service incident, other	23
322 - Motor vehicle accident with injuries	7
324 - Motor vehicle accident with no injuries.	18
356 - High-angle rescue	1
400 - Hazardous condition, other	2
412 - Gas leak (natural gas or LPG)	2
440 - Electrical wiring/equipment problem, other	1
444 - Power line down	9
445 - Arcing, shorted electrical equipment	3
480 - Attempted burning, illegal action, other	1
500 - Service Call, other	4
510 - Person in distress, other	1
511 - Lock-out	2
520 - Water problem, other	3
550 - Public service assistance, other	7
554 - Assist invalid	2
600 - Good intent call, other	1
611 - Dispatched & canceled en route	3
622 - No incident found on arrival at dispatch address	3
651 - Smoke scare, odor of smoke	2
661 - EMS call, party transported by non-fire agency	1
700 - False alarm or false call, other	27
735 - Alarm system sounded due to malfunction	1
745 - Alarm system activation, no fire - unintentional	1
746 - Carbon monoxide detector activation, no CO	1
812 - Flood assessment	1
Total	215

Monthly Call Report - 2025

Palestine Fire Department

Address: 2201 W Spring St, Palestine, TX,
75803



Criteria: Creation Date from 2025-06-01 00:00:00 to 2025-07-01 00:00:00 AND **Incident Type** in (100 - Fire, other, 111 - Building fire, 112 - Fires in structure other than in a building, 113 - Cooking fire, confined to container, 114 - Chimney or flue fire, confined to chimney or flue, 115 - Incinerator overload or malfunction, fire confined, 116 - Fuel burner/boiler malfunction, fire confined, 117 - Commercial Compactor fire, confined to rubbish, 118 - Trash or rubbish fire, contained, 120 - Fire in mobile prop. used as a fixed struc., other, 121 - Fire in mobile home used as fixed residence, 122 - Fire in motor home, camper, recreational vehicle, 123 - Fire in portable building, fixed location, 130 - Mobile property (vehicle) fire, other, 131 - Passenger vehicle fire, 132 - Road freight or transport vehicle fire, 133 - Rail vehicle fire, 134 - Water vehicle fire, 135 - Aircraft fire, 136 - Self-propelled motor home or recreational vehicle, 137 - Camper or recreational vehicle (RV) fire, 138 - Off-road vehicle or heavy equipment fire, 140 - Natural vegetation fire, other, 141 - Forest, woods or wildland fire, 142 - Brush or brush-and-grass mixture fire, 143 - Grass fire, 150 - Outside rubbish fire, other, 151 - Outside rubbish, trash or waste fire, 152 - Garbage dump or sanitary landfill fire, 153 - Construction or demolition landfill fire, 154 - Dumpster or other outside trash receptacle fire, 155 - Outside stationary compactor/compacted trash fire, 160 - Special outside fire, other, 161 - Outside storage fire, 162 - Outside equipment fire, 163 - Outside gas or vapor combustion explosion, 164 - Outside mailbox fire, 170 - Cultivated vegetation, crop fire, other, 171 - Cultivated grain or crop fire, 172 - Cultivated orchard or vineyard fire, 173 - Cultivated trees or nursery stock fire, 200 - Overpressure rupture, explosion, overheat other, 210 - Overpressure rupture from steam, other, 211 - Overpressure rupture of steam pipe or pipeline, 212 - Overpressure rupture of steam boiler, 213 - Steam rupture of pressure or process vessel, 220 - Overpressure rupture from air or gas, other, 221 - Overpressure rupture of air or gas pipe/pipeline, 222 - Overpressure rupture of boiler from air or gas, 223 - Air or gas rupture of pressure or process vessel, 231 - Chemical reaction rupture of process vessel, 240 - Explosion (no fire), other, 241 - Munitions or bomb explosion (no fire), 242 - Blasting agent explosion (no fire), 243 - Fireworks explosion (no fire), 244 - Dust explosion (no fire), 251 - Excessive heat, scorch burns with no ignition, 300 - Rescue, EMS incident, other, 311 - Medical assist, assist EMS crew, 320 - Emergency medical service incident, other, 321 - EMS call, excluding vehicle accident with injury, 322 - Motor vehicle accident with injuries, 323 - Motor vehicle/pedestrian accident (MV Ped), 324 - Motor vehicle accident with no injuries., 331 - Lock-in (if lock out , use 511), 340 - Search for lost person, other, 341 - Search for person on land, 342 - Search for person in water, 343 - Search for person underground, 350 - Extrication, rescue, other, 351 - Extrication of victim(s) from building/structure, 352 - Extrication of victim(s) from vehicle, 353 - Removal of victim(s) from stalled elevator, 354 - Trench/below-grade rescue, 355 - Confined space rescue, 356 - High-angle rescue, 357 - Extrication of victim(s) from machinery, 360 - Water & ice-related rescue, other, 361 - Swimming/recreational water areas rescue, 362 - Ice rescue, 363 - Swift water rescue, 364 - Surf rescue, 365 - Watercraft rescue, 370 - Electrical rescue, other, 371 - Electrocution or potential electrocution, 372 - Trapped by power lines, 381 - Rescue or EMS standby, 400 - Hazardous condition, other, 410 - Combustible/flammable gas/liquid condition, other, 411 - Gasoline or other flammable liquid spill, 412 - Gas leak (natural gas or LPG), 413 - Oil or other combustible liquid spill, 420 - Toxic condition, other, 421 - Chemical hazard (no spill or leak), 422 - Chemical spill or leak, 423 - Refrigeration leak, 424 - Carbon monoxide incident, 430 - Radioactive condition, other, 431 - Radiation leak, radioactive material, 440 - Electrical wiring/equipment problem, other, 441 - Heat from short circuit (wiring), defective/worn, 442 - Overheated motor, 443 - Breakdown of light ballast, 444 - Power line down, 445 - Arcing, shorted electrical equipment, 451 - Biological hazard, confirmed or suspected, 460 - Accident, potential accident, other, 461 - Building or structure weakened or collapsed, 462 - Aircraft standby, 463 - Vehicle accident, general cleanup, 471 - Explosive, bomb removal (for bomb scare, use 721), 480 - Attempted burning, illegal action, other, 481 - Attempt to burn, 482 - Threat to burn, 500 - Service Call, other, 510 - Person in distress, other, 511 - Lock-out, 512 - Ring or jewelry removal, 520 - Water problem, other, 521 - Water evacuation, 522 - Water or steam leak, 531 - Smoke or odor removal, 540 - Animal problem, other, 541 - Animal problem, 542 - Animal rescue, 550 - Public service assistance, other, 551 - Assist police or other governmental agency, 552 - Police matter, 553 - Public service, 554 - Assist invalid, 555 - Defective elevator, no occupants, 561 - Unauthorized burning, 571 - Cover assignment, standby, moveup, 600 - Good intent call, other, 611 - Dispatched & canceled en route, 621 - Wrong location, 622 - No incident found on arrival at dispatch address, 631 - Authorized controlled burning, 632 - Prescribed fire, 641 - Vicinity alarm (incident in other location), 650 - Steam, other gas mistaken for smoke, other, 651 - Smoke scare, odor of smoke, 652 - Steam, vapor, fog or dust thought to be smoke, 653 - Smoke from barbecue, tar kettle, 661 - EMS call, party transported by non-fire agency, 671 - HazMat release investigation w/no HazMat, 672 - Biological hazard investigation, none found, 700 - False alarm or false call, other, 710 - Malicious, mischievous false call, other, 711 - Municipal alarm system, malicious false alarm, 712 - Direct tie to FD, malicious false alarm, 713 - Telephone, malicious false alarm, 714 - Central station, malicious false alarm, 715 - Local alarm system, malicious false alarm, 721 - Bomb scare - no bomb, 730 - System malfunction, other, 731 - Sprinkler activation due to malfunction, 732 - Extinguishing system activation due to malfunction, 733 - Smoke detector activation due to malfunction, 734 - Heat detector activation due to malfunction, 735 - Alarm system sounded due to malfunction, 736 - CO detector activation due to malfunction, 740 - Unintentional transmission of alarm, other, 741 - Sprinkler activation, no fire - unintentional, 742 - Extinguishing system activation, 743 - Smoke detector activation, no fire - unintentional, 744 - Detector activation, no fire - unintentional, 745 - Alarm system activation, no fire - unintentional, 746 - Carbon monoxide detector activation, no CO, 751 - Biological hazard, malicious false report,

Monthly Call Report - 2025

Palestine Fire Department
Address: 2201 W Spring St, Palestine, TX,
75803



800 - Severe weather or natural disaster, other, 811 - Earthquake assessment, 812 - Flood assessment, 813 - Wind storm, tornado/hurricane assessment, 814 - Lightning strike (no fire), 815 - Severe weather or natural disaster standby, 900 - Special type of incident, other, 911 - Citizen complaint)



Agenda Date: July 14, 2025
To: City Council
From: Ana Sanchez, Library Director
Agenda Item: June 2025 Library Report
Date Submitted: 07/03/2025

SUMMARY:

Review the Library Director's report, including the statistics and charts usage report for June 2025. Included is the Summer Reading Club Reading total minutes from the Readerzone report.

RECOMMENDED ACTION:

No action required.

CITY MANAGER APPROVAL:

Attachments

JUL92025
JUN25ST
JUN25CH

PALESTINE PUBLIC LIBRARY SUMMER 2025

We have logged

120,369

minutes

Palestine
Library
established 1882

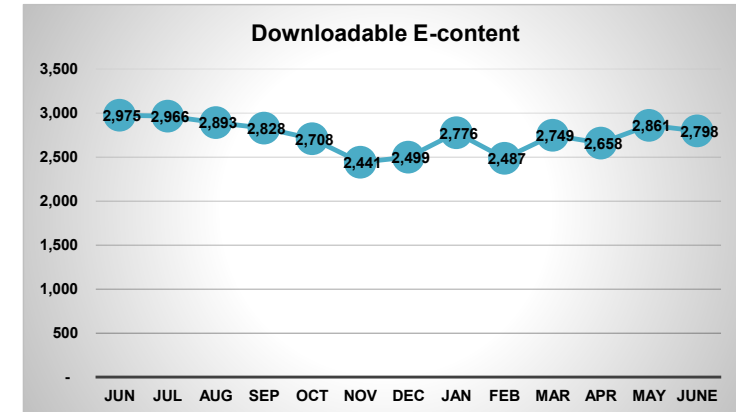
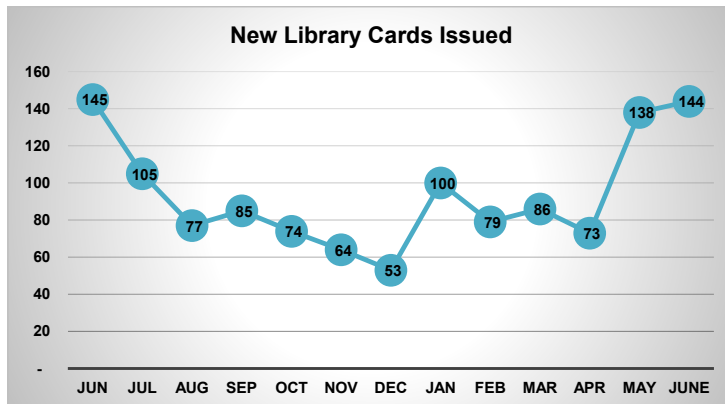
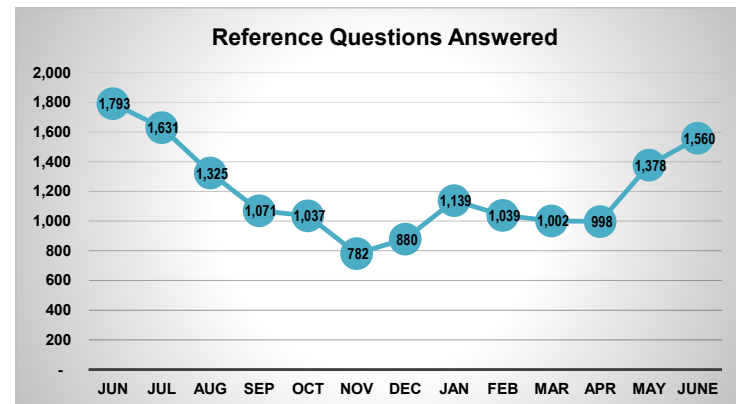
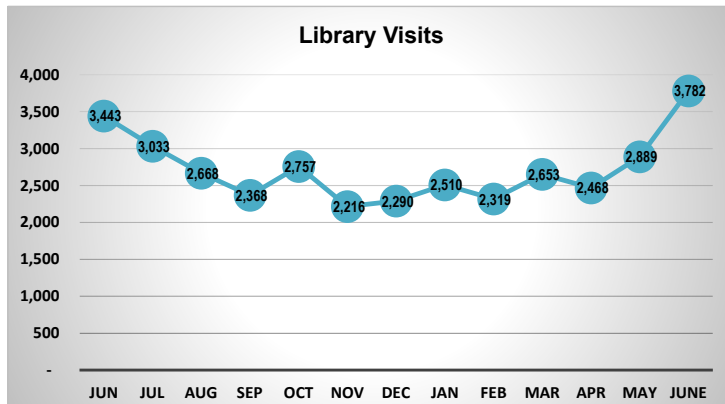
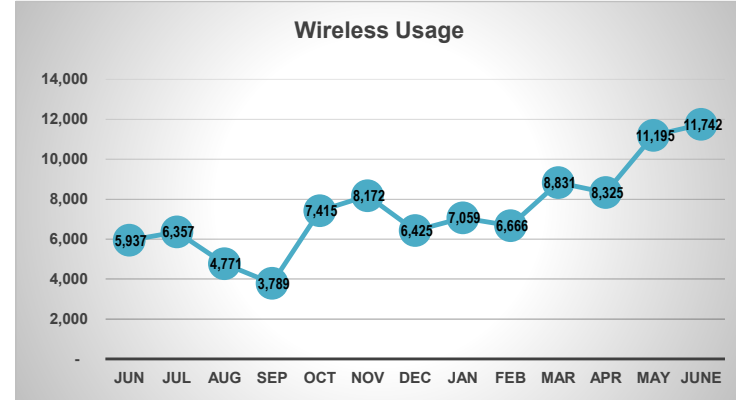
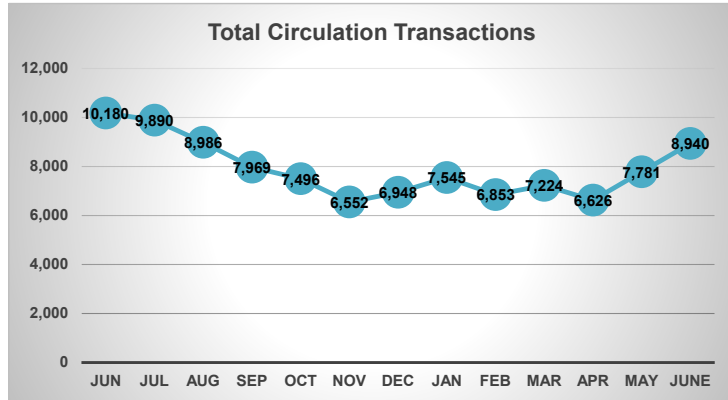
Library Usage Statistics

JUNE 2025	2024							2025						
Operating Statistics	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
Items circulated-Physical Materials (includes check out, check in, renewals, in-house)	7,205	6,924	6,093	5,141	4,788	4,893	4,449	4,769	4,366	4,475	4,966	4,920	6,142	69,131
Print	6,245	5,865	5,183	4,199	3,917	3,470	3,609	3,770	3,750	3,840	3,389	4,252	5,449	56,938
Audio	189	157	126	141	144	119	122	113	130	102	132	139	103	1,717
Video	771	902	784	801	727	522	718	886	486	533	447	529	590	8,696
Downloadable audio/ebook usage	2,975	2,966	2,893	2,828	2,708	2,441	2,499	2,776	2,487	2,749	2,658	2,861	2,798	35,639
Total Circulation Transactions	10,180	9,890	8,986	7,969	7,496	6,552	6,948	7,545	6,853	7,224	6,626	7,781	8,940	58,021
Downloadable checkouts as % of total checkouts	29.22%	29.99%	32.19%	35.49%	36.13%	37.26%	35.97%	36.79%	36.29%	38.05%	40.11%	36.77%	31.30%	61.42%
In-House Use	568	440	359	253	361	340	359	413	507	497	338	432	384	5,251
Holds placed on items	29	35	32	23	24	37	20	28	44	25	26	19	41	383
Fines paid	\$ 671.99	\$ 708.70	\$ 377.99	\$ 329.46	\$ 343.19	\$ 266.84	\$ 479.05	\$ 406.52	\$ 385.54	\$263.86	\$383.70	\$437.64	\$500.49	5,555
Overdue notices sent	286	426	279	240	308	192	123	86	90	250	109	115	350	2,854
Items added	75	67	52	32	74	49	64	93	96	126	137	39	55	959
Items deleted	8	191	234	184	4	18	24	12	43	127	10	43	2	900
New library cards issued	145	105	77	85	74	64	53	100	79	86	73	138	144	1,223
Reference questions answered	1,793	1,631	1,325	1,071	1,037	782	880	1,139	1,039	1,002	998	1,378	1,560	15,635
Interlibrary Loan Borrow/Loan	6	6	13	10	15	11	10	11	20	16	14	6	20	158
Library visits	3,443	3,033	2,668	2,368	2,757	2,216	2,290	2,510	2,319	2,653	2,468	2,889	3,782	35,396
Youth/Family programs attendance	1,141	77	75	190	238	252	137	183	110	178	192	213	1,246	4,232
Adult programs attendance	29	50	51	78	153	83	229	77	155	90	111	117	94	1,317
Computer usage	546	511	427	476	480	347	459	527	507	407	476	468	454	6,085
Wireless usage	5,937	6,357	4,771	3,789	7,415	8,172	6,425	7,059	6,666	8,831	8,325	11,195	11,742	96,684

Program Attendance	
Youth-Passive	52
Youth -Active	1181
Total	1233
Teen-Passive	0
Teen Active	13
Total	13
Adult-Passive	10
Adult Active	84
Total	94
Total Programs Attendance	1340

GED Class attendance	83
SUMMER PERFORMERS	
Wild Things Zoofari	223
Ms. Maria	33
The Ramazinis	120
TX A&M Chemistry Roadshow	130
Texas Snakes and More	182
Total	771

2024-2025 USAGE REPORT





Agenda Date: July 14, 2025
To: City Council
From: Courtney Acklin, Court Administrator
Agenda Item: Municipal Court Report for June 2025
Date Submitted: 07/03/2025

SUMMARY:

A monthly detailed report is attached, which provides the types of citations, dispositions, and total fines/fees collected. Brief highlights for the month are listed below.

- June's volume (charges filed) increased, but revenue decreased from the previous month, as shown in the attached activity graphs.
- 39 warrants were issued.
- 85 warrants were cleared.
- 1 trial was conducted.

RECOMMENDED ACTION:

No action is required.

CITY MANAGER APPROVAL:

Attachments

Municipal Court Report for June 2025

City of Palestine
Official Municipal Court Monthly Report
Month of June 2025

		Traffic Misdemeanors		Non-Traffic Misdemeanors		Total
		Non-Parking	Parking	State Law	Ordinance	
1	New Cases Filed During Month	209	0	66	48	323

<u>Caseload Reporting - Primary Activity of the Court</u>	
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2	<u>Dispositions Prior to Trial:</u>					
A	Bonds Forfeited	0	0	0	0	0
B	Fined	51	0	18	5	74
C	Cases Dismissed	1	0	2	2	5
	Total Dispositions Prior to Trial	52	0	20	7	79

3	<u>Dispositions at Trial:</u>					
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A	Plea of Guilty or Nolo Contendere	84	0	24	10	118
B1	Guilty by Judge	0	0	0	0	0
B2	Not Guilty by Judge	0	0	0	0	0
C1	Guilty by Jury	1	0	0	0	1
C2	Not Guilty by Jury	0	0	0	0	0
D	Dismissed at Trial	4	0	3	3	10
	Total Dispositions at Trial	89	0	27	13	129

4	<u>Cases Dismissed:</u>					
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A	After Driver Safety Course	8	0	0	0	8
B	After Deferred Disposition	6	0	2	0	8
C	After Proof of Financial Responsibility	0	0	0	0	0
D	Compliance Dismissal	23	0	2	0	25
	Total Categorized Dismissals	37	0	4	0	41

5	<u>Community Service Ordered:</u>	0	0	1	0	1
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[illegible]

<u>Warrant Activity</u>	
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7	<u>Total Warrants Issued</u>	39		<u>Value of Warrants Issued</u>		\$12,824.83
8	<u>Total Warrants Cleared</u>	85		<u>Value of Warrants Cleared</u>		\$36,261.56

Juvenile Activity and Other Magistrate Functions

9	Juvenile Activity				
A	ABC Code Offenses (Non-Driving)	3		10. DL Suspension Hearings	0
B	DUI Alcohol	1		11. Property Hearings	0
C	Health and Safety Code (Tobacco)	4		12. Search Warrants Issued	0
D	Transportation Code	2		13. Total Magistrate Warnings Given	17
E	Non-Traffic Offenses	0		A. Class C Misdemeanors Only	17
F	Waive Jurisdiction on Non-Traffic	0		B. Felonies/A and B Misdemeanors	0
G	Drug Paraphernalia	0			
				Total Court Fines and Fees	\$ 40,151.34

The Total Court Fine and Fees amount includes both City Revenue and State Revenue.			
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City of Palestine Municipal Court Activity Report - FY 2024 - 2025

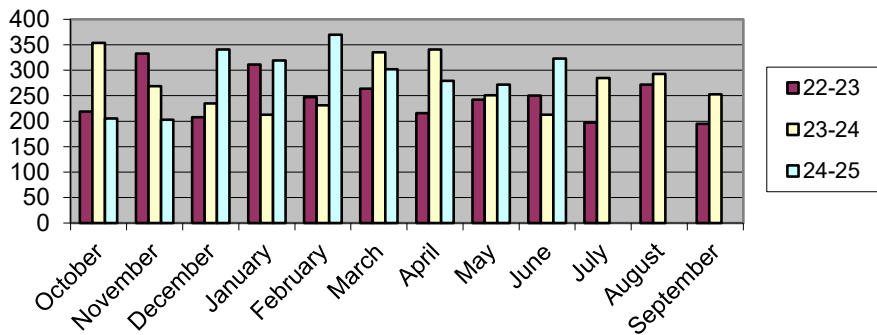
Charges Filed All Tickets and Other Complaints

	22-23	23-24	24-25
October	219	354	205
November	333	269	203
December	208	235	341
January	311	213	319
February	247	231	370
March	264	335	302
April	216	341	279
May	242	251	272
June	250	213	323
July	197	285	
August	272	293	
September	195	253	
Total	2954	3273	2614

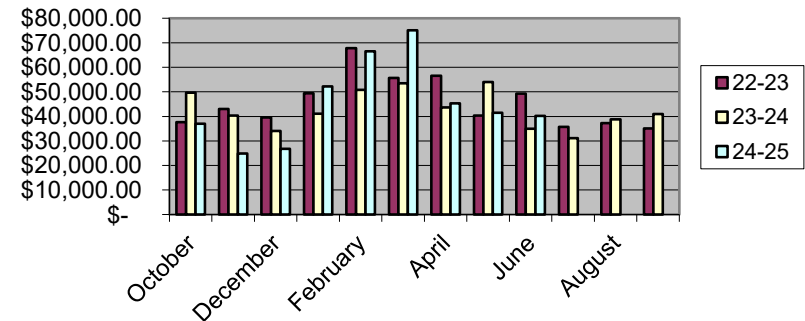
Revenue

	22-23	23-24	24-25
October	\$ 37,620.46	\$ 49,619.84	\$ 37,033.64
November	\$ 43,003.81	\$ 40,377.93	\$ 24,876.73
December	\$ 39,549.76	\$ 34,022.00	\$ 26,746.80
January	\$ 49,458.48	\$ 41,034.04	\$ 52,154.53
February	\$ 67,843.30	\$ 50,782.19	\$ 66,477.73
March	\$ 55,648.71	\$ 53,497.58	\$ 75,060.85
April	\$ 56,502.49	\$ 43,584.43	\$ 45,311.31
May	\$ 40,308.43	\$ 54,059.13	\$ 41,414.23
June	\$ 49,331.30	\$ 34,928.90	\$ 40,151.34
July	\$ 35,699.02	\$ 31,068.54	
August	\$ 37,304.07	\$ 38,726.26	
September	\$ 35,107.46	\$ 40,918.55	
Total	\$ 547,377.29	\$ 512,619.39	\$ 409,227.16

Charges Filed in Municipal Court

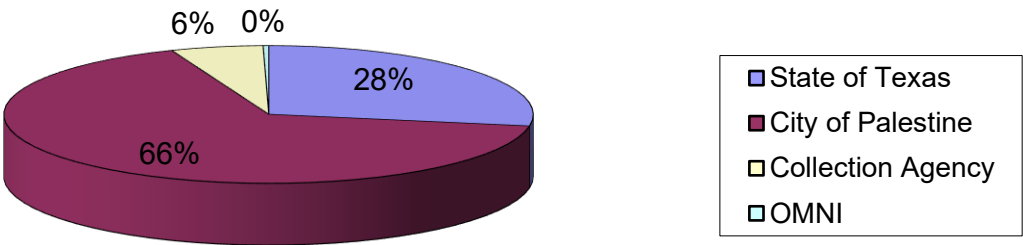


Revenue By Month



Where the Money Goes:

State of Texas	\$	11,129.52
City of Palestine	\$	26,620.64
Collection Agency	\$	2,262.52
OMNI	\$	138.66
Total Collections		\$ 40,151.34





Agenda Date: July 14, 2025
To: City Council
From: Patsy Smith, Parks and Recreation Director
Agenda Item: June 2025 Monthly Report for Parks and Recreation/Facility Maintenance
Date Submitted: 06/14/2025

SUMMARY:

June 2025 Parks and Recreation/Facility Maintenance Monthly Report

RECOMMENDED ACTION:

No action is required.

CITY MANAGER APPROVAL:

Attachments

June 2025 Monthly Report

Parks and Recreation Department

JUNE 2025

Overview

The Parks and Recreation Department incorporates the following divisions.

Parks
Cemeteries
Lakes
Facilities Maintenance

The department includes 7 full time employees. The division oversees 38 individual locations totaling approximately 400 acres that are mowed and weedeated. We also clean 12 park restrooms (This includes toilets and sinks in all locations) daily M-F and handle all trash detail in the parks, cemeteries and Lakes including downtown.

Administration

- Prepared timesheets and turned in invoices for month
- Was contacted by individual who showed me a video of a massive fight at Willie Myers Park
- Met with Susan Davis in Development Services to discuss cemetery mapping briefing
- Monday June 2, 2025 did 7 interviews for Parks Foreman position with Richard Johnson, Courtney Acklin, HR, Casey and Susan Davis
- Completed monthly report for month of May to have on agenda
- Met with CM regarding Huey Helicopter project and information obtained from engineer advised to send to Mayor as this is not a city project
- Met with Mary Ann at Farmer's Market in regards to a new Lion water fountain possibly being installed in July
- Spoke to PD Dispatcher on Saturday May 31 about a visitor being locked in the Texas State Railroad park, was advised they did not have a key holder, I reached out to Steven Presley to have him unlock gate for patron
- Was contacted by PD Dispatch concerning the splash pad not working, found that the patrons at location did not push activator
- Attended staff meeting on Tuesday June 3rd
- Spoke to Nicole regarding restrooms not being opened before 7 AM Reagan Park
- Called and spoke to David McCoy with McCoy funeral home regarding an open grave at Memorial Cemetery, was advised that due to rain the grave kept collapsing and they postponed burial till following Monday. Had parks guys to put up barriers around grave
- Called Town and Country regarding door install PD and that it was unacceptable and needed to be fixed

- Worked on Council float with David and Casey
- Was advised of an extension cord being plugged into power pole at Veteran's Park and found that the company next door was taking power, called PD to report
- Called J&K Electrical on seeing about repairing or replacing box so that it could be locked down at Veteran's Park
- Began mowing back half of warehouse until mower broke
- Drove to Lower Lake to look at some trees that are hanging over a property at 2127 and owner requested trees be removed from over property
- Spoke to Mike in Streets about getting a bid for repaving roads in City Cemetery
- Went to City Hall to meet with PTX and Cassie and CM, PTX failed to show for meeting
- Attended Mpact meeting for final walk through for Juneteenth festival and parade
- Reached out to JT Warthog's, and Big Dub's BBQ for being vendors at fireworks show
- Contacted Depend A Can to secure porta johns for fireworks show
- Spoke with Beam Shaved Ice who requested to be apart of the fireworks show
- Cleaned out rest of Asst. Directors office so that the foreman could get settled
- Attended council meeting on Monday June 9
- Did retirement celebration at warehouse for Richard Dorsey
- Made request to PD to have extra patrol at Upper Lake due to drug paraphernalia being located in pavilion area
- Sent two sight complaints to code enforcement
- Sent email to Nancy Malone regarding ADA parking at complex over weekend with softball tournament
- Sat down and met with new foreman for Parks and discussed projects for upcoming week
- Made contact with Rick at Computer Land on getting him setup with computer
- Met with Andrew in Finance to see about getting Santee a city cell phone
- Attended meeting with PISD Jason Marshall, Jacob Wheeler, CM and Mayor and Councilman Conner on update for complex
- Reached out to Jacob Wheeler to see about getting physical copy of soil sampling report
- Reached out to Nelson Garcia for quote to fix rock wall city cemetery
- Finished putting garland around hoops on council float
- Met with Ron Stanley regarding him putting in application for parks
- Went to take photos of debris piled up at Steven Bennett Park and had parks guys to put caution tape around playground equipment
- Sent email to Mike in Streets regarding washout behind fire station 1 where they park personal vehicles
- Called Del's Masonry to get a bid for repair of rock wall city cemetery
- Went to city hall where water was leaking into door frame of back entrance, noticed water was going down behind trim will need to caulk
- Met with Peace of Mind to look at gate at warehouse found that mother board for controller was fried from lightening strike

- Spoke to Casey CM Admin to put out email to police and fire about gate not working currently at warehouse
- Met with Nelson Garcia at city cemetery to come up with plan for a makeshift berm to divert water flow to creek
- Went to library to look at water flow by stair well saw water running heavily but was going into drain
- Spoke to Jason in Public Works about setting out some sandbags in case they needed them
- Water to Reagan Park turned off due to emergency asked Casey to post on Facebook for temporarily being down
- Called Mark with Town and Country to see about flooring and doors at animal control
- Made phone contact with Stream Foundation regarding library flooding and getting quote for French drain
- Made phone contact with Sarah Losh with Veritas regarding vendors for upcoming July fireworks show
- Met with Mike at City Cemetery to discuss adding drainage to roadway to divert water to creek
- Met with Mike in Streets regarding large washout at Upper Lake Dam
- Met with Riteway Foundation at library to get idea of quote for French drain
- Attended hot pepper meeting
- Called J&K Electrical to convert ballast from regular to LED for copier room
- Met with Carolyn with Delayn's Specialty advised her to contact Veritas for temporary permit for fireworks show
- Completed PO for repair of rock wall at city cemetery was advised Corp of Engineers will be getting involved with repair
- Attended meeting with CM and M&M Pest Control
- Mowed soccer field where pyro will setup fireworks display
- Brush hogged southeast portion of Steven Bennett Park
- Assisted with mowing front half of city cemetery
- Picked up 7 boxes of plastic fence posts from city hall
- Picked up 4 catfish plates for parks guys for lunch
- Picked up two burnt bulbs from table outside HR office city hall
- Met Peace of Mind at warehouse for new computer board to be installed for warehouse gate
- Put 2 boxes of caution tape up for fireworks show
- Put up 4 boxes of absorbent pads for library in warehouse
- Attended council meeting on Monday June 23
- Met with Andrew regarding 911 phone repair for pool
- Began dismantling float for council

Goals: To place ADA equipment in all major parks.

Parks

- **REPLACE BROKEN BORDERS WILLIE MYERS PARK**
- **PURCHASE NEW ADA SWING REAGAN PARK**
- **SHADE CLOTH REAGAN PARK EQUIPMENT**

Lakes

- Have dead trees removed from forestry area at Upper and Lower
- Remove excess vegetation from all lakes

Cemeteries

- Get brick walls repaired due to damage over years
- Make signs for sections of cemeteries to make it easier for families to find loved ones: **(LONG TERM GOAL)**.
- Finish clearing creek bed on westside of cemetery
- Complete cemetery mapping for all areas

Parks, Cemeteries, Lakes

- Future Projects:
- Put up solar powered outdoor lights at Basketball court Greens Park (Will look at 2025)
- Restripe lines on Basketball court Green's Park and Steven Bennett (SHORT TERM GOAL)
- Tear out drive area at Willie Meyers Parks by pavilion and put-up ballers around park area (WINTER 2026)

PARKS MONTHLY REPORT JUNE 2025
LOCATIONS MOWED

Calhoun Park x 2	Greens Park x 1
Crestline x 1	Fitzhugh Park x 1
Reagan Park x 2	Gateways x 1
Farmers Market x 1	Vaughn @ Crockett x 1
Spring Street x 1	Visitor Center x 1
Library x 2	Larry Street Park x 1
Mitchell Campbell x 1	Willie Myers x 1
Lorraine x 1	Phillips Park x 1
Inwood x 1	Veterans Park x 1
City Hall/PD x 2	TDCJ Monument x 1
Blue Lake x 1	Upper Lake x 1
Wolf Creek Lake x 1	Lower Lake x 1
Statue Park x 1	Memorial Cemetery x 1
Easthill Cemetery x 1	City Cemetery x 1
Athletic Complex x 1	Steven Bennett x 1
PD Impound Yard x	City Barn x 1
Fire Station 4 x 1	Two Lots Between City/Easthill x 1

PARKS PROJECTS COMPLETED JUNE 2025

2 parks guys removed broken steps at Reagan Park due to safety concerns	2 parks guys detailed former Asst. Director truck so it would be ready for new foreman
Parks guys put out barricades at bridge city cemetery due to bridge washing out	Parks guys put down heavy plastic over washout to try and prevent further washing
Parks guys put new reflective tape on barricades	Parks guys put out barriers and caution tape around washout Wolf Creek
Parks guys began cutting tops out of plastic barrels to make new trash cans	Parks Foreman began sorting through numerous keys trying to figure them out
Parks guys sanitized splash pad every day	Parks guys cut and removed fallen trees at Upper lake road
Parks Foreman found water was eroding around concrete at Upper Lake dam	Parks Foreman found large washout at Upper Lake Dam
Parks Foreman completed weekly report	Parks Foreman has implemented new morning meetings with parks guys
Parks guys put out barricades Memorial Cemetery due to road washing out	Foreman put in new batteries in flushers and sink upper restrooms Reagan Park
Foreman took a box of C and D batteries to cleaning person city hall	Foreman replaced 4 light bulbs in copier room city hall
Foreman called Streets to place barricades at MLK and water works road due to flooding	Foreman went to Fastenal and picked up 2 boxes of absorbent towels for library
Foreman placed trash can liners in each barrel downtown for Juneteenth Festival	Parks guys power washed pavilion 2 for flag ceremony
Parks guys cleaned out window seals library	Parks guys put out barriers for festival and parade
Parks guys detailed trucks for parade and festival	Entire crew worked parade with 1 driving float
Foreman went over applicants and setup interviews with HR	1 parks guy met with Facilities and helped move tables from PEDC to storage
Parks crew filled in sunken graves Memorial	Parks crew filled in washouts at Memorial with base
Parks crew trimmed trees at Reagan School due to complaint of limbs hitting vehicles	Foreman took Scag mower to Jacksonville Sadler Marina
Parks guys cut and removed at Willie Myers	Parks guys attended cyber security training at city hall
Parks guys put out additional trash cans Calhoun Park for small festival	Parks guys picked up barriers, trash cans from downtown area from festival

MAJOR ISSUES WHERE CONTRACTORS USED

Town and Country repaired doors at Animal Control Building	J&K Electrical repaired ballast in copier room city hall
Town and Country replaced door PD office	Henry AC Fire Station 1 AC unit
Peace of Mind door Library due to condensation in control button	Neches Plumbing to fix toilet city hall front lobby area
Clear Choice Glass to fix leaks in windows PD records	Neches Plumbing sump pumps Library

SAFETY ISSUES

--	--

Rentals and Special Events

Rentals:

Facilities	Number of Rentals
Pavilion Rentals	17
Pavilion Non-Payment/Cancelled	
Athletic Fields (Mitchell Campbell/Calhoun)	
Total Rentals Paid	14
Refunds Given	
Total Revenue Collected	\$760.00

Activities:

Special Events:

Facility Maintenance Projects Completed JUNE 2025

- Went to lower lake boat dock and sprayed a hornets nest due to complaints
- Took boxes of trash bags to city hall customer service
- Met Town and Country at PD to see about getting door replaced
- Went to library to look at door controller and called Peace of Mind to fix
- Called elevator company about doing inspection on elevator library
- Called East Texas Fire Extinguisher to check fire alarm on elevator library
- Assisted with doing float with director and Casey
- Met Henry AC at PD on ac unit outside for 4th time
- Went to Visitor Center to put chair together and hung up white board
- Went to Willie Myers and sprayed WD-40 in door lock to get it functioning again
- Met with Director and J&K Electrical at Veteran's Park on how to fix fuse box
- Went to Memorial Cemetery and made sure to place caution tape around open grave
- Met with Ryan's Tree Service on removal of trees on property line at lower lake and 2127 MLK
- Contacted Henry AC to look at Fire Station 1 unit as it is having condensation building up and dripping
- Picked up trash barrel from complex and brought back to warehouse
- Met Calvary at city hall to get bid on revamping the restrooms in front lobby
- Called Neches Plumbing to fix toilet in women's restroom city hall
- Took water to city secretary
- Went to Visitor Center to look at ceiling fan and found remote needed new batteries
- Left half day on 6-10
- Called in on Wednesday 6-11
- Dropped off supplies to library and annex
- Assisted Director with decorating for retirement party
- Went to Hobby Lobby and picked up some table cloths
- Met with elevator company at library
- Met with Fire Marshal at library regarding fire suppression system
- Unlocked and locked splash pad controller box for parks guys
- Assisted with tear down of retirement party decorations
- Took water to visitor center as per Cassie
- Went to library used wet vac to clean up flood water from heavy rains for two days
- Attended safety meeting city hall
- With help from parks guys moved tables from PEDC to warehouse
- Got supplies for cleaning crew for public works
- Assisted parks guys with mowing city cemetery
- Met with Clear Choice Glass PD to look at windows in records room
- Met with Town and Country to get invoice for repairs done at Animal Control Building

- Went to Green's Park to repair swing that was flipped over and not usable at the time
- Called Henry AC to unclog line on AC unit warehouse
- Changed air filter warehouse
- Went to City hall and unclogged toilet in women's restroom
- Met Neches Plumbing at library to check sump pumps under elevator and ramp

Bridge Washout City Cemetery



Retirement Celebration



Flooding Stevent Bennett



Damaged Equipment Removal Reagan Park



Plastic Cover Bridge City Cemetery



Debris Steven Bennett



Juneteenth Float Council



Washout Memorial Cemetery



Washout Wolf Creek Lake



Temporary Fix Bridge City Cemetery



Trees Reagan Park Front of Museum



Washout Reagan





Agenda Date: July 14, 2025
To: City Council
From: Kimberly Beckman, Public Works Admin
Agenda Item: Public Works June 2025 Monthly Report
Date Submitted: 07/07/2025

SUMMARY:

June 2025 Public Works Monthly Report

RECOMMENDED ACTION:

No action is required.

CITY MANAGER APPROVAL:

Attachments

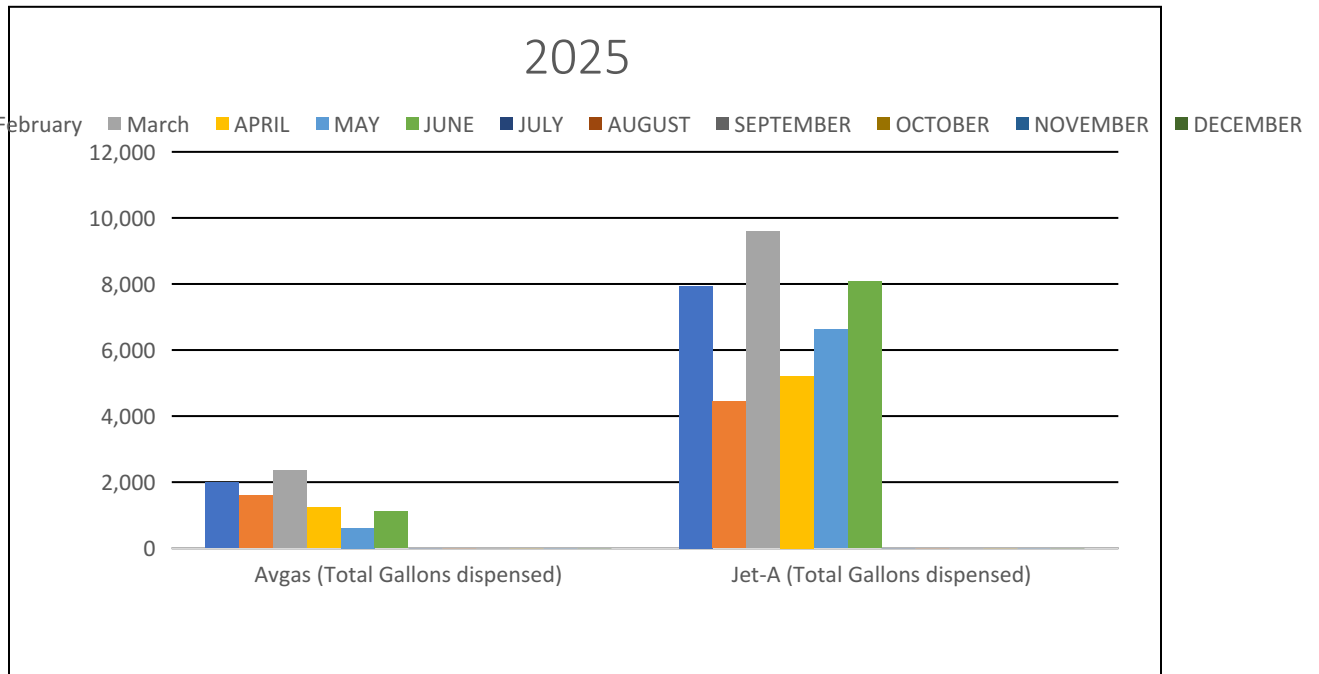
June 2025 PW Monthly Report



AIRPORT MONTHLY REPORT – JUNE 2025

Jet-A: 1,181,256.9

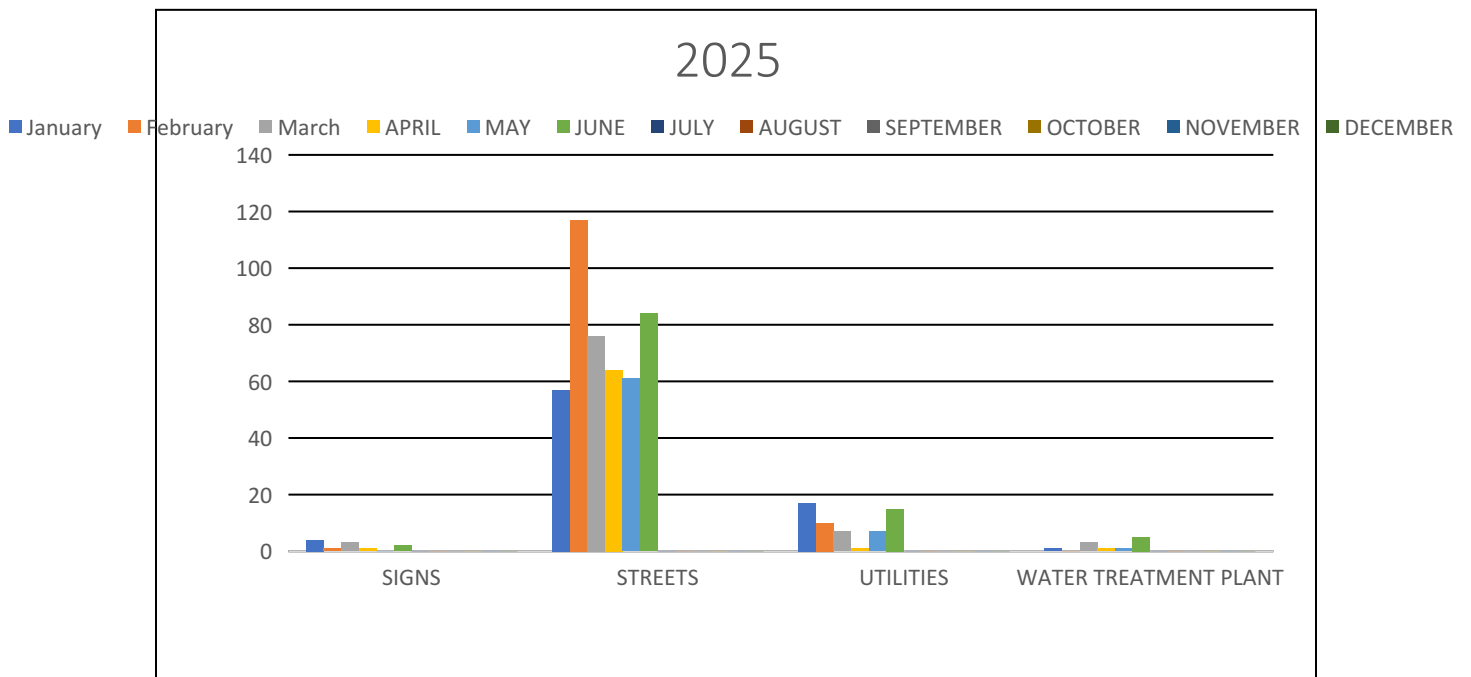
Avgas: 47,466





PUBLIC WORKS REPAIR AND MAINTENANCE REQUESTS – JUNE 2025

DEPARTMENT	NUMBER OF REPORTS
• SIGNS	2
• STREETS	84
• UTILITIES	15
• WATER TREATMENT PLANT	5



Utilities Monthly Report June 2025

Water Distribution	
Call Outs:	32
Taps Made:	4
Taps Repaired:	1
Feet of Lines Placed:	
Water Leaks Repaired:	5
Fire Hydrants Flushed / Gal. ; Water Loss:	65,000 gal
Fire Hydrants Repaired / Installed:	
Valve box located:	3
Valve box installed:	
Incerta Valve installed:	
Gate Valve replaced / Installed:	
Meters	
Meter Valves replaced / Installed:	
Meter box Replaced / Installed:	6
On Call Meters turned off:	3
On Call Meters turned on:	5
Meters Located:	
Meters Installed:	
3/4"	
1"	1
1 1/2"	1
2"	11
Bigger than 2"	
Wastewater Collection	
Sewer Basin's Cleaned:	9,612 feet
Sewer lines camera:	1
Trouble spots ran:	3
Sewer Mains Repaired:	2
Manhole Installed:	
Manholes Changed/Repaired:	
Sewer Stoppage City:	4
Sewer Stoppage Private:	7
New Sewer Tap Installed:	
Sewer Services Repaired:	1
Sewer pipe installed (ft):	60'
Haul Dirt / Concrete Rip Rap:	59
ROW Mowed / Cleared:	
On Call Trees:	3
Vegetation Management:	

Hydro Excavate:	2
Engineering:	
Line Locates (ft):	8,100 feet
Tap application:	0

STREETS MONTHLY REPORT June

Asphalt	
Square feet of Asphalt Laid	1399
Utility Cuts	10
Potholes filled	855
Square Feet of Chipseal Laid	0
Right of Way's	
Feet mowed of Street Right of Way	41,776' /8 miles
Utility Right of Ways mowed / cleared	0
Trees removed from road / Right of Way	20
Compost Sight	
Number of Customers	712
Number of loads of Concrete Hauled	0
Number of loads of Illegal dumping Hauled	0
Number of loads of Dirt Hauled	0
Drainage	
Feet of drainage repaired	500
Feet of Drainage Installed	90
Feet of ditches dug out	0
Sweeping	
Feet of Street's Swept	110,993/21 miles
Day's assisting other Departments	
Utilities	0
Parks	0
Water Treatment Plant	0
Wastewater Treatment Plant	0
Code Enforcement	0



Agenda Date: July 14, 2025
To: City Council
From: April Jackson, City Secretary
Agenda Item: Appointment to the Historical Landmarks Commission
Date Submitted: 07/07/2025

SUMMARY:

Consider the appointment of Laura Harston to fill vacant Place 7 on the Historical Landmarks Commission, with a term to expire on September 30, 2027.

RECOMMENDED ACTION:

Staff recommends that City Council consider the appointment of Laura Harston to the vacant Place 7 on the Historical Landmarks Commission, with a term to expire on September 30, 2027.

CITY MANAGER APPROVAL:

Attachments

Laura Harston - Board Application

From: noreply@civicplus.com
To: [April Jackson](#)
Subject: Online Form Submittal: Board or Commission Application
Date: Wednesday, June 25, 2025 11:58:52 AM

Board or Commission Application

BOARD OR COMMISSION APPLICATION

First Name	Laura
Last Name	Harston
Date of Application	6/25/2025
Home Address	1115 N Link Palestine Tx 75801
Home Phone	<i>Field not completed.</i>
Office Phone	<i>Field not completed.</i>
Cell Phone	
Email	
Are you a resident of Palestine?	Yes
How Many Years?	2
What is your Occupation?	Retired
What is Your Place of Employment?	None
I would like to serve on the following Board(s) and Commission(s):	Historic Landmarks Commission
Do you currently serve on any Boards or Commissions?	No
Will you submit to a background check and complete protective training if your Board or	Yes

Commission interacts
with children?

Do you have any
outstanding debts
owed to the City of
Palestine?

No

*Only citizens without outstanding taxes, permits, fees, or fines may serve on a
Board or Commission*

Experiences and
qualifications that you
feel would make a
contribution to a City of
Palestine Board or
Commission:

I have acquired knowledge through various means while we have
been restoring our 1907 Victorian. I would like for Palestine to
continue to save our historic buildings before they are gone.

The City Council will use this application for their selection of individuals for
appointments to specific Boards and Commissions. All appointments are made
by the Mayor and confirmed by Council. All information provided in this
application is public information pursuant to the Texas Public Information Act. All
individuals appointed to serve will be required to complete training relative to the
Texas Open Meetings Act and to the Public Information Act .

Electronic Signature
Agreement

I agree.

Electronic Signature

Laura L Harston

504 N. QUEEN STREET – PALESTINE, TEXAS 75801 – (903) 731-8414 – Email:
citysecretary@palestine-tx.org

Email not displaying correctly? [View it in your browser.](#)



Agenda Date: July 14, 2025
To: City Council
From: April Jackson, City Secretary
Agenda Item: Appointment to the Main Street Advisory Board
Date Submitted: 07/07/2025

SUMMARY:

Consider the appointment of Anja Cline to replace Ly Sath in Place 4 on the Main Street Advisory Board, with a term to expire on September 30, 2027.

RECOMMENDED ACTION:

Staff recommends that City Council consider the appointment of Anja Cline to replace Ly Sath in Place 4 on the Main Street Advisory Board, with a term to expire on September 30, 2027.

CITY MANAGER APPROVAL:

Attachments

Anja Cline - Board Application



BOARD OR COMMISSION APPLICATION

Name: Anja Cline Date of Application: 10/01/2024
Home Address: 2708 Ventureview St. Palestine, TX 75803

Home Phone: [REDACTED] Office Phone: [REDACTED]
Cell Phone: [REDACTED] Email: [REDACTED]

Are you a resident of Palestine? ☒ Yes ☐ No How many years? 2 1/2 years

Occupation and Place of Employment: Member Services Coordinator @ Palestine Area Chamber of Commerce;
Radiographer, PRN @ East Texas Family Medicine

I would like to serve on the following Board(s) and Commission(s):

<input type="checkbox"/> Airport Advisory Board	<input type="checkbox"/> Real Estate Committee	<input type="checkbox"/> Tourism Advisory Board
<input type="checkbox"/> Economic Development Corporation	<input type="checkbox"/> Financial Oversight Advisory Committee	<input checked="" type="checkbox"/> Main Street Advisory Board
<input type="checkbox"/> Library Board	<input type="checkbox"/> Building and Standards Commission	<input type="checkbox"/> Planning and Zoning Commission
<input type="checkbox"/> Parks Advisory Board	<input type="checkbox"/> Historic Landmarks Commission	<input type="checkbox"/> Civil Service Commission
<input type="checkbox"/> Zoning Board of Adjustment and Appeals	<input type="checkbox"/>	

Do you currently serve on any Boards or Commissions? ☐ Yes ☒ No

If yes, list Board(s) or Commission(s): _____

Will you submit to a background check and complete protective training if your Board or Commission interacts with children? ☒ Yes ☐ No

Do you have any outstanding debts owed to the City of Palestine? ☐ Yes ☒ No

Only citizens without outstanding taxes, permits, fees, or fines may serve on a Board or Commission

Experiences and qualifications that you feel would make a contribution to a City of Palestine Board or Commission:

Serving on the Main Street Advisory Board will allow me to give back and serve the community and incorporate my passion for history and preservation. I would like to utilize my creativity and communication skills to serve and contribute to making this town the best it can be while preserving its history and allowing Main Street to thrive.

Anja Cline
Signature of Applicant

The City Council will use this application for their selection of individuals for appointments to specific Boards and Commissions. All appointments are made by the Mayor and confirmed by Council. All information provided in this application is public information pursuant to the Texas Public Information Act. All individuals appointed to serve will be required to complete training relative to the Texas Open Meetings Act and to the Public Information Act.



Agenda Date: July 14, 2025
To: City Council
From: April Jackson, City Secretary
Agenda Item: Appointment to Zoning Board of Adjustments and Appeals
Date Submitted: 07/09/2025

SUMMARY:

Consider the appointment of Ross Dickerson to serve as Alternate 2 on the Zoning Board of Adjustments and Appeals for a term to expire on September 30, 2026.

RECOMMENDED ACTION:

Staff recommends that Council consider the appointment.

CITY MANAGER APPROVAL:

Attachments

Ross Dickerson - Board Application

From: noreply@civicplus.com
To: April Jackson
Subject: Online Form Submittal: Board or Commission Application
Date: Wednesday, June 25, 2025 3:24:17 PM

Board or Commission Application

BOARD OR COMMISSION APPLICATION

First Name	Ross
Last Name	Dickerson
Date of Application	6/25/2025
Home Address	822 Range Rd
Home Phone	<i>Field not completed.</i>
Office Phone	<i>Field not completed.</i>
Cell Phone	
Email	
Are you a resident of Palestine?	Yes
How Many Years?	43
What is your Occupation?	Real Estate Agent
What is Your Place of Employment?	Pineywoods RE
I would like to serve on the following Board(s) and Commission(s):	Zoning Board of Adjustment and Appeals
Do you currently serve on any Boards or Commissions?	No
Will you submit to a background check and complete protective training if your Board or	Yes

Commission interacts
with children?

Do you have any
outstanding debts
owed to the City of
Palestine?

No

*Only citizens without outstanding taxes, permits, fees, or fines may serve on a
Board or Commission*

Experiences and
qualifications that you
feel would make a
contribution to a City of
Palestine Board or
Commission:

Field not completed.

The City Council will use this application for their selection of individuals for
appointments to specific Boards and Commissions. All appointments are made
by the Mayor and confirmed by Council. All information provided in this
application is public information pursuant to the Texas Public Information Act. All
individuals appointed to serve will be required to complete training relative to the
Texas Open Meetings Act and to the Public Information Act .

Electronic Signature
Agreement

I agree.

Electronic Signature

Ross Dickerson

504 N. QUEEN STREET – PALESTINE, TEXAS 75801 – (903) 731-8414 – Email:
citysecretary@palestine-tx.org

Email not displaying correctly? [View it in your browser.](#)



Agenda Date: July 14, 2025
To: City Council
From: April Jackson, City Secretary
Agenda Item: Approval of Minutes
Date Submitted: 07/09/2025

SUMMARY:

Consider approval of the minutes of the Work Session and Regular Agenda of June 23, 2025.

RECOMMENDED ACTION:

Staff recommends approval of the minutes as presented.

CITY MANAGER APPROVAL:

Attachments

June 23, 2025, Minutes

DRAFT



MINUTES

The City Council of the City of Palestine convened for a regular meeting on June 23, 2025, at 3:30 p.m. for the Work Session, and at 5:30 p.m. for the Regular Meeting in the Council Chambers at City Hall, 504 N. Queen Street, Palestine, Texas, with the following members present:

Mayor Jordan arrived at 5:03 p.m.

Council Member Smith arrived at 4:03 p.m.

Present: Mitchell Jordan, Mayor; Ava Harmon, Mayor Pro Tem; James Smith, Council Member; Kenneth Davidson, Council Member; Angela Woodard, Council Member; Christopher Gibbs, Council Member

Absent: Sean Conner, Council Member

Also Teresa Herrera, City Manager; April Jackson, City Secretary; Rezzin Pullum, City

Present: Attorney; Christophe Trahan, EDC Director; Andrew Sibai, Finance Director; Shannon Davis, Fire Chief; Lisa Cariker, Human Resource Director; Ana Sanchez, Library Director; Patsy Smith, Parks & Recreation Director; Susan Davis, Planning Tech.; Mark Harcrow, Police Chief; Jason Shelton, Interim Public Works Director

WORK SESSION

With a quorum present, Mayor Pro Tem Harmon called the Work Session to order at 3:35 p.m.

1. Discussion regarding plan review and building inspection services provided by Bureau Veritas, including the minimum codes adopted by the City of Palestine. Susan Davis, Planning Technician

Michael Olson with Bureau Veritas provided an overview of the company's plan review and inspection services, including related fees. He also discussed the building codes currently adopted by the City of Palestine and when to engage an architect or approved engineer for design and construction observation.

Planning Technician Susan Davis advised Council that staff would begin the process of updating the adopted building codes, starting with review by the Building and Standards Commission before moving to City Council for approval. Staff addressed questions from Council regarding complaints, implementing electronic forms for residential permitting, and hosting a builder's roundtable.

2. Discussion regarding renovations to the athletic complex. Patsy Smith, Parks and Recreation Director

Parks and Recreation Director Patsy Smith requested guidance from Council on how to proceed with renovations to the athletic complex. Following a recent planning and budgeting meeting, the proposed concept includes six fields, one central concession

stand, and approximately 400 parking spaces. Ms. Smith noted that no bids or cost estimates had been received for the requested field lighting.

Bartram & Brannon Corporation recommended that the City contract with a Construction Manager at Risk to oversee the bidding process and ensure the project remains within budget. Staff advised that two full-time maintenance positions would need to be added to support the facility. Bartram was also asked to provide an updated site layout reflecting the proposed six fields, single concession stand, and revised parking configuration.

The Council also requested that the City Manager and City Attorney review the agreement with the Palestine Youth Sports Organization to amend it to recover maintenance costs and request cost-sharing. A bid package was also requested.

3. Discussion regarding the proposed budget for Fiscal Year 2025-2026. Andrew Sibai, Finance Director

The proposed budgets for the following departments were presented and discussed: Main Street, Economic Development, and Police.

With no other business to come before Council, the Work Session was adjourned at 5:13 p.m.

REGULAR MEETING

A. CALL TO ORDER

Mayor Jordan called the Regular Meeting to order at 5:32 p.m.

B. INVOCATION AND PLEDGE OF ALLEGIANCE

The invocation was given by Captain Matt Kerr of the Palestine Police Department and was followed by the Pledge of Allegiance.

C. PROPOSED CHANGES OF AGENDA ITEMS

City Manager Herrera requested the removal of Item H1 from the Regular Agenda until a later date, as the auditors were not ready to present the audit.

D. PUBLIC RECOGNITION, PUBLIC COMMENTS, AND ANNOUNCEMENTS

Dan Bacon discussed the proposed renovations to the athletic complex and the City Council's notice of intent to issue certificates of obligation.

Kevin Fuhr provided an update on the status of his permit issuance and plan review.

E. CONFLICT OF INTEREST DISCLOSURES

No action was taken.

F. **CITY MANAGER'S REPORT**

City Manager Herrera reported on the annual Fourth of July fireworks show, the closure of City offices in observance of Independence Day, the job postings for the Building Inspector and Chief Building Inspector positions, and the current vacancies on various boards and commissions.

Ms. Herrera also informed the Council that department directors were present to address any questions regarding their reports.

The following departmental reports were submitted:

1. May 2025 Financial Statement
2. May 2025 Police Monthly Report
3. May/June 2025 Economic Development Monthly Report

G. **CONSENT AGENDA**

The following items may be acted upon in one motion. No separate discussion or action is necessary unless requested by the Mayor or a Council Member, in which event those items will be pulled for separate consideration. Approval of the consent agenda authorizes the City Manager to implement each item in accordance with staff recommendations.

1. Consider approval of minutes from June 9, 2025, and June 13, 2025. April Jackson, City Secretary
2. Consider approval of Xerox lease renewals for the City Manager's Office, Palestine Economic Development Office, and City Hall. Andrew Sibai, Finance Director
3. Consider approval of a five-year renewal lease with Pitney Bowes for the postage meter at the Palestine Public Library. Andrew Sibai, Finance Director
4. Consider approval of a resolution authorizing the submission of a grant application and all other necessary documents to the Motor Vehicle Crime Prevention Authority for the 2026 SB 224 Catalytic Converter Grant Program. Mark Harcrow, Police Chief (**Resolution No. R-16-25**)
5. Consider awarding the bid for the repair of the City Cemetery Main Road Bridge Wall to NEPADA Masonry Services in the amount of \$37,000.00. Patsy Smith, Parks and Recreation Director
6. Consider authorizing the City Manager to accept an emergency purchase of two 300-horsepower vertical turbine motors for the raw water pumps for the River Pump Station in the amount of \$66,856.00. Jason Shelton, Interim Public Works Director

Motion by Mayor Pro Tem Ava Harmon, seconded by Council Member James Smith to approve the Consent Agenda as presented, adopting **Resolution No. R-15-25**.

Vote: 6 - 0 - Unanimously

H. **REGULAR AGENDA**

1. Discussion and possible action regarding acceptance of the Fiscal Year 2024 Audit and Comprehensive Annual Financial Report. Andrew Sibai, Finance Director (Item was pulled from the agenda during proposed changes to agenda items.)

2. Discussion and possible action regarding First Amendments to a Performance Agreement, Promissory Note, and Deed of Trust between Palestine EDC and Tahwahkaro Distilling Company, LLC. Christophe Trahan, EDC Director

EDC Christophe Trahan provided a summary of the First Amendments to a Performance Agreement, Promissory Note, and Deed of Trust between the Palestine Economic Development Corporation and Tahwahkaro Distilling Company, LLC, which were approved by the Palestine Economic Development Corporation Board of Directors.

Motion by Council Member Kenneth Davidson, seconded by Mayor Pro Tem Ava Harmon to approve the item as presented.

Vote: 6 - 0 - Unanimously

I. ITEMS FROM COUNCIL

Council Member Smith thanked those who participated and assisted with the Freedman's March. He also spoke regarding the recent passing of Freta Parkes and expressed condolences to the bereaved families. Additionally, he acknowledged several members of City staff for their continued efforts and dedication.

Council Member Davidson read aloud a message from Ernie Williams, President of Community Impact, recognizing the success of the organization's 2nd Annual Juneteenth Festival. The message included appreciation for City staff who assisted in facilitating the event. Council Member Davidson also recognized Public Works Director Jason Shelton and Parks and Recreation Director Patsy Smith for their contributions.

Council Member Woodard acknowledged the work of City staff and announced that she would be departing to attend a mission trip.

Council Member Gibbs spoke in remembrance of Palestine High School student Joseph Fabian, who recently passed away. He reflected on Joseph's life and offered sincere condolences to his family, friends, and all those affected by this loss.

J. MAYOR'S REPORT

Mayor Jordan spoke concerning the life of Freta Parkes and expressed condolences to her family. He also spoke about the Freedman's March, Community Impact's Juneteenth Festival, and the significance of the Juneteenth holiday.

Mayor Jordan provided updates on the Huey Helicopter Project, the upcoming Back to School Event hosted by the LEAD Organization, and the TVCC football game scheduled for September 6, 2025.

He recognized City Manager Herrera, Police Chief Mark Harcrow, and Emergency Management Coordinator Micah Betterton for their involvement and decision-making during the recent storms. City Manager Herrera also explained how citizens could submit storm-related damages online.

Mayor Jordan also discussed recently passed bills from the 89th Legislature and shared that he had recently attended incident response training.

K. **ADJOURNMENT**

With no other business to come before Council, the meeting was adjourned at 6:03 p.m.

PASSED AND APPROVED THIS 14TH DAY OF JULY 2025.

Mitchell W. Jordan, Mayor

ATTEST:

April Jackson, City Secretary



Agenda Date: July 14, 2025
To: City Council
From: April Jackson, City Secretary
Agenda Item: Resolution Suspending the July 31, 2025, Effective Date of Oncor Electric Delivery Company's Requested Rate Change
Date Submitted: 06/26/2025

SUMMARY:

Oncor Electric Delivery Company ("Oncor" or "the Company") filed an application on or about June 26, 2025, with cities retaining original jurisdiction, seeking to increase system-wide transmission and distribution rates by about \$834 million or approximately 13% over present revenues. The Company asks the City to approve a 12.3% increase in residential rates and a 51.0% increase in street lighting rates. If approved, an average residential customer would see a bill increase of about \$7.90 per month.

The resolution suspends the July 31, 2025, effective date of the Company's rate increase for the maximum period permitted by law to allow the City, working in conjunction with the Steering Committee of Cities Served by Oncor, to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy, including settlement, to pursue.

The law provides that a rate request made by an electric utility cannot become effective until at least 35 days following the filing of the application to change rates. The law permits the City to suspend the rate change for 90 days after the date the rate change would otherwise be effective. If the City fails to take some action regarding the filing before the effective date, Oncor's rate request is deemed administratively approved.

The City of Palestine is a member of a 170-city coalition known as the Steering Committee of Cities Served by Oncor ("Steering Committee"). The Steering Committee has been in existence since the late 1980s. It took on a formal structure in the early 1990s when cities served by the former TXU gave up their statutory right to rate case expense reimbursement in exchange for higher franchise fee payments. Empowered by city resolutions and funded by per capita assessments, the Steering Committee has been the primary public interest advocate before the Public Utility Commission, the Courts, and the Legislature on electric utility regulation matters for the last 30 years.

Although Oncor has increased rates many times over the past few years, this is the first comprehensive base rate case for the Company since May 2022.

RECOMMENDED ACTION:

Staff recommends approval of the resolution as presented.

CITY MANAGER APPROVAL:

Resolution

RESOLUTION NO. R- -25

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALESTINE, TEXAS, SUSPENDING THE JULY 31, 2025 EFFECTIVE DATE OF ONCOR ELECTRIC DELIVERY COMPANY'S REQUESTED RATE CHANGE TO PERMIT THE CITY TIME TO STUDY THE REQUEST AND TO ESTABLISH REASONABLE RATES; APPROVING COOPERATION WITH THE STEERING COMMITTEE OF CITIES SERVED BY ONCOR TO HIRE LEGAL AND CONSULTING SERVICES AND TO NEGOTIATE WITH THE COMPANY AND DIRECT ANY NECESSARY LITIGATION AND APPEALS; FINDING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW; REQUIRING NOTICE OF THIS RESOLUTION TO THE COMPANY AND LEGAL COUNSEL FOR THE STEERING COMMITTEE.

WHEREAS, on or about June 26, 2025, Oncor Electric Delivery Company (Oncor), pursuant to PURA §§ 33.001 and 36.001 filed with the City of Palestine a Statement of Intent to increase electric transmission and distribution rates in all municipalities exercising original jurisdiction within its service area effective July 31, 2025; and

WHEREAS, the City of Palestine is a member of the Steering Committee of Cities Served by Oncor ("Steering Committee") and will cooperate with the 170 similarly situated city members and other city participants in conducting a review of the Company's application and to hire and direct legal counsel and consultants and to prepare a common response and to negotiate with the Company prior to getting reasonable rates and direct any necessary litigation; and

WHEREAS, PURA § 36.108 grants local regulatory authorities the right to suspend the effective date of proposed rate changes for ninety (90) days after the date the rate change would otherwise be effective; and

WHEREAS, PURA § 33.023 provides that costs incurred by Cities in ratemaking proceedings are to be reimbursed by the regulated utility.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PALESTINE, TEXAS, THAT:

SECTION 1. The foregoing recitals are incorporated into this Resolution by reference as findings of fact as if expressly set forth herein.

SECTION 2. The July 31, 2025, effective date of the rate request submitted by Oncor on or about June 26, 2025, be suspended for the maximum period allowed by law to permit adequate time to review the proposed changes and to establish reasonable rates.

SECTION 3. As indicated in the City's resolution approving membership in the Steering Committee, the Executive Committee of Steering Committee is authorized to hire and direct legal counsel and consultants, negotiate with the Company, make recommendations regarding reasonable rates, and to

intervene and direct any necessary administrative proceedings or court litigation associated with an appeal of a rate ordinance and the rate case filed with the City or Public Utility Commission.

SECTION 4. That the City's reasonable rate case expenses shall be reimbursed by Oncor.

SECTION 5. A copy of this Resolution shall be sent to Oncor Electric Delivery Company LLC, 1616 Woodall Rodgers Freeway, Dallas, Texas 75202 and to Thomas Brocato, Counsel to the Steering Committee, at Lloyd Gosselink Rochelle & Townsend, P.C., P.O. Box 1725, Austin, Texas 78767-1725.

SECTION 6. Should any of the clauses, sentences, paragraphs, sections, or parts of this Resolution be deemed invalid, unconstitutional, or unenforceable by a court of law or administrative agency with jurisdiction over the matter, such action shall not be construed to affect any other valid portion of this Resolution.

SECTION 7. All resolutions, or parts thereof, that are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters regulated, herein.

SECTION 8. This Resolution shall take effect immediately upon its passage and publication.

SECTION 9. It is hereby officially found and determined that the meeting at which this Resolution was passed was open to the public and that the public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, Texas Government Code, and Chapter 551. Notice was also provided as required by Chapter 52 of the Texas Local Government Code.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Palestine, Texas, on this the 14th day of July, 2025.

MITCHELL JORDAN
MAYOR

ATTEST:

APPROVED AS TO FORM:

APRIL JACKSON
CITY SECRETARY

REZZIN PULLUM
CITY ATTORNEY



Agenda Date: July 14, 2025
To: City Council
From: April Jackson, City Secretary
Agenda Item: Palestine I.S.D. Interlocal Agreement
Date Submitted: 07/10/2025

SUMMARY:

This item is to consider approval of an Interlocal Agreement between the City of Palestine and the Palestine Independent School District for the assignment of two School Resource Officers (SROs)—one at Palestine High School and one at Palestine Junior High School.

The agreement outlines responsibilities for both the City and the school district, including officer assignment, scheduling, and coordination with campus principals. Officers will provide law enforcement support, assist with crime prevention, enforce traffic and truancy laws, and serve as positive role models for students. The agreement also addresses use of body-worn cameras, FERPA compliance, and reporting procedures.

This is a one-year agreement with the option for annual renewal. Cost estimates are included in Exhibit A and may be adjusted based on officer assignment and related factors.

RECOMMENDED ACTION:

Staff recommends approval of the Interlocal Agreement with Palestine ISD.

CITY MANAGER APPROVAL:

Attachments

Interlocal Agreement

INTERLOCAL AGREEMENT

This Interlocal Agreement ("Agreement") is between the Palestine Independent School District ("Palestine ISD") and the City of Palestine, Texas ("City") (collectively "Participating Political Subdivisions").

RECITATIONS

The Participating Political Subdivisions are authorized by the Interlocal Cooperation Act, Texas Government Code 791.001 and following to enter into cooperative agreements with other political subdivisions of the State of Texas for the purpose of fulfilling and implementing their respective public and governmental purposes, needs, objectives, and programs.

The services that are the subject of this Agreement are a governmental function and the Participating Political Subdivisions make the Agreement to, respectively, provide the services and make the payments described in the Agreement.

The Participating Political Subdivisions have determined that this Agreement will result in improved services being provided more economically and efficiently and will increase public safety for the constituents of the Palestine ISD and City.

Therefore, the Participating Political Subdivisions agree, as follows:

ARTICLE ONE

SERVICES PROVIDED BY THE CITY

Section 1.01 Campus Security. The City agrees to assign two School Resource Officers (SRO's), one to serve at the Palestine ISD High School campus, and one to serve at the Palestine ISD Junior High School campus. Selection of the officer will be made by mutual consent of the Superintendent, Campus Principal and Chief of Police. The assigned officers will provide services during regular school hours on each and every day classes are in session. The City and the Palestine ISD acknowledge the importance of having the same officers present at the district on a day-to-day basis in order to promote continuity and familiarity with the district and students. The City and the Palestine ISD agree that any substitutions of personnel by the City will be discussed and mutually agreed upon before the substitution is made.

The SRO's duties will include, but are not limited to, the following:

a. Assist the Palestine ISD with order maintenance by enforcing laws, intervening in disruptions, and engaging in crime prevention activities, which may include awareness of gangs and their actions; and gathering information to assist with crime reduction at school and the surrounding community.

b. Enforce truancy laws to help keep students in school and prevent crimes committed by truants.

c. Respond to calls for police assistance from schools and school personnel.

d. Enforce traffic laws around schools.

e. Provide a positive role model to students and maintain good relations with the school community, which may include providing information concerning questions about law enforcement topics to students and staff; and providing classroom instruction/lesson plans on a variety of topics, such as alcohol and drug education, and crime prevention education to build rapport with the students and the Palestine ISD staff.

f. Counsel with students and parents to help find solutions to school attendance or criminal behavior problems.

SRO's will be physically present on campus during regular school hours or during those hours mutually agreed upon by the Chief of Police and Superintendent or their designee. In the event that the SRO's need to be away from campus to attend mandatory training, court, or meetings every effort will be used to minimize the length of the absence. The assigned officers will coordinate with the campus Principal, but will be directly supervised by the Chief of Police or his/her designee. The Officers shall be assigned to work at the schools during the entire school year when classes are in session, which shall begin from the date that the school year starts in August to the date that the school year ends in May. The duties, schedule and responsibilities of the assigned officers on days when classes are not in session will be mutually agreed upon and determined by the Chief of Police and the Superintendent or their designee. The parties understand that the officers may be required to carry out certain school district duties and responsibilities during non-school hours.

At all times during the term of the Agreement, the law enforcement personnel provided by the City and assigned to the Palestine ISD will be considered employees of the City and not employees of the Palestine ISD. The City, in its sole discretion, will have the power and authority to hire, discharge, and discipline SROs. The City will be responsible for maintaining accurate records of dates of service, and any other information regarding the personnel assigned to the Palestine ISD that may be necessary in connection with the performance of this Agreement.

As employees of the City, SROs will follow the chain of command as set forth in the City of Palestine Police Department's Policies and Procedures Manual. In the performance of their duties, SROs shall coordinate and communicate with the principal or the principals' designee of the school to which the SRO is assigned.

Unless agreed to in advance in particular situations, any officer assigned to serve at any Palestine ISD campus will dress in a uniform identifying the officer as a member of the Police Department of the City of Palestine and will carry the usual equipment, such as sidearm, belt, holster, Taser, badge, and any other assigned to the officer. At all times covered by this Agreement, any officer

assigned to serve at any Palestine ISD campus will be a commissioned, full-time, regular-duty SRO employed and properly trained by the City of Palestine.

ARTICLE TWO

SERVICES TO BE PROVIDED BY PALESTINE ISD

Section 2.01 Campus Security. The Principal of each campus that uses the services of a SRO will coordinate and work with that SRO with respect to the law enforcement services provided and any special issues that warrant increased attention. In the event of an Officer absence, the school district will provide a district-employed school marshal for the affected campus. The Palestine ISD will pay and reimburse the City for the services provided as set forth in Section 3.01 below.

The Palestine ISD will draft and deliver to the City, prior to each anniversary date, district guidelines for the employment and assignment of law enforcement personnel at the Palestine ISD campuses.

ARTICLE THREE

CONSIDERATION AND REVIEW

Section 3.01 Consideration. The Palestine ISD agrees to pay, as consideration for the services provided pursuant to this Agreement, an amount in accordance with the salaries and fees shown in Exhibit A which are calculated based upon the assigned officer's rate of pay, benefits, training and equipment. These rates may be adjusted due to the tenure of the assigned officer or as the City of Palestine adjusts the pay and/or benefits. The Palestine ISD agrees to pay 83.3% or ten (10) months' salary and fees for each SRO assigned to the Palestine ISD. For any time in excess of forty hours per week including any additional overtime amounts, the Palestine ISD will be billed at one and a half times the amounts shown in Exhibit A on an hourly or daily basis, as applicable.

The City will be responsible for providing transportation needed by the SROs, with the Palestine ISD reimbursing the cost of transportation as provided in Exhibit A.

Section 3.02 Review and Renewal. Either the City or the Palestine ISD may, no later than 30 days prior to the anniversary date of the execution of this Agreement, give written notice to the other party of a request for review of the respective services, performance of services, costs, and any other terms or issues related to this Agreement. The review, if requested, will be accomplished administratively, and any amendment requested by either party will be considered by the Palestine ISD's board of trustees and the City Council.

ARTICLE FOUR
TERM OF AGREEMENT AND REVIEW

Section 4.01 Term of Agreement. This Agreement will be for one year from the date of execution and may renew annually on the anniversary date by agreement of the parties, including, if necessary, changes in costs or other items. The City and the Palestine ISD will confer concerning the renewal of this Agreement in advance of the beginning of their perspective fiscal years so that each may budget accordingly. This Agreement may be terminated by either party with written notice of termination 45 days prior to the end of the Agreement.

Section 4.02 Commitment of Current Revenue. Pursuant to local Government Code Section 271.903 and Board Policy CE (LEGAL), this Agreement is a commitment of the Palestine ISD's current revenue only, and the Board of Trustees retains the continuing right to terminate the Agreement at the expiration of each budget period during the term of the Agreement. Performance under this Agreement is conditioned on the best efforts attempt by the Palestine ISD Board of Trustees to obtain and appropriate funds for payment of any sums due under this contract.

ARTICLE FIVE
INSURANCE AND INDEMNIFICATION

Section 5.01 Governmental Services. This Agreement is a contract for the performance of governmental functions by governmental entities, and the City and the Palestine ISD will be engaged in the conduct of a governmental function while providing and/or performing any service under this Agreement. With respect to the services provided under this Agreement, the City will be an independent contractor to the Palestine ISD. Any SRO assigned to duty at any Palestine ISD campus pursuant to this Agreement will not be considered an employee of the Palestine ISD, but will at all times remain an employee of the City.

Section 5.02 Insurance. City is insured, and upon request by Palestine ISD, shall provide Palestine ISD documentation of its coverage, said coverage to meet the reasonable approval of Palestine ISD. City shall also provide, during the term of this Agreement, worker's compensation insurance, including liability coverage, in the amounts required by Texas state law, for any employee engaged in work under this Agreement. As to all insurance provided by City, it shall provide Palestine ISD with documentation, upon request, indicating such coverage prior to the beginning of any activities under this Agreement.

Section 5.03 Indemnification. To the extent permitted by law, each Party to this Agreement expressly waives all claims against every other Party to this Agreement for compensation for any loss, damage, personal injury or death occurring as a consequence of the performance of this Agreement.

ARTICLE SIX

MISCELLANEOUS

Article 6.01 Policy Making Authority. The Palestine ISD will have supervision and policy making authority for and with respect to the rules of conduct and regulations governing crowd control at special events. The final disciplinary action or other dispensation of any matter or issue involving only a violation of a rule or regulation of the Palestine ISD will be at the discretion of the Palestine ISD; provided that in the event a sworn officer of the City observes any event, matter or action that appears to constitute a violation of any local, state, or federal penal or criminal law, then in such event, the investigation or any decision to file charges on any such event will be made by the Officer in Charge or the Chief of Police.

Article 6.02 Other Services. Nothing in this Agreement will be deemed to create, by implication or otherwise, any duty, responsibility or right as to either the Palestine ISD or the City except with respect to the use and general provision of the services specifically set forth in this Agreement.

Article 6.03 Jurisdiction. Nothing in this Agreement will be deemed to extend, increase, or limit the jurisdiction or authority of either the City or the Palestine ISD except as necessary to implement, perform and obtain the services and duties provided for in this Agreement. This Agreement will be governed by the laws of the State of Texas, the City Palestine.

Article 6.04 Governmental Immunity. It is expressly understood and agreed that, in the execution of this Agreement, no Party waives nor shall be deemed hereby to waive any immunity or defense that would otherwise be available to it against claims made by third parties and arising directly or indirectly out of the performance of this Agreement. **THE PARTICIPATING POLITICAL SUBDIVISIONS RETAIN ALL GOVERNMENTAL IMMUNITIES.**

Article 6.05 Contract Supervision and Controls. The Palestine ISD and the City will each monitor, review and provide oversight and supervision of the services as they are provided and each agrees to notify the other as soon as reasonably possible if any scheduling, operating, services, or performance issue becomes unsatisfactory. For implementation of this Agreement and resolving issues of its operation, the City designates the Chief of Police as its representative, and Palestine ISD designates the Superintendent as its representative. These representatives will be responsible for keeping their respective administrations and governing bodies advised concerning this Agreement and its subject matter.

Article 6.06 Amendments and Modifications. This Agreement may not be amended or modified except in writing by the City and the Palestine ISD and authorized by their respective governing bodies.

Article 6.07 Severability. If any portion of this Agreement is held invalid or unenforceable by any court or competent jurisdiction, that holding will not invalidate or affect the enforceability of any other provision. The Agreement will be construed as if it did not contain the invalid or unenforceable portion (s), and the rights and obligations of the parties will be construed and

enforced accordingly. If any provision of this agreement is determined to be invalid or unenforceable, the parties intend that it be reformed and construed in a way that it will be valid and enforceable.

Article 6.08 Gender, Number and Headings. Words of any gender used in this Agreement will be held and construed to include any other gender, and words in this singular number will be held to include the plural, unless the context otherwise requires. The headings and section numbers are for convenience only and will not be considered in interpreting or construing the Agreement.

Article 6.09 Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will be considered fully executed when all parties have executed an identical counterpart, even though all signatures may not appear on the same counterpart.

Article 6.10 Confidential Student Information. In carrying out its duties, the City, and its officers, agents and employees, shall at all times recognize and respect the confidentiality of student information, including but not limited to confidential student records, and shall seek access to such records only in accordance with the requirements of the Family Education Rights and Privacy Act, 20 U.S.C. §1232g ("FERPA") and Palestine ISD Board Policy FL (LEGAL) and (LOCAL).

Article 6.11 Body Worn Cameras. The City and Palestine ISD agree that any use of body-worn cameras ("BWC") by City officers will be subject to and in compliance with state law and local regulations regarding their use and operation. Every officer equipped with a BWC shall be trained in the operation of the equipment prior to its use on campus. When utilizing BWCs, the officer shall adhere to the objectives and procedures outlined in this Agreement and the City's Police Department General Orders to maximize the effectiveness of the BWC and the integrity of the video documentation. The City may, if not otherwise prohibited by law, provide to the Palestine ISD copies of any such filming of students, parents, employees, or others upon school property, upon request for such copies by the Palestine ISD, as an intergovernmental transfer. In the event the City believes the providing of a copy of such videos would be prohibited, City agrees to utilize its best efforts to facilitate the availability of the officer who made the video to testify, upon request by the Palestine ISD, in any school disciplinary hearing concerning the officer's knowledge of the facts and circumstances of the incident which was videoed. The parties also agree that any such film or video taken by, and kept in the possession of, the City's officers may be considered "law enforcement records" under FERPA and 34 C.F.R. Sec. 99.8, and that any copy of such film or video, if permitted by law to be provided to the Palestine ISD, may then become an educational record of the District under FERPA. The City also agrees that its officers shall at all times recognize and comply with the confidentiality of student and education records and will only seek such records in accordance with the requirements of FERPA and Palestine ISD Board Policies FL(LEGAL) and (LOCAL).

EXECUTED AND DELIVERED initially by and between Palestine ISD, and the City of Palestine, Texas on this the _ day of ____20__.

Palestine Independent School District

Attest:

BY: _ _ _ _ _

By: _____

City of Palestine, Texas

BY: _ _ _ _ _

By: _____

INTERLOCAL AGREEMENT



Agenda Date: July 14, 2025
To: City Council
From: Andrew Sibai, Finance Director
Agenda Item: New Investment Pool Option, LOGIC
Date Submitted: 07/09/2025

SUMMARY:

This item requests approval of a resolution to add LOGIC by Hilltop Securities as a third investment pool option for the City's portfolio to improve portfolio performance.

Currently, the City uses TexSTAR and TexPool, TexSTAR is operated by Hilltop Securities and J.P. Morgan to maintain a liquid investment pool for local government entities in Texas.

This new option, LOGIC, is almost identical to TexSTAR, operated by Hilltop and J.P. Morgan, but it is able to invest in commercial paper. This complies with the Public Funds Investment Act and Local Gov't Code for a City to invest in, and this option currently earns 10-15 basis points more than TexSTAR.

RECOMMENDED ACTION:

Staff recommends approval as presented.

CITY MANAGER APPROVAL:

Attachments

Info Packet
LOGIC Info Statement Mar 2025
LOGIC Enrollment Packet and Resolution



★ LOGIC

Information Statement

Local Government Investment Cooperative

A Texas Public Funds Investment Pool and Texas Trust

March 2025

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No person or entity has been authorized to give any information or to make any representations other than those contained in this Information Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by LOGIC, its Board of Trustees, the Investment Manager, the Administrators, or any agent of LOGIC.

The Units in LOGIC have not been registered under the Securities Act of 1933, as amended, or any state securities law. The Securities and Exchange Commission ("SEC") has not passed upon the accuracy or adequacy of this Information Statement or approved Units in LOGIC for sale.

The LOGIC Information Statement should be read carefully before investing. Investors should consider the investment objectives, risks, charges and expenses associated with this or any security prior to investing. Investments in LOGIC are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and although LOGIC seeks to preserve the value of the investment at a fixed price, it is possible to lose money by investing in the fund. For further information, contact LOGIC Participant Services c/o Hilltop Asset Management, LLC, at (800) 895-6442. LOGIC is distributed by Hilltop Securities Inc., a registered broker dealer, member FINRA/SIPC.

INTRODUCTION

Local Government Investment Cooperative (LOGIC) (the “Pool”) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC’s governing body and is comprised of employees, officers or elected officials of Participant Government Entities. A maximum of two ex officio board members represent the Administrators of the Pool. The Board of Trustees appoints an Advisory Board comprised of employees, officers or elected officials of Participant Government Entities and individuals who do not have a business relationship with the Pool and are qualified to advise the Pool.

Currently, the Board has authorized one Portfolio: “LOGIC I,” and Units of LOGIC I are currently available to Participants.

Investment Objectives. The Pool will invest only in authorized investments under the Public Funds Investment Act. Its general investment objectives are safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return.

Rating. In order to comply with the Public Funds Investment Act, all Portfolios will maintain a AAAM or equivalent rating from at least one nationally recognized rating agency. Units of LOGIC I are currently rated “AAAM” by Standard & Poor’s.

No Sales Commissions or Investment Minimum. There is no investment minimum and no sales charge.

Deposits, Withdrawals, and Transactions. Deposits and withdrawals may be made by automated clearinghouse (“ACH”) or wire transfer through the Federal Reserve Bank System (“wire transfer”). Transaction requests will be by telephone, internet transaction system or by contacting a LOGIC representative.

Investment Management. The Portfolio will be managed by J.P. Morgan Investment Management Inc. (the “Investment Manager”).

Administrators. Day to day administration of the Pool will be performed by Hilltop Securities Inc., Hilltop Asset Management, LLC and J.P. Morgan Investment Management Inc. (the “Administrators”). Hilltop Securities Inc. will provide marketing and distribution services. Hilltop Securities Asset Management, LLC will provide participant and administrative services, and J.P. Morgan Investment Management Inc. will provide investment management, custody and fund accounting services. Transfer agency services will be provided by DST Asset Manager Solutions, Inc. (“DST” or the “Transfer Agent”). DST and each of the Administrators or their affiliates may provide certain services, including those described herein, through the use of subcontractors or delegates.

Further Information. Further information is available from LOGIC Participant Services, c/o Hilltop Asset Management, LLC, 717 N. Harwood Street, Suite 3400, Dallas, Texas 75201, telephone 1-800-895-6442, fax 214-953-8877. The LOGIC website is www.logic.org. Certain terms used in this Information Statement are found in the Glossary attached to this Information Statement. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the LOGIC investment policies (“Investment Policies”).

LOGIC INFORMATION STATEMENT

This Information Statement provides detailed information about the Pool and its policies. Please read it carefully and retain it for future reference.

ORGANIZATION

The Pool was established pursuant to an Interlocal Agreement, which was subsequently amended and is now entitled Participation Agreement and Trust Instrument (the "Agreement") between participating Government Entities. Participation in the Pool is limited to those eligible Government Entities which have become parties to the Agreement ("Participants").

Participants' assets in the Pool are represented by units of beneficial interest ("Units"), which are issued in discrete series (each a "Portfolio"), as authorized from time to time by the Board. Assets invested in any Portfolio will be managed separately, and segregated from, the assets of every other Portfolio.

Assets in each Portfolio will be invested in accordance with such investment objectives, limitations and other policies established for that Portfolio by the Board.

The complete Investment Policies adopted by the Board, from time to time, are summarized in this Information Statement. Any Participant may obtain a copy of such Investment Policies from the LOGIC website at www.logic.org or by contacting LOGIC Participant Services at 1-800-895-6442.

The Board has authorized one Portfolio of the Pool at the present time: "LOGIC I". The Investment Policies and strategies with respect to the Portfolio of the Pool are summarized below. Following the summary is an analysis of the Portfolio which each Government Entity should review to determine if the Portfolio meets its needs.

LOGIC I PORTFOLIO

Investment Objectives and Strategy. The Investment Objectives of the LOGIC I Portfolio are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The Portfolio's maximum final stated maturity is 397 days for fixed rate securities and 25 months for variable rate notes. The Portfolio will maintain a dollar-weighted average portfolio maturity that does not exceed 60 days (or fewer days if required to maintain its rating). The Portfolio seeks to maintain a net asset value of \$1.00 per Unit and is designed to be used for investment of funds which may be needed at any time.

Investments in the Portfolio are neither insured nor guaranteed by the U.S. Government, the Pool, its Board, the Administrators, their agents or any governmental or other entity and there can be no assurance that the Portfolio will maintain a stable net asset value of \$1.00.

Investment Policies. LOGIC I will have the following investment policies:

1. LOGIC I may invest in the following securities:
 - a. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
 - b. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States;
 - c. Fully collateralized repurchase agreements and reverse repurchase agreements with a defined termination date not to exceed 95 calendar days with respect to repurchase agreements and 90 days with respect to reverse repurchase agreements (unless the repurchase agreement has a put option that allows the fund to liquidate the position at principal plus accrued interest with no more than 7

days notice to the counterparty) and secured by cash or any obligation, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies or its instrumentalities, including mortgage-backed securities and obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation. The repurchase and reverse repurchase agreements must be placed with primary government securities dealers and/or financial institutions doing business in the State of Texas;

- d SEC registered money market funds authorized by the Public Funds Investment Act and rated in the highest rating category by at least one nationally recognized rating agency; and
- e Commercial paper that has a stated maturity of 365 days or fewer from the date of its issuance that is rated A-1 or P-1 or equivalent by two nationally recognized rating agencies or that is rated A-1 or P-1 or equivalent by one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

2. The Portfolio will not invest in United States Government securities representing ownership in mortgage pools or collateralized mortgage obligations. The Portfolio will not invest in Bankers' Acceptances.

3. The Portfolio will seek to maintain a stable net asset value of \$1.00 per Unit to preserve the principal of all Participants.

4. The Portfolio's maximum final stated maturity is 397 days for fixed rate securities and 25 months for variable rate notes. The dollar-weighted average maturity of the Portfolio (calculated taking into account the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made and may utilize the interest rate reset date for variable rate notes or floating rate securities) will not exceed 60 days (or less, if required to maintain a rating in the highest rating category by the nationally recognized rating agency currently rating the Portfolio). The dollar-weighted average final maturity of the Portfolio (calculated taking into account the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made) will not exceed 90 days. So long as required by the Public Funds Investment Act, the Pool will disclose to Participants the calculations of dollar-weighted average maturity and dollar-weighted average final maturity of the Portfolio.

5. Withdrawals from the Portfolio and transfers to another Portfolio may be made on any business day with deadlines and provisions as more fully described in the Operating Policies.

6. To provide additional liquidity, incremental income, or enhanced yield, the Portfolio may engage in reverse repurchase agreements with reinvestment of proceeds limited to the term of the Reverse Repurchase Agreement, which shall in no event exceed 90 days.

7. The Portfolio may not borrow money or incur indebtedness, except that it may incur and pay operating expenses.

8. The Portfolio may not lend its money, except to the extent that the Portfolio may make authorized investments and it may lend its securities pursuant to a Reverse Repurchase Agreement.

9. Fully collateralized Repurchase Agreements must (i) have defined termination dates, (ii) be secured by cash or obligations, the principal and interest of which are unconditionally

LOGIC INFORMATION STATEMENT

guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies or instrumentalities, including mortgage-backed securities and obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (iii) require purchased securities to be pledged to the investing entity or a third party, and (iv) be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas. The market value of such collateral will be determined (marked to market) at least daily. All Repurchase Agreements will be documented through use of the Master Repurchase Agreement promulgated by the Securities Industry and Financial Markets Association.

10. The Portfolio may engage in portfolio trading in an attempt to maximize the total return on assets.

11. The Portfolio will not invest in the aggregate more than 20% of its monthly average balance in SEC registered money market funds or invest its funds in any one SEC registered money market fund in an amount that exceeds 5% of its total assets.

12. In order to provide and emphasize diversification within the Portfolio, the following limitations will be applied by comparing the amortized cost of the Portfolio's investments at the time of purchase:

- a. 100% of the Portfolio may be in United States Treasury bills, notes or bonds;
- b. 100% of the Portfolio may be in United States agency or instrumentality obligations;
- c. 100% of the Portfolio may be invested in direct Repurchase Agreements;
- d. No more than 25% of the Portfolio may be invested in term Repurchase Agreements;
- e. No more than 5% of the Portfolio may be invested in the Commercial Paper of any entity (including affiliates).
- f. No more than 25% of the Portfolio may be invested in a single industry or business sector, provided that this limitation does not apply to securities issued or guaranteed by companies in the financial services industry.

13. The maximum maturity of Repurchase Agreements may not exceed 95 days unless the Repurchase Agreement has a put option that allows the fund to liquidate the position at par (principal plus accrued interest) with no more than 7 (seven) days notice to the counterparty.

14. Diversification of Repurchase Agreement counterparties will be emphasized.

15. The Portfolio shall only invest in money market funds which are in compliance with the diversification requirements of Rule 2a7.

16. For liquidity and to respond to unusual market conditions, the Portfolio may hold all or most of its total assets in cash for temporary defensive purposes. This may result in a lower yield and prevent the Portfolio from meeting its investment objectives.

How Yields and Net Asset Value Are Determined in LOGIC I. The net interest income of the Portfolio is determined each business day, and consists of (i) the sum of (a) interest accrued, (b) discount earned (including both original issue and market discount), and (c) realized capital gains (generally amortized over a period of 30 days or less) less (ii) the sum of (a) amortization of premium, (b) the estimated expenses of the Portfolio applicable to that distribution period, and (c) realized capital losses (generally

amortized over a period of 30 days or less). All net income of the Portfolio so determined is declared as earnings to Participants each day. Earnings accrue throughout the month and are distributed as of the close of business on the last business day of the month. On the first business day of the following month, the earnings are reinvested as additional Units at the current net asset value (expected to be \$1.00), unless the Participant has elected to have them paid out. If the entire balance in an account is withdrawn during the month, the accrued distributions will be paid on or before the first business day of the following month.

The net asset value per Unit of the Portfolio is calculated each business day by adding the amortized book value of all Portfolio securities and other assets, deducting accrued expenses and arrearages, and dividing by the number of Units outstanding. The result of this computation will be rounded to the nearest whole cent. As previously noted, it is the intention of the Portfolio to maintain a net asset value per Unit of \$1.00. To the extent that the Board elects to utilize a net asset value per Unit determined by using available market quotations in lieu of amortized accounting, the Portfolio will reflect market fluctuations and any unrealized gains and losses resulting from those fluctuations on a daily basis.

Portfolio assets are valued on the basis of the amortized cost valuation technique. This involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty of valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Portfolio would receive if it sold the instrument. Although the Portfolio values its instruments on the basis of their amortized cost, certain occasions may arise on which the Portfolio sells some Portfolio holdings prior to maturity. The proceeds realized by such a sale may be higher or lower than the original cost, thus resulting in a capital gain or loss.

The Board has determined, in good faith, that it is in the best interests of the Portfolio and the Unitholders to maintain a stable net asset value of \$1.00 per Unit, by virtue of utilization of the amortized cost method which generally approximates the market value of the assets and has been deemed to be a proxy for fair value. The Portfolio will continue to use such method only so long as the Board believes that it fairly reflects the market-based net asset value per Unit.

If at any time, pursuant to its daily calculation, the deviation between the amortized cost and market-determined values of the Portfolio's assets or the deviation between market-determined values and \$1.00 per Unit exceeds \$0.0030 per Unit, the Administrators shall promptly notify the Board and continue to keep the Board apprised of the daily calculations. In the event that the deviation between the amortized cost and market-determined values or the deviation between market-determined values and \$1.00 per Unit exceeds \$0.0040, the Administrators shall promptly notify the Board and follow any directions of the Board. However, absent contrary instructions, the Administrators shall promptly sell portfolio holdings, or will take such other action as the Board, or its delegates, may direct to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing Unitholders.

Monitoring Market Price of Investments and Ratings. The market price of all investments in the Portfolio is monitored daily by the Investment Manager. An independent or affiliated commercial pricing services or third party broker-dealers may be utilized to determine market value. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services or broker-dealers also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics. Overnight Repurchase Agreements shall be valued at par. Collateral securing Repurchase Agreements shall be monitored daily by the custodian for the collateral and reviewed by the Investment Manager. An independent or affiliated commercial pricing services or third party broker-dealers may be utilized to determine market price. The Investment Manager will periodically monitor the credit ratings of the investments in which the Portfolio invests and, to the extent required under the Public Funds Investment Act, will take all prudent measures to liquidate any investments that fail to meet any minimum rating requirement for such investments set forth in the Public Funds Investment Act.

LOGIC INFORMATION STATEMENT

Financial Reporting. LOGIC has been using fair value reporting for financial statement presentation since the 2011 fiscal year because it allows for the most accurate reflection of the economic condition of the investments.

Size and Performance History. The Portfolio received its first funds in May 1994, when assets under management were \$25,265,557 with three Participants. Since then, the amount invested in the Portfolio and the number of Participants has varied. As of March 31, 2025, the assets were approximately \$14 billion with 752 participants.

More detail on the performance history of the Portfolio and the most current information on the size and performance of the Portfolio, including yield, weighted average maturity and the expense ratio, is included in an Addendum to this Information Statement being distributed with each Information Statement. The history of the operating expenses of the Portfolio is found under “Operating Expenses.”

UNDERSTANDING RISKS ASSOCIATED WITH THE LOGIC I PORTFOLIO

The LOGIC I Portfolio is subject to various risks, including those listed below, any of which may adversely affect the Portfolio's performance and ability to meet its investment objectives. Each Participant must determine the amount of credit risk and interest rate risk that it wishes to take. Then it can determine whether the LOGIC I Portfolio is appropriate for specific funds. LOGIC I by itself does not represent a fully-balanced investment plan.

Unlike money market mutual funds which are registered with the Securities and Exchange Commission, LOGIC I operates in compliance with the Public Funds Investment Act (“PFIA”) and not with the Investment Company Act of 1940 and Rule 2a-7 thereunder.

Credit Risk. Credit risk is the possibility that an issuer of a fixed income security held by the LOGIC I Portfolio will default on the security by failing to pay principal or interest when due. Any class of investment is subject to this risk. Remedies against a defaulting issuer of securities are limited, and the LOGIC I Portfolio may not be successful in securing repayment. A deterioration in credit quality or perceived credit quality of an investment held by the LOGIC I Portfolio could reduce the market price at which the LOGIC I Portfolio could sell the investment. The Investment Manager assesses the credit quality of the investments made for the LOGIC I Portfolio.

The LOGIC I Portfolio will invest in high quality commercial paper, as defined in the Investment Policies. Commercial paper refers to short-term unsecured promissory notes issued by business entities to finance short-term credit needs. Issuers of commercial paper could fail to make payments when due or default completely. Many issuers of commercial paper expect to repay commercial paper obligations at maturity from the proceeds of issuance of new commercial paper. As a result, investment in commercial paper is subject to the risk the issuer cannot issue enough new commercial paper to satisfy its outstanding commercial paper payment obligations, also known as rollover risk.

The LOGIC I Portfolio enters into repurchase agreements collateralized by cash or securities with approved counterparties. The Portfolio may be affected in the event a repurchase agreement counterparty fails to make payment or defaults completely. The LOGIC I Portfolio should be able to take possession of and sell the collateral securing the counterparty's obligations; however, a loss may be realized on the sale of the underlying securities to the extent that the proceeds from the sale are less than the resale price provided in the repurchase agreement. Should a counterparty declare bankruptcy or become insolvent, the LOGIC I Portfolio may incur delays and costs in selling the underlying securities. The Portfolio may transfer uninvested cash into joint accounts which are utilized by multiple funds managed by the investment manager or its affiliates and used to enter into repurchase agreements. Under these joint accounts, the Portfolio has a pro rata interest in the repurchase agreements with the other participants in the joint account pursuant to joint allocation procedures approved by all the participants. In this case, any losses from a default by a counterparty or its insolvency or bankruptcy would be allocated on a pro rata basis among the participants in the joint account.

The Portfolio may invest in obligations of the United States, its agencies and instrumentalities, and other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States. U.S. Treasury securities are backed by the full faith and credit of the U.S. government, meaning that the U.S. government is required to repay the principal when due. Other types of securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may not be backed by the full faith and credit of the U.S. Government. In this case, payment is due from the agency or instrumentality only.

SEC registered money market funds, another permitted investment by LOGIC I, may invest in a variety of obligations, including U.S. Government obligations, bank obligations, including banker's acceptances, Commercial Paper, Repurchase Agreements, and obligations of state and local governments. The SEC establishes diversification and credit quality requirements for such funds. The Portfolio's investment policy also requires that they be rated in the highest rating category by at least one nationally recognized rating agency.

The LOGIC I Portfolio is not secured by an insurance policy, federal deposit insurance, or other secondary guarantee.

Interest Rate Risk. The prices of debt securities in which the LOGIC I Portfolio will invest, including bonds and debt securities issued by the U.S. Government, its agencies and instrumentalities, will change in value, that is, market price based on changes in interest rates. If rates increase, the value of these investments generally declines. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. The LOGIC I Portfolio may invest in variable and floating rate securities. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate and variable securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates.

During periods when interest rates are low or there are negative interest rates, the Portfolio's yield (and total return) also may be low or the Portfolio may be unable to maintain positive returns.

Stable Net Asset Value Risk. The LOGIC I Portfolio seeks to preserve the net asset value (NAV) of the Participants' investment at \$1.00 per unit. The Administrators have policies and procedures in place to monitor the Portfolio's NAV and to take action to minimize market risk; however, the Portfolio cannot guarantee a \$1.00 NAV. The value of the Portfolio is dependent on timely receipt of the amounts due on the obligations in the Portfolio. Any delays or failures in receipt of payments or periods of low interest or negative interest rates may adversely affect the NAV of the Portfolio. Units in the LOGIC I Portfolio are subject to investment risks, including possible loss of principal amount invested.

Market Risk. The market price of securities owned by the LOGIC I Portfolio may rapidly or unpredictably decline due to factors affecting securities markets generally or particular industries. Global events that may affect the market price of securities include war, terrorism, environmental disasters, natural disasters or events, country instability and infectious disease epidemics or pandemics, such as COVID-19. Geopolitical events that may affect the price of securities include inflation, deflation, debt crises and downgrades, embargoes, tariffs, and other governmental trade or market control programs. The U.S. government and other issuers of securities do not guarantee the market price of their securities.

Management Risk. The LOGIC I Portfolio is subject to management risk and it may not achieve its objective if the Investment Manager's expectations regarding particular instruments or interest rates are not met.

Concentration Risk. Because the LOGIC I Portfolio will, under ordinary circumstances, invest a significant portion of its assets in securities of companies in the banking industry, developments affecting the banking industry may have a disproportionate impact on the Portfolio. These risks generally include interest rate risk, credit risk and risk associated with regulatory changes in the banking industry. The profitability of banks depends largely on the availability and cost of funds, which can change depending on economic conditions.

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Non-U.S. Issuers of Commercial Paper. All commercial paper in the LOGIC I Portfolio is denominated in U.S. dollars; however, some of the entities issuing the commercial paper are headquartered outside of the U.S. and subject to the laws of jurisdictions where economic or political conditions may be less favorable than those in the United States. Risks include capital controls and the imposition of foreign withholding taxes. The investment manager will perform a credit analysis on all commercial paper purchased into the portfolio and any commercial paper issued by non-U.S. entities will have at least the same financial strength as the domestic issuers approved for the Portfolio.

Liquidity Risk. Trading opportunities are more limited for fixed income securities that are not widely held. These features make it more difficult to sell or buy securities at a favorable price or time. Consequently, the LOGIC I Portfolio may have to accept a lower price to sell a security, sell other securities to raise cash or give up on an investment opportunity, any of which could have a negative impact on the Portfolio's performance.

Transactions Risk. The LOGIC I Portfolio could experience a loss and its liquidity may be negatively impacted when selling securities to meet withdrawal requests by Participants. The risk of loss increases if the withdrawal requests are unusually large or frequent or occur in times of overall market turmoil or declining prices. Similarly, large deposits may adversely affect the LOGIC I Portfolio's performance to the extent that the LOGIC I Portfolio is delayed in investing new cash and is required to maintain a larger cash position than it ordinarily would.

Cybersecurity Risk. Use of technology to conduct business could subject the Portfolio and its third-party service providers (including the Administrators) to risks associated with cybersecurity. If a cybersecurity attack is successful, an unauthorized person could misappropriate assets or sensitive information, corrupt data, or cause operational disruption. The Administrators have developed technological safeguards and business continuity plans to prevent or reduce the impact of potential cybersecurity incidents. Despite these measures, a cybersecurity incident still has the potential to cause harm to the Portfolio and its Participants.

RATINGS

In compliance with the Public Funds Investment Act, all portfolios will maintain a AAAm or equivalent rating from at least one nationally recognized rating agency. Units of the LOGIC I Portfolio have been assigned a rating of "AAAm" by Standard & Poor's. An explanation of the significance of such ratings may be obtained from Standard & Poor's, 1221 Avenue of the Americas, New York, NY 10041.

ELIGIBILITY TO INVEST

The Public Funds Investment Act sets out the entities which may invest in LOGIC, each of which is defined in this document as a "Government Entity". According to the Public Funds Investment Act, a local government, a state agency, or a nonprofit corporation acting on behalf of a local government or a state agency may invest in a local government investment pool, like LOGIC. A local government is defined as a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution (such as a municipal utility district, water control and improvement district, or navigation district), a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities. A state agency is defined as an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

ADMINISTRATION OF THE POOL

The Pool Structure. By entering into the Agreement, Participants establish a public funds investment pool and trust entitled Local Government Investment Cooperative (LOGIC) and designate the Board of Trustees of the Pool as an agency and instrumentality of the Participants and agree that it will be

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the governing body of the Pool and trustee of the Participant funds deposited into the Pool for the benefit of the Participants. The Pool holds legal title to all money, investments and other assets of the Pool and, through the Board, has the authority to employ personnel, engage in other administrative activities and provide other administrative services necessary to accomplish the objectives of the Pool.

The Board and the Bylaws. Pursuant to the Agreement, the business and affairs of the Pool are required to be managed by the Board, and the Board is authorized to adopt and maintain bylaws (the "Bylaws"). The Bylaws set forth procedures governing the selection of, and action taken by, the members of the Board. The Bylaws provide for a five-member Board consisting of individuals who are Participant employees or officers or elected officials. A maximum of two ex officio board members are representatives of the Administrators of the Pool.

The Board may remove any trustee if (a) a trustee who was an appointed or elected official or employee of a Participant at the time he or she became a trustee, ceases to be an elected or appointed official or employee of the Participant, (b) the trustee files personal bankruptcy or is adjudicated an incompetent, or (c) the Participant for which the trustee is an elected or appointed official or an employee ceases to be a Participant. The Board will fill any vacancy resulting thereby or otherwise in accordance with the Bylaws. Trustees will have three-year terms. Board members serve without compensation but are entitled to reimbursement of reasonable out-of-pocket expenses incurred in the performance of Board duties.

The Board consists of the following individuals:

<u>Name</u>	<u>Board Position and Term</u>	<u>Affiliation</u>
Sandra Newby	President - 12/31/2027	Tarrant Regional Water District
Greg Jordan	Vice President/2 nd Investment Officer - 12/31/2026	Fort Worth Transportation Authority
Darla Moss	Treasurer/Investment Officer - 12/31/2026	Arlington Independent School District
Jeanne Chipperfield	Secretary - 12/31/25	North Texas Municipal Water District
David Medanich	Ex Officio Trustee	Hilltop Securities Inc. and Hilltop Asset Management, LLC
Andrew Linton	Ex Officio Trustee	J.P. Morgan Investment Management Inc.

Mr. Medanich is a director and officer of Hilltop Securities Inc. and Hilltop Securities Asset Management, LLC. Hilltop Securities Inc. has contracted with the Pool to serve as Administrator to provide distribution and marketing services. Hilltop Asset Management, LLC has contracted with the Pool to serve as Administrator to provide administrative and Participant services. He has no voting powers.

Mr. Linton is an executive director for J.P. Morgan Asset Management Inc. J.P. Morgan Investment Management Inc. has contracted with the Pool to serve as Administrator to provide services including investment management, transfer agency, fund accounting and custodial services. He has no voting powers.

Primary duties of the Board include, but are not limited to, adoption of the Investment Policies, Operating Policies, and the Bylaws, appointing officers, and employing the Administrators and other service providers. The meetings of the Board are open to the public.

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Advisory Board. The Board appoints an Advisory Board of Participant employees, officers or elected officials and individuals who do not have a business relationship with the Pool and are qualified to advise it. The Board consists of the following individuals:

<u>Name</u>	<u>Term</u>	<u>Affiliation</u>
Kelvin Bryant	9/30/28	City of McKinney
Monte Mercer	9/30/27	North Central Texas Council of Governments

Administrators. The Board has entered into a contract with Hilltop Securities Inc., Hilltop Securities Asset Management, LLC and J.P. Morgan Investment Management Inc. to provide distribution, marketing, administrative and Participant, investment management, fund accounting, and transfer agency services for the Pool (the "Agreement"). These duties also include receiving Pool applications, providing a record-keeping system for the Pool, processing deposits, withdrawals and other requests, preparing monthly reports to the Board and Participants on the performance of the Portfolios and the net asset value per Unit, and providing day to day contact with Participants. DST Asset Manager Solutions, Inc. ("DTS") has subcontracted to provide transfer agency services. DTS and each of the Administrators or its affiliates may provide certain services, including those described herein, through the use of subcontractors or delegates.

Custodian. JPMorgan Chase Bank, N.A. is the custodian for the Pool. The Custodian will receive and disburse all Participant deposits and withdrawals, settle all portfolio trades, safekeep certain securities, and collect all income or any other payment due in connection with purchased securities. The Custodian or its affiliates may provide certain services, including those described herein, through the use of subcontractors or delegates.

LIABILITY LIMITATIONS

None of the Board, the Investment Officers selected by the Board, or the officers and employees of the Board will be held liable for any action or omission to act on behalf of the Pool or the Participants unless caused by such person's fraud, willful malfeasance, or bad faith. To the fullest extent permitted by law, any obligation of LOGIC shall be payable solely from the assets held by LOGIC, and none of the Unitholders, whether past, present, or future, shall be personally liable therefor.

The Administrators have agreed to indemnify and hold harmless the Pool and the Board from any loss, liability or cost (including reasonable attorney's fees) which is not covered by insurance proceeds and which the Pool and the Board may sustain, incur or assume as a result of claims resulting from or arising out of the negligence of the Administrators in connection with the provision of Administrator services under the Agreement, unless such claims result from gross negligence, fraud or willful misconduct of the Pool or the Board. To the extent that a Administrator delegates all or a part of its responsibilities under the Agreement, the Administrator will be responsible for compliance with the terms of the Agreement to the same extent as if such Administrator itself had acted or failed to act instead of the delegate.

None of the Administrators guarantees the performance of the assets of the Pool or any specific level of performance, that the Pool will maintain a net asset value per Unit of \$1.00, the success of any investment decision or strategy that the Administrators may use, or the success of the Administrators' overall management of the Pool. Investment decisions made for the Pool by the Administrators are subject to various market, currency, economic, political and business risks, and that those investment decisions may not always be profitable.

PORTFOLIO TRANSACTIONS

The Investment Manager has no obligation to deal with any dealer or group of dealers in the

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execution of transactions in portfolio securities of the Pool. The securities in which the Portfolios will be invested are normally purchased directly from the issuer or from a dealer in such securities. Where possible, the Investment Manager deals directly with the dealers who make a market in the securities involved except in those circumstances where better prices and execution are available elsewhere. It is the policy of the Pool to obtain the best net results in conducting portfolio transactions, taking into account such factors as price, the size, type and difficulty of the transactions involved, the firm's general execution and operations facilities, and the provision of supplemental investment research by the firm. The Portfolio securities of the Pool are traded on a net basis and do not involve either brokerage commissions or transfer taxes.

The Investment Manager may dispose of securities without regard to the time they have been held when such actions, for defensive or other portfolio management reasons, appear advisable. High portfolio turnover involves correspondingly greater transaction costs, which are borne directly by the Pool.

Portfolio investments will not be purchased from or sold to the Administrators or any affiliate of any Administrator. Investments may be sold by one Portfolio to another Portfolio at the prevailing market prices.

Settlement of all transactions shall be conducted on a delivery versus payment (DVP) basis.

OPERATING EXPENSES

The Administrators' fee hereunder for LOGIC I shall be accrued daily and paid monthly at an annual rate of 9.75 basis points (0.0975%), based on the total of all Participants' balances in LOGIC I at the end of each day. This fee includes other operating expenses including, but are not limited to, expenses of the Board, including directors and officers liability insurance, legal, audit and accounting expenses, the costs of safekeeping, settlement, cash movement and banking services provided by the Custodian, rating agency fees, non-recurring expenses, deferred organizational expenses, and expenses of preparing, printing and mailing Information Statements, reports, notices and proxy materials to Participants.

ANNUAL AUDIT

The financial statements of the Pool will be examined and a certification issued by an independent certified public accounting firm, following the close of each fiscal year. The examination will include reconciliation of securities held by the Custodian and a review of the Pool's internal controls over financial reporting as a basis for designing auditing procedures for the purpose of expressing an opinion on the financial statements. An annual report including the auditor's opinion, following its completion, is available upon request to each Participant of record as of the close of the Pool's fiscal year, which ends August 31 ("Annual Report"). The Board has retained PriceWaterhouseCoopers, LLP, 2121 North Pearl Street, Suite 2000, Dallas, Texas 75201, to audit its financial statements for fiscal year ending August 31, 2023.

PARTICIPATING IN THE POOL

New Accounts. To become a Participant in the Pool, a Government Entity's governing body (e.g., board of trustees, city council, etc.) must adopt a resolution approving an Application for Participation in LOGIC and authorizing specified officers of the Government Entity to execute the Application. The Application for Participation contains the Government Entity's agreement with other LOGIC Participants and the LOGIC Board of Trustees to the terms and conditions in the LOGIC Participation Agreement and Trust Instrument. The Application also designates Authorized Representatives to open accounts, to deposit and withdraw funds, to agree to the terms for use of the website for online transactions, and to designate other Authorized Representatives.

Following adoption of the resolution, the Government Entity must complete and send the completed LOGIC application form with a certified copy of the resolution. A Government Entity may become a Participant and open an account with the Pool without being obligated to deposit any money or otherwise actively participate in the Pool.

LOGIC INFORMATION STATEMENT

The Pool will request a Government Entity to provide its investment policy for review under the Public Funds Investment Act. The Government Entity will receive confirmation from the Pool that it has reviewed the policy and has implemented reasonable procedures and controls in an effort to preclude investment activities between the Pool and the Government Entity that are not authorized by the Government Entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Government Entity's entire portfolio or requires an interpretation of subjective investment standards.

Deposits. Deposits (including new accounts) are required to be made by either Automated Clearing House electronic funds transfer ("ACH") or wire transfer through the Federal Reserve Bank System ("Wire Transfer"). Deposits will be accepted by the Pool on any business day.

In the case of a Wire Transfer deposit, the Participant must notify LOGIC of any wire deposit transaction requests by 4:00 p.m. CST if using the internet transaction system or by 3:30 p.m. CST when contacting a Participant Services Representative.

In addition to notifying LOGIC, the Participant must instruct its local bank to wire funds to LOGIC by 4:00 p.m. CST. All incoming wire deposits must be received by 4:00 p.m. CST, to earn interest for that day. Any wire deposits received after 4:00 p.m. CST will not be invested until the following business day.

ACH transaction requests will be executed on the business day following the date the transaction was initiated if requested in accordance with the daily transaction deadlines for the pool. In the case of an ACH deposit, the Participant must notify LOGIC by 4:00 p.m. CST one business day prior to the settlement date when using the internet transaction system or by 3:30 p.m. CST one business day prior to the settlement date when contacting a Participant Services Representative. ACH transactions are processed in accordance with the prearranged Participant information as provided on the bank information sheet corresponding to that specific LOGIC account or subaccount. In the event of an ACH rejection, LOGIC will contact the Participant to confirm the rejection. LOGIC will credit/debit the Participant's account accordingly.

Transfers. Participants may transfer funds from one of their LOGIC sub-accounts to another of their LOGIC sub-accounts. In the case of an internal transfer, the participant must notify LOGIC of any internal transfer transaction requests by 4:00 p.m. CST if using the internet transaction system or by 3:30 p.m. CST when contacting a Participant Services Representative.

The procedures for transfers are described in the Operating Policies.

Business Days. The Pool will determine on an annual basis the business days on which it will conduct operations.

WITHDRAWALS

Withdrawals are required to be made by either Automated Clearing House electronic funds transfer ("ACH") or wire transfer through the Federal Reserve Bank System ("Wire Transfer"). Withdrawals will be processed from the LOGIC I Portfolio on any business day (or in the event such day is not a business day, on the next preceding business day).

Wire transfer withdrawal transaction requests will be executed on the same day as initiated. In the case of a Wire Transfer withdrawal, the Participant must notify LOGIC either by 4:00 p.m. CST using the internet transaction system or by 3:30 p.m. CST by contacting a Participant Services Representative.

ACH transaction requests will be executed on the business day following the date the transaction was initiated if requested in accordance with the daily transaction deadlines for the pool. In the case of an ACH withdrawal, the Participant must notify LOGIC by 4:00 p.m. CST one business day prior to the settlement date using the internet transaction system or by 3:30 p.m. CST one business day prior to the

LOGIC INFORMATION STATEMENT

settlement date when contacting a Participant Services Representative. ACH transfer withdrawals are sent in accordance with the prearranged Participant information as provided on the bank information sheet corresponding to that specific LOGIC account or subaccount. In the event of an ACH rejection, LOGIC will contact the Participant to confirm the rejection. LOGIC will credit/debit the Participant's account accordingly.

In all cases, the Participant must provide the following information: name, identifying access code, Pool account number and the amount to be withdrawn. The amount requested to be withdrawn cannot exceed the net asset value of the Participant's account on the date such notice is given.

LOGIC reserves the right to suspend the right of withdrawal or to postpone the date of payment in the event that the Federal Reserve is closed other than for customary weekend and holiday closings, in the event of a general suspension of trading in any securities market which affects LOGIC operations, or if, in the opinion of the Board, an emergency exists so that the disposal of LOGIC's securities or determination of its net asset value is not reasonably practical.

PARTICIPANT FEES AND EXPENSES

A Participant's account will be directly charged for the cost of any special services rendered at the request of the Participant. A Participant's account will also be charged with all actual costs and expenses associated with extraordinary events affecting such account including, but not limited to, losses of investment income to the Pool associated with ACH returns or by failure to timely transmit a wire transfer for deposit, unless such failure was beyond the control of the Participant.

REPORTS TO THE PARTICIPANTS

Participants receive a transaction confirmation detailing each deposit, withdrawal, transfer, and exchange. Each Participant also receives a monthly statement of its account showing the current balance in its account and all activity since the prior monthly report. The Pool will issue an Annual Report containing financial statements audited by the Pool's independent auditors.

AMENDMENT OF POOL DOCUMENTS

The Investment Policies, the Operating Procedures, and the Bylaws may be amended by the Board, provided that notice of any such amendment which the Board determines materially affects the Participants is sent to all affected Participants at least 30 days prior to the effective date thereof. Amendments to the Agreement by the Board require that notice be sent to Participants at least 60 days prior to the effective date thereof. Copies of the Agreement, Investment Policies, Operating Procedures, and the Bylaws can be obtained from the Administrators.

GLOSSARY

Some of the terms used in this Information Statement are described below:

"Bankers' Acceptances" are negotiable obligations of a bank to pay a draft which has been drawn on it by a customer. These obligations are backed by large banks and usually by goods in international trade, as well. The Public Funds Investment Act requires that a bankers' acceptance authorized for investment by Government Entities have a stated maturity of 270 days or fewer from the date of its issuance, be, in accordance with its terms, liquidated in full at maturity, be eligible for collateral for borrowing from a Federal Reserve Bank, and be accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

"Commercial Paper" consists of short-term promissory notes of corporations and other business

entities issued to finance their current operations. The Public Funds Investment Act requires that commercial paper authorized for investment by Government Entities have a stated maturity of 270 days or fewer from the date of its issuance and be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies, or be rated A-1 or P-1 or an equivalent rating by one nationally recognized rating agency and be fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

"Dollar-weighted average portfolio maturity" or "WAM" is calculated by taking an average of the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made, weighted by the book value of each security, except that Floating Rate Securities and Variable Rate Securities are considered to have the maturities as set forth below. A government Floating Rate Security or any Floating Rate Security, the principal amount of which must unconditionally be paid in 397 calendar days or less, is deemed to have a maturity of one day. A Variable Rate Security, the principal amount of which must unconditionally be paid in 397 calendar days or less, is deemed to have a maturity equal to the earlier of the period remaining until the next interest rate adjustment or the period remaining until the principal amount can be recovered through demand.

"Floating Rate Security" means a security the terms of which provide for the adjustment of its interest rate whenever a specified interest rate changes and that, at any time until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a market value that approximates its amortized cost.

"Fully Collateralized" in the case of a repurchase agreement means that:

(i) The value of the securities collateralizing the repurchase agreement (reduced by the transaction costs (including loss of interest) that the Pool reasonably could expect to incur if the seller defaults) is, and during the entire term of the repurchase agreement remains, at least equal to 102% of the Resale Price provided in the agreement;

(ii) Either the Pool or its custodian has actual physical possession of the collateral or, in the case of a security registered on a book entry system, the book entry is maintained in the name of the Pool or its custodian;

(iii) The collateral consists entirely of cash items or Government securities;

and

(iv) Upon an event of insolvency with respect to the seller, the repurchase agreement would qualify under a provision of applicable insolvency law providing an exclusion from any automatic stay of creditors' rights against the seller.

"Repurchase Agreements" are transactions by which the Pool purchases a security and simultaneously commits to resell that security to the seller at an agreed upon Resale Price on an agreed upon date within a number of days from the date of purchase. The Resale Price reflects the purchase price plus an agreed upon market rate of interest which is unrelated to the coupon rate or maturity of the purchased security. A repurchase agreement involves the obligation of the seller to pay the agreed upon price, which obligation is in effect secured by the value of the underlying security.

"Resale Price" means the acquisition price paid to the seller of securities plus the accrued resale premium on such acquisition price. The accrued resale premium shall be the amount specified in the repurchase agreement or the daily amortization of the difference between the acquisition price and the resale price specified in the repurchase agreement.

"Reverse Repurchase Agreements" are transactions by which the Pool sells a security to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time. The Pool must invest the cash it receives. If the Pool reinvests the cash at a rate

higher than the cost of the agreement, it may earn additional income. Under the Public Funds Investment Act, a reverse repurchase agreement may not have a term greater than 90 days.

“Rule 2a7” refers to Rule 2a-7 of the Investment Company Act of 1940, 17 C.F.R. § 270.2a-7, as may be amended from time to time.

“SEC Registered Money Market Fund” is an investment that pools shareholders’ money, is described in a prospectus filed with the Securities and Exchange Commission, and meets the regulations of the SEC applicable to a money market mutual fund, including a requirement that the fund have an effective dollar-weighted average portfolio maturity of 60 days or less and that it have as an investment objective the maintenance of a stable net asset value of \$1 for each share.

“United States Government Obligations” are debt securities (including bills, certificates of indebtedness, notes, and bonds) issued by the United States Treasury or by an agency or instrumentality of the United States Government which is established under the authority of an act of Congress. Although all obligations of agencies and instrumentalities are not direct obligations of the United States Treasury, payment of the interest and principal on these obligations generally is backed directly or indirectly by the United States Government. This support can range from backing of the full faith and credit of the United States (United States Treasury securities), to United States Government guarantees, or to the backing solely of the issuing instrumentality itself.

“Variable Rate Security” or “Variable Rate Note” means a security the terms of which provide for the adjustment of its interest rate on set dates (such as the last day of a month or calendar quarter) and that, upon each adjustment until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a market value that approximates its amortized cost.

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★ LOGIC

Information Statement

Local Government Investment Cooperative

A Texas Public Funds Investment Pool and Texas Trust

March 2025

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No person or entity has been authorized to give any information or to make any representations other than those contained in this Information Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by LOGIC, its Board of Trustees, the Investment Manager, the Administrators, or any agent of LOGIC.

The Units in LOGIC have not been registered under the Securities Act of 1933, as amended, or any state securities law. The Securities and Exchange Commission ("SEC") has not passed upon the accuracy or adequacy of this Information Statement or approved Units in LOGIC for sale.

The LOGIC Information Statement should be read carefully before investing. Investors should consider the investment objectives, risks, charges and expenses associated with this or any security prior to investing. Investments in LOGIC are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and although LOGIC seeks to preserve the value of the investment at a fixed price, it is possible to lose money by investing in the fund. For further information, contact LOGIC Participant Services c/o Hilltop Asset Management, LLC, at (800) 895-6442. LOGIC is distributed by Hilltop Securities Inc., a registered broker dealer, member FINRA/SIPC.

INTRODUCTION

Local Government Investment Cooperative (LOGIC) (the “Pool”) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC’s governing body and is comprised of employees, officers or elected officials of Participant Government Entities. A maximum of two ex officio board members represent the Administrators of the Pool. The Board of Trustees appoints an Advisory Board comprised of employees, officers or elected officials of Participant Government Entities and individuals who do not have a business relationship with the Pool and are qualified to advise the Pool.

Currently, the Board has authorized one Portfolio: “LOGIC I,” and Units of LOGIC I are currently available to Participants.

Investment Objectives. The Pool will invest only in authorized investments under the Public Funds Investment Act. Its general investment objectives are safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return.

Rating. In order to comply with the Public Funds Investment Act, all Portfolios will maintain a AAAM or equivalent rating from at least one nationally recognized rating agency. Units of LOGIC I are currently rated “AAAM” by Standard & Poor’s.

No Sales Commissions or Investment Minimum. There is no investment minimum and no sales charge.

Deposits, Withdrawals, and Transactions. Deposits and withdrawals may be made by automated clearinghouse (“ACH”) or wire transfer through the Federal Reserve Bank System (“wire transfer”). Transaction requests will be by telephone, internet transaction system or by contacting a LOGIC representative.

Investment Management. The Portfolio will be managed by J.P. Morgan Investment Management Inc. (the “Investment Manager”).

Administrators. Day to day administration of the Pool will be performed by Hilltop Securities Inc., Hilltop Asset Management, LLC and J.P. Morgan Investment Management Inc. (the “Administrators”). Hilltop Securities Inc. will provide marketing and distribution services. Hilltop Securities Asset Management, LLC will provide participant and administrative services, and J.P. Morgan Investment Management Inc. will provide investment management, custody and fund accounting services. Transfer agency services will be provided by DST Asset Manager Solutions, Inc. (“DST” or the “Transfer Agent”). DST and each of the Administrators or their affiliates may provide certain services, including those described herein, through the use of subcontractors or delegates.

Further Information. Further information is available from LOGIC Participant Services, c/o Hilltop Asset Management, LLC, 717 N. Harwood Street, Suite 3400, Dallas, Texas 75201, telephone 1-800-895-6442, fax 214-953-8877. The LOGIC website is www.logic.org. Certain terms used in this Information Statement are found in the Glossary attached to this Information Statement. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the LOGIC investment policies (“Investment Policies”).

LOGIC INFORMATION STATEMENT

This Information Statement provides detailed information about the Pool and its policies. Please read it carefully and retain it for future reference.

ORGANIZATION

The Pool was established pursuant to an Interlocal Agreement, which was subsequently amended and is now entitled Participation Agreement and Trust Instrument (the "Agreement") between participating Government Entities. Participation in the Pool is limited to those eligible Government Entities which have become parties to the Agreement ("Participants").

Participants' assets in the Pool are represented by units of beneficial interest ("Units"), which are issued in discrete series (each a "Portfolio"), as authorized from time to time by the Board. Assets invested in any Portfolio will be managed separately, and segregated from, the assets of every other Portfolio.

Assets in each Portfolio will be invested in accordance with such investment objectives, limitations and other policies established for that Portfolio by the Board.

The complete Investment Policies adopted by the Board, from time to time, are summarized in this Information Statement. Any Participant may obtain a copy of such Investment Policies from the LOGIC website at www.logic.org or by contacting LOGIC Participant Services at 1-800-895-6442.

The Board has authorized one Portfolio of the Pool at the present time: "LOGIC I". The Investment Policies and strategies with respect to the Portfolio of the Pool are summarized below. Following the summary is an analysis of the Portfolio which each Government Entity should review to determine if the Portfolio meets its needs.

LOGIC I PORTFOLIO

Investment Objectives and Strategy. The Investment Objectives of the LOGIC I Portfolio are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The Portfolio's maximum final stated maturity is 397 days for fixed rate securities and 25 months for variable rate notes. The Portfolio will maintain a dollar-weighted average portfolio maturity that does not exceed 60 days (or fewer days if required to maintain its rating). The Portfolio seeks to maintain a net asset value of \$1.00 per Unit and is designed to be used for investment of funds which may be needed at any time.

Investments in the Portfolio are neither insured nor guaranteed by the U.S. Government, the Pool, its Board, the Administrators, their agents or any governmental or other entity and there can be no assurance that the Portfolio will maintain a stable net asset value of \$1.00.

Investment Policies. LOGIC I will have the following investment policies:

1. LOGIC I may invest in the following securities:
 - a. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
 - b. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States;
 - c. Fully collateralized repurchase agreements and reverse repurchase agreements with a defined termination date not to exceed 95 calendar days with respect to repurchase agreements and 90 days with respect to reverse repurchase agreements (unless the repurchase agreement has a put option that allows the fund to liquidate the position at principal plus accrued interest with no more than 7

days notice to the counterparty) and secured by cash or any obligation, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies or its instrumentalities, including mortgage-backed securities and obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation. The repurchase and reverse repurchase agreements must be placed with primary government securities dealers and/or financial institutions doing business in the State of Texas;

- d SEC registered money market funds authorized by the Public Funds Investment Act and rated in the highest rating category by at least one nationally recognized rating agency; and
- e Commercial paper that has a stated maturity of 365 days or fewer from the date of its issuance that is rated A-1 or P-1 or equivalent by two nationally recognized rating agencies or that is rated A-1 or P-1 or equivalent by one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

2. The Portfolio will not invest in United States Government securities representing ownership in mortgage pools or collateralized mortgage obligations. The Portfolio will not invest in Bankers' Acceptances.

3. The Portfolio will seek to maintain a stable net asset value of \$1.00 per Unit to preserve the principal of all Participants.

4. The Portfolio's maximum final stated maturity is 397 days for fixed rate securities and 25 months for variable rate notes. The dollar-weighted average maturity of the Portfolio (calculated taking into account the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made and may utilize the interest rate reset date for variable rate notes or floating rate securities) will not exceed 60 days (or less, if required to maintain a rating in the highest rating category by the nationally recognized rating agency currently rating the Portfolio). The dollar-weighted average final maturity of the Portfolio (calculated taking into account the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made) will not exceed 90 days. So long as required by the Public Funds Investment Act, the Pool will disclose to Participants the calculations of dollar-weighted average maturity and dollar-weighted average final maturity of the Portfolio.

5. Withdrawals from the Portfolio and transfers to another Portfolio may be made on any business day with deadlines and provisions as more fully described in the Operating Policies.

6. To provide additional liquidity, incremental income, or enhanced yield, the Portfolio may engage in reverse repurchase agreements with reinvestment of proceeds limited to the term of the Reverse Repurchase Agreement, which shall in no event exceed 90 days.

7. The Portfolio may not borrow money or incur indebtedness, except that it may incur and pay operating expenses.

8. The Portfolio may not lend its money, except to the extent that the Portfolio may make authorized investments and it may lend its securities pursuant to a Reverse Repurchase Agreement.

9. Fully collateralized Repurchase Agreements must (i) have defined termination dates, (ii) be secured by cash or obligations, the principal and interest of which are unconditionally

LOGIC INFORMATION STATEMENT

guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies or instrumentalities, including mortgage-backed securities and obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (iii) require purchased securities to be pledged to the investing entity or a third party, and (iv) be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas. The market value of such collateral will be determined (marked to market) at least daily. All Repurchase Agreements will be documented through use of the Master Repurchase Agreement promulgated by the Securities Industry and Financial Markets Association.

10. The Portfolio may engage in portfolio trading in an attempt to maximize the total return on assets.

11. The Portfolio will not invest in the aggregate more than 20% of its monthly average balance in SEC registered money market funds or invest its funds in any one SEC registered money market fund in an amount that exceeds 5% of its total assets.

12. In order to provide and emphasize diversification within the Portfolio, the following limitations will be applied by comparing the amortized cost of the Portfolio's investments at the time of purchase:

- a. 100% of the Portfolio may be in United States Treasury bills, notes or bonds;
- b. 100% of the Portfolio may be in United States agency or instrumentality obligations;
- c. 100% of the Portfolio may be invested in direct Repurchase Agreements;
- d. No more than 25% of the Portfolio may be invested in term Repurchase Agreements;
- e. No more than 5% of the Portfolio may be invested in the Commercial Paper of any entity (including affiliates).
- f. No more than 25% of the Portfolio may be invested in a single industry or business sector, provided that this limitation does not apply to securities issued or guaranteed by companies in the financial services industry.

13. The maximum maturity of Repurchase Agreements may not exceed 95 days unless the Repurchase Agreement has a put option that allows the fund to liquidate the position at par (principal plus accrued interest) with no more than 7 (seven) days notice to the counterparty.

14. Diversification of Repurchase Agreement counterparties will be emphasized.

15. The Portfolio shall only invest in money market funds which are in compliance with the diversification requirements of Rule 2a7.

16. For liquidity and to respond to unusual market conditions, the Portfolio may hold all or most of its total assets in cash for temporary defensive purposes. This may result in a lower yield and prevent the Portfolio from meeting its investment objectives.

How Yields and Net Asset Value Are Determined in LOGIC I. The net interest income of the Portfolio is determined each business day, and consists of (i) the sum of (a) interest accrued, (b) discount earned (including both original issue and market discount), and (c) realized capital gains (generally amortized over a period of 30 days or less) less (ii) the sum of (a) amortization of premium, (b) the estimated expenses of the Portfolio applicable to that distribution period, and (c) realized capital losses (generally

amortized over a period of 30 days or less). All net income of the Portfolio so determined is declared as earnings to Participants each day. Earnings accrue throughout the month and are distributed as of the close of business on the last business day of the month. On the first business day of the following month, the earnings are reinvested as additional Units at the current net asset value (expected to be \$1.00), unless the Participant has elected to have them paid out. If the entire balance in an account is withdrawn during the month, the accrued distributions will be paid on or before the first business day of the following month.

The net asset value per Unit of the Portfolio is calculated each business day by adding the amortized book value of all Portfolio securities and other assets, deducting accrued expenses and arrearages, and dividing by the number of Units outstanding. The result of this computation will be rounded to the nearest whole cent. As previously noted, it is the intention of the Portfolio to maintain a net asset value per Unit of \$1.00. To the extent that the Board elects to utilize a net asset value per Unit determined by using available market quotations in lieu of amortized accounting, the Portfolio will reflect market fluctuations and any unrealized gains and losses resulting from those fluctuations on a daily basis.

Portfolio assets are valued on the basis of the amortized cost valuation technique. This involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty of valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Portfolio would receive if it sold the instrument. Although the Portfolio values its instruments on the basis of their amortized cost, certain occasions may arise on which the Portfolio sells some Portfolio holdings prior to maturity. The proceeds realized by such a sale may be higher or lower than the original cost, thus resulting in a capital gain or loss.

The Board has determined, in good faith, that it is in the best interests of the Portfolio and the Unitholders to maintain a stable net asset value of \$1.00 per Unit, by virtue of utilization of the amortized cost method which generally approximates the market value of the assets and has been deemed to be a proxy for fair value. The Portfolio will continue to use such method only so long as the Board believes that it fairly reflects the market-based net asset value per Unit.

If at any time, pursuant to its daily calculation, the deviation between the amortized cost and market-determined values of the Portfolio's assets or the deviation between market-determined values and \$1.00 per Unit exceeds \$0.0030 per Unit, the Administrators shall promptly notify the Board and continue to keep the Board apprised of the daily calculations. In the event that the deviation between the amortized cost and market-determined values or the deviation between market-determined values and \$1.00 per Unit exceeds \$0.0040, the Administrators shall promptly notify the Board and follow any directions of the Board. However, absent contrary instructions, the Administrators shall promptly sell portfolio holdings, or will take such other action as the Board, or its delegates, may direct to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing Unitholders.

Monitoring Market Price of Investments and Ratings. The market price of all investments in the Portfolio is monitored daily by the Investment Manager. An independent or affiliated commercial pricing services or third party broker-dealers may be utilized to determine market value. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services or broker-dealers also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics. Overnight Repurchase Agreements shall be valued at par. Collateral securing Repurchase Agreements shall be monitored daily by the custodian for the collateral and reviewed by the Investment Manager. An independent or affiliated commercial pricing services or third party broker-dealers may be utilized to determine market price. The Investment Manager will periodically monitor the credit ratings of the investments in which the Portfolio invests and, to the extent required under the Public Funds Investment Act, will take all prudent measures to liquidate any investments that fail to meet any minimum rating requirement for such investments set forth in the Public Funds Investment Act.

LOGIC INFORMATION STATEMENT

Financial Reporting. LOGIC has been using fair value reporting for financial statement presentation since the 2011 fiscal year because it allows for the most accurate reflection of the economic condition of the investments.

Size and Performance History. The Portfolio received its first funds in May 1994, when assets under management were \$25,265,557 with three Participants. Since then, the amount invested in the Portfolio and the number of Participants has varied. As of March 31, 2025, the assets were approximately \$14 billion with 752 participants.

More detail on the performance history of the Portfolio and the most current information on the size and performance of the Portfolio, including yield, weighted average maturity and the expense ratio, is included in an Addendum to this Information Statement being distributed with each Information Statement. The history of the operating expenses of the Portfolio is found under "Operating Expenses."

UNDERSTANDING RISKS ASSOCIATED WITH THE LOGIC I PORTFOLIO

The LOGIC I Portfolio is subject to various risks, including those listed below, any of which may adversely affect the Portfolio's performance and ability to meet its investment objectives. Each Participant must determine the amount of credit risk and interest rate risk that it wishes to take. Then it can determine whether the LOGIC I Portfolio is appropriate for specific funds. LOGIC I by itself does not represent a fully-balanced investment plan.

Unlike money market mutual funds which are registered with the Securities and Exchange Commission, LOGIC I operates in compliance with the Public Funds Investment Act ("PFIA") and not with the Investment Company Act of 1940 and Rule 2a-7 thereunder.

Credit Risk. Credit risk is the possibility that an issuer of a fixed income security held by the LOGIC I Portfolio will default on the security by failing to pay principal or interest when due. Any class of investment is subject to this risk. Remedies against a defaulting issuer of securities are limited, and the LOGIC I Portfolio may not be successful in securing repayment. A deterioration in credit quality or perceived credit quality of an investment held by the LOGIC I Portfolio could reduce the market price at which the LOGIC I Portfolio could sell the investment. The Investment Manager assesses the credit quality of the investments made for the LOGIC I Portfolio.

The LOGIC I Portfolio will invest in high quality commercial paper, as defined in the Investment Policies. Commercial paper refers to short-term unsecured promissory notes issued by business entities to finance short-term credit needs. Issuers of commercial paper could fail to make payments when due or default completely. Many issuers of commercial paper expect to repay commercial paper obligations at maturity from the proceeds of issuance of new commercial paper. As a result, investment in commercial paper is subject to the risk the issuer cannot issue enough new commercial paper to satisfy its outstanding commercial paper payment obligations, also known as rollover risk.

The LOGIC I Portfolio enters into repurchase agreements collateralized by cash or securities with approved counterparties. The Portfolio may be affected in the event a repurchase agreement counterparty fails to make payment or defaults completely. The LOGIC I Portfolio should be able to take possession of and sell the collateral securing the counterparty's obligations; however, a loss may be realized on the sale of the underlying securities to the extent that the proceeds from the sale are less than the resale price provided in the repurchase agreement. Should a counterparty declare bankruptcy or become insolvent, the LOGIC I Portfolio may incur delays and costs in selling the underlying securities. The Portfolio may transfer uninvested cash into joint accounts which are utilized by multiple funds managed by the investment manager or its affiliates and used to enter into repurchase agreements. Under these joint accounts, the Portfolio has a pro rata interest in the repurchase agreements with the other participants in the joint account pursuant to joint allocation procedures approved by all the participants. In this case, any losses from a default by a counterparty or its insolvency or bankruptcy would be allocated on a pro rata basis among the participants in the joint account.

The Portfolio may invest in obligations of the United States, its agencies and instrumentalities, and other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States. U.S. Treasury securities are backed by the full faith and credit of the U.S. government, meaning that the U.S. government is required to repay the principal when due. Other types of securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may not be backed by the full faith and credit of the U.S. Government. In this case, payment is due from the agency or instrumentality only.

SEC registered money market funds, another permitted investment by LOGIC I, may invest in a variety of obligations, including U.S. Government obligations, bank obligations, including banker's acceptances, Commercial Paper, Repurchase Agreements, and obligations of state and local governments. The SEC establishes diversification and credit quality requirements for such funds. The Portfolio's investment policy also requires that they be rated in the highest rating category by at least one nationally recognized rating agency.

The LOGIC I Portfolio is not secured by an insurance policy, federal deposit insurance, or other secondary guarantee.

Interest Rate Risk. The prices of debt securities in which the LOGIC I Portfolio will invest, including bonds and debt securities issued by the U.S. Government, its agencies and instrumentalities, will change in value, that is, market price based on changes in interest rates. If rates increase, the value of these investments generally declines. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. The LOGIC I Portfolio may invest in variable and floating rate securities. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate and variable securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates.

During periods when interest rates are low or there are negative interest rates, the Portfolio's yield (and total return) also may be low or the Portfolio may be unable to maintain positive returns.

Stable Net Asset Value Risk. The LOGIC I Portfolio seeks to preserve the net asset value (NAV) of the Participants' investment at \$1.00 per unit. The Administrators have policies and procedures in place to monitor the Portfolio's NAV and to take action to minimize market risk; however, the Portfolio cannot guarantee a \$1.00 NAV. The value of the Portfolio is dependent on timely receipt of the amounts due on the obligations in the Portfolio. Any delays or failures in receipt of payments or periods of low interest or negative interest rates may adversely affect the NAV of the Portfolio. Units in the LOGIC I Portfolio are subject to investment risks, including possible loss of principal amount invested.

Market Risk. The market price of securities owned by the LOGIC I Portfolio may rapidly or unpredictably decline due to factors affecting securities markets generally or particular industries. Global events that may affect the market price of securities include war, terrorism, environmental disasters, natural disasters or events, country instability and infectious disease epidemics or pandemics, such as COVID-19. Geopolitical events that may affect the price of securities include inflation, deflation, debt crises and downgrades, embargoes, tariffs, and other governmental trade or market control programs. The U.S. government and other issuers of securities do not guarantee the market price of their securities.

Management Risk. The LOGIC I Portfolio is subject to management risk and it may not achieve its objective if the Investment Manager's expectations regarding particular instruments or interest rates are not met.

Concentration Risk. Because the LOGIC I Portfolio will, under ordinary circumstances, invest a significant portion of its assets in securities of companies in the banking industry, developments affecting the banking industry may have a disproportionate impact on the Portfolio. These risks generally include interest rate risk, credit risk and risk associated with regulatory changes in the banking industry. The profitability of banks depends largely on the availability and cost of funds, which can change depending on economic conditions.

LOGIC INFORMATION STATEMENT

Non-U.S. Issuers of Commercial Paper. All commercial paper in the LOGIC I Portfolio is denominated in U.S. dollars; however, some of the entities issuing the commercial paper are headquartered outside of the U.S. and subject to the laws of jurisdictions where economic or political conditions may be less favorable than those in the United States. Risks include capital controls and the imposition of foreign withholding taxes. The investment manager will perform a credit analysis on all commercial paper purchased into the portfolio and any commercial paper issued by non-U.S. entities will have at least the same financial strength as the domestic issuers approved for the Portfolio.

Liquidity Risk. Trading opportunities are more limited for fixed income securities that are not widely held. These features make it more difficult to sell or buy securities at a favorable price or time. Consequently, the LOGIC I Portfolio may have to accept a lower price to sell a security, sell other securities to raise cash or give up on an investment opportunity, any of which could have a negative impact on the Portfolio's performance.

Transactions Risk. The LOGIC I Portfolio could experience a loss and its liquidity may be negatively impacted when selling securities to meet withdrawal requests by Participants. The risk of loss increases if the withdrawal requests are unusually large or frequent or occur in times of overall market turmoil or declining prices. Similarly, large deposits may adversely affect the LOGIC I Portfolio's performance to the extent that the LOGIC I Portfolio is delayed in investing new cash and is required to maintain a larger cash position than it ordinarily would.

Cybersecurity Risk. Use of technology to conduct business could subject the Portfolio and its third-party service providers (including the Administrators) to risks associated with cybersecurity. If a cybersecurity attack is successful, an unauthorized person could misappropriate assets or sensitive information, corrupt data, or cause operational disruption. The Administrators have developed technological safeguards and business continuity plans to prevent or reduce the impact of potential cybersecurity incidents. Despite these measures, a cybersecurity incident still has the potential to cause harm to the Portfolio and its Participants.

RATINGS

In compliance with the Public Funds Investment Act, all portfolios will maintain a AAAm or equivalent rating from at least one nationally recognized rating agency. Units of the LOGIC I Portfolio have been assigned a rating of "AAAm" by Standard & Poor's. An explanation of the significance of such ratings may be obtained from Standard & Poor's, 1221 Avenue of the Americas, New York, NY 10041.

ELIGIBILITY TO INVEST

The Public Funds Investment Act sets out the entities which may invest in LOGIC, each of which is defined in this document as a "Government Entity". According to the Public Funds Investment Act, a local government, a state agency, or a nonprofit corporation acting on behalf of a local government or a state agency may invest in a local government investment pool, like LOGIC. A local government is defined as a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution (such as a municipal utility district, water control and improvement district, or navigation district), a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities. A state agency is defined as an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

ADMINISTRATION OF THE POOL

The Pool Structure. By entering into the Agreement, Participants establish a public funds investment pool and trust entitled Local Government Investment Cooperative (LOGIC) and designate the Board of Trustees of the Pool as an agency and instrumentality of the Participants and agree that it will be

LOGIC INFORMATION STATEMENT

the governing body of the Pool and trustee of the Participant funds deposited into the Pool for the benefit of the Participants. The Pool holds legal title to all money, investments and other assets of the Pool and, through the Board, has the authority to employ personnel, engage in other administrative activities and provide other administrative services necessary to accomplish the objectives of the Pool.

The Board and the Bylaws. Pursuant to the Agreement, the business and affairs of the Pool are required to be managed by the Board, and the Board is authorized to adopt and maintain bylaws (the "Bylaws"). The Bylaws set forth procedures governing the selection of, and action taken by, the members of the Board. The Bylaws provide for a five-member Board consisting of individuals who are Participant employees or officers or elected officials. A maximum of two ex officio board members are representatives of the Administrators of the Pool.

The Board may remove any trustee if (a) a trustee who was an appointed or elected official or employee of a Participant at the time he or she became a trustee, ceases to be an elected or appointed official or employee of the Participant, (b) the trustee files personal bankruptcy or is adjudicated an incompetent, or (c) the Participant for which the trustee is an elected or appointed official or an employee ceases to be a Participant. The Board will fill any vacancy resulting thereby or otherwise in accordance with the Bylaws. Trustees will have three-year terms. Board members serve without compensation but are entitled to reimbursement of reasonable out-of-pocket expenses incurred in the performance of Board duties.

The Board consists of the following individuals:

<u>Name</u>	<u>Board Position and Term</u>	<u>Affiliation</u>
Sandra Newby	President - 12/31/2027	Tarrant Regional Water District
Greg Jordan	Vice President/2 nd Investment Officer - 12/31/2026	Fort Worth Transportation Authority
Darla Moss	Treasurer/Investment Officer - 12/31/2026	Arlington Independent School District
Jeanne Chipperfield	Secretary - 12/31/25	North Texas Municipal Water District
David Medanich	Ex Officio Trustee	Hilltop Securities Inc. and Hilltop Asset Management, LLC
Andrew Linton	Ex Officio Trustee	J.P. Morgan Investment Management Inc.

Mr. Medanich is a director and officer of Hilltop Securities Inc. and Hilltop Securities Asset Management, LLC. Hilltop Securities Inc. has contracted with the Pool to serve as Administrator to provide distribution and marketing services. Hilltop Asset Management, LLC has contracted with the Pool to serve as Administrator to provide administrative and Participant services. He has no voting powers.

Mr. Linton is an executive director for J.P. Morgan Asset Management Inc. J.P. Morgan Investment Management Inc. has contracted with the Pool to serve as Administrator to provide services including investment management, transfer agency, fund accounting and custodial services. He has no voting powers.

Primary duties of the Board include, but are not limited to, adoption of the Investment Policies, Operating Policies, and the Bylaws, appointing officers, and employing the Administrators and other service providers. The meetings of the Board are open to the public.

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Advisory Board. The Board appoints an Advisory Board of Participant employees, officers or elected officials and individuals who do not have a business relationship with the Pool and are qualified to advise it. The Board consists of the following individuals:

<u>Name</u>	<u>Term</u>	<u>Affiliation</u>
Kelvin Bryant	9/30/28	City of McKinney
Monte Mercer	9/30/27	North Central Texas Council of Governments

Administrators. The Board has entered into a contract with Hilltop Securities Inc., Hilltop Securities Asset Management, LLC and J.P. Morgan Investment Management Inc. to provide distribution, marketing, administrative and Participant, investment management, fund accounting, and transfer agency services for the Pool (the "Agreement"). These duties also include receiving Pool applications, providing a record-keeping system for the Pool, processing deposits, withdrawals and other requests, preparing monthly reports to the Board and Participants on the performance of the Portfolios and the net asset value per Unit, and providing day to day contact with Participants. DST Asset Manager Solutions, Inc. ("DTS") has subcontracted to provide transfer agency services. DTS and each of the Administrators or its affiliates may provide certain services, including those described herein, through the use of subcontractors or delegates.

Custodian. JPMorgan Chase Bank, N.A. is the custodian for the Pool. The Custodian will receive and disburse all Participant deposits and withdrawals, settle all portfolio trades, safekeep certain securities, and collect all income or any other payment due in connection with purchased securities. The Custodian or its affiliates may provide certain services, including those described herein, through the use of subcontractors or delegates.

LIABILITY LIMITATIONS

None of the Board, the Investment Officers selected by the Board, or the officers and employees of the Board will be held liable for any action or omission to act on behalf of the Pool or the Participants unless caused by such person's fraud, willful malfeasance, or bad faith. To the fullest extent permitted by law, any obligation of LOGIC shall be payable solely from the assets held by LOGIC, and none of the Unitholders, whether past, present, or future, shall be personally liable therefor.

The Administrators have agreed to indemnify and hold harmless the Pool and the Board from any loss, liability or cost (including reasonable attorney's fees) which is not covered by insurance proceeds and which the Pool and the Board may sustain, incur or assume as a result of claims resulting from or arising out of the negligence of the Administrators in connection with the provision of Administrator services under the Agreement, unless such claims result from gross negligence, fraud or willful misconduct of the Pool or the Board. To the extent that a Administrator delegates all or a part of its responsibilities under the Agreement, the Administrator will be responsible for compliance with the terms of the Agreement to the same extent as if such Administrator itself had acted or failed to act instead of the delegate.

None of the Administrators guarantees the performance of the assets of the Pool or any specific level of performance, that the Pool will maintain a net asset value per Unit of \$1.00, the success of any investment decision or strategy that the Administrators may use, or the success of the Administrators' overall management of the Pool. Investment decisions made for the Pool by the Administrators are subject to various market, currency, economic, political and business risks, and that those investment decisions may not always be profitable.

PORTFOLIO TRANSACTIONS

The Investment Manager has no obligation to deal with any dealer or group of dealers in the

LOGIC INFORMATION STATEMENT

execution of transactions in portfolio securities of the Pool. The securities in which the Portfolios will be invested are normally purchased directly from the issuer or from a dealer in such securities. Where possible, the Investment Manager deals directly with the dealers who make a market in the securities involved except in those circumstances where better prices and execution are available elsewhere. It is the policy of the Pool to obtain the best net results in conducting portfolio transactions, taking into account such factors as price, the size, type and difficulty of the transactions involved, the firm's general execution and operations facilities, and the provision of supplemental investment research by the firm. The Portfolio securities of the Pool are traded on a net basis and do not involve either brokerage commissions or transfer taxes.

The Investment Manager may dispose of securities without regard to the time they have been held when such actions, for defensive or other portfolio management reasons, appear advisable. High portfolio turnover involves correspondingly greater transaction costs, which are borne directly by the Pool.

Portfolio investments will not be purchased from or sold to the Administrators or any affiliate of any Administrator. Investments may be sold by one Portfolio to another Portfolio at the prevailing market prices.

Settlement of all transactions shall be conducted on a delivery versus payment (DVP) basis.

OPERATING EXPENSES

The Administrators' fee hereunder for LOGIC I shall be accrued daily and paid monthly at an annual rate of 9.75 basis points (0.0975%), based on the total of all Participants' balances in LOGIC I at the end of each day. This fee includes other operating expenses including, but are not limited to, expenses of the Board, including directors and officers liability insurance, legal, audit and accounting expenses, the costs of safekeeping, settlement, cash movement and banking services provided by the Custodian, rating agency fees, non-recurring expenses, deferred organizational expenses, and expenses of preparing, printing and mailing Information Statements, reports, notices and proxy materials to Participants.

ANNUAL AUDIT

The financial statements of the Pool will be examined and a certification issued by an independent certified public accounting firm, following the close of each fiscal year. The examination will include reconciliation of securities held by the Custodian and a review of the Pool's internal controls over financial reporting as a basis for designing auditing procedures for the purpose of expressing an opinion on the financial statements. An annual report including the auditor's opinion, following its completion, is available upon request to each Participant of record as of the close of the Pool's fiscal year, which ends August 31 ("Annual Report"). The Board has retained PriceWaterhouseCoopers, LLP, 2121 North Pearl Street, Suite 2000, Dallas, Texas 75201, to audit its financial statements for fiscal year ending August 31, 2023.

PARTICIPATING IN THE POOL

New Accounts. To become a Participant in the Pool, a Government Entity's governing body (e.g., board of trustees, city council, etc.) must adopt a resolution approving an Application for Participation in LOGIC and authorizing specified officers of the Government Entity to execute the Application. The Application for Participation contains the Government Entity's agreement with other LOGIC Participants and the LOGIC Board of Trustees to the terms and conditions in the LOGIC Participation Agreement and Trust Instrument. The Application also designates Authorized Representatives to open accounts, to deposit and withdraw funds, to agree to the terms for use of the website for online transactions, and to designate other Authorized Representatives.

Following adoption of the resolution, the Government Entity must complete and send the completed LOGIC application form with a certified copy of the resolution. A Government Entity may become a Participant and open an account with the Pool without being obligated to deposit any money or otherwise actively participate in the Pool.

LOGIC INFORMATION STATEMENT

The Pool will request a Government Entity to provide its investment policy for review under the Public Funds Investment Act. The Government Entity will receive confirmation from the Pool that it has reviewed the policy and has implemented reasonable procedures and controls in an effort to preclude investment activities between the Pool and the Government Entity that are not authorized by the Government Entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Government Entity's entire portfolio or requires an interpretation of subjective investment standards.

Deposits. Deposits (including new accounts) are required to be made by either Automated Clearing House electronic funds transfer ("ACH") or wire transfer through the Federal Reserve Bank System ("Wire Transfer"). Deposits will be accepted by the Pool on any business day.

In the case of a Wire Transfer deposit, the Participant must notify LOGIC of any wire deposit transaction requests by 4:00 p.m. CST if using the internet transaction system or by 3:30 p.m. CST when contacting a Participant Services Representative.

In addition to notifying LOGIC, the Participant must instruct its local bank to wire funds to LOGIC by 4:00 p.m. CST. All incoming wire deposits must be received by 4:00 p.m. CST, to earn interest for that day. Any wire deposits received after 4:00 p.m. CST will not be invested until the following business day.

ACH transaction requests will be executed on the business day following the date the transaction was initiated if requested in accordance with the daily transaction deadlines for the pool. In the case of an ACH deposit, the Participant must notify LOGIC by 4:00 p.m. CST one business day prior to the settlement date when using the internet transaction system or by 3:30 p.m. CST one business day prior to the settlement date when contacting a Participant Services Representative. ACH transactions are processed in accordance with the prearranged Participant information as provided on the bank information sheet corresponding to that specific LOGIC account or subaccount. In the event of an ACH rejection, LOGIC will contact the Participant to confirm the rejection. LOGIC will credit/debit the Participant's account accordingly.

Transfers. Participants may transfer funds from one of their LOGIC sub-accounts to another of their LOGIC sub-accounts. In the case of an internal transfer, the participant must notify LOGIC of any internal transfer transaction requests by 4:00 p.m. CST if using the internet transaction system or by 3:30 p.m. CST when contacting a Participant Services Representative.

The procedures for transfers are described in the Operating Policies.

Business Days. The Pool will determine on an annual basis the business days on which it will conduct operations.

WITHDRAWALS

Withdrawals are required to be made by either Automated Clearing House electronic funds transfer ("ACH") or wire transfer through the Federal Reserve Bank System ("Wire Transfer"). Withdrawals will be processed from the LOGIC I Portfolio on any business day (or in the event such day is not a business day, on the next preceding business day).

Wire transfer withdrawal transaction requests will be executed on the same day as initiated. In the case of a Wire Transfer withdrawal, the Participant must notify LOGIC either by 4:00 p.m. CST using the internet transaction system or by 3:30 p.m. CST by contacting a Participant Services Representative.

ACH transaction requests will be executed on the business day following the date the transaction was initiated if requested in accordance with the daily transaction deadlines for the pool. In the case of an ACH withdrawal, the Participant must notify LOGIC by 4:00 p.m. CST one business day prior to the settlement date using the internet transaction system or by 3:30 p.m. CST one business day prior to the

LOGIC INFORMATION STATEMENT

settlement date when contacting a Participant Services Representative. ACH transfer withdrawals are sent in accordance with the prearranged Participant information as provided on the bank information sheet corresponding to that specific LOGIC account or subaccount. In the event of an ACH rejection, LOGIC will contact the Participant to confirm the rejection. LOGIC will credit/debit the Participant's account accordingly.

In all cases, the Participant must provide the following information: name, identifying access code, Pool account number and the amount to be withdrawn. The amount requested to be withdrawn cannot exceed the net asset value of the Participant's account on the date such notice is given.

LOGIC reserves the right to suspend the right of withdrawal or to postpone the date of payment in the event that the Federal Reserve is closed other than for customary weekend and holiday closings, in the event of a general suspension of trading in any securities market which affects LOGIC operations, or if, in the opinion of the Board, an emergency exists so that the disposal of LOGIC's securities or determination of its net asset value is not reasonably practical.

PARTICIPANT FEES AND EXPENSES

A Participant's account will be directly charged for the cost of any special services rendered at the request of the Participant. A Participant's account will also be charged with all actual costs and expenses associated with extraordinary events affecting such account including, but not limited to, losses of investment income to the Pool associated with ACH returns or by failure to timely transmit a wire transfer for deposit, unless such failure was beyond the control of the Participant.

REPORTS TO THE PARTICIPANTS

Participants receive a transaction confirmation detailing each deposit, withdrawal, transfer, and exchange. Each Participant also receives a monthly statement of its account showing the current balance in its account and all activity since the prior monthly report. The Pool will issue an Annual Report containing financial statements audited by the Pool's independent auditors.

AMENDMENT OF POOL DOCUMENTS

The Investment Policies, the Operating Procedures, and the Bylaws may be amended by the Board, provided that notice of any such amendment which the Board determines materially affects the Participants is sent to all affected Participants at least 30 days prior to the effective date thereof. Amendments to the Agreement by the Board require that notice be sent to Participants at least 60 days prior to the effective date thereof. Copies of the Agreement, Investment Policies, Operating Procedures, and the Bylaws can be obtained from the Administrators.

GLOSSARY

Some of the terms used in this Information Statement are described below:

"Bankers' Acceptances" are negotiable obligations of a bank to pay a draft which has been drawn on it by a customer. These obligations are backed by large banks and usually by goods in international trade, as well. The Public Funds Investment Act requires that a bankers' acceptance authorized for investment by Government Entities have a stated maturity of 270 days or fewer from the date of its issuance, be, in accordance with its terms, liquidated in full at maturity, be eligible for collateral for borrowing from a Federal Reserve Bank, and be accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

"Commercial Paper" consists of short-term promissory notes of corporations and other business

entities issued to finance their current operations. The Public Funds Investment Act requires that commercial paper authorized for investment by Government Entities have a stated maturity of 270 days or fewer from the date of its issuance and be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies, or be rated A-1 or P-1 or an equivalent rating by one nationally recognized rating agency and be fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

“Dollar-weighted average portfolio maturity” or “WAM” is calculated by taking an average of the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made, weighted by the book value of each security, except that Floating Rate Securities and Variable Rate Securities are considered to have the maturities as set forth below. A government Floating Rate Security or any Floating Rate Security, the principal amount of which must unconditionally be paid in 397 calendar days or less, is deemed to have a maturity of one day. A Variable Rate Security, the principal amount of which must unconditionally be paid in 397 calendar days or less, is deemed to have a maturity equal to the earlier of the period remaining until the next interest rate adjustment or the period remaining until the principal amount can be recovered through demand.

“Floating Rate Security” means a security the terms of which provide for the adjustment of its interest rate whenever a specified interest rate changes and that, at any time until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a market value that approximates its amortized cost.

“Fully Collateralized” in the case of a repurchase agreement means that:

(i) The value of the securities collateralizing the repurchase agreement (reduced by the transaction costs (including loss of interest) that the Pool reasonably could expect to incur if the seller defaults) is, and during the entire term of the repurchase agreement remains, at least equal to 102% of the Resale Price provided in the agreement;

(ii) Either the Pool or its custodian has actual physical possession of the collateral or, in the case of a security registered on a book entry system, the book entry is maintained in the name of the Pool or its custodian;

(iii) The collateral consists entirely of cash items or Government securities;

and

(iv) Upon an event of insolvency with respect to the seller, the repurchase agreement would qualify under a provision of applicable insolvency law providing an exclusion from any automatic stay of creditors’ rights against the seller.

“Repurchase Agreements” are transactions by which the Pool purchases a security and simultaneously commits to resell that security to the seller at an agreed upon Resale Price on an agreed upon date within a number of days from the date of purchase. The Resale Price reflects the purchase price plus an agreed upon market rate of interest which is unrelated to the coupon rate or maturity of the purchased security. A repurchase agreement involves the obligation of the seller to pay the agreed upon price, which obligation is in effect secured by the value of the underlying security.

“Resale Price” means the acquisition price paid to the seller of securities plus the accrued resale premium on such acquisition price. The accrued resale premium shall be the amount specified in the repurchase agreement or the daily amortization of the difference between the acquisition price and the resale price specified in the repurchase agreement.

“Reverse Repurchase Agreements” are transactions by which the Pool sells a security to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time. The Pool must invest the cash it receives. If the Pool reinvests the cash at a rate

higher than the cost of the agreement, it may earn additional income. Under the Public Funds Investment Act, a reverse repurchase agreement may not have a term greater than 90 days.

“Rule 2a7” refers to Rule 2a-7 of the Investment Company Act of 1940, 17 C.F.R. § 270.2a-7, as may be amended from time to time.

“SEC Registered Money Market Fund” is an investment that pools shareholders’ money, is described in a prospectus filed with the Securities and Exchange Commission, and meets the regulations of the SEC applicable to a money market mutual fund, including a requirement that the fund have an effective dollar-weighted average portfolio maturity of 60 days or less and that it have as an investment objective the maintenance of a stable net asset value of \$1 for each share.

“United States Government Obligations” are debt securities (including bills, certificates of indebtedness, notes, and bonds) issued by the United States Treasury or by an agency or instrumentality of the United States Government which is established under the authority of an act of Congress. Although all obligations of agencies and instrumentalities are not direct obligations of the United States Treasury, payment of the interest and principal on these obligations generally is backed directly or indirectly by the United States Government. This support can range from backing of the full faith and credit of the United States (United States Treasury securities), to United States Government guarantees, or to the backing solely of the issuing instrumentality itself.

“Variable Rate Security” or “Variable Rate Note” means a security the terms of which provide for the adjustment of its interest rate on set dates (such as the last day of a month or calendar quarter) and that, upon each adjustment until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a market value that approximates its amortized cost.

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LOGIC.ORG
LOGIC@HILLTOPSECURITIES.COM



LOGIC ENROLLMENT STEPS

In order for a governmental entity to enroll in LOGIC, the following procedures should be performed.

1. Submit the *Resolution* in the form entitled ***Application for Participation in LOGIC*** to the entity's governing body for approval.
2. Complete and sign the ***Application for Participation in LOGIC***. The Resolution in the form of the application should be signed by Board President, County Judge, or City Mayor and attested by Board Secretary, County Clerk, or City Secretary. The entity seal should be included in the space provided. A notary seal is unacceptable.
3. Complete a ***Bank Instruction Form*** for each account to be opened.
4. Send all completed documentation with original signatures and ***an approved investment policy of the enrolling entity*** to our email or fax number below:

Email: logic@hilltopsecurities.com

Fax: 214.953.8878

5. Enrollment documentation will ordinarily be processed within five (5) business days of receipt.

SAMPLE AGENDA LANGUAGE

Short versions:

(1) Approval of LOGIC Investment Pool as an Authorized Investment

(2) Approval of Application for Participation in the Local Government Investment Cooperative (LOGIC)

Long versions:

(1) Recommendation to Approve an Application for Participation in the Local Government Investment Cooperative (LOGIC) Trust.

Included in the agenda exhibit is information pertaining to the application. It is recommended that the Board approve the application as submitted.

(2) Recommendation to Approve an Application for Participation in the Local Government Investment Cooperative (LOGIC) Trust.

Included in the agenda exhibit is information pertaining to the application. It is recommended that the Board approve the application as submitted to provide the district with an additional investment option emphasizing safety and liquidity.



APPLICATION FOR PARTICIPATION IN LOGIC

The undersigned local government (Applicant) applies and agrees to become a Participant in the Local Government Investment Cooperative (LOGIC) Trust.

1. **Authorization.** The governing body of Applicant has duly authorized this application by adopting the following resolution at a meeting of such governing body duly called, noticed, and held in accordance with the Texas Open Meeting Law, chapter 551, Texas Government Code, on _____, 20__:

WHEREAS, it is in the best interests of this governmental unit ("*Applicant*") to invest its funds jointly with other Texas eligible investing entities in the Local Government Investment Cooperative (LOGIC) Trust in order better to preserve and safeguard the principal and liquidity of such funds and to earn an acceptable yield; and

WHEREAS, Applicant is authorized to invest its public funds and funds under its control in LOGIC and to enter into the Participation Agreement and Trust Instrument authorized herein;

NOW, THEREFORE, BE IT RESOLVED THAT:

SECTION 1. The form of application for participation in LOGIC attached to this resolution is approved. The officers of Applicant specified in the application are authorized to execute and submit the application, to open accounts, to deposit and withdraw funds, to agree to the terms for use of the website for online transactions, to designate other authorized representatives, and to take all other action required or permitted by Applicant under the Agreement created by the application, all in the name and on behalf of Applicant.

SECTION 2. This resolution will continue in full force and effect until amended or revoked by Applicant and written notice of the amendment or revocation is delivered to the LOGIC Board of Trustees.

SECTION 3. Terms used in this resolution have the meanings given to them by the application.

2. **Agreement.** Applicant agrees with other LOGIC Participants and the LOGIC Board of Trustees to the terms and conditions in the Participation Agreement and Trust Instrument, effective on this date, which are incorporated herein by reference. Applicant makes the representations, designations, delegations, and representations described in the Participation Agreement and Trust Instrument.

3. **Taxpayer Identification Number.** Applicant's taxpayer identification number is _____

4. **Contact Information.**

Applicant primary mailing address: _____

Applicant physical address (if different): _____

Applicant main phone number: _____

Applicant main fax number: _____

5. **Authorized Representatives.** Each of the following Participant officials is designated as Participant's Authorized Representative authorized to give notices and instructions to the LOGIC Board of Trustees in accordance with the Agreement, the Bylaws, the Investment Policy, and the Operating Procedures:

1. Name: _____ Title: _____
 Signature: _____ Phone: _____
 Email: _____

2. Name: _____ Title: _____
 Signature: _____ Phone: _____
 Email: _____

3. Name: _____ Title: _____
 Signature: _____ Phone: _____
 Email: _____

4. Name: _____ Title: _____
 Signature: _____ Phone: _____
 Email: _____

{REQUIRED} PRIMARY CONTACT: List the name of the Authorized Representative **listed above** that will be designated as the Primary Contact and will receive all LOGIC correspondence including transaction confirmations and monthly statements.

Name: _____

{OPTIONAL} INQUIRY ONLY CONTACT: In addition, the following additional Participant representative (**not listed above**) is designated as an ***Inquiry Only*** Representative authorized to obtain account information:

Name: _____ Title: _____
 Signature: _____ Phone: _____
 Email: _____

Applicant may designate other authorized representatives by written instrument signed by an existing Applicant Authorized Representative or Applicant's chief executive officer.

**REQUIRED
PLACE OFFICIAL SEAL OF ENTITY HERE**

DATED _____

(NAME OF ENTITY/APPLICANT)

SIGNED BY:

 (Signature of official)

 (Printed name and title)

ATTESTED BY:

 (Signature of official)

 (Printed name and title)

FOR INTERNAL USE ONLY
APPROVED AND ACCEPTED: LOCAL GOVERNMENT INVESTMENT COOPERATIVE (LOGIC)

.....
AUTHORIZED SIGNER

DATE

V082023



BANK INSTRUCTION FORM

PLEASE NOTE THAT A LOGIC REPRESENTATIVE WILL CALL TO VERIFY INSTRUCTIONS AND USER ID WITH BOTH AUTHORIZED REPRESENTATIVES WHO SIGNED THIS FORM.

PLEASE SELECT ONE OF THE FOLLOWING:

- ☐ NEW ACCOUNT: NAME _____
- ☐ CHANGE EXISTING ACCT: _____
- ☐ APPLY CHANGE TO ALL ACCOUNTS

EFFECTIVE DATE: _____

PARTICIPANT NAME: _____

ACCOUNT NUMBER: _____

Add Bank Instruction:

PLEASE INDICATE IF THIS WILL BE THE ☐ PRIMARY BANK INSTRUCTION OR ☐ ADDITIONAL BANK INSTRUCTION

SELECT ONE OF THE FOLLOWING ☐ WIRE AND ACH ☐ WIRE ONLY ☐ ACH ONLY

Bank Name: _____ City: _____

Bank ABA Number (9 digits): _____ Bank ABA for ACH (if different) (9 digits): _____

Bank Account Number: _____ Bank Account Name: _____

Correspondent Bank Name (if any): _____

Correspondent Bank ABA Number: _____ Account Number: _____

Delete Bank Instruction:

PLEASE INDICATE IF THIS WILL BE THE ☐ PRIMARY BANK INSTRUCTION OR ☐ ADDITIONAL BANK INSTRUCTION

SELECT ONE OF THE FOLLOWING ☐ WIRE AND ACH ☐ WIRE ONLY ☐ ACH ONLY

Bank Name: _____ City: _____

Bank ABA Number (9 digits): _____ Bank ABA for ACH (if different) (9 digits): _____

Bank Account Number: _____ Bank Account Name: _____

Correspondent Bank Name (if any): _____

Correspondent Bank ABA Number: _____ Account Number: _____

** If ACH availability is selected, I hereby authorize JPMorgan Chase Bank, N.A. to directly deposit and withdraw funds by means of ACH electronic transfer to and from the financial institution and the account designated above ("Designated Account"). I agree that this authorization may be withdrawn with at least 45-days advance written notice to LOGIC Participant Services. I understand that the LOGIC reserves the right to discontinue ACH electronic transfer without advance notice. I also authorize JPMorgan Chase Bank, N.A. to deduct from the Designated Account or from subsequent deposits made to the Designated Account all amounts deposited in error. I authorize JPMorgan Chase Bank, N.A. to credit all amounts withdrawn in error to Designated Account.*

NOTE: This authorization must be executed by two current Authorized Representatives of the Participant on file with LOGIC.
As a current Authorized Representative, I certify that the above information is both true and correct.

Authorized Representative Signature

Printed Name

Title

Date

Authorized Representative Signature

Printed Name

Title

Date

Please complete this form either all typed or all handwritten. Forms with alterations (i.e. white out, mark out, etc.) will **NOT** be accepted.

LOGIC Participant Services
Email forms to: logic@hilltopsecurities.com
Phone: 800.895.6442 * Fax: 214.953.8878



Agenda Date: July 14, 2025
To: City Council
From: Andrew Sibai, Finance Director
Agenda Item: Amendments to City of Palestine Travel and Training Card Agreement
Date Submitted: 07/09/2025

SUMMARY:

This item addresses and clarifies travel policy language for City employees traveling for training. The proposed changes add language to specifically prohibit the use of new food delivery services such as GrubHub, Uber Eats, and DoorDash, which are currently not allowed but not explicitly mentioned in the existing policy. Additionally, the revisions clarify the requirement that itemized receipts must be submitted for all reimbursable expenses.

RECOMMENDED ACTION:

Staff recommends that Council approve the proposed amendments to the City travel policy, clarifying the prohibition of food delivery services and the requirement for itemized receipts for employee travel expenses.

CITY MANAGER APPROVAL:

Attachments

Updated Travel Card Policy



Travel & Training Card Agreement

To maximize the benefits the City of Palestine receives from the Travel & Training Card program and to enhance the program's success, it is recommended that all users be formally trained on how the system operates. Cardholders are most likely to use the Travel & Training Card properly if cardholders understand the following:

Travel & Training Card Program Overview

The purpose of the Travel & Training Card program is to establish a more efficient, cost-effective method of purchasing and paying for travel and training expenses for City employees. The program was designed as an alternative to the traditional travel and training vouchers for cash advances and reimbursements. The Travel & Training Card can be used with any retailer that accepts Visa as a form of payment.

Please read this agreement carefully. Your signature on this agreement shows that you understand the intent of the program and agree to follow the established guidelines.

The following important points should be reviewed before using the Travel & Training Card:

- All purchases made on the Travel & Training Card must be made only by the cardholder. Cardholders are responsible for the security of the Travel & Training Card and the transactions made with it. **If cardholders do not follow guidelines when using the Travel & Training Card, cardholder could receive corrective action, including termination.**
- Cardholder can use the Travel & Training Card at any retailer or service provider that accepts Visa and is not on the restricted list.
- Use must not exceed the amount approved by your supervisor and the City Manager for your travel and training. This amount will be on your approved travel and training request form which must be turned into Finance before a card will be issued to you.
- Cardholder must reconcile the purchases he/she has made with the Travel & Training Card with the travel and training log prior to turning in the card.
- The Travel & Training Card is not for *personal* use.



General Information

Duties and Responsibilities

Program Administrator – (Finance Director)

The Program Administrator is designated to answer questions and assist with issues with, and administration of, the program. This person will be knowledgeable on all procedures in the Cardholder User's Guide. The Program Administrator has a direct relationship with JP Morgan Chase. All Travel & Training Card requests must go through the Program Administrator.

City Manager

The City Manager will approve all travel and training requests that require overnight stays. The travel and training request form must be signed by the City Manager prior to a Travel & Training Card being checked out to you.

Cardholder

The person authorized to use the Travel & Training Card during the period of his/her training for purchases previously approved by his/her supervisor and the City Manager (typically training fees, food, and hotel expenses).

At the end of your travel, you will need to complete your purchase log. You will also need to turn in **an itemized copy of each receipt you acquired during your travel**. Attach all documentation, note any additional information pertinent to the purchase, and forward the package to the Finance Department. You **MUST** turn in all documentation with your card, or you will not be able to return the card to finance. It will be your responsibility to keep track of all documents and receipts associated with purchases made on the card.

Maintaining Your Travel & Training Card

Always obtain an itemized receipt when using the Travel & Training Card. It is every cardholder's responsibility to ensure there is an **itemized** receipt for each purchase **(including all restaurant receipts)**. A cardholder who submits his/her travel purchase log without an attached **itemized** receipt will be required to reimburse the City for the entire amount of the missing receipt. Appeals shall be made to the City Manager's Office.

Security of the Travel & Training Card

The cardholder is responsible for the security of the card. This card should be treated with the same level of care, as the cardholder would use with his/her own personal charge cards. Guard the Travel & Training Card account number carefully. It should not be posted in a work area or left in a conspicuous place. It should be kept



in an accessible, but secure location.

The only person authorized to use the Travel & Training Card is the person to whom the card is currently assigned. Travel & Training Cards are not to be shared by other employees as individual cards may be issued to any employee as requested by the Department Director.

Lost or Stolen Cards

If a Travel & Training Card is lost or stolen, immediately contact JP Morgan Chase Customer Service at **1-800-847-2911**. After contacting JP Morgan Chase, notify the Program Administrator. Prompt action can reduce the city's liability of fraudulent activity.

Travel & Training Card Payment

Employees do not pay their own monthly statement. The program does not affect your credit rating in any way. The Travel & Training Card program carries corporate, not individual, liability. You are responsible for turning in all logs, receipts and your assigned Travel and Training Purchase Card.

Returns, Credits and Disputed Charges

Should a problem arise with a purchased item, service or charges, every attempt should be made to first resolve the issue directly with the supplier. Review of future statements is vital to ensure the account is properly credited for returns, credits, and disputed charges. The returned, credited, or disputed item should be noted on the Travel & Training Card Transaction Log.

- **Returns:** If a cardholder needs to return an item to a supplier, contact the supplier and obtain instructions for return. Note that some suppliers may charge a restocking or handling fee for returns. All returns should be indicated in the transaction log.
- **Credits:** If the supplier accepts an item as a return, a copy of the return receipt should also be included with your travel purchase log.
- **Disputed Charges:** If, after reviewing the purchase log and statement memo for the issued card, a dispute arises, the employee to whom the card was assigned, If the cardholder and the merchant can resolve the dispute, a credit should appear on the next billing cycle statement. If the credit does not appear on the next statement, then the JP Morgan Chase Form 700 must be submitted. JP Morgan Chase will not honor or try to help us dispute transactions to merchants that are not reported on Form 700 within 45 days of the dispute and the City is responsible for the charge.



Travel & Training Card Guidelines

All cardholders should follow these guidelines below when using the Travel & Training Card:

- Determine if the transaction is an acceptable use of the card, and if it is within the cardholder's spending limit.
- Make sure that tax is not included in the purchase as the City of Palestine is a tax- exempt entity. Should the merchant request a tax exemption certificate, please contact the Finance Department.
- If a cardholder cannot resolve a disputed item directly with the retailer, the cardholder should complete the Dispute Form 700. JP Morgan Chase will place the charge in a "State of Dispute" and the account may be given a provisional credit until receipt of adequate documentation from the retailer. If the documentation appears to be in order, the transaction will be re-posted to the account and the dispute considered closed. If the charge is suspected to be fraudulent, the card will be immediately blocked, continue to have a provisional credit (if given) and an investigation of the charge will continue. A new card will then be re-issued to the cardholder, if appropriate. If the charge appears legitimate, the transaction will then post to the new account.

Examples of Acceptable Purchases

Restaurant Meals	Airline Tickets
Courier Services	Hotel Reservations
Car Rental	
Training Courses and Seminars	

Examples of Unacceptable Purchases

- Medical/Insurance Services
- Meals/lodging for spouses, movie rentals, miscellaneous sundries, entertainment, or alcoholic beverages during city-related travel
- PERSONAL CHARGES OF ANY KIND

Food Delivery Services

Doordash, Grubhub, Ubber Eats, etc. The City of Palestine will only pay for the cost of the food on delivery services. If there is a delivery fee/service fee added, it will be the responsibility of the employee to cover that cost. The employee will be given 30 days from the day the credit card is signed back in to the Finance department to reimburse the City for those charges. If the employee fails to reimburse the unauthorized charges within that timeframe, the money will be held out of the employee's next paycheck.

Note: This does not include Pizza delivery. Example: if you order from Pizza Hut and they charge a nominal



delivery fee, that fee will be covered.

If there are any questions about what can be purchased using the Travel & Training Card, please contact the Finance Department.

Returning your Travel & Training Card

Once you have returned from your travel and training engagement, it is your responsibility to record all purchases made with the Travel & Training Card on the travel log provided by your supervisor or the Finance Department at the time of Card checkout. You must return all **itemized** receipts, the completed log, and the card at the same time. **Cards will not be checked back in without a completed log and all receipts.**

Card Use Audits

Finance will conduct an audit of all purchases made with the Travel & Training Card, in reconciliation with the expense log filled out by the employee to whom the card was assigned, and the employee's approved travel expenses. The employee to whom the card was assigned may be responsible for any purchases made in excess of the approved travel and training amount.



CITY OF PALESTINE CARDHOLDER CREDIT CARD AGREEMENT

The City of Palestine, Texas, is pleased to present you with this credit card for official City use. It represents trust in you and your empowerment as a responsible agent for the City to safeguard and protect City assets.

The undersigned hereby acknowledges receipt of a City of Palestine, Texas Visa credit card, number _____. As an authorized cardholder, the undersigned agrees to comply with the terms and conditions of this Agreement, the credit card procedures, and any policies or rules governing credit card usage adopted by the City from time to time.

The undersigned acknowledges receipt of a copy of this Agreement and confirms that he or she has read and understands the terms and conditions set forth herein. The undersigned acknowledges that the City of Palestine, Texas is liable to JP Morgan Chase and/or Visa for all City of Palestine charges made pursuant to this credit card. In the event this credit card is lost or stolen, the undersigned shall be liable for any deductible or other expenses or costs charged by JP Morgan Chase and/or Visa to the City of Palestine, Texas, for the unauthorized use of the lost credit card.

The undersigned further agrees that this credit card may be used only for City-approved purchases and that the credit card may not be used for personal use or purchases. The undersigned agrees and acknowledges that the City of Palestine, Texas may audit the undersigned's use of this credit card and will report any unauthorized use or charges to the employee. The undersigned shall be liable for all unauthorized charges made through the use of the credit card.

The undersigned understands that the unauthorized, improper, or misuse of this credit card may result in disciplinary action up to and including termination of employment. The undersigned further understands that any unauthorized use, improper or misuse, of the credit card may subject the undersigned to criminal prosecution and/or to civil suit for the collection of any sums due and owing to JP Morgan Chase and/or Visa. The undersigned hereby authorizes the City of Palestine, Texas to implement a pay-roll deduction and to deduct from my salary and other compensation due and owing to me an amount equal to the total of any unauthorized charges to the City credit card account. The undersigned further agrees that the City of Palestine, Texas may collect any amounts owed by me as a result of unauthorized use, improper or misuse, of the credit card even if I am no longer an employee of the City.



The undersigned further understands that the City of Palestine, Texas may terminate my right to use the credit card at any time for any reason. The undersigned agrees to immediately return the credit card to his/her supervisor immediately upon request or upon termination of employment.

CARDHOLDER:

Signature: _____

Printed Name: _____

Date: _____

PROGRAM ADMINISTRATOR:

Signature: _____

Printed Name: Andrew Sibai

Date: _____

Finance Use Only				
Card Number	Dates of Travel	Date Checked In	Approved Amount	Actual Amount
1 2 3 4				



Agenda Date: July 14, 2025
To: City Council
From: Susan Davis, Planning Technician
Agenda Item: Sanitary Sewer Easement Agreement
Date Submitted: 07/02/2025

SUMMARY:

Consider authorizing the City Manager to execute a Sanitary Sewer Easement Agreement between Atwood Distributing, LP, and the City of Palestine relating to the new construction of Atwoods Ranch and Home at 804 East Newman Street. Both civil and building plans have been approved through Bureau Veritas.

RECOMMENDED ACTION:

Staff recommends that City Council authorize the City Manager to execute a Sanitary Sewer Easement Agreement between Atwood Distributing, LP, and the City of Palestine.

CITY MANAGER APPROVAL:

Attachments

Sanitary Sewer Easement Agreement

SANITARY SEWER EASEMENT AGREEMENT

This SANITARY SEWER EASEMENT AGREEMENT (the "Agreement") is executed effective as of _____, 2025 (the "Effective Date") between the CITY OF PALESTINE ("Grantor") and ATWOOD DISTRIBUTING, L.P., an Oklahoma limited partnership ("Grantee"). Grantor and Grantee are referred to in this Agreement individually as a "Party" or collectively as the "Parties".

A. Grantee is the owner of the land located in the City of Palestine, County of Anderson, State of Texas described on Exhibit A to this Agreement (the "Grantee Tract").

B. Grantor desires to grant to Grantee a sanitary sewer easement upon the real property owned by Grantor and described on Exhibit B to this Agreement (the "Sanitary Sewer Easement Area") for the benefit of the Grantee Tract.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are acknowledged, Grantor and Grantee agree and declare as follows:

1. Easements.

- a. Grantor grants to Grantee a non-exclusive, perpetual easement upon the Sanitary Sewer Easement Area for the Easement Purpose. The "Easement Purpose" means the surveying, engineering, constructing, installing, repairing, replacing, testing, and maintaining of underground sanitary sewer lines and associated facilities, equipment and appurtenances (the "Sanitary Sewer Facilities") in the Sanitary Sewer Easement Area. The easements and rights of Grantee under this Agreement are for the benefit of and will be appurtenant to the Grantee Tract.
- b. Grantor also grants to Grantee a temporary construction easement upon the land adjacent to the Sanitary Sewer Easement Area (the "Temporary Construction Easement Area") for the purpose of the construction of the Sanitary Sewer Facilities. Upon the completion of the construction of the Sanitary Sewer Facilities, the Temporary Construction Easement will automatically terminate.

2. Covenants.

- a. Grantee will pay all costs that it incurs in surveying, engineering, constructing, installing, repairing, replacing, testing, and maintaining the Sanitary Sewer Facilities. All work done by or on behalf of Grantee with respect to the Sanitary Sewer Facilities will be done in a good and workmanlike manner and in compliance with all applicable laws, ordinances, and governmental requirements. If any lien is filed against any portion of the Sanitary Sewer Easement Area as a result of the work done by or on behalf of Grantee with respect to the Sanitary Sewer Facilities, Grantee will promptly cause such lien to be released, removed, or bonded over, to the reasonable satisfaction of Grantor.
- b. Upon the completion of the construction of the Sanitary Sewer Facilities, Grantee will substantially restore the surface of the Temporary Construction Easement Area and the Sanitary Sewer Easement Area to its condition prior to entry by Grantee, its contractors, or subcontractors.
- c. Grantor will have the right to use the surface of the Sanitary Sewer Easement Area located over any part of the Sanitary Sewer Facilities to the extent such use does not unreasonably interfere with the Sanitary Sewer Facilities.

3. Warranties of Title. Grantor warrants that it has good and indefeasible fee simple title to the Sanitary Sewer Easement Area, and Grantor warrants and will defend the title to the easements granted to Grantee

hereunder.

4. Running With Land. The easements created herein and the covenants, rights, privileges, benefits, duties, obligations and liabilities created hereunder will run with the land and will be binding upon Grantor and Grantee, their heirs, legal representatives, successors and assigns. This Agreement and the easements, covenants, rights, privileges, benefits, duties, obligations and liabilities created hereunder are subject to all matters currently of record in Anderson County, Texas.
5. Amendment. This Agreement and the rights, privileges and benefits arising hereunder or pursuant hereto may be released, terminated, modified, amended or waived only with the written consent of the owner of the Grantee Tract and the owner of the Sanitary Sewer Easement Area.
6. Choice of Law. This Agreement will be construed in accordance with the laws of the State of Texas.

[The remainder of this page is intentionally left blank. The parties' signatures follow.]

EXECUTED as of the Effective Date.

CITY OF PALESTINE

By: _____

Name: _____

Title: _____

STATE OF TEXAS §

 §

COUNTY OF ANDERSON §

 This instrument was acknowledged before me on the _____ day of _____, 2025, by _____,
the _____ of the City of Palestine.

My Commission Expires:

Notary Public in and for the
State of Texas

ATWOOD DISTRIBUTING, L.P.,
an Oklahoma limited partnership

By: Atwood Distributing GP, LLC,
an Oklahoma limited liability company,
its general partner

By: Brian D. Atwood
Brian D. Atwood, President

STATE OF Oklahoma §
COUNTY OF Garfield §

This instrument was acknowledged before me on the 13 day of June, 2025, by Brian D. Atwood, the President of Atwood Distributing GP, LLC, an Oklahoma limited liability company, the general partner of **ATWOOD DISTRIBUTING, LP** an Oklahoma limited partnership, on behalf of said limited partnership.

My Commission Expires:
1-17-2028

Adam Sandwick
Notary Public in and for the
State of Oklahoma



**EXHIBIT A
GRANTEE TRACT**

TRACT 1:

FIELD NOTES of 21.48 acres of land, part of the S.G. Wells Lg., A-65, in Anderson County, Texas, being the Southeastern part of SECOND TRACT, 20 acres, all of FIRST TRACT, 3 acres conveyed by E.A. Williamson, et ux, to Clarence Everett by deed dated July 29, 1927, recorded in Vol. 174, Page 428, and all of the 0.23 acre tract of land conveyed by Alma Emerson Colley to Clarence Everett by deed dated May 24, 1962, recorded in Vol. 645, Page 568 of the Deed Records of Anderson County, Texas, and described by metes and bounds as follows:

BEGINNING at a point in the South line of the 20 acre tract of land, S. 86° E. 15 feet from the Southwest corner of the 20 acre tract of land and in the center of Highway No. 43.

THENCE with the center of Highway No. 43, with its meanders as follows: N. 9° E. 144 feet, N. 11° 30' E. 100 feet, N. 16° 30' E. 100 feet, N. 22° 30' E. 114.1 feet, N. 28° 30' E. 100 feet, N. 35° E. 100 feet and N. 39° 30' E. 510 feet to a point in the center of Highway No. 43, in the North line of the 20 acre tract of land and in the South line of the P. S. Colley 96.73 acre tract of land.

THENCE East with the North line of the 20 acre tract of land and the South line of the 96.73 acre tract of land, 111 foot to a 4" x 4" concrete marker, the West corner of the 0.23 acre tract of land.

THENCE N. 39° 30' E. with the Southeast margin of Highway No. 143 and the Northwest line of the 0.23 acre tract of land 136.4 feet to an iron rod set for the North corner of the 0.23 acre tract of land and in the Southwest margin of Loop No. 256.

THENCE S. 51° 30' E. with the Southwest margin of Loop No. 256, 287.1 feet to the wire fence corner point, in the East line of the 20 acre tract of land, and a Northwest corner in the East line of the 20 acre tract of land, and a Northwest corner of a 53.561 acre tract of land, part of the tract of land conveyed to Tom H. Carothers by deed dated Feb. 13, 1963, recorded in Vol. 657, page 567, of the Deed Records of Anderson County, Texas.

THENCE S. 1° 30' W. with the old wire fence, the East line of the 20 and 3 acre tracts of land and the West line of the 53.561 acre tract of land, 1480.5 feet to an iron spike set in the oiled public road, in the West line of the 53.561 acre tract of land, the Southeast corner of FIRST TRACT, 3 acres and the Northeast corner of the 0.83 acre tract of land conveyed to Rufus Alonso by deed dated June 3, 1970, recorded in Vol. 773, Page 583, of the Deed Records of Anderson County, Texas.

THENCE S. 64° W. with the center of the oiled public road, the South line of the 3 acre tract of land and the North line of the 0.83 acre tract of land 237 feet to an iron spike set in the center of the oiled public road for the Southwest corner of the 3 acre tract of land and the Northwest corner of the 0.83 acre tract of land.

THENCE N. 1° 30', With the old wire fence, the West line of the 3 acre tract of land, the East line of the Jeff Kale 4 acre tract of land and the East line of the W. J. Franklin 5 acre tract of land, 605.7 feet to the old wire fence corner post, the Northwest corner of the 3 acre tract of land, the Northeast corner of the 5 acre tract of land and in the South line of the 20 acre tract of land.

THENCE N. 86° W, with the old wire fence, the South line of the 20 acre tract of land and the North line of the 5 acre tract of land 693.3 feet to the place of beginning, containing 21.48 acres of land, There is 0.9 acre of land in the Southeast one half of the right of way of Highway No. 43, and 0.1 acre of land in the North one half of the oiled public road.

SAVE AND EXCEPT THE FOLLOWING FROM TRACT 1:

ALL that certain tract or parcel of land, a part of the S. G. WELLS SURVEY, A-65, Anderson County, Texas, also being all of that certain called 3 acre tract conveyed to Clarence Everett by E. A. Williamson, et ux, July 29, 1927, and recorded in Volume 174, Page 428 of the Deed Records of Anderson County, Texas, and being more completely described as follows, to-wit;

BEGINNING at the SW corner of the above mentioned 3 acre tract, in the center line of the Old Neches Road, from which a 1/2" Galvanized Pipe found Brs. N 2° 36' 16" W-21.80 feet.

THENCE N 2° 36' 16" W with the West line of said 3 acre tract and the East line of a called 13 acre tract a distance of 285.08

feet to a 1" Iron Pipe found for corner at the SE corner of a called 5 acre tract recorded in Volume 21, Page 366 of the Mechanics Lien Records of Anderson County, Texas.

THENCE N 2° 34' 18" W with the East line of said 5 acre tract and the West line of said 3 acre tract a distance of 315.33 feet to a 3" Iron Pipe found for corner at the NW corner of said 3 acre tract, the NE corner of said 5 acre tract.

THENCE S 87° 00' E with the North line of said 3 acre tract a distance 247.19 feet to a 1/2" Iron Rod for corner at the NE corner of said 3 acre tract.

THENCE S 1° 20' 01" W with the East line of said 3 acre tract a distance of 482.89 feet to the SE corner of said 3 acre tract, in the center line of the Old Neches Road, from which a 1/4" Iron Rod Brs. N 1° 20' 01" E- 21.94 feet.

THENCE S 63° 28' 13" W with the South line of said 3 acre tract and in the center line of said old Neches Road a distance of 233.05 feet to the PLACE OF BEGINNING, containing 2.838 acre of land, and being the same land surveyed on the ground during the month of August, 1976 by F. D. McBride, Registered Public Surveyor, No. 1548:

Leaving a balance of 18.642 acres, more or less.

TRACT 2:

IT IS THE INTENT OF THESE FIELD NOTES TO DESCRIBE all that certain lot, tract or parcel of land being 3.000 acres in the S.G. Wells Survey A-65, in Anderson County, Texas and being a part of a called 53.561 acre tract deeded from Tom H. Carothers, et ux to Marshall Willey, et al dated March 7, 1973 and recorded in Volume 805, Page 587 of the Anderson County Deed Records in Anderson County, Texas and said 3.000 acre tract being more particularly described by metes and bounds as follows, to wit;

BEGINNING at an iron pin for corner at a fence corner in the Southwest Right-of-Way line of Highway Loop No. 256 and same being the Northwest corner of the said Marshall Willey called 53.561 acre tract, as fenced;

THENCE South 51° 16' 23" East with a fence and with the Southwest Right- of-Way line of Highway Loop No. 256 and with the Northeast line of the said Marshall Willey called 53.561 acre tract, as fenced, a distance of 400.00 feet to a point for corner in the said line;

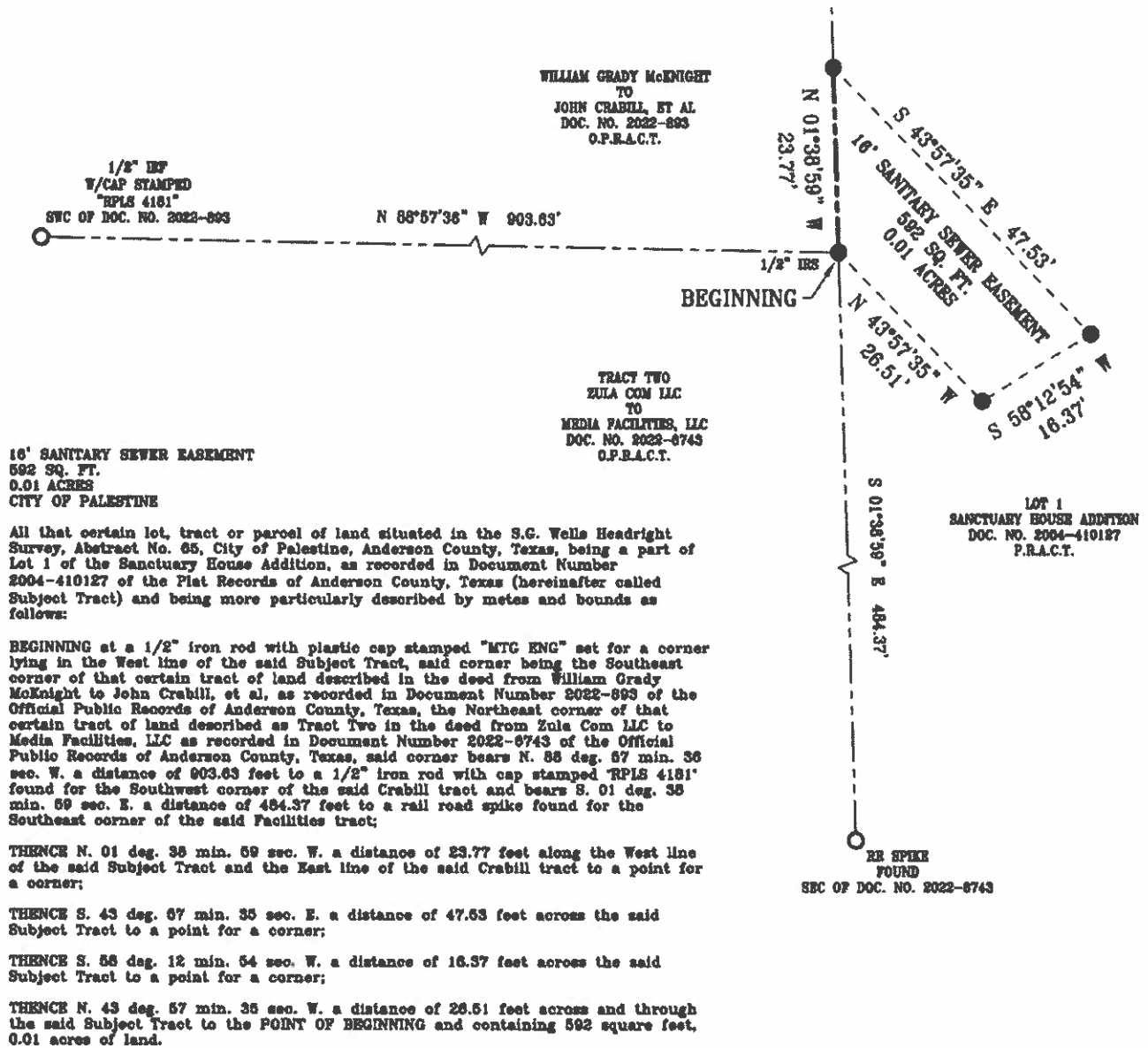
THENCE South 20° 39' 39" West a distance of 374.71 feet to a point for corner;

THENCE North 88° 04' 04" West a distance of 200.00 feet to a point for corner in a fence and in the northernmost West line of the said Marshall Willey called 53.561 acre tract, as fenced;

THENCE, North 1° 55' 56" East with a fence and with the northernmost West line of the said Marshall Willey called 53.561 acre tract, as fenced, a distance of 594.45 feet to the PLACE OF BEGINNING.

Contains 3.000 acres of land|

EXHIBIT B **SANITARY SEWER EASEMENT AREA**





Agenda Date: July 14, 2025
To: City Council
From: Kimberly Beckman, Public Works Admin
Agenda Item: Authorization to Seek Sealed Bids for Wastewater Treatment Plant Chemicals
Date Submitted: 07/02/2025

SUMMARY:

Consider authorizing the City Manager to seek sealed bids for Wastewater Treatment Plant Chemicals.

RECOMMENDED ACTION:

Staff recommends authorization for the City Manager to seek sealed bids for Wastewater Treatment Plant Chemicals.

CITY MANAGER APPROVAL:

Attachments

Waste Water

Sodium Bisulfite	78,000 LBS per year	40% Sodium Bisulfite Must have Remote monitoring for auto deliveries. Must be able to pump product into a day tank.
Cationic water-soluble polymer in emulsion	(17) Totes per year. 2300 LBS ea, 265 gallons per tote.	7602; 20 – 30%; < 5.0%; must be delivered in totes; has to perform as well as product we currently use; product must be pre-qualified.
Chlorine	20-25 1 Ton Cl ₂ Cylinders per year	100% Chlorine gas in 1-ton cylinders.



Agenda Date: July 14, 2025
To: City Council
From: Kimberly Beckman, Public Works Admin
Agenda Item: Authorization to Seek Sealed Bids for Water Treatment Plant Chemicals
Date Submitted: 07/02/2025

SUMMARY:

Consider authorizing the City Manager to seek sealed bids for Water Treatment Plant Chemicals.

RECOMMENDED ACTION:

Staff recommends that Council authorize the City Manager to seek sealed bids for Water Treatment Plant Chemicals.

CITY MANAGER APPROVAL:

Attachments

Water Treatment Plant

APPENDIX A

Water Treatment Plant Chemicals

Chemicals	Quantity	Specifications
Aluminum Sulfate (alum)	50 Loads for two 7,000 gallon tanks	Total by WT: 8.2 – 8.4% Free by WT: .01 - .2% Total Soluble by WT: .3% max Insolubles by WT: .02% max Specific Gravity: 1.331 – 1.335 (Preferred 1.333)
Anhydrous Ammonia	8 orders of approximately 2,600 pounds per order	99.5% Ammonia and 0.2% water
Carbon	2 bulk orders of powder activated carbon (PAC) at 40,000 pounds per order	Activated carbon: 85-100% Non-relevant chemicals per 29 CFR 1910.1200: 0-15%
Copper Sulfate	20 Loads at 350 gallons per load	Copper Sulfate Pentahydrate 18.25% – 21.75%
Lime	10 Loads of 20 pallets (40 bags per pallet)	pH at 25 degrees C: 12.45 Relative Density: 2.2 – 2.4
Polyphosphate	3 orders of Polyphosphate for 2 1,000 gallon tanks	Diphosphoric Acid 1-5%
Chlorine Cylinders	29 1 ton CL2 Cylinders per year	100% Chlorine gas in 1 ton cylinders



Agenda Date: July 14, 2025
To: City Council
From: Kimberly Beckman, Public Works Admin
Agenda Item: Approval of Emergency Purchase for New Drives for Raw Water Pump Station
Date Submitted: 07/03/2025

SUMMARY:

Consider approval of an emergency purchase of three 300-horsepower drives from Timberlake & Dickson, Inc. in the amount of \$59,900.00 for raw water following a lightning strike. These drives enable the motors to operate using the generator and also provide a slow start for our motors at the Raw Water Pump Station.

RECOMMENDED ACTION:

Staff recommends approval of an emergency purchase of three 300-horsepower drives from Timberlake & Dickson, Inc. in the amount of \$59,900.00 for the Raw Water Pump Station.

CITY MANAGER APPROVAL:

Attachments

Raw Water Drives



Office: 3520 W. Miller Rd., Suite 110, Garland, TX 75041, United States

QUOTE

DATE ISSUED: 6/25/2025

EXPIRATION DATE: Quote expires 10 days from date issued

NOTES /
REFS:

[illegible]

TOTAL:	\$ 59,900.00
---------------	---------------------

Lic. #'s: TACLA00020167E, TACLA00108802R



Agenda Date: July 14, 2025
To: City Council
From: Kimberly Beckman, Public Works Admin
Agenda Item: Authorization to Seek Sealed Bids for Waterline Replacement on Woodland Drive
Date Submitted: 07/07/2025

SUMMARY:

Consider authorizing the City Manager to seek sealed bids for waterline replacement on Woodland Drive, from Rambling Road to Lakeshore Drive.

RECOMMENDED ACTION:

Staff recommends that Council authorize the City Manager to seek sealed bids for waterline replacement on Woodland Drive, from Rambling Road to Lakeshore Drive.

CITY MANAGER APPROVAL:

Attachments

Map



95.616 31.751 Degrees

200ft





Agenda Date: July 14, 2025
To: City Council
From: Kimberly Beckman, Public Works Admin
Agenda Item: Authorization to Seek Sealed Bids for Waterline Replacement on Sunset Road
Date Submitted: 07/07/2025

SUMMARY:

Consider authorizing the City Manager to seek sealed bids for waterline replacement on Sunset Road, from Sandy Lane to Crockett Road.

RECOMMENDED ACTION:

Staff recommends that Council authorize the City Manager to seek sealed bids for waterline replacement on Sunset Road, from Sandy Lane to Crockett Road.

CITY MANAGER APPROVAL:

Attachments

Map



Palestine Utility App

for public viewing

Find address or place





Agenda Date: July 14, 2025
To: City Council
From: Kimberly Beckman, Public Works Admin
Agenda Item: Authorization to Seek Sealed Bids for Waterline Replacement on Sandy Lane
Date Submitted: 07/08/2025

SUMMARY:

Consider authorizing the City Manager to seek sealed bids for waterline replacement on Sandy Lane, from Sunset Road to Crockett Road.

RECOMMENDED ACTION:

Staff recommends that Council authorize the City Manager to seek sealed bids for waterline replacement on Sandy Lane, from Sunset Road to Crockett Road.

CITY MANAGER APPROVAL:

Attachments

Map



Palestine

Find address or place



287



Utility App

public

viewing

Sierra Dr

Crockett Rd

Sandy Ln

Sandy Ln

Sunset Rd

Sunset Rd

Sunset Rd

-95.619 31.746 Degrees

100ft



Agenda Date: July 14, 2025
To: City Council
From: Cassie Ham, Tourism Marketing Manager
Agenda Item: FY 2024/25 Hotel Occupancy Tax Grants for Palestine I.S.D. and Palestine YMCA
Date Submitted: 07/09/2025

SUMMARY:

On July 1, 2025, the Tourism Advisory Board reviewed two applications for HOT Funding for the current Fiscal Year and voted unanimously to approve both grant applications.

Palestine I.S.D. was awarded a 100% rebate of HOT Funds generated by their event on September 4-5, 2025, plus up to a \$6000 reimbursement for marketing their event.

Palestine YMCA was awarded a 100% rebate of HOT Funds generated by their event scheduled for July 12, 2025, plus up to \$1000 reimbursement for marketing their event.

RECOMMENDED ACTION:

Consider approval of the Tourism Advisory Board Recommendation to allocate Hotel Occupancy Tax Funds for Fiscal Year 2025-26.

CITY MANAGER APPROVAL:

Attachments

Palestine YMCA HOT Contract - Mia Perez Memorial 2025
Palestine ISD HOT Contract - TVCC-Monroe Game Sept 2025
Palestine YMCA Application
PISD Application

STATE OF TEXAS §

COUNTY OF ANDERSON §

HOTEL OCCUPANCY TAX FUNDING AGREEMENT FOR CITY OF PALESTINE

This Hotel Occupancy Tax Funding Agreement (AGREEMENT) is made and entered into by and between the City of Palestine, Texas (CITY) and Palestine YMCA (ORGANIZATION) for Mia Perez Memorial Soccer 4v4 Tournament (EVENT).

WHEREAS, CITY seeks to promote Palestine to residents and visitors; and

WHEREAS, CITY is promoting the events and festivals to assist in bringing visitors to Palestine and to promote visitors to the city for extended periods of time; and

WHEREAS, CITY, by authority of powers granted to it under state law, has heretofore enacted a local hotel occupancy tax on occupants of hotels situated within the City and its extraterritorial jurisdiction.

WHEREAS, the goal of this AGREEMENT is to attract visitors to the City, thus directly enhancing and promoting tourism as outlined in Chapter 351 of the Texas Tax Code and the City's Hotel Occupancy Tax Use Policy; and

WHEREAS, the City Council of the City of Palestine desires to provide Hotel Occupancy Tax revenues to Palestine YMCA (ORGANIZATION) in accordance with Hotel Occupancy Tax Funding.

NOW, THEREFORE, it is mutually agreed by the CITY and ORGANIZATION as follows:

GENERAL PROVISIONS

Section 1. Purpose. The purpose of this Agreement is for the CITY to provide the services listed in Hotel Occupancy Tax Funding Application (Exhibit A) to the City of Palestine.

Section 2. Obligation of the ORGANIZATION. The ORGANIZATION shall use all awarded funds provided by the CITY in accordance with Chapter 351 of the Texas Tax Code, the CITY's Hotel Occupancy Tax Use Policy, and the ORGANIZATION's funding application as required under this AGREEMENT. ORGANIZATION shall observe and comply with all other applicable federal, state, and local laws and/or regulations. If the ORGANIZATION fails to comply with any provision of Chapter 351 of the Texas Tax Code, or any other applicable federal, state, or local law or regulation, the ORGANIZATION shall remit the funds granted herein back to the City within ten (10) days of the noncompliance with said laws or regulations. For the purposes of this Agreement, the determination regarding whether noncompliance with any provision of Chapter 351 of the Texas Tax Code, or any other applicable federal, state, or local law or regulation has occurred shall be within the sole discretion of the City.

ORGANIZATION shall provide an accurate and complete description of the EVENT for which funds allocated under this AGREEMENT are expended. At CITY's request, the ORGANIZATION shall provide any flyers, promotions, or print/website materials promoting the EVENT to the CITY for review and approval.

Section 3. Reporting Requirements of the ORGANIZATION. The ORGANIZATION shall create a booking code with area hotels so that visitors to the CITY for EVENT may be quantified. ORGANIZATION shall provide reports from partner hotels and a fully completed Post Event Report. ORGANIZATION shall maintain complete and accurate financial records of each expenditure of hotel occupancy tax revenue made by the person and, on request of the CITY, shall make the records available for inspection and review. Partial or incomplete reports will not be accepted.

Section 4. Authorization of Payment. Subject to the ORGANIZATION's satisfactory performance and compliance with the terms of this AGREEMENT, the CITY agrees to reimburse expenses up to \$1000 related to marketing the EVENT and rebate 100% of the Hotel Occupancy Tax generated by the ORGANIZATION's Event or provide payment in the amount requested for the ORGANIZATION's event, the selection of which shall be the sole discretion of the CITY. Payment will typically be made within forty-five (45) days of approval of the ORGANIZATION's completed reports, but in some cases may be delayed due to administrative circumstances. The applicant agrees to repay or forfeit HOT funds if the applicant does not comply with this AGREEMENT or with other applicable state or local laws.

If the event, program, or activity funded by the hotel occupancy tax funds granted herein is not held or does not occur as represented in the application made for the funds, then the ORGANIZATION shall remit the full amount of the funds granted herein back to the CITY within ten (10) days after the date the event, program, or activity is canceled or was to have been held as represented in the application made for the funds, whichever occurs first. Exceptions to the terms of this section may be made if the event is canceled or otherwise altered due to weather, strikes, floods, fire, natural disasters, acts of God, or other circumstances beyond the control of the ORGANIZATION. The determination regarding whether there has been compliance with this section, including the determination whether circumstances beyond the control of the ORGANIZATION caused the event to be canceled or otherwise altered from the representations made in the application for the funds, shall be within the sole discretion of the CITY.

Section 5. Appeal Process. The ORGANIZATION may appeal the decision of the CITY to deny funding in writing within ten (10) business days of funding denial. The appeal will be presented to the City Council, who may sustain or reverse, in whole or in part, its denial of HOT funds to the APPLICANT, provided that any funding approved must be within the scope of Chapter 351 of the Texas Tax Code.

Section 6. Rights. The ORGANIZATION grants the CITY the right at any time to inspect or audit the books or records of the ORGANIZATION, or any report or document submitted by the organization to the City that may relate to performance of this AGREEMENT.

By signing this Hotel Occupancy Tax Funding contract, the Applicant agrees to comply with all local, state and federal laws applicable or otherwise implicated by Applicant's receipt of a Hotel Occupancy Tax Funding Grant, which includes but is not limited to Applicant's compliance with Title VII, Civil Rights Act of 1964, as amended, the Texas Labor Code, the Drug Free Workplace Act of 1988, and the Americans with Disabilities Act, as well as Applicant's refraining from discrimination of persons based on race, color, religion, sex (including pregnancy, childbirth, and related medical conditions; sexual orientation), national origin, disability, age, citizenship status, genetic information, political affiliation or participation in civil rights activities. Furthermore, while the City of Palestine fully supports the exercise of freedom of speech, the City of Palestine will not financially support or fund projects that incorporate or promote ideas of hate or which are intended to vilify, humiliate, or incite hatred against a group or a class of persons on the basis of race, religion, skin color, sexual identity, gender identity, ethnicity, disability or national origin.

Section 7. Term. The AGREEMENT is for a one-time award. This Agreement shall become effective as of October 1, 2024 and shall terminate once the terms of this AGREEMENT have been met, or on September 30, 2025, whichever occurs first. The terms will not be extended beyond the fiscal year ending September 30, 2025.

The AGREEMENT shall expire on September 30, 2025, unless sooner terminated under the terms of Section 9.

Section 8. Indemnification. The ORGANIZATION agrees to defend and indemnify the CITY, its officers, agents, and employees, against all claims for personal injury (including death), property damage or other harm for which recovery of damages is sought that may arise out of the ORGANIZATION's breach of this Agreement, or by any negligent act or omission of the ORGANIZATION, its officers, agents, employees, contractors, or subcontractors in the performance of this Agreement. The provisions of this paragraph are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any other person or entity. Both parties expressly agree that this Agreement does not assign any responsibility for civil liability to the City of Palestine that may arise by virtue of this Agreement.

Section 9. Termination. A party may terminate this Agreement if the other party fails to comply with a term of the AGREEMENT upon ten (10) days' notice. A party may terminate the AGREEMENT for convenience by providing written notice at least thirty (30) days prior to the effective date of the termination.

Section 10. Notice. All notices under this AGREEMENT shall be in writing and shall be delivered in person or mailed as follows:

to the CITY at:
Palestine Visitor Center Attention: Cassie Ham
825 W. Spring Street
Palestine, TX 75801
(903) 723-3014

to the ORGANIZATION at:
PALESTINE YMCA Attention: CINDY PERSOL
5500 N LOOP 256
PALESTINE, TEXAS 75801
903-729-3139

MISCELLANEOUS

Section 11. Entire Agreement. This AGREEMENT constitutes the entire Agreement of the parties regarding the subject matter contained herein. The parties may not modify or amend this AGREEMENT, except by written Agreement approved by the governing bodies of each party and duly executed by both parties.

Section 12. Approval. This AGREEMENT has been duly and properly approved by each party's governing body and constitutes a binding obligation on each party.

Section 13. Assignment. A party may not assign this AGREEMENT or subcontract the performance of services without first obtaining the written consent of the other party.

Section 14. Non-Waiver. A party's failure or delay to exercise right or remedy does not constitute a waiver of the right or remedy. An exercise of a right or remedy under this AGREEMENT does not preclude the exercise of another right or remedy. Rights and remedies under this Agreement are cumulative and are not exclusive of other rights or remedies provided by law.

Section 15. Attorney Fees. In any lawsuit concerning this AGREEMENT, the prevailing party shall be entitled to recover reasonable attorney's fees from the non-prevailing party, plus all out-of-pocket expense such as deposition costs, telephone calls, travel expenses, expert witness fees, court costs, and other reasonable expenses.

Section 16. Severability. The parties agree that in the event any provision of this AGREEMENT is declared invalid by a court of competent jurisdiction that part of the AGREEMENT is severable and the decree shall not affect the remainder of the AGREEMENT. The remainder of the AGREEMENT shall be in full force and effect.

Section 17. Venue. The parties agree that all disputes that arise out of this AGREEMENT are governed by the laws of the State of Texas and venue for any court action arising out of this AGREEMENT shall be in Anderson County, Texas.

Section 18. Certificate of Insurance. The ORGANIZATION agrees to provide a certificate of insurance for liability and worker's compensation insurance before any event awarded funding under this AGREEMENT. The cost of the insurance herein mentioned to be secured and maintained by the ORGANIZATION shall be borne solely by the ORGANIZATION.

IN WITNESS HEREOF, the CITY and ORGANIZATION make and execute this AGREEMENT to be effective this 14TH day of JULY 2025.

CITY OF PALESTINE, TEXAS

Mitchell Jordan, Mayor

ATTEST:

April Jackson, City Secretary

ORGANIZATION

DRAFT

STATE OF TEXAS §

COUNTY OF ANDERSON §

HOTEL OCCUPANCY TAX FUNDING AGREEMENT FOR CITY OF PALESTINE

This Hotel Occupancy Tax Funding Agreement (AGREEMENT) is made and entered into by and between the City of Palestine, Texas (CITY) and PALESTINE INDEPENDENT SCHOOL DISTRICT (ORGANIZATION) for SEPTEMBER 5 TVCC FOOTBALL GAME (EVENT).

WHEREAS, CITY seeks to promote Palestine to residents and visitors; and

WHEREAS, CITY is promoting the events and festivals to assist in bringing visitors to Palestine and to promote visitors to the city for extended periods of time; and

WHEREAS, CITY, by authority of powers granted to it under state law, has heretofore enacted a local hotel occupancy tax on occupants of hotels situated within the City and its extraterritorial jurisdiction.

WHEREAS, the goal of this AGREEMENT is to attract visitors to the City, thus directly enhancing and promoting tourism as outlined in Chapter 351 of the Texas Tax Code and the City's Hotel Occupancy Tax Use Policy; and

WHEREAS, the City Council of the City of Palestine desires to provide Hotel Occupancy Tax revenues to PALESTINE INDEPENDENT SCHOOL DISTRICT (ORGANIZATION) in accordance with Hotel Occupancy Tax Funding.

NOW, THEREFORE, it is mutually agreed by the CITY and ORGANIZATION as follows:

GENERAL PROVISIONS

Section 1. Purpose. The purpose of this Agreement is for the CITY to provide the services listed in Hotel Occupancy Tax Funding Application (Exhibit A) to the City of Palestine.

Section 2. Obligation of the ORGANIZATION. The ORGANIZATION shall use all awarded funds provided by the CITY in accordance with Chapter 351 of the Texas Tax Code, the CITY's Hotel Occupancy Tax Use Policy, and the ORGANIZATION's funding application as required under this AGREEMENT. ORGANIZATION shall observe and comply with all other applicable federal, state, and local laws and/or regulations. If the ORGANIZATION fails to comply with any provision of Chapter 351 of the Texas Tax Code, or any other applicable federal, state, or local law or regulation, the ORGANIZATION shall remit the funds granted herein back to the City within ten (10) days of the noncompliance with said laws or regulations. For the purposes of this Agreement, the determination regarding whether noncompliance with any provision of Chapter 351 of the Texas Tax Code, or any other applicable federal, state, or local law or regulation has occurred shall be within the sole discretion of the City.

ORGANIZATION shall provide an accurate and complete description of the EVENT for which funds allocated under this AGREEMENT are expended. At CITY's request, the ORGANIZATION shall provide any flyers, promotions, or print/website materials promoting the EVENT to the CITY for review and approval.

Section 3. Reporting Requirements of the ORGANIZATION. The ORGANIZATION shall create a booking code with area hotels so that visitors to the CITY for EVENT may be quantified. ORGANIZATION shall provide reports from partner hotels and a fully completed Post Event Report. ORGANIZATION shall maintain complete and accurate financial records of each expenditure of hotel occupancy tax revenue made by the person and, on request of the CITY, shall make the records available for inspection and review. Partial or incomplete reports will not be accepted.

Section 4. Authorization of Payment. Subject to the ORGANIZATION's satisfactory performance and compliance with the terms of this AGREEMENT, the CITY agrees to reimburse expenses up to \$6000 related to marketing the EVENT and rebate 100% of the Hotel Occupancy Tax generated by the ORGANIZATION's EVENT or provide payment in the amount requested for the ORGANIZATION's event, the selection of which shall be the sole discretion of the CITY. Payment will typically be made within forty-five (45) days of approval of the ORGANIZATION's completed reports, but in some cases may be delayed due to administrative circumstances. The applicant agrees to repay or forfeit HOT funds if the applicant does not comply with this AGREEMENT or with other applicable state or local laws.

If the event, program, or activity funded by the hotel occupancy tax funds granted herein is not held or does not occur as represented in the application made for the funds, then the ORGANIZATION shall remit the full amount of the funds granted herein back to the CITY within ten (10) days after the date the event, program, or activity is canceled or was to have been held as represented in the application made for the funds, whichever occurs first. Exceptions to the terms of this section may be made if the event is canceled or otherwise altered due to weather, strikes, floods, fire, natural disasters, acts of God, or other circumstances beyond the control of the ORGANIZATION. The determination regarding whether there has been compliance with this section, including the determination whether circumstances beyond the control of the ORGANIZATION caused the event to be canceled or otherwise altered from the representations made in the application for the funds, shall be within the sole discretion of the CITY.

Section 5. Appeal Process. The ORGANIZATION may appeal the decision of the CITY to deny funding in writing within ten (10) business days of funding denial. The appeal will be presented to the City Council, who may sustain or reverse, in whole or in part, its denial of HOT funds to the APPLICANT, provided that any funding approved must be within the scope of Chapter 351 of the Texas Tax Code.

Section 6. Rights. The ORGANIZATION grants the CITY the right at any time to inspect or audit the books or records of the ORGANIZATION, or any report or document submitted by the organization to the City that may relate to performance of this AGREEMENT.

By signing this Hotel Occupancy Tax Funding contract, the Applicant agrees to comply with all local, state and federal laws applicable or otherwise implicated by Applicant's receipt of a Hotel Occupancy Tax Funding Grant, which includes but is not limited to Applicant's compliance with Title VII, Civil Rights Act of 1964, as amended, the Texas Labor Code, the Drug Free Workplace Act of 1988, and the Americans with Disabilities Act, as well as Applicant's refraining from discrimination of persons based on race, color, religion, sex (including pregnancy, childbirth, and related medical conditions; sexual orientation), national origin, disability, age, citizenship status, genetic information, political affiliation or participation in civil rights activities. Furthermore, while the City of Palestine fully supports the exercise of freedom of speech, the City of Palestine will not financially support or fund projects that incorporate or promote ideas of hate or which are intended to vilify, humiliate, or incite hatred against a group or a class of persons on the basis of race, religion, skin color, sexual identity, gender identity, ethnicity, disability or national origin.

Section 7. Term. The AGREEMENT is for a one-time award. This Agreement shall become effective as of October 1, 2024 and shall terminate once the terms of this AGREEMENT have been met, or on September 30, 2025, whichever occurs first. The terms will not be extended beyond the fiscal year ending September 30, 2025.

The AGREEMENT shall expire on September 30, 2025, unless sooner terminated under the terms of Section 9.

Section 8. Indemnification. The ORGANIZATION agrees to defend and indemnify the CITY, its officers, agents, and employees, against all claims for personal injury (including death), property damage or other harm for which recovery of damages is sought that may arise out of the ORGANIZATION's breach of this Agreement, or by any negligent act or omission of the ORGANIZATION, its officers, agents, employees, contractors, or subcontractors in the performance of this Agreement. The provisions of this paragraph are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any other person or entity. Both parties expressly agree that this Agreement does not assign any responsibility for civil liability to the City of Palestine that may arise by virtue of this Agreement.

Section 9. Termination. A party may terminate this Agreement if the other party fails to comply with a term of the AGREEMENT upon ten (10) days' notice. A party may terminate the AGREEMENT for convenience by providing written notice at least thirty (30) days prior to the effective date of the termination.

Section 10. Notice. All notices under this AGREEMENT shall be in writing and shall be delivered in person or mailed as follows:

to the CITY at:
Palestine Visitor Center Attention: Cassie Ham
825 W. Spring Street
Palestine, TX 75801
(903) 723-3014

to the ORGANIZATION at:
PALESTINE INDEPENDENT SCHOOL DISTRICT Attention: LARISSA LOVELESS
1007 E. PARK AVE.
PALESTINE, TEXAS 75801
903-731-8000 EXT 1271

MISCELLANEOUS

Section 11. Entire Agreement. This AGREEMENT constitutes the entire Agreement of the parties regarding the subject matter contained herein. The parties may not modify or amend this AGREEMENT, except by written Agreement approved by the governing bodies of each party and duly executed by both parties.

Section 12. Approval. This AGREEMENT has been duly and properly approved by each party's governing body and constitutes a binding obligation on each party.

Section 13. Assignment. A party may not assign this AGREEMENT or subcontract the performance of services without first obtaining the written consent of the other party.

Section 14. Non-Waiver. A party's failure or delay to exercise right or remedy does not constitute a waiver of the right or remedy. An exercise of a right or remedy under this AGREEMENT does not preclude the exercise of another right or remedy. Rights and remedies under this Agreement are cumulative and are not exclusive of other rights or remedies provided by law.

Section 15. Attorney Fees. In any lawsuit concerning this AGREEMENT, the prevailing party shall be entitled to recover reasonable attorney's fees from the non-prevailing party, plus all out-of-pocket expense such as deposition costs, telephone calls, travel expenses, expert witness fees, court costs, and other reasonable expenses.

Section 16. Severability. The parties agree that in the event any provision of this AGREEMENT is declared invalid by a court of competent jurisdiction that part of the AGREEMENT is severable and the decree shall not affect the remainder of the AGREEMENT. The remainder of the AGREEMENT shall be in full force and effect.

Section 17. Venue. The parties agree that all disputes that arise out of this AGREEMENT are governed by the laws of the State of Texas and venue for any court action arising out of this AGREEMENT shall be in Anderson County, Texas.

Section 18. Certificate of Insurance. The ORGANIZATION agrees to provide a certificate of insurance for liability and worker's compensation insurance before any event awarded funding under this AGREEMENT. The cost of the insurance herein mentioned to be secured and maintained by the ORGANIZATION shall be borne solely by the ORGANIZATION.

IN WITNESS HEREOF, the CITY and ORGANIZATION make and execute this AGREEMENT to be effective this 14TH day of JULY 2025.

CITY OF PALESTINE, TEXAS

Mitchell Jordan, Mayor

ATTEST:

April Jackson, City Secretary

ORGANIZATION

DRAFT



Hotel Occupancy Tax Funding Application 2025

Introduction

The City of Palestine Convention and Visitors Bureau (City of Palestine CVB) is responsible for promoting tourism and the hotel industry in compliance with the State of Texas Hotel Occupancy Tax Code; Chapter 351, Subchapter B – Use and Allocation of Revenue. To comply with this statute, the City of Palestine CVB has the authority to use several methods, including the funding of certain activities of local businesses and organizations. The following information will explain the areas available for funding and the process for requesting those funds.

General Criteria for Use of Hotel Occupancy Tax Funds

By law of the State of Texas, the City of Palestine collects a Hotel Occupancy Tax (HOT) from hotels. Under state law, the revenue from the HOT may be used only to directly promote tourism and the hotel and convention industry. Chapter 351 of the Tax Code states that the use of HOT funds is limited to:

- a) Registration of Convention Delegates.
- b) Advertising, Solicitations and Promotions that Directly Promote Tourism and the Hotel and Convention Industry.
- c) Promotions of the Arts that Directly Promote Tourism and the Hotel and Convention Industry.
- d) Historical Restoration and Preservation Activities that Directly Promote Tourism and the Hotel and Convention Industry.
- e) Sporting Event Expenses that Substantially Increase Economic Activity at Hotels.
- f) Funding transportation systems for transporting tourists from hotels to and near the city to any of the following destinations.
- g) Signage directing tourists to sights and attractions that are visited frequently by hotel guests in the municipality.

City Policy:

The City of Palestine accepts applications from groups and businesses whose event fits into one or more of the above categories.

Eligibility for Hotel Tax Funds:

A business or organization seeking funds for an event must be able to prove their event produced overnight hotel stays (“heads in beds”). Events can prove the potential to generate overnight visitors by:

- a) Historic information on the number of room nights used during previous years of the same events;
- b) Current information on the size of a room block that has been reserved at area hotels to accommodate anticipated overnight guests attending the funded event;
- c) Historical information on the number of guests at hotel or other lodging facilities that attended the funded event through surveys, guest directories, or other sources; and/or
- d) Examples of the planned marketing of the programs and activities that will likely generate overnight visitors to local lodging properties from this event.

The limit on the number of years for which the applicant has received funding for the same event is not to exceed three (3) years beginning in Fiscal Year 25-26. Prior grants made for the same event/applicant do not count toward this limit.

Requirements of the Applicant:

1. The applicant or another representative of the entity must attend a grant workshop hosted by the City of Palestine CVB. Among other things, this workshop will provide useful information on how to complete the application, report back after the event and appropriate/legal uses of Hotel Occupancy Tax funds. An annual list of grant application and process updates will be provided if applicable. This should be acknowledged by the applicant if he/she has already attended a grant workshop.
2. The event must be located in the City’s corporate limits, extraterritorial jurisdiction, or in sufficiently close proximity as to reasonably attract tourists to the City of Palestine.
3. The applicant must demonstrate that the disbursement will directly enhance and promote the tourism, convention, and hotel industry by attracting visitors from outside of Palestine into the City or its vicinity.
4. The applicant must work with the Palestine CVB to secure hotel room blocks or establish a booking code with area



Hotel Occupancy Tax Funding Application 2025

hotels to provide necessary reporting information after the completion of the event.

5. The applicant must be a legal entity with legal capacity and authority to enter into contracts.
6. The applicant must demonstrate that the programs or events are open and appropriate for the general public.
7. The applicant must demonstrate that it is in good financial standing with the City, and that financial safeguards are in place to protect public funds.
8. Applicant may not receive funding for the same event, under the same or a different name, for more than 3 years, consecutive or non-consecutive, beginning in Fiscal Year 25-26.

Application Process:

October 1, 2025-September 30, 2026

May 7, 2025	Applications available online
June 30, 2025, 5 pm	Deadline for completed Grant Funding applications to be submitted.
July 22, 2025 4 pm*	Formal Presentation by grant applicants to the Tourism Advisory Board <i>Applicants may have 1-2 minutes to present their grant proposal.</i>
August 11, 2025 4 pm*	Staff recommendation for approved grant applications based on Tourism Advisory Board decisions presented to City Council during work session for funding. <i>Applicant may be present to answer any questions about their proposal.</i>
August 11, 2025 5 pm*	City Council Decision during regular session
August 25, 2025	City of Palestine CVB sends formal agreement to successful applicants
September 15, 2025	Contract signatures executed by City of Palestine and vendor documents are completed

* Tentative dates may be subject to change.

In order to submit a completed grant funding application, you must provide:

1. A **typed** application (documents must be single sided and unbound)
2. List of current Board of Directors and staff (if applicable)
3. Proof of Insurance – level of insurance depends upon event

Reporting and Reimbursement:

Grant Funding will be provided based on the number of hotel stays (“heads in beds”) an event generates in the form of a tax rebate on the hotel occupancy tax generated in the following amounts:

- 100% of tax revenue in year 1
- 75% of tax revenue generated in year 2
- 50% of tax revenue generated in year 3

Hotel occupancy tax calculated at a rate of 7% of every dollar spent at a hotel in Palestine. Palestine only collects Hotel Occupancy Tax on traditional hotels currently. Short-term rentals, AirBNBs, VRBO rentals, Bed and Breakfasts, and other short-term rentals are not currently taxed on the municipal level. Therefore, overnight stays at one of these types of rentals will not count toward your rebate total.

The organization is responsible for completing the Post Event Report Form within forty-five (45) days of the event. **If your post-event report not received within 45 days after the event is completed, reimbursement will not be paid.**



Hotel Occupancy Tax Funding Application 2025

Should you need additional space to respond to any item, please attach an additional **typed** sheet of paper.

Applicant/Organization Information

Name of Applicant/Organization	Palestine YMCA (Young Men's Christian Association of Palestine TX)		
Address	5500 N Loop 256		
City/State/Zip	Palestine, Texas 75801		
Contact Person	Cindy Piersol		
Contact Phone Number	Cell 903-724-5691	Work/Home 903-729-3139	
Email	cpiersol@palestineymca.org		
Website	www.palestineymca.org		
Non Profit?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Federal Tax I.D.# 75-0975622	
Write a short description about your organization's purpose The YMCA is a community-focused nonprofit organization committed to strengthening individuals and families through programs that promote youth development, healthy living, and social responsibility.			

Proposal Information

Name of the Event/Project and a short description: July 12, 2025 Mia Perez Memorial 4v4 soccer tournament Jalapeno Tree fall classic soccer tournament Oct 17-19, 2025		
Primary Location of event/project: Palestine YMCA Soccer Complex		
Has this event been held in the past?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If yes, how many years/times? 10
How many times have you received HOT funds for this event? 6		
Duration of Event: Dates for use of funding must fall within October 1, 2024 and September 30, 2025 Start Date October 17, 2025 End Date October 19, 2025		
Number of hotel room nights you anticipate your event generating (heads in beds) 150 rooms		



Hotel Occupancy Tax Funding Application 2025

Answer the following questions if applicable. If there is not enough space provided, you may attach additional pages to the back. Please indicate which question you are answering.

What outside marketing is going to be conducted?
To promote our upcoming soccer tournaments, we are implementing a multi-channel marketing strategy that includes social media campaigns, targeted email blasts, prominent website placement, and local visibility through yard signs.

What type of information and graphics will you provide to the Palestine CVB for assistance with advertising your event?
We will provide the logo and information write-up.

I have read and agree to comply with the terms outlined in the Hotel Tax Funding Policy and draft Hotel Tax Funding Agreement

I certify that the information contained in this application is correct to the best of my knowledge and that I am authorized to make this application on behalf of the organization herein described for the purpose of receiving City of Palestine H.O.T. funds.

By submitting this Hotel Occupancy Tax Funding Application, the Applicant agrees to comply with all local, state and federal laws applicable or otherwise implicated by Applicant's receipt of a Hotel Occupancy Tax Funding Grant, which includes but is not limited to Applicant's compliance with Title VII, Civil Rights Act of 1964, as amended, the Texas Labor Code, the Drug Free Workplace Act of 1988, and the Americans with Disabilities Act, as well as Applicant's refraining from discrimination of persons based on race, color, religion, sex (including pregnancy, childbirth, and related medical conditions; sexual orientation), national origin, disability, age, citizenship status, genetic information, political affiliation or participation in civil rights activities. Furthermore, while the City of Palestine fully supports the exercise of freedom of speech, the City of Palestine will not financially support or fund projects that incorporate or promote ideas of hate or which are intended to vilify, humiliate, or incite hatred against a group or a class of persons on the basis of race, religion, skin color, sexual identity, gender identity, ethnicity, disability or national origin.

Signature: Cindy Piersol Date: 5/28/2025
Printed Name: Cindy Piersol Title: CEO

Attachments: (check all)

- ☐ A **typed** application (documents must be single sided and unbound)
- ☐ List of current Board of Directors and staff (if applicable)
- ☐ Proof of Insurance – level of insurance depends upon event

SUBMIT TO: Cassie Ham at 825 W. Spring Street, Palestine, Texas 75801

Questions, please email: tourism@palestine-tx.org or call 903-723-3014



Hotel Occupancy Tax Funding Application 2025

Should you need additional space to respond to any item, please attach an additional **typed** sheet of paper.

Applicant/Organization Information

Name of Applicant/Organization	Palestine ISD	
Address	1007 E. Park Avenue	
City/State/Zip	Palestine, TX 75801	
Contact Person	Larissa Loveless/David Atkinson	
Contact Phone Number	Cell 903.922.2520	Work/Home 903.731.8000 EXT. 1271
Email	lloveless@palestineschools.org	
Website	www.palestineschools.org	
Non Profit?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Federal Tax I.D.# 756002185
Write a short description about your organization's purpose It is the purpose of Palestine ISD to work to provide well educated and civic minded citizens with the support and assistance from the community in order to create a environment of opportunity and growth in all aspects of life.		

Proposal Information

Name of the Event/Project and a short description: College football game and pre game Tailgate Trinity Valley Community College Vs Monroe University September 6 --Kickoff 6:00 p.m. Tailgate 4:30 in front parking lot of Palestine High School Palestine ISD will arrange transportation for TVCC team, band, cheer, and drill team Monroe University will travel by air and bus and stay locally as well as needing meals		
Primary Location of event/project: Palestine High School/Palestine Junior High and Wildcat Stadium		
Has this event been held in the past? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If yes, how many years/times?	
How many times have you received HOT funds for this event? None		
Duration of Event: Dates for use of funding must fall within October 1, 2024 and September 30, 2025 Start Date September 5, 2025 End Date September 7, 2025		
Number of hotel room nights you anticipate your event generating (heads in beds) 100		



Hotel Occupancy Tax Funding Application 2025

Answer the following questions if applicable. If there is not enough space provided, you may attach additional pages to the back. Please indicate which question you are answering.

What outside marketing is going to be conducted?

Social media, local television and radio, widespread press releases, direct distribution of promotional material and event information to regional schools

What type of information and graphics will you provide to the Palestine CVB for assistance with advertising your event?

school logos, event timeline, links to Palestine ISD promotional and event marketing materials

I have read and agree to comply with the terms outlined in the Hotel Tax Funding Policy and draft Hotel Tax Funding Agreement

I certify that the information contained in this application is correct to the best of my knowledge and that I am authorized to make this application on behalf of the organization herein described for the purpose of receiving City of Palestine H.O.T. funds.

By submitting this Hotel Occupancy Tax Funding Application, the Applicant agrees to comply with all local, state and federal laws applicable or otherwise implicated by Applicant's receipt of a Hotel Occupancy Tax Funding Grant, which includes but is not limited to Applicant's compliance with Title VII, Civil Rights Act of 1964, as amended, the Texas Labor Code, the Drug Free Workplace Act of 1988, and the Americans with Disabilities Act, as well as Applicant's refraining from discrimination of persons based on race, color, religion, sex (including pregnancy, childbirth, and related medical conditions; sexual orientation), national origin, disability, age, citizenship status, genetic information, political affiliation or participation in civil rights activities. Furthermore, while the City of Palestine fully supports the exercise of freedom of speech, the City of Palestine will not financially support or fund projects that incorporate or promote ideas of hate or which are intended to vilify, humiliate, or incite hatred against a group or a class of persons on the basis of race, religion, skin color, sexual identity, gender identity, ethnicity, disability or national origin.

Signature: Larissa Loveless

Date: June, 9, 2025

Printed Name: Larissa Loveless

Title: Director of Public Relations

Attachments: (check all)

- ☐ A **typed** application (documents must be single sided and unbound)
- ☐ List of current Board of Directors and staff (if applicable)
- ☐ Proof of Insurance – level of insurance depends upon event

SUBMIT TO: Cassie Ham at 825 W. Spring Street, Palestine, Texas 75801

Questions, please email: tourism@palestine-tx.org or call 903-723-3014

List of Board of Directors and Staff Involved in Event

Jason Marshall-----Palestine ISD Superintendent

David Atkinson-----Palestine ISD Assistant Superintendent and Chief Financial Officer

Larissa Loveless-----Palestine ISD Director of Public Relations

James Reyes-----Palestine ISD Athletic Director



TEXAS RISK POOL CERTIFICATE OF LIABILITY COVERAGE

DATE (MM/DD/YYYY)
6.1.2025

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE RISK POOL BELOW. THIS CERTIFICATE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING RISK POOL, AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL COVERED ENTITY / PERSON, the policy(ies) must have ADDITIONAL COVERED ENTITY / PERSON provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the coverage, certain terms of coverage may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
North American Solutions
12300 Dundee Court Suite 112
Cypress TX 77429

CONTACT
NAME: Regina Newton

PHONE
(A/C, No, Ext): 800-880-0291

FAX (A/C,
No):

E-MAIL
ADDRESS: rnewton@nasrisk.com

PRODUCER
CUSTOMER ID: 001-907

RISK POOL AFFORDING COVERAGE

COVERED ENTITY / PERSON
Palestine Independent School District
1007 East Park Avenue
Palestine, TX 75801

RISK POOL A: Property Casualty Alliance of Texas (PCAT)

RISK POOL B:

RISK POOL C:

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER

THIS IS TO CERTIFY THAT THE COVERAGES LISTED BELOW HAVE BEEN ISSUED TO THE COVERED ENTITY / PERSON NAMED ABOVE FOR THE COVERAGE PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE COVERAGE DOCUMENTS DESCRIBED HEREIN ARE SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH COVERAGE DOCUMENTS. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF COVERAGE	ADDL INSD	SUBR WVD	EFFECTIVE DATE (MM/DD/YYYY)	EXPIRATION DATE (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY			9.1.2024	9.1.2025	EACH OCCURRENCE	\$1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY					DAMAGE TO RENTED PREMISES (Ea occurrence)	\$500,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR					MED EXP (Any one person)	\$0-
						PERSONAL & ADV INJURY	\$1,000,000
						GENERAL AGGREGATE	\$1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:					PRODUCTS - COMP/OP AGG	\$1,000,000
	<input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC					EMPLOYEE BENEFITS LIAB	\$
	AUTOMOBILE LIABILITY						\$
	<input type="checkbox"/> ANY AUTO					COMBINED SINGLE LIMIT (Ea accident)	\$
	<input type="checkbox"/> ALL OWNED AUTOS					BODILY INJURY (Per person)	\$
	<input type="checkbox"/> HIRED AUTOS					BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
							\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	N/A				PER STATUTE	OTH-ER
						E.L. EACH ACCIDENT	\$
						E.L. DISEASE - EA EMPLOYEE	\$
						E.L. DISEASE - POLICY LIMIT	\$
							\$
							\$
							\$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Evidence of Coverage in connection with UIL 2A Region 3 Track and Field Meet 5.1.2026 - 5.2.2026 at Palestine Wildcat Stadium

CERTIFICATE HOLDER

City of Palestine
504 N. Queen
Street
Palestine, TX
75801

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED COVERAGES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE PROVISIONS IN THE COVERAGE DOCUMENTS.

AUTHORIZED REPRESENTATIVE

PCAT Certificate Guidelines

Property Casualty Alliance of Texas (PCAT) is a risk sharing cooperative formed by Texas Public Entities pursuant to the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. PCAT is not an insurance company.

Texas Public Entities occasionally get requests from non-governmental entities to issue Certificates of **Insurance** and to be named as '**Additional Insured**.' Since PCAT is not an insurance company, we will issue a Certificate of **Coverage** rather than a Certificate of **Insurance**.

Because the School is immune from all tort actions, except those arising from the use of a motor vehicle, most indemnification clauses have the School assuming an obligation to pay claims that could not be made against it. Texas law is clear that the School cannot contractually assume liability for another entity that exceeds the liability that the School would have in the same situation, because to immunize a non-public entity is a gift of public funds and is prohibited by the Texas Constitution. For this reason, we are unable to name anyone as an **Additional Insured**.

In addition to the above, as a public entity in the State of Texas, schools are prohibited from indemnifying a private entity. The following language should be considered as an insert to all third party agreements in lieu of standard hold harmless agreements:

"[School] is an independent school district organized pursuant to Section 11.011 of the Education Code and as such, is immune from tort actions, except those arising from the use of a motor vehicle in accordance with Section 101.051 of the Texas Civil Practices and Remedies Code.

Nothing in the Agreement is or shall be interpreted to require [School] to indemnify [Private Entity] or to constitute a waiver of that immunity."

While it does not provide an explanation, another way of handling this is to include the following language in all contracts:

"...to the extent permitted by the Constitution and laws of the State of Texas"

Contact your Agent if there are any questions on the above.

Nothing stated herein is a legal opinion.

The School should consult their legal counsel prior to execution of any third party contracts.



Agenda Date: July 14, 2025
To: City Council
From: April Jackson, City Secretary
Agenda Item: Fiscal Year 2024 Audit and Comprehensive Annual Financial Report
Date Submitted: 07/07/2025

SUMMARY:

Presentation by Pattillo, Brown & Hill, LLP on the Fiscal Year 2024 Audit and Comprehensive Annual Financial Report.

RECOMMENDED ACTION:

Staff recommends that Council review the Management Discussion and Analysis section to understand the City's financial position.

CITY MANAGER APPROVAL:

Attachments

ACFR 2024
Single Audit



ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024**

ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE
CITY OF PALESTINE, TEXAS

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024**

OFFICIALS ISSUING REPORT

Teresa Herrera
City Manager

Andrew Sibai
Director of Finance

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CITY OF PALESTINE, TEXAS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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INTRODUCTORY SECTION

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City of Palestine
504 North Queen Street
Palestine, Texas 75801

June 30, 2025

Letter of Transmittal

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

The Annual Comprehensive Financial Report, for the fiscal year that ended September 30, 2024, 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, 2024. 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, 2024, 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 18,981. 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 10.1% of assessed valuation in the city. Sales tax revenues has remained the same from FY 2023 to FY 2024. Unemployment has remained low at 4.2%, small increase from FY 2023.

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. The PEDC recently purchased land to work with the Texas State Railroad and create rail access for companies looking to develop businesses next to rail infrastructure which gives the city a strategic advantage in that area for companies interested in rail access to transport products

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 \$11 million or 67.5% of general fund operating expenditures as of September 30, 2024. 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 sixth 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, 2024. The city was awarded the COA for our FY 2018, FY 2019, FY 2020, FY 2021, FY 2022, and FY 2023 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 was submitted for the Distinguished Budget Presentation Award and awarded and the budget for FY 2023-2024 has been awarded, the city strives 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, L.L.P, 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", is positioned above the printed name and title.

Andrew Sibai
Finance Director

CITY OF PALESTINE, TEXAS

CITY OFFICIALS

MAYOR

MITCHELL JORDAN

CITY COUNCIL

SEAN CONNER

AVA HARMON

JAMES SMITH

KENNETH DAVIDSON

ANGELA WOODARD

CHRISTOPHER GIBBS

CITY MANAGER

TERESA HERRERA

DIRECTOR OF FINANCE

ANDREW SIBAI

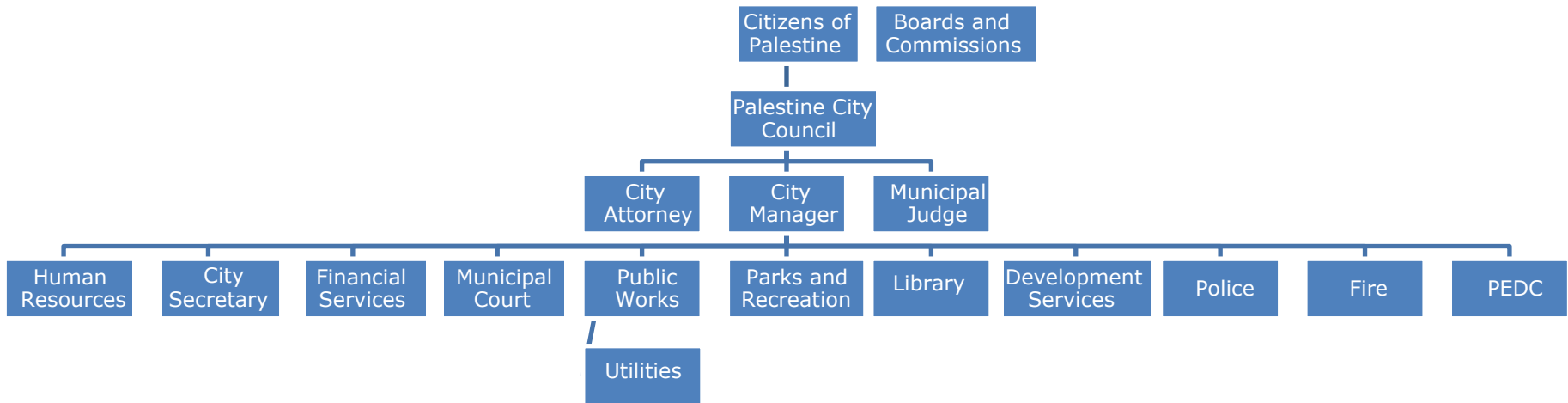
CITY ATTORNEY

REZZIN PULLUM

CITY OF PALESTINE, TEXAS

ORGANIZATIONAL CHART

SEPTEMBER 30, 2024





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, 2023

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of 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, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 June 30, 2025, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas
June 30, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2024. 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 \$47,642,467 (net position). Of this amount, \$6,211,445 (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 \$5,132,848. The primary reason for this increase was an increase in property tax and water/sewer revenues. Continued economic growth in the City has increased assessed values as well as demand for water and sewer services. Additionally, water and wastewater rates have increased as a result of 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 \$35,721,758, a decrease of \$935,633 in comparison with the prior year. The primary cause of this decrease was the spending down of bond funds acquired in prior years for projects in the current year.

At the end of the fiscal year, the combined total of the General Fund assigned and unassigned fund balances was \$10,164,874 which is 49.53% 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 14 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 11 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, as well as its sanitation 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 \$47,642,467 at the close of the most recent fiscal year. The largest portion of the City's total net position (82%) 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 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6,211,445, 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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 38,603,873	\$ 41,382,963	\$ 17,083,586	\$ 19,840,265	\$ 55,687,459	\$ 61,223,228
Capital assets	<u>26,080,736</u>	<u>20,835,174</u>	<u>32,180,184</u>	<u>29,827,763</u>	<u>58,260,920</u>	<u>50,662,937</u>
Total assets	<u>64,684,609</u>	<u>62,218,137</u>	<u>49,263,770</u>	<u>49,668,028</u>	<u>113,948,379</u>	<u>111,886,165</u>
Deferred outflows of resources	<u>2,957,496</u>	<u>4,231,990</u>	<u>519,858</u>	<u>733,425</u>	<u>3,477,354</u>	<u>4,965,415</u>
Current liabilities	3,783,363	5,234,690	2,745,080	3,010,853	6,528,443	8,245,543
Long-term liabilities	<u>38,255,486</u>	<u>39,839,855</u>	<u>23,867,630</u>	<u>25,217,726</u>	<u>62,123,116</u>	<u>65,057,581</u>
Total liabilities	<u>42,038,849</u>	<u>45,074,545</u>	<u>26,612,710</u>	<u>28,228,579</u>	<u>68,651,559</u>	<u>73,303,124</u>
Deferred inflows of resources	<u>970,333</u>	<u>894,768</u>	<u>161,374</u>	<u>144,069</u>	<u>1,131,707</u>	<u>1,038,837</u>
Net position:						
Net investment in capital assets	17,361,550	13,880,345	21,754,529	20,130,376	39,116,079	34,010,721
Restricted	1,897,323	1,910,234	417,620	403,811	2,314,943	2,314,045
Unrestricted	<u>5,374,050</u>	<u>4,690,235</u>	<u>837,395</u>	<u>1,494,618</u>	<u>6,211,445</u>	<u>6,184,853</u>
Total net position	<u>\$ 24,632,923</u>	<u>\$ 20,480,814</u>	<u>\$ 23,009,544</u>	<u>\$ 22,028,805</u>	<u>\$ 47,642,467</u>	<u>\$ 42,509,619</u>

The City's net position increased by \$5,132,848 during the current fiscal year. The primary factors causing this increase are as follows:

- Property tax revenues increased due increased assessed values from growth within the city, which outpaced a slight decrease in the tax rate.
- Water and wastewater charges for services increased due to increased demand, as well as a rate increase resulting from a comprehensive rate study conducted by the City.

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

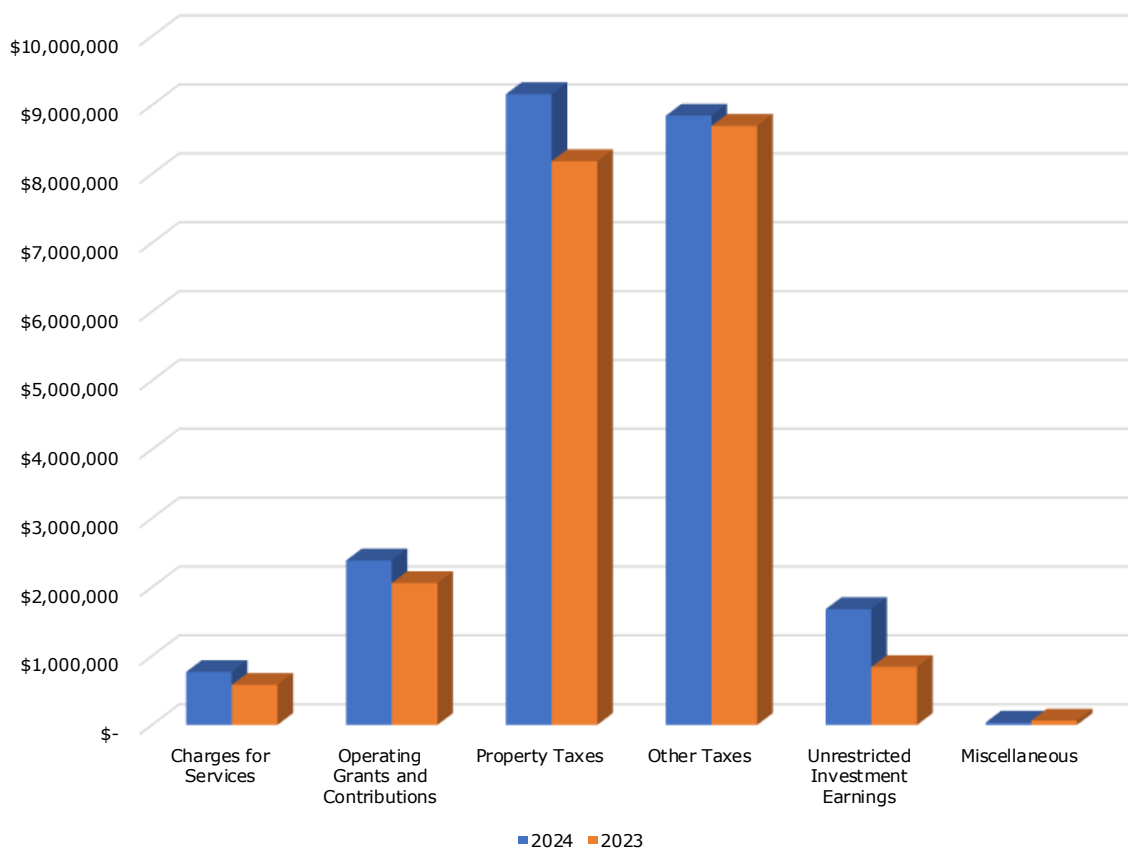
- Salary expenses increased all functions due to across the board salary increases to maintain competitive wages. This primarily affected the public safety function, which includes police and fire services.
- Public environment expenses increased from increased noncapital costs in conjunction with bond-funded street and infrastructure projects.

In the business-type activities, net position decreased despite the rate increases mentioned above, primarily due to depreciation expense on capital assets.

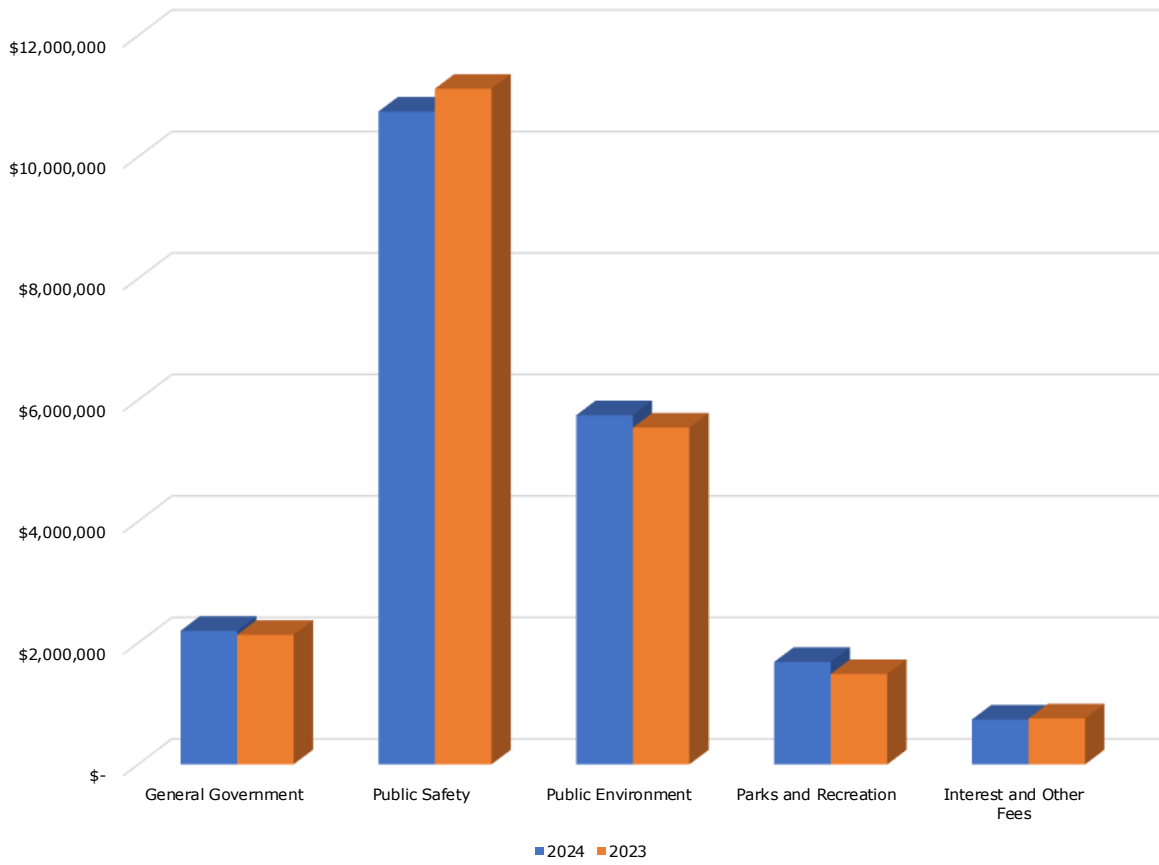
The following table indicates changes in net position for governmental and business-type activities followed by graphs displaying total revenues and expenses by type:

City of Palestine's Changes in Net Position Government-Wide						
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 770,100	\$ 582,630	\$ 14,888,047	\$ 14,146,467	\$ 15,658,147	\$ 14,729,097
Operating grants & contributions	2,388,624	2,059,085	-	-	2,388,624	2,059,085
General revenues:						
Property taxes	9,159,997	8,186,401	-	-	9,159,997	8,186,401
Other taxes	8,847,640	8,699,749	-	-	8,847,640	8,699,749
Investment earnings	1,682,241	841,501	187,449	156,008	1,869,690	997,509
Miscellaneous	34,092	63,377	35,521	55,186	69,613	118,563
Total revenues	<u>22,882,694</u>	<u>20,432,743</u>	<u>15,117,517</u>	<u>14,357,661</u>	<u>38,000,211</u>	<u>34,790,404</u>
Expenses:						
General government	2,200,428	2,132,875	-	-	2,200,428	2,132,875
Public safety	10,746,134	11,123,301	-	-	10,746,134	11,123,301
Public environment	5,748,258	5,544,582	-	-	5,748,258	5,544,582
Parks and recreation	1,685,923	1,487,401	-	-	1,685,923	1,487,401
Interest and other fees	738,914	756,673	-	-	738,914	756,673
Water and sewer	-	-	8,535,526	9,152,778	8,535,526	9,152,778
Sanitation	-	-	3,212,179	3,528,846	3,212,179	3,528,846
Retail	-	-	-	-	-	-
Total expenses	<u>21,119,658</u>	<u>21,044,832</u>	<u>11,747,705</u>	<u>12,681,624</u>	<u>32,867,363</u>	<u>33,726,456</u>
change in net position before transfers	<u>1,763,036</u>	<u>(612,089)</u>	<u>3,369,812</u>	<u>1,676,037</u>	<u>5,132,848</u>	<u>1,063,948</u>
Transfers	<u>2,389,073</u>	<u>2,297,191</u>	<u>(2,389,073)</u>	<u>(2,297,191)</u>	<u>-</u>	<u>-</u>
Change in net position	4,152,109	1,685,102	980,739	(621,154)	5,132,848	1,063,948
Net position - beginning of year	<u>20,480,814</u>	<u>18,795,712</u>	<u>22,028,805</u>	<u>22,649,959</u>	<u>42,509,619</u>	<u>41,445,671</u>
Net position - end of year	<u>\$ 24,632,923</u>	<u>\$ 20,480,814</u>	<u>\$ 23,009,544</u>	<u>\$ 22,028,805</u>	<u>\$ 47,642,467</u>	<u>\$ 42,509,619</u>

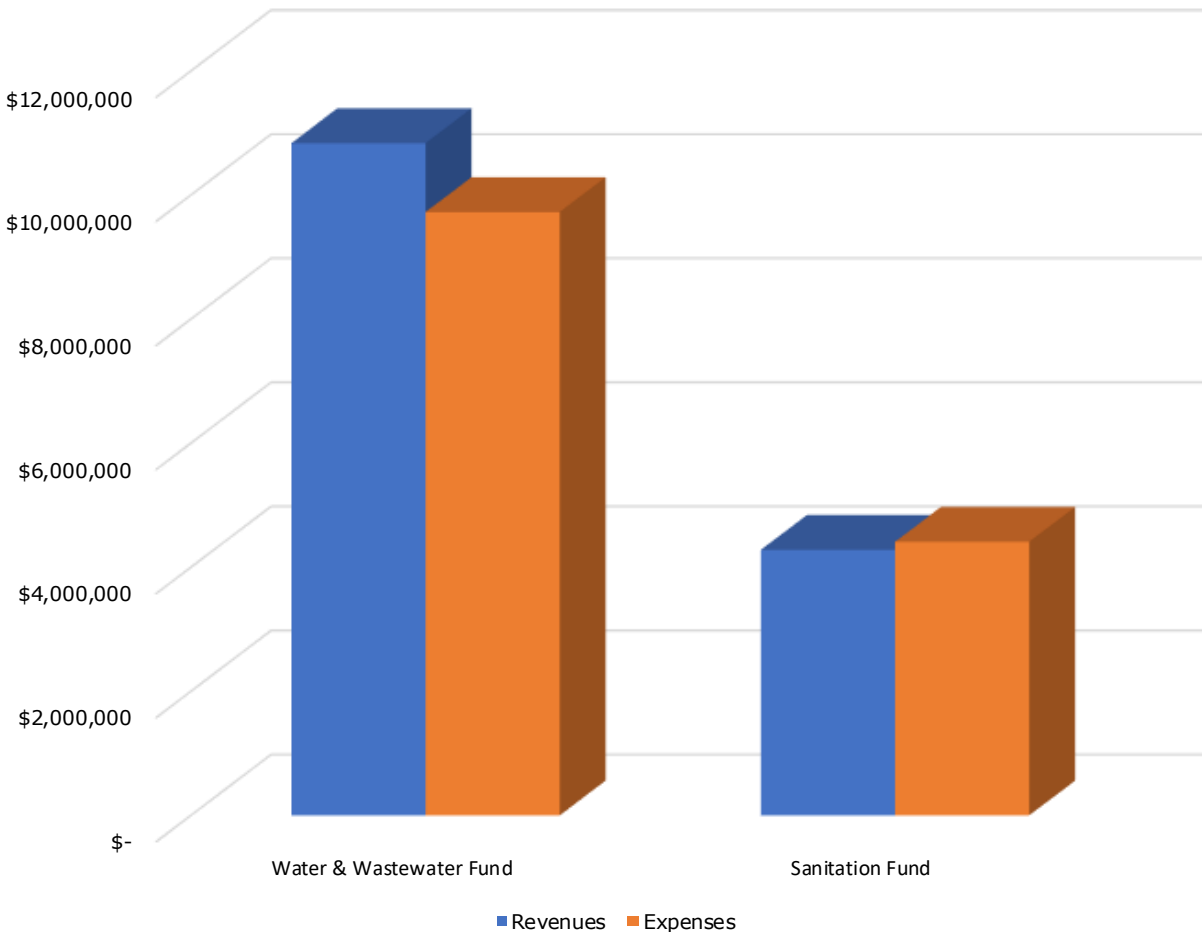
TOTAL REVENUES – GOVERNMENTAL ACTIVITIES



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 \$35,721,758. Of this total amount, \$10,164,874 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. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,164,874, while total fund balance was \$10,842,436, an decrease of \$569,595 from the prior year. The primary cause of this decrease was a budgeted transfer to the Community Forest Fund, a nonmajor governmental fund. Otherwise, revenues exceeded expenditures primarily due to an increase in property tax revenues 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 49.53% of total general fund expenditures, not including capital outlay.

The debt service fund has a total fund balance of \$174,246, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$137,002. The primary cause of this decrease was an increase in debt service expenditures that offset an increase in property tax revenues.

The capital projects fund has a total fund balance of \$20,465,112, a decrease of \$1,784,487. This was caused by spending down of bond funds that were issued in the prior year. Fund balance will decrease as bond proceeds are spent in future years. Capital outlays on projects amounted to \$2.8 million.

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 \$992,850 and those for the sanitation fund amounted to a deficit of (\$155,455), which are 12% and 5% of fund operating costs, respectively.

The water and wastewater fund reported an increase in net position of \$1,110,151. This increase primarily resulted from increased water rates as part of a comprehensive rate study that raises rates over several years.

The sanitation fund decreased net position by \$129,412. 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 \$93,953 less than the \$20,618,616 budget. This was the result of cost savings across most of the General Fund, as well as unspent contingency funds. Revenues were \$538,984 more than budgeted, primarily due to the sales tax revenue increases discussed previously. Overall, ending fund balance in the general fund was \$710,121 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, 2024, amounts to \$58,260,920 (net of accumulated depreciation), including several projects in progress from voter approved bonds.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Nondepreciable	\$ 4,697,878	\$ 2,113,873	\$ 3,234,703	\$ 3,152,118	\$ 7,932,581	\$ 5,265,991
Depreciable, net of accumulated depreciation	<u>21,382,858</u>	<u>18,721,301</u>	<u>28,945,481</u>	<u>26,675,645</u>	<u>50,328,339</u>	<u>45,396,946</u>
TOTALS	<u>\$ 26,080,736</u>	<u>\$ 20,835,174</u>	<u>\$ 32,180,184</u>	<u>\$ 29,827,763</u>	<u>\$ 58,260,920</u>	<u>\$ 50,662,937</u>

Significant capital asset activity for the year included the following:

- Construction in progress costs for bond-funded projects amounted to \$2.8 million in the governmental activities and \$2.7 million in the business-type activities.
- Additions to water and sewer infrastructure was completed amounting to \$2.6 million.
- 18 new fleet vehicles were acquired through lease arrangements totaling \$1.2 million.

Additional information on the City's capital assets can be found in Note II.F 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 \$53,741,175. 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, as well as a limited pledge of water and sewer revenues.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 1,370,000	\$ 1,585,000	\$ -	\$ -	\$ 1,370,000	\$ 1,585,000
Certificates of obligation	22,709,245	22,906,000	21,085,000	22,320,000	43,794,245	45,226,000
Financing arrangements	1,113,202	1,113,202	-	-	1,113,202	1,113,202
Leases	458,017	458,017	-	-	458,017	458,017
Premium on bonds	2,887,639	3,137,686	2,022,125	2,242,850	4,909,764	5,380,536
Compensated absences	1,936,663	1,735,233	159,284	161,897	2,095,947	1,897,130
TOTALS	<u>\$ 30,474,766</u>	<u>\$ 30,935,138</u>	<u>\$ 23,266,409</u>	<u>\$ 24,724,747</u>	<u>\$ 53,741,175</u>	<u>\$ 55,659,885</u>

Total debt decreased by \$1.9 million. The City incurred approximately \$1.2 million of new fleet vehicle leases during the year, with the City also making continued principal payments on existing debt. The remainder of the change is caused by changes to the City's compensated absences liability.

Additional information on the City's long-term debt can be found in Note II.G 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 2025 budget, tax rates, and fees that will be charged for the business-type activities. Property values increased approximately 15% for fiscal year 2025, 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 some uncertainty that the City would be able to raise the revenue needed to fund critical operations. Considering current inflation of 2.4%, Senate Bill 2 remains a strain on the City to fund operations properly. Conversely, sales tax revenue remained steady but very strong for the fiscal year ended September 30, 2025 and continues to be increased over prior years 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 2025 is \$0.594285 per \$100 valuation. This rate has dropped by almost 8 cents and is significant because of the large growth in property values across the state of Texas. Of this rate, 84.1% is utilized for general fund activities. The remaining 15.9% is used for paying the city's outstanding debt. The general fund's portion of total property tax revenue for FY 2025 is estimated to be \$8,892,848. Sales tax revenue for FY 2025 is forecasted to be \$5,834,261.

The largest revenue source for the utility fund is water sales, with projected sales of \$5,474,905 in FY 2025. Water revenue is expected to increase in the future. FY 2024 was the final year 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 City also performed a water rate study in 2022 and the results from the study led to a need to increase rates to keep up with inflation and aging infrastructure. The second largest revenue source for the water and sewer fund is sewer service charges with projected collections of \$4,280,840 in FY 2025. The city is planning an upgrade for the Southview Lift Station to increase size and capacity as the south end of the City continues to see development and commercial growth.

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, 2024

	Primary Government	
	Governmental Activities	Business-Type Activities
ASSETS		
Cash and cash equivalents	\$ 34,232,195	\$ 14,797,080
Receivables, net of allowances	2,444,068	1,970,223
Due from other governments	67,262	-
Prepays	254,671	91,831
Due from component unit	2,509	-
Internal balances	193,168	(193,168)
Restricted cash and cash equivalents	1,410,000	417,620
Capital assets:		
Nondepreciable	4,697,878	3,234,703
Depreciable, net of accumulated depreciation	21,382,858	28,945,481
Total Assets	<u>64,684,609</u>	<u>49,263,770</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related	360,872	63,434
Pension related	2,596,624	456,424
Total Deferred Outflows of Resources	<u>2,957,496</u>	<u>519,858</u>
LIABILITIES		
Accounts payable	952,440	1,199,051
Accrued wages payable	598,474	100,709
Due to primary government	-	-
Due to other governments	41,961	3,976
Unearned revenue	415,377	-
Accrued interest payable	117,842	106,982
Customer deposits	-	199,410
Noncurrent liabilities:		
Due within one year:		
Long-term debt	1,657,269	1,134,952
Due in more than one year:		
Long-term debt	29,309,897	22,295,212
Net pension liability	7,989,429	1,404,348
Total OPEB liabilities	956,160	168,070
Total Liabilities	<u>42,038,849</u>	<u>26,612,710</u>
DEFERRED INFLOWS OF RESOURCES		
Lease related	52,266	-
OPEB related	602,771	105,952
Pension related	315,296	55,422
Total Deferred Inflows of Resources	<u>970,333</u>	<u>161,374</u>
NET POSITION		
Net investment in capital assets	17,361,550	21,754,529
Restricted for:		
Debt service	97,067	417,620
Public safety	313,041	-
Economic development	1,227,294	-
Community services	259,921	-
Unrestricted	5,374,050	837,395
Total Net Position	<u>\$ 24,632,923</u>	<u>\$ 23,009,544</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>	
\$	49,029,275	\$	3,669,982
	4,414,291		572,538
	67,262		-
	346,502		29,135
	2,509		-
	-		-
	1,827,620		-
	7,932,581		3,338,045
	50,328,339		2,181,461
	<u>113,948,379</u>		<u>9,791,161</u>
	424,306		6,331
	<u>3,053,048</u>		<u>45,550</u>
	<u>3,477,354</u>		<u>51,881</u>
	2,151,491		84,262
	699,183		-
	-		2,509
	45,937		-
	415,377		-
	224,824		32,879
	199,410		-
	2,792,221		565,329
	51,605,109		2,506,569
	9,393,777		140,149
	<u>1,124,230</u>		<u>16,772</u>
	<u>68,651,559</u>		<u>3,348,469</u>
	52,266		-
	708,723		10,574
	<u>370,718</u>		<u>5,531</u>
	<u>1,131,707</u>		<u>16,105</u>
	39,116,079		2,465,244
	514,687		-
	313,041		-
	1,227,294		4,013,224
	259,921		-
	<u>6,211,445</u>		<u>-</u>
\$	<u>47,642,467</u>	\$	<u>6,478,468</u>

CITY OF PALESTINE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,200,428	\$ 34,329	\$ 2,105,871	\$ -
Public safety	10,746,134	644,041	6,740	-
Community services	5,748,258	91,730	276,013	-
Community development	1,685,923	-	-	-
Interest on long-term debt	738,914	-	-	-
Total Governmental Activities	<u>21,119,658</u>	<u>770,100</u>	<u>2,388,624</u>	<u>-</u>
Business-type activities:				
Water and wastewater	8,535,526	10,609,072	-	6,500
Sanitation	3,212,179	4,278,975	-	-
Total Business-Type Activities	<u>11,747,705</u>	<u>14,888,047</u>	<u>-</u>	<u>6,500</u>
Total Primary Government	<u>\$ 32,867,363</u>	<u>\$ 15,658,147</u>	<u>\$ 2,388,624</u>	<u>\$ 6,500</u>
Component Unit:				
PEDC	<u>\$ 1,279,802</u>	<u>\$ 548,142</u>	<u>\$ -</u>	<u>\$ -</u>

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
\$ (60,228)	\$ -	\$ (60,228)	\$ -
(10,095,353)	-	(10,095,353)	-
(5,380,515)	-	(5,380,515)	-
(1,685,923)	-	(1,685,923)	-
(738,914)	-	(738,914)	-
(17,960,934)	-	(17,960,934)	-
-	2,080,046	2,080,046	-
-	1,066,796	1,066,796	-
-	3,146,842	3,146,842	-
(17,960,934)	3,146,842	(14,814,092)	-
			(731,660)
9,159,997	-	9,159,997	-
6,916,337	-	6,916,337	1,383,267
1,121,295	-	1,121,295	-
765,181	-	765,181	-
44,827	-	44,827	-
1,682,241	187,449	1,869,690	137,681
34,092	35,521	69,613	34,074
2,389,073	(2,389,073)	-	-
22,113,043	(2,166,103)	19,946,940	1,555,022
4,152,109	980,739	5,132,848	823,362
20,480,814	22,028,805	42,509,619	5,655,106
\$ 24,632,923	\$ 23,009,544	\$ 47,642,467	\$ 6,478,468

CITY OF PALESTINE, TEXAS**BALANCE SHEET
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2024

	<u>General</u>	<u>Debt Service</u>
ASSETS		
Cash and cash equivalents	\$ 10,402,360	\$ 109,955
Restricted cash and cash equivalents	-	-
Prepaid items	185,162	7,333
Receivables (net of allowance for uncollectibles)	2,050,389	49,022
Due from other governments	66,909	-
Due from component unit	2,509	-
Due from other funds	265,188	54,627
Total Assets	<u>12,972,517</u>	<u>220,937</u>
LIABILITIES		
Accounts payable and accrued liabilities	640,307	1,556
Accrued wages payable	579,035	-
Unearned revenue	19,377	-
Due to other governments	-	-
Due to other funds	-	-
Total Liabilities	<u>1,238,719</u>	<u>1,556</u>
DEFERRED INFLOWS OF RESOURCES		
Lease related	52,266	-
Unavailable revenue - property taxes	361,749	45,135
Unavailable revenues - fines	477,347	-
Total Deferred Inflows of Resources	<u>891,362</u>	<u>45,135</u>
FUND BALANCES		
Nonspendable for:		
Prepaid items	185,162	7,333
Restricted for:		
Economic development	-	-
Debt service	-	166,913
Capital projects	-	-
Public safety	-	-
Community services	-	-
Committed for:		
Community forest	-	-
Cemetery	-	-
Community development	-	-
Assigned for:		
Next year's budget	492,400	-
Unassigned	10,164,874	-
Total Fund Balances	<u>10,842,436</u>	<u>174,246</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,972,517</u>	<u>\$ 220,937</u>

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 19,384,420	\$ 4,322,342	\$ 34,219,077
1,410,000	-	1,410,000
3,792	48,569	244,856
150,003	174,138	2,423,552
-	353	67,262
-	-	2,509
-	-	319,815
<u>20,948,215</u>	<u>4,545,402</u>	<u>38,687,071</u>
87,103	181,806	910,772
-	9,651	588,686
396,000	-	415,377
-	41,961	41,961
-	72,020	72,020
<u>483,103</u>	<u>305,438</u>	<u>2,028,816</u>
-	-	52,266
-	-	406,884
-	-	477,347
<u>-</u>	<u>-</u>	<u>936,497</u>
3,792	48,569	244,856
-	1,227,294	1,227,294
-	-	166,913
20,461,320	-	20,461,320
-	313,041	313,041
-	259,921	259,921
-	985,156	985,156
-	188,062	188,062
-	1,217,921	1,217,921
-	-	492,400
-	-	10,164,874
<u>20,465,112</u>	<u>4,239,964</u>	<u>35,721,758</u>
\$ <u>20,948,215</u>	\$ <u>4,545,402</u>	\$ <u>38,687,071</u>

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CITY OF PALESTINE, TEXAS

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

SEPTEMBER 30, 2024

Total Fund Balances - Governmental Funds \$ 35,721,758

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. 24,002,737

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. (26,711,579)

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. (114,981)

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 (2,887,639)

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. 884,231

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 (7,989,429)
Deferred outflows related to pensions 2,596,624
Total OPEB liabilities (956,160)
Deferred outflows related to OPEB 360,872
Deferred inflows related to OPEB (602,771)

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. 644,556

Net Position of Governmental Activities \$ 24,632,923

CITY OF PALESTINE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>General</u>	<u>Debt Service</u>
REVENUES		
Taxes		
Property	\$ 8,626,179	\$ 507,145
Sales	6,269,530	-
Franchise	1,114,111	-
Licenses, permits, and fees	357,082	-
Intergovernmental	2,218,327	-
Charges for services	49,941	-
Fines and forfeitures	329,915	-
Contributions and donations	15,996	-
Investment earnings	601,292	8,377
Miscellaneous	32,235	-
Total Revenues	<u>19,614,608</u>	<u>515,522</u>
EXPENDITURES		
Current:		
General government	2,153,660	-
Public safety	11,743,469	-
Community services	6,106,923	-
Community development	520,611	-
Capital outlay	-	-
Debt service:		
Principal	-	642,044
Interest and fiscal charges	-	960,015
Total Expenditures	<u>20,524,663</u>	<u>1,602,059</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(910,055)</u>	<u>(1,086,537)</u>
OTHER FINANCING SOURCES (USES)		
Insurance recoveries	131,000	-
Sale of capital assets	65,481	-
Transfers in	2,420,444	949,535
Transfers out	(2,276,465)	-
Total Other Financing Sources (Uses)	<u>340,460</u>	<u>949,535</u>
NET CHANGE IN FUND BALANCE	(569,595)	(137,002)
FUND BALANCES - BEGINNING	<u>11,412,031</u>	<u>311,248</u>
FUND BALANCES - ENDING	<u>\$ 10,842,436</u>	<u>\$ 174,246</u>

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

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 9,133,324
-	1,456,815	7,726,345
-	-	1,114,111
-	-	357,082
16,798	130,763	2,365,888
-	53,295	103,236
-	36,532	366,447
-	-	15,996
995,685	76,887	1,682,241
-	505	32,740
<u>1,012,483</u>	<u>1,754,797</u>	<u>22,897,410</u>
-	105,229	2,258,889
-	1,527	11,744,996
-	271,684	6,378,607
-	1,116,465	1,637,076
2,796,970	-	2,796,970
-	-	642,044
-	-	960,015
<u>2,796,970</u>	<u>1,494,905</u>	<u>26,418,597</u>
<u>(1,784,487)</u>	<u>259,892</u>	<u>(3,521,187)</u>
-	-	131,000
-	-	65,481
-	1,326,930	4,696,909
-	(31,371)	(2,307,836)
-	1,295,559	2,585,554
(1,784,487)	1,555,451	(935,633)
<u>22,249,599</u>	<u>2,684,513</u>	<u>36,657,391</u>
<u>\$ 20,465,112</u>	<u>\$ 4,239,964</u>	<u>\$ 35,721,758</u>

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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, 2024

Net Changes in Fund Balances - Governmental Funds	\$ (935,633)
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	6,366,592
Depreciation expense	(1,467,784)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, or donations) is to decrease net position.	(184,901)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(58,389)
Court fines	26,673
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.	
Repayment of principal of long-term debt	885,576
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.	
Compensated absences	(201,430)
Net pension liability	(72,042)
Total OPEB liability	16,183
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.	1,598
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.	(224,334)
Change in Net Position of Governmental Activities	<u>\$ 4,152,109</u>

CITY OF PALESTINE, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2024

	Business-Type Activities Enterprise Funds	
	Water & Wastewater	Sanitation
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,797,080	\$ -
Accounts receivable, net of allowance	1,442,955	527,268
Prepays	91,831	-
Total Current Assets	<u>16,331,866</u>	<u>527,268</u>
Noncurrent assets:		
Restricted cash and cash equivalents	417,620	-
Capital assets:		
Nondepreciable	3,214,422	20,281
Depreciable, net	<u>28,676,774</u>	<u>268,707</u>
Total Noncurrent Assets	<u>32,308,816</u>	<u>288,988</u>
Total Assets	<u>48,640,682</u>	<u>816,256</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related	63,434	-
Pension related	<u>456,424</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>519,858</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 714,258	\$ 484,793
Accrued wages payable	99,915	794
Accrued interest payable	106,982	-
Due to other governments	8	3,968
Due to other funds	-	193,168
Customer deposits	199,410	-
Current portion of long-term liabilities:		
Compensated absences	47,785	-
Leases and financing arrangements	-	-
Bonds payable	<u>1,087,167</u>	<u>-</u>
Total Current Liabilities	<u>2,255,525</u>	<u>682,723</u>
Noncurrent liabilities:		
Compensated absences	111,499	-
Total OPEB liabilities	168,070	-
Net pension liability	1,404,348	-
Leases and financing arrangements	-	-
Bonds payable	<u>22,183,713</u>	<u>-</u>
Total Noncurrent Liabilities	<u>23,867,630</u>	<u>-</u>
Total Liabilities	<u>26,123,155</u>	<u>682,723</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB related	<u>105,952</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>161,374</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	21,465,541	288,988
Restricted for debt service	417,620	-
Unrestricted	<u>992,850</u>	<u>(155,455)</u>
Total Net Position	<u>\$ 22,876,011</u>	<u>\$ 133,533</u>

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

Total Enterprise Funds		Governmental Activities	
		Internal Service Fund	
\$ 14,797,080	\$	13,118	
1,970,223		20,516	
91,831		9,815	
<u>16,859,134</u>		<u>43,449</u>	
417,620		-	
3,234,703		-	
<u>28,945,481</u>		<u>2,077,999</u>	
<u>32,597,804</u>		<u>2,077,999</u>	
<u>49,456,938</u>		<u>2,121,448</u>	
63,434		-	
456,424		-	
<u>519,858</u>		<u>-</u>	
\$ 1,199,051	\$	41,668	
100,709		9,788	
106,982		2,861	
3,976		-	
193,168		54,627	
199,410		-	
47,785		-	
-		424,577	
<u>1,087,167</u>		<u>-</u>	
<u>2,938,248</u>		<u>533,521</u>	
111,499		-	
168,070		-	
1,404,348		-	
-		943,371	
<u>22,183,713</u>		<u>-</u>	
<u>23,867,630</u>		<u>943,371</u>	
<u>26,805,878</u>		<u>1,476,892</u>	
105,952		-	
<u>161,374</u>		<u>-</u>	
21,754,529		710,051	
417,620		-	
837,395		(65,495)	
<u>\$ 23,009,544</u>	<u>\$</u>	<u>644,556</u>	

CITY OF PALESTINE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities Enterprise Funds	
	Water & Wastewater	Sanitation
OPERATING REVENUES		
Intergovernmental	\$ 6,500	\$ -
Charges for services	10,624,422	4,278,975
Other operating revenue	35,521	-
Total operating revenues	<u>10,666,443</u>	<u>4,278,975</u>
OPERATING EXPENSES		
Cost of sales and services	3,942,933	3,170,482
Personnel	2,312,836	-
Depreciation	1,766,383	41,697
Total operating expenses	<u>8,022,152</u>	<u>3,212,179</u>
Operating income (loss)	<u>2,644,291</u>	<u>1,066,796</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	185,509	1,940
Gain/(loss) on sale or disposal of capital assets	(15,350)	-
Interest expense and fiscal charges	(513,374)	-
Total non-operating revenues (expenses)	<u>(343,215)</u>	<u>1,940</u>
Income before transfers	2,301,076	1,068,736
Transfers out	<u>(1,190,925)</u>	<u>(1,198,148)</u>
CHANGE IN NET POSITION	<u>1,110,151</u>	<u>(129,412)</u>
NET POSITION - BEGINNING	<u>21,765,860</u>	<u>262,945</u>
NET POSITION - END OF YEAR	<u>\$ 22,876,011</u>	<u>\$ 133,533</u>

Total Enterprise Funds	Governmental Activities
	Internal Service Fund
\$ 6,500	\$ -
14,903,397	1,530,254
35,521	559
<u>14,945,418</u>	<u>1,530,813</u>
7,113,415	862,700
2,312,836	208,419
1,808,080	676,999
<u>11,234,331</u>	<u>1,748,118</u>
<u>3,711,087</u>	<u>(217,305)</u>
187,449	-
(15,350)	17,579
(513,374)	(24,608)
<u>(341,275)</u>	<u>(7,029)</u>
3,369,812	(224,334)
<u>(2,389,073)</u>	<u>-</u>
980,739	(224,334)
<u>22,028,805</u>	<u>868,890</u>
<u>\$ 23,009,544</u>	<u>\$ 644,556</u>

CITY OF PALESTINE, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities Enterprise Funds	
	Water & Wastewater	Sanitation
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 10,545,245	\$ 4,193,938
Cash paid to suppliers and service providers	(4,033,201)	(3,190,898)
Cash paid to employees for services	(2,266,140)	-
Net cash provided (used) by operating activities	<u>4,245,904</u>	<u>1,003,040</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers to other funds	<u>(1,190,925)</u>	<u>(1,198,148)</u>
Net cash provided (used) in non-capital financing activities	<u>(1,190,925)</u>	<u>(1,198,148)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(4,197,786)	-
Proceeds from sale of capital assets	-	-
Interest paid on long-term debt	(737,296)	-
Principal paid on long-term debt	<u>(1,071,245)</u>	<u>-</u>
Net cash provided (used) in capital and related financing activities	<u>(6,006,327)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment earnings	<u>185,509</u>	<u>1,940</u>
Net cash provided (used) by investing activities	<u>185,509</u>	<u>1,940</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,765,839)	(193,168)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:		
Cash and cash equivalents	17,576,728	123,824
Restricted cash and cash equivalents	<u>403,811</u>	<u>-</u>
	<u>17,980,539</u>	<u>123,824</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and cash equivalents	14,797,080	-
Restricted cash and cash equivalents	<u>417,620</u>	<u>-</u>
	<u>\$ 15,214,700</u>	<u>\$ -</u>

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

Total Enterprise Funds	Governmental Activities
	Internal Service Fund
\$ 14,739,183	\$ 1,539,997
(7,224,099)	(848,881)
<u>(2,266,140)</u>	<u>(205,784)</u>
5,248,944	485,332
<u>(2,389,073)</u>	<u>-</u>
(2,389,073)	-
(4,197,786)	-
-	17,579
(737,296)	(24,608)
<u>(1,071,245)</u>	<u>(492,480)</u>
<u>(6,006,327)</u>	<u>(499,509)</u>
<u>187,449</u>	<u>-</u>
187,449	-
(2,959,007)	(14,177)
17,700,552	27,295
403,811	-
<u>18,104,363</u>	<u>27,295</u>
14,797,080	13,118
417,620	-
<u>\$ 15,214,700</u>	<u>\$ 13,118</u>

CITY OF PALESTINE, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities Enterprise Funds	
	Water & Wastewater Fund	Sanitation Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 2,644,291	\$ 1,066,796
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,766,383	41,697
Decrease (increase) in accounts receivable	(100,679)	(85,037)
Decrease (increase) in prepaid items	(16,612)	-
Increase (decrease) in deferred OPEB outflows	24,393	-
Decrease (increase) in deferred pension outflows	189,174	-
Increase (decrease) in accounts payable	(73,664)	(120)
Increase (decrease) in accrued liabilities	22,567	-
Increase (decrease) in customer deposits	(20,519)	-
Increase (decrease) in due to other governments	8	(20,296)
Increase (decrease) in compensated absences	(2,613)	-
Increase (decrease) in net pension liability	(218,007)	-
Increase (decrease) in deferred OPEB inflows	(38,117)	-
Increase (decrease) in deferred pension inflows	55,422	-
Increase (decrease) in total OPEB liability	<u>13,877</u>	<u>-</u>
Net cash provided (used) by operating activities	\$ <u>4,245,904</u>	\$ <u>1,003,040</u>
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES		
Right to use lease assets	\$ <u>-</u>	\$ <u>-</u>

Total Enterprise Funds	Governmental Activities	
	Internal Service Fund	
\$ 3,711,087	\$	(217,305)
1,808,080		676,999
(185,716)		9,184
(16,612)		406
24,393		-
189,174		-
(73,784)		13,413
22,567		2,635
(20,519)		-
(20,288)		-
(2,613)		-
(218,007)		-
(38,117)		-
55,422		-
13,877		-
<u>\$ 5,248,944</u>	<u>\$</u>	<u>485,332</u>
<u>\$ -</u>	<u>\$</u>	<u>1,208,654</u>

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CITY OF PALESTINE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

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 vehicle fleet leases 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 calculated using the pay rates in effect at September 30, 2024 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, 2024, the City had the following investments:

	Reported Value	Weighted Average Maturity (days)
Investment type:		
TexSTAR	\$ 17,143,797	24
Certificates of deposit	6,777,884	144
US agency securities	4,962,500	38
Subtotal	28,884,181	
Plus: depository and petty cash	25,642,696	
Total cash and investments	<u>\$ 54,526,877</u>	

The investment in US Agencies are valued at fair value using documented trade in exact security measurements (level 1). Investments in TexSTAR are 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, 2024, the City's investments in the pooled investment funds were rated AA+ 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, 2024, 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, 2023, upon which the fiscal year 2024 levy was based, was \$1,561,938,056 (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, 2024, was \$0.594285 per \$100 of assessed value, which means that the City has a tax margin of \$1.905715 for each \$100 value and could increase its annual tax levy by approximately \$29,766,088 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, 2024, 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					Total
	General	Debt Service	Capital Projects	Nonmajor Governmental	Internal Service	
Receivables:						
Property taxes	\$ 684,602	\$ 81,703	\$ -	\$ -	\$ -	\$ 766,305
Sales tax	1,062,577	-	-	118,064	-	1,180,641
Occupancy taxes	-	-	-	56,074	-	56,074
Franchise taxes	290,453	-	-	-	-	290,453
Customers	-	-	-	-	20,516	20,516
Court fines	1,744,058	-	-	-	-	1,744,058
Leases	53,512	-	-	-	-	53,512
Other	4,911	-	150,003	-	-	154,914
Gross receivables	3,840,113	81,703	150,003	174,138	20,516	4,266,473
Less: allowance for uncollectible accounts	(1,789,724)	(32,681)	-	-	-	(1,822,405)
Net receivables	<u>\$ 2,050,389</u>	<u>\$ 49,022</u>	<u>\$ 150,003</u>	<u>\$ 174,138</u>	<u>\$ 20,516</u>	<u>\$ 2,444,068</u>

	Business-type Activities			Component Unit
	Water & Wastewater	Sanitation	Total	
Receivables:				
Sales tax	\$ -	\$ -	\$ -	\$ 236,128
Customers	1,438,655	524,261	1,962,916	-
Other	8,835	15,930	24,765	336,410
Gross receivables	1,447,490	540,191	1,987,681	572,538
Less: allowance for uncollectible accounts	(4,535)	(12,923)	(17,458)	-
Net receivables	<u>\$ 1,442,955</u>	<u>\$ 527,268</u>	<u>\$ 1,970,223</u>	<u>\$ 572,538</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	
Deferred outflows:				
Related to pensions	\$ 2,596,624	\$ 456,424	\$ 3,053,048	\$ 45,550
Related to OPEB - SDBF	61,887	10,879	72,766	1,086
Related to OPEB - Retiree Health Plan	298,985	52,555	351,540	5,245
Total deferred outflow	<u>\$ 2,957,496</u>	<u>\$ 519,858</u>	<u>\$ 3,477,354</u>	<u>\$ 51,881</u>
Deferred inflows:				
Leases	\$ 52,266	\$ -	\$ 52,266	\$ -
Related to pensions	315,296	55,422	370,718	5,531
Related to OPEB - SDBF	160,424	28,198	188,622	2,814
Related to OPEB - Retiree Health plan	442,347	77,754	520,101	7,760
Total deferred inflow	<u>\$ 970,333</u>	<u>\$ 161,374</u>	<u>\$ 1,131,707</u>	<u>\$ 16,105</u>

E. Interfund Balances and Transfers

The composition of interfund balances as of September 30, 2024, is as follows:

Due From	Due To	Amount	Purpose
Internal service	Debt Service	\$ 54,627	Short-term pool cash loan
Sanitation fund	General	193,168	Short-term pool cash loan
Nonmajor governmental	General	72,020	Short-term pool cash loan
		<u>\$ 319,815</u>	

The following schedule briefly summarizes the City's transfer activity for the year ending September 30, 2024:

Transfer From	Transfer To	Amount	Purpose
Nonmajor governmental	General	\$ 31,371	Supplement funds sources
Water & wastewater fund	General	1,190,925	Payment in lieu of franchise fees
Sanitation fund	General	1,198,148	Payment in lieu of franchise fees
General	Debt Service	949,535	Fund lease debt service
General	Nonmajor governmental	1,326,930	Funding for capital projects
		<u>\$ 4,696,909</u>	

F. Capital Assets

Capital asset activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,777,545	\$ -	\$ -	\$ 1,777,545
Construction in progress	336,328	2,796,970	(212,965)	2,920,333
Total capital assets not being depreciated	<u>2,113,873</u>	<u>2,796,970</u>	<u>(212,965)</u>	<u>4,697,878</u>
Capital assets being depreciated:				
Buildings	3,575,194	76,159	-	3,651,353
Improvements	13,853,160	2,643,102	-	16,496,262
Machinery and equipment	13,693,289	1,063,326	-	14,756,615
Infrastructure	33,947,598	-	(988,009)	32,959,589
Right to use - vehicles	1,431,641	1,208,658	(327,862)	2,312,437
Total assets being depreciated	<u>66,500,882</u>	<u>4,991,245</u>	<u>(1,315,871)</u>	<u>70,176,256</u>
Less accumulated depreciation for:				
Buildings	(2,266,407)	(59,262)	-	(2,325,669)
Improvements	(9,134,860)	(974,927)	-	(10,109,787)
Machinery and equipment	(10,184,600)	(736,183)	-	(10,920,783)
Infrastructure	(25,198,518)	-	803,108	(24,395,410)
Right to use - vehicles	(995,196)	(374,415)	327,862	(1,041,749)
Total accumulated depreciation	<u>(47,779,581)</u>	<u>(2,144,787)</u>	<u>1,130,970</u>	<u>(48,793,398)</u>
Total capital assets being depreciated, net	<u>18,721,301</u>	<u>2,846,458</u>	<u>(184,901)</u>	<u>21,382,858</u>
Governmental activities capital assets, net	<u>\$ 20,835,174</u>	<u>\$ 5,643,428</u>	<u>\$ (397,866)</u>	<u>\$ 26,080,736</u>

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 63,306	\$ -	\$ -	\$ 63,306
Construction in progress	<u>3,088,812</u>	<u>2,751,582</u>	<u>(2,668,997)</u>	<u>3,171,397</u>
Total capital assets, not being depreciated	<u>3,152,118</u>	<u>2,751,582</u>	<u>(2,668,997)</u>	<u>3,234,703</u>
Capital assets being depreciated:				
Buildings	8,386,908	-	-	8,386,908
Machinery and equipment	2,788,265	3,636,011	(63,249)	6,361,027
Infrastructure	<u>57,760,089</u>	<u>457,255</u>	<u>(244,801)</u>	<u>57,972,543</u>
Total capital assets being depreciated	<u>68,935,262</u>	<u>4,093,266</u>	<u>(308,050)</u>	<u>72,720,478</u>
Less accumulated depreciation for:				
Buildings	(7,905,612)	(146,523)	-	(8,052,135)
Machinery and equipment	(1,342,842)	(222,837)	63,249	(1,502,430)
Infrastructure	<u>(33,011,163)</u>	<u>(1,438,720)</u>	<u>229,451</u>	<u>(34,220,432)</u>
Total accumulated depreciation	<u>(42,259,617)</u>	<u>(1,808,080)</u>	<u>292,700</u>	<u>(43,774,997)</u>
Total capital assets being depreciated, net	<u>26,675,645</u>	<u>2,285,186</u>	<u>(15,350)</u>	<u>28,945,481</u>
Business-type activities capital assets, net	<u>\$ 29,827,763</u>	<u>\$ 5,036,768</u>	<u>\$ (2,684,347)</u>	<u>\$ 32,180,184</u>

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
Component unit:				
Capital assets, not being depreciated:				
Land - developed	\$ 623,129	\$ -	\$ -	\$ 623,129
Land - undeveloped	<u>330,916</u>	<u>2,384,000</u>	<u>-</u>	<u>2,714,916</u>
Total capital assets, not being depreciated	<u>954,045</u>	<u>2,384,000</u>	<u>-</u>	<u>3,338,045</u>
Capital assets being depreciated:				
Buildings	4,342,299	-	-	4,342,299
Machinery and equipment	<u>108,646</u>	<u>-</u>	<u>-</u>	<u>108,646</u>
Total capital assets being depreciated	<u>4,450,945</u>	<u>-</u>	<u>-</u>	<u>4,450,945</u>
Less accumulated depreciation for:				
Buildings	(2,062,385)	(98,454)	-	(2,160,839)
Machinery and equipment	<u>(107,168)</u>	<u>(1,477)</u>	<u>-</u>	<u>(108,645)</u>
Total accumulated depreciation	<u>(2,169,553)</u>	<u>(99,931)</u>	<u>-</u>	<u>(2,269,484)</u>
Total capital assets being depreciated, net	<u>2,281,392</u>	<u>(99,931)</u>	<u>-</u>	<u>2,181,461</u>
Component unit capital assets, net	<u>\$ 3,235,437</u>	<u>\$ 2,284,069</u>	<u>\$ -</u>	<u>\$ 5,519,506</u>

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

Governmental activities:	
General government	\$ 145,688
Public safety	864,210
Community services	1,082,905
Community development	<u>51,984</u>
Total	<u>\$ 2,144,787</u>
Business-type activities:	
Water & wastewater fund	\$ 1,766,383
Sanitation fund	<u>41,697</u>
Total	<u>\$ 1,808,080</u>
Total Depreciation	<u>\$ 3,952,867</u>

G. Long-Term Debt

Changes in long-term debt for the City for the year ending September 30, 2024 are as follows:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 1,585,000	\$ -	\$ (215,000)	\$ 1,370,000	\$ 220,000
Certificates of Obligation	21,925,000	-	(163,755)	21,761,245	172,833
Private Placement COs	981,000	-	(33,000)	948,000	33,000
Unamortized Premium	3,137,686	-	(250,047)	2,887,639	-
Financing Arrangements	1,113,202	-	(286,307)	826,895	290,424
Leases	458,017	1,208,658	(429,951)	1,236,724	360,013
Compensated Absences	1,735,233	722,000	(520,570)	1,936,663	580,999
Total governmental	\$ 30,935,138	\$ 1,930,658	\$ (1,898,630)	\$ 30,967,166	\$ 1,657,269
Business-type activities:					
Certificates of Obligation	\$ 22,320,000	\$ -	\$ (1,071,245)	\$ 21,248,755	\$ 1,087,167
Unamortized Premium	2,242,850	-	(220,725)	2,022,125	-
Compensated Absences	161,897	45,956	(48,569)	159,284	47,785
Total business-type	\$ 24,724,747	\$ 45,956	\$ (1,340,539)	\$ 23,430,164	\$ 1,134,952

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, 2024, Water & Wastewater Fund net revenues were approximately \$3.0 million (excluding depreciation expense) compared to debt service of \$1,805,344.

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.

A summary of bonds and certificates outstanding as of September 30, 2024, is as follows:

	Issue Amount	Maturity	Rate	Balance
Governmental Activities				
General Obligation Bonds				
Series 2020	\$ 2,215,000	2030	1.75%-2.05%	\$ 1,370,000
Certificates of Obligation				
Series 2022 I&S	21,930,936	2041	4.00%-5.00%	21,761,245
Series 2022A	1,014,000	2052	0.00%	948,000
Total Governmental Long-Term Obligations				\$ 24,079,245
	Issue Amount	Maturity	Rate	Balance
Business-type Activities				
Certificates of Obligation				
Series 2013	\$ 2,600,000	2028	2.15%	\$ 1,010,000
Series 2020	5,490,000	2030	1.75%-2.00%	3,030,000
Series 2021	4,585,000	2041	3.00%	4,345,000
Series 2022 W&S	12,964,064	2041	4.00%-5.00%	12,863,755
Total Business-Type Long-Term Obligations				\$ 21,248,755

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, 2024, is as follows:

	Issue Amount	Maturity	Rate	Balance
Governmental Activities				
Southside Bank - PD Equipment	598,579	2026	3.20%	\$ 131,224
Leasing 2, Inc. - Fire, Road, & Utility Equipment	1,558,865	2029	2.50%	<u>695,671</u>
Total Financing Arrangements				<u>\$ 826,895</u>

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, 2024, payments amounted to \$454,559, including \$24,608 of interest expense.

During fiscal year 2024, the City acquired 19 additional vehicles under the master lease agreement. The leases were recognized each over their 60-month term with a combined discounted value of \$1,208,658.

Details of leases payable as of September 30, 2024, is as follows:

	Issue Amount	Number of Agreements	Maturities	Fixed Monthly Payments	Rates	Balance
Governmental Activities						
Fleet vehicles	\$ 2,640,299	68	2025-2029	\$298-\$1,429	1.35%-6.38%	\$ 1,236,724

Future Maturities of Long-term Debt

Annual future debt service requirements of bonded debt as of September 30, 2024, are as follows:

Governmental activities:

Year Ended September 30,	General Obligation Bonds		Certificates of Obligation		COs - Private Placement		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$ 220,000	\$ 24,510	\$ 172,833	\$ 888,817	\$ 33,000	\$ -	\$ 1,339,160
2026	220,000	20,110	241,966	878,447	33,000	-	1,393,523
2027	225,000	15,660	292,245	865,092	33,000	-	1,430,997
2028	230,000	11,398	348,808	849,066	33,000	-	1,472,272
2029	235,000	7,153	358,236	831,390	34,000	-	1,465,779
2030-2034	240,000	2,460	2,611,349	3,840,538	170,000	-	6,864,347
2035-2039	-	-	3,437,806	3,214,064	170,000	-	6,821,870
2040-2044	-	-	4,877,032	2,413,377	170,000	-	7,460,409
2045-2049	-	-	6,454,527	1,259,354	170,000	-	7,883,881
2050-2053	-	-	2,966,443	89,622	102,000	-	3,158,065
Total	<u>\$ 1,370,000</u>	<u>\$ 81,291</u>	<u>\$ 21,761,245</u>	<u>\$ 15,129,767</u>	<u>\$ 948,000</u>	<u>\$ -</u>	<u>\$ 39,290,303</u>

Year Ended September 30,	Financing Arrangements			Leases		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 290,424	\$ 310,154	\$ 600,578	\$ 360,013	\$ 18,865	\$ 378,878
2026	155,190	167,166	322,356	278,582	11,754	290,336
2027	90,805	100,506	191,311	248,742	7,301	256,043
2028	93,139	100,506	193,645	249,826	1,226	251,052
2029	95,532	100,506	196,038	99,561	-	99,561
2030-2034	101,805	-	101,805	-	-	-
Total	<u>\$ 826,895</u>	<u>\$ 778,838</u>	<u>\$ 1,605,733</u>	<u>\$ 1,236,724</u>	<u>\$ 39,146</u>	<u>\$1,275,870</u>

Business-type Activities:

Year Ended September 30,	Certificates of Obligation		
	Principal	Interest	Total
2025	\$ 1,087,167	\$ 713,642	\$ 1,800,809
2026	1,143,034	689,596	1,832,630
2027	1,197,755	658,386	1,856,141
2028	1,181,192	621,207	1,802,399
2029	741,764	589,373	1,331,137
2030-2034	3,208,651	2,586,075	5,794,726
2035-2039	3,572,194	2,053,047	5,625,241
2040-2044	3,547,968	1,441,642	4,989,610
2045-2049	3,815,473	744,446	4,559,919
2050-2051	1,753,557	52,978	1,806,535
Total	<u>\$ 21,248,755</u>	<u>\$ 10,150,392</u>	<u>\$ 31,399,147</u>

Discretely Presented Component Unit Debt

Changes in long-term debt of the Palestine Economic Development Corporation for the year ending September 30, 2024, are as follows:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
Revenue Bonds	\$ 720,687	\$ -	\$ (305,000)	\$ 415,687	\$ 315,000
Sales Tax Note	-	2,030,000	(82,233)	1,947,767	149,694
Note Payable	786,904	-	(96,096)	690,808	98,680
Compensated Absences	6,519	13,072	(1,955)	17,636	1,955
Total Component Unit	<u>\$ 1,514,110</u>	<u>\$ 2,043,072</u>	<u>\$ (485,284)</u>	<u>\$ 3,071,898</u>	<u>\$ 565,329</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 sales tax note was issued for paying the costs to acquire certain real property to be designated as an industrial park and is secured by the proceeds of the Economic Development Sales and Use Tax. 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.

On February 16, 2024, the Component Unit issued \$2,030,000 of its 2024 Sales Tax Note. The Note matures in stages through 2034 with an interest rate of 7.10%. Proceeds from the Note will be used for acquiring certain real property to be designated as an industrial park and is secured by the proceeds of the Economic Development Sales and Use Tax.

A summary of the terms of long-term debt outstanding at September 30, 2024, is as follows:

	Issue Amount	Maturity	Rate	Balance
Revenue Bonds				
Series 2012B	\$ 2,865,000	2026	3.35%	\$ 355,687
Series 2016	525,000	2026	3.63%	60,000
Sales Tax Note				
Sales Tax Note	2,030,000	2034	7.10%	<u>1,947,767</u>
Total Component Unit				<u>\$ 2,363,454</u>

Annual future debt service requirements of bonded debt as of September 30, 2024, are as follows:

Year Ended September 30,	Revenue Bonds		Sales Tax Note		Notes		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$ 315,000	\$ 15,076	\$ 149,694	\$ 135,681	\$ 98,680	\$ 17,797	\$ 731,928
2026	100,687	4,355	160,511	124,864	101,333	15,144	506,894
2027	-	-	172,110	113,265	104,058	12,419	401,852
2028	-	-	184,546	100,829	106,856	9,621	401,852
2029	-	-	197,882	87,493	109,729	6,748	401,852
2030-2034	-	-	1,083,024	201,163	170,152	4,565	1,458,904
Total	<u>\$ 415,687</u>	<u>\$ 19,431</u>	<u>\$ 1,947,767</u>	<u>\$ 763,295</u>	<u>\$ 690,808</u>	<u>\$ 66,294</u>	<u>\$ 3,903,282</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.

	Governmental Activities	Business-type Activities	Component Unit	
		Water & Wastewater	Totals	PEDC
Net pension liability	<u>\$ 7,989,429</u>	<u>\$ 1,404,348</u>	<u>\$ 9,393,777</u>	<u>\$ 140,149</u>
Total OPEB liabilities:				
TMRS SDBF	608,348	106,933	715,281	10,671
Retiree health plan	<u>347,812</u>	<u>61,137</u>	<u>408,949</u>	<u>6,101</u>
Total OPEB liability	<u>\$ 956,160</u>	<u>\$ 168,070</u>	<u>\$ 1,124,230</u>	<u>\$ 16,772</u>
	Governmental Activities	Business-type Activities	Component Unit	
		Water & Wastewater	Totals	PEDC
Pension expense	<u>\$ 1,408,115</u>	<u>\$ 247,512</u>	<u>\$ 1,655,627</u>	<u>\$ 24,701</u>
OPEB expense:				
TMRS SDBF	15,428	2,712	18,140	271
Retiree Health Plan	<u>19,116</u>	<u>3,360</u>	<u>22,476</u>	<u>336</u>
Total OPEB expense	<u>\$ 34,544</u>	<u>\$ 6,072</u>	<u>\$ 40,616</u>	<u>\$ 607</u>

III. OTHER INFORMATION

A. Retirement Plan

Plan Description

The City participates as one of 934 plans in the defined benefit cash-balance 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.tmr.com.

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

Benefits Provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions with interest, 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, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	175
Inactive employees entitled to but not yet receiving benefits	207
Active employees	176
Total	558

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 and Component Unit were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City and Component unit were 14.18% and 14.49% in calendar years 2023 and 2024, respectively. The City's and Component Unit's contributions to TMRS for the year ended September 30, 2024 totaled \$1,562,067 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	3.60% to 11.85% including inflation
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 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public and Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
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, 2024, the City reported the following changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2022	\$ 54,181,472	\$ 43,247,778	\$ 10,933,694
Changes for the year:			
Service cost	1,386,469	-	1,386,469
Interest	3,617,133	-	3,617,133
Difference between expected and actual experience	1,022,683	-	1,022,683
Change in assumptions	(591,383)	-	(591,383)
Contributions - employer	-	1,400,732	(1,400,732)
Contributions - employee	-	611,228	(611,228)
Net investment income	-	4,994,924	(4,994,924)
Benefit payments, including refunds of employee contributions	(2,575,095)	(2,575,095)	-
Administrative expense	-	(31,844)	31,844
Other changes	-	(221)	221
Net changes	<u>2,859,807</u>	<u>4,399,724</u>	<u>(1,539,917)</u>
Balance at 12/31/2023	<u>\$ 57,041,279</u>	<u>\$ 47,647,502</u>	<u>\$ 9,393,777</u>

As of September 30, 2024, 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 12/31/2022	\$ 808,350	\$ 645,227	\$ 163,123
Changes for the year:			
Service cost	20,685	-	20,685
Interest	53,965	-	53,965
Difference between expected and actual experience	15,258	-	15,258
Change in assumptions	(8,823)	-	(8,823)
Contributions - employer	-	20,898	(20,898)
Contributions - employee	-	9,119	(9,119)
Net investment income	-	74,521	(74,521)
Benefit payments, including refunds of employee contributions	(38,419)	(38,419)	-
Administrative expense	-	(475)	475
Other changes	-	(4)	4
Net changes	42,666	65,640	(22,974)
Balance at 12/31/2023	<u>\$ 851,016</u>	<u>\$ 710,867</u>	<u>\$ 140,149</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	\$ 17,314,712	\$ 9,393,777	\$ 2,934,806
Component Unit's net pension liability	258,324	140,149	43,785
Total	<u>\$ 17,573,036</u>	<u>\$ 9,533,926</u>	<u>\$ 2,978,591</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.tmrs.com.

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

For the year ended September 30, 2024, the City and Component Unit recognized pension expenses of \$1,655,627 and \$24,701, respectively.

As of September 30, 2024, 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	\$ 708,268	\$ -
Changes in actuarial assumptions	-	370,718
Difference between projected and actual investment earnings	1,207,075	-
Contributions subsequent to the measurement date	1,137,705	-
Total	<u>\$ 3,053,048</u>	<u>\$ 370,718</u>

As of September 30, 2024, 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	\$ 10,567	\$ -
Changes in actuarial assumptions		5,531
Difference between projected and actual investment earnings	18,009	-
Contributions subsequent to the measurement date	16,974	-
Total	<u>\$ 45,550</u>	<u>\$ 5,531</u>

The City and Component Unit reported \$1,137,705 and \$16,974, 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, 2024. 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
2025	\$ 544,777	\$ 8,128
2026	493,569	7,364
2027	921,420	13,747
2028	(415,141)	(6,194)

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 identical 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	128
Inactive employees entitled to but not yet receiving benefits	36
Active employees	176
Total	<u>340</u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.42% for 2024 and 0.43% for 2023, of which 0.25% and 0.26%, 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, 2024, and 2023 were \$27,392 and \$25,727 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, 2023, actuarial valuation was determined using the following actuarial assumptions and inputs:

Measurement year ended December 31,	2023
Inflation rate	2.50% per annum
Discount rate	3.77%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.60% to 11.85% 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with immediate convergence).
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 improvements subject to the floor.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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 3.77% 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, 2023.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than (2.77%) and 1% greater than (4.77%) the discount rate that was used (3.77%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's SDBF OPEB Liability	\$ 844,864	\$ 715,281	\$ 613,509
Component Unit's SDBF OPEB Liability	<u>12,605</u>	<u>10,671</u>	<u>9,153</u>
Total	<u>\$ 857,469</u>	<u>\$ 725,952</u>	<u>\$ 622,662</u>

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

At September 30, 2024, the City and the Component Unit reported a liability of \$715,281 and \$10,671, respectively, for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2023. For the year ended September 30, 2024, the City and Component Unit recognized an OPEB expense of \$18,140 and \$271, 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 12/31/2022	\$ 656,299	\$ 9,792
Changes for the year:		
Service cost	16,300	243
Interest	26,374	393
Difference between expected and actual experience	6,888	103
Changes of assumptions or other inputs	35,907	535
Benefit payments, including refunds of employee contributions	<u>(26,487)</u>	<u>(395)</u>
Net changes	<u>58,982</u>	<u>879</u>
Balance at 12/31/2023	<u>\$ 715,281</u>	<u>\$ 10,671</u>

At September 30, 2024, 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	\$ 5,308	\$ 18,028
Changes in actuarial assumptions	47,829	170,594
Contributions subsequent to the measurement date	19,629	-
Total	<u>\$ 72,766</u>	<u>\$ 188,622</u>

	Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 79	\$ 269
Changes in actuarial assumptions	714	2,545
Contributions subsequent to the measurement date	293	-
Total	<u>\$ 1,086</u>	<u>\$ 2,814</u>

The City and the Component Unit reported \$19,629 and \$293, 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, 2024. 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
2025	\$ (49,945)	\$ (745)
2026	(62,622)	(934)
2027	(26,452)	(395)
2028	3,534	53

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. No assets are accumulated in a trust in accordance with paragraph 4 of GASB Statement No. 75.

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. 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 \$23,176 and \$346 for the City and Component Unit, respectively, in the September 30, 2024 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	168
Total	170

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	September 30, 2023
Actuarial Cost Method	Individual Entry-Age, Normal
Inflation Rate	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2023 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, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table 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 15 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.
Discount rate	The discount rate changed from 4.63% as of September 30, 2023 to 3.81% as of September 30, 2024.

A Single Discount Rate of 3.81% 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, 2023.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than (2.81%) and 1% greater than (4.81%) the discount rate that was used (3.81%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (2.81%)	Discount Rate (3.81%)	1% Increase in Discount Rate (4.81%)
City's total OPEB liability - retiree health	\$ 444,535	\$ 408,949	\$ 377,038
Component Unit's total OPEB liability - retiree health	<u>6,632</u>	<u>6,101</u>	<u>5,625</u>
Total	<u>\$ 451,167</u>	<u>\$ 415,050</u>	<u>\$ 382,663</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	\$ 366,227	\$ 408,949	\$ 459,693
Component Unit's total OPEB liability - retiree health	<u>5,464</u>	<u>6,101</u>	<u>6,858</u>
Total	<u>\$ 371,691</u>	<u>\$ 415,050</u>	<u>\$ 466,551</u>

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

At September 30, 2024, the City and Component Unit reported a total OPEB liability of \$408,949 and \$6,101, respectively. The total OPEB liability was determined by an actuarial valuation as of September 30, 2024. For the year ended September 30, 2024, the City and Component Unit recognized an OPEB expense of \$22,477 and \$355, 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 for the City and component unit for the year ended September 30, 2024, is as follows:

	City Total OPEB Liability	Component Unit Total OPEB Liability
Balance at 9/30/2023	\$ 382,862	\$ 5,712
Changes for the year:		
Service cost	23,851	356
Interest	17,742	265
Difference between expected and actual experience	1,138	17
Changes of assumptions or other inputs	6,532	97
Benefit payments, including refunds of employee contributions	<u>(23,176)</u>	<u>(346)</u>
Net changes	<u>26,087</u>	<u>389</u>
Balance at 9/30/2024	<u>\$ 408,949</u>	<u>\$ 6,101</u>

At September 30, 2024, the City and Component Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 318,592	\$ 176,143
Changes in actuarial assumptions	<u>32,948</u>	<u>343,958</u>
Total	<u>\$ 351,540</u>	<u>\$ 520,101</u>
	Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,753	\$ 2,628
Changes in actuarial assumptions	<u>492</u>	<u>5,132</u>
Total	<u>\$ 5,245</u>	<u>\$ 7,760</u>

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,	City	Component Unit
2025	(16,000)	(239)
2026	(15,450)	(231)
2027	(37,836)	(564)
2028	(43,108)	(643)
2029	(33,906)	(506)
Thereafter	(22,261)	(332)

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:

Name of Business	Criteria	Terms of Abatement	Anderson County Applied Value	Taxes Abated Fiscal Year 2024
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, 2024, 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, 2024 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, 2024 is \$96,226.

Construction Commitments

The City has active construction projects as of September 30, 2024. 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:

Project	Spent to Date	Estimated Remaining Commitment
Meter Replacement Project	\$ 2,135,583	\$ 200,000
Water/Sewer Line Replacements	2,757,202	12,280,995
Decanter Centrifuge	239,496	260,000
Downtown Revitalization	33,306	9,966,694

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. 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.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government’s vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

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**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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes				
Property	\$ 8,892,848	\$ 8,892,848	\$ 8,626,179	\$ (266,669)
Sales	5,834,260	5,834,260	6,269,530	435,270
Franchise	1,045,450	1,045,450	1,114,111	68,661
Licenses, permits, and fees	119,505	119,505	357,082	237,577
Intergovernmental	2,307,993	2,307,993	2,218,327	(89,666)
Charges for services	42,280	42,280	49,941	7,661
Fines and forfeitures	387,288	387,288	329,915	(57,373)
Contributions and donations	10,000	10,000	15,996	5,996
Investment earnings	400,000	400,000	601,292	201,292
Miscellaneous	36,000	36,000	32,235	(3,765)
Total Revenues	<u>19,075,624</u>	<u>19,075,624</u>	<u>19,614,608</u>	<u>538,984</u>
EXPENDITURES				
General government:				
Administration	709,030	709,030	593,711	115,319
Human resources	325,310	325,310	304,789	20,521
Financial services	641,173	641,173	745,900	(104,727)
Nondepartmental	414,717	414,717	509,260	(94,543)
Total General Government	<u>2,090,230</u>	<u>2,090,230</u>	<u>2,153,660</u>	<u>(63,430)</u>
Public safety:				
Municipal court	355,173	355,173	347,159	8,014
Police administration	544,605	551,905	580,281	(28,376)
Police patrol	3,178,201	3,458,201	2,888,697	569,504
Police CID	788,194	788,194	948,117	(159,923)
Police support services	2,059,756	2,052,456	2,007,990	44,466
Fire administration	574,069	574,069	561,397	12,672
Fire suppression	3,490,108	4,130,508	4,409,828	(279,320)
Total Public Safety	<u>10,990,106</u>	<u>11,910,506</u>	<u>11,743,469</u>	<u>167,037</u>
Community services:				
Public works administration	557,033	557,033	431,625	125,408
Street maintenance	4,124,832	3,168,332	3,518,121	(349,789)
Parks and recreation	1,308,343	1,624,443	1,550,256	74,187
Library services	683,537	683,537	606,921	76,616
Total Community Services	<u>6,673,745</u>	<u>6,033,345</u>	<u>6,106,923</u>	<u>(73,578)</u>
Community development:				
Development services	569,035	569,035	510,779	58,256
Main street	15,500	15,500	9,832	5,668
Total Community Development	<u>584,535</u>	<u>584,535</u>	<u>520,611</u>	<u>63,924</u>
Total Expenditures	<u>20,338,616</u>	<u>20,618,616</u>	<u>20,524,663</u>	<u>93,953</u>
Excess of revenues over expenditures	<u>(1,262,992)</u>	<u>(1,542,992)</u>	<u>(910,055)</u>	<u>(632,937)</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	\$ 10,000	\$ 10,000	\$ 131,000	\$ 121,000
Sale of capital assets	90,000	90,000	65,481	(24,519)
Transfers in	2,420,444	2,420,444	2,420,444	-
Transfers out	<u>(1,257,168)</u>	<u>(2,257,168)</u>	<u>(2,276,465)</u>	<u>(19,297)</u>
Total Other Financing Sources (Uses)	<u>1,263,276</u>	<u>263,276</u>	<u>340,460</u>	<u>77,184</u>
NET CHANGE IN FUND BALANCE	284	(1,279,716)	(569,595)	710,121
FUND BALANCE - BEGINNING	<u>11,412,031</u>	<u>11,412,031</u>	<u>11,412,031</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 11,412,315</u>	<u>\$ 10,132,315</u>	<u>\$ 10,842,436</u>	<u>\$ 710,121</u>

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CITY OF PALESTINE, TEXAS

NOTES TO BUDGETARY SCHEDULES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, Police Grants fund, and Emergency fund. 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 Perpetual Cemetery fund. This overage was funded with greater than anticipated revenues and 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, 2024

Measurement Date December 31,	2023	2022	2021	2020
Total pension liability				
Service cost	\$ 1,407,154	\$ 1,309,970	\$ 1,267,506	\$ 1,230,637
Interest on total pension liability	3,671,098	3,508,808	3,331,399	3,200,047
Difference between expected and actual experience	1,037,941	234,493	715,169	50,414
Change of assumptions	(600,206)	-	-	-
Benefit payments/refunds of contributions	<u>(2,613,514)</u>	<u>(2,781,623)</u>	<u>(2,632,427)</u>	<u>(2,474,705)</u>
Net Change in Total Pension Liability	2,902,473	2,271,648	2,681,647	2,006,393
Total Pension Liability, Beginning	<u>54,989,822</u>	<u>52,718,174</u>	<u>50,036,527</u>	<u>48,030,134</u>
Total Pension Liability, Ending (a)	<u>\$ 57,892,295</u>	<u>\$ 54,989,822</u>	<u>\$ 52,718,174</u>	<u>\$ 50,036,527</u>
Plan fiduciary net position				
Contributions - employer	\$ 1,421,630	\$ 1,303,623	\$ 1,284,969	\$ 1,211,895
Contributions - employee	620,347	572,183	551,489	535,447
Net investment income	5,069,445	(3,521,293)	5,661,083	3,117,079
Benefit payments/refunds of contributions	(2,613,514)	(2,781,623)	(2,632,427)	(2,474,705)
Administrative expenses	(32,319)	(30,519)	(26,224)	(20,190)
Other	<u>(225)</u>	<u>36,418</u>	<u>180</u>	<u>(787)</u>
Net Change in Fiduciary Position	4,465,364	(4,421,211)	4,839,070	2,368,739
Fiduciary Net Position, Beginning	<u>43,893,005</u>	<u>48,314,216</u>	<u>43,475,146</u>	<u>41,106,407</u>
Fiduciary Net Position, Ending (b)	<u>48,358,369</u>	<u>43,893,005</u>	<u>48,314,216</u>	<u>43,475,146</u>
Net pension liability = (a)-(b)	<u>\$ 9,533,926</u>	<u>\$ 11,096,817</u>	<u>\$ 4,403,958</u>	<u>\$ 6,561,381</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	83.53%	79.82%	91.65%	86.89%
Covered Payroll	\$ 10,339,125	\$ 9,533,987	\$ 9,191,489	\$ 8,924,124
Net Pension Liability as a Percentage of Covered Payroll	92.21%	116.39%	47.91%	73.52%

2019	2018	2017	2016	2015	2014
\$ 1,163,653 3,107,606	\$ 1,173,593 3,019,410	\$ 1,162,638 2,916,862	\$ 1,147,723 2,800,125	\$ 997,344 2,808,849	\$ 938,602 2,720,857
(464,313) 103,169	(333,037) -	(218,064) -	65,763 -	(459,275) 154,385	(303,094) -
<u>(2,673,526)</u>	<u>(2,423,263)</u>	<u>(2,272,078)</u>	<u>(2,311,195)</u>	<u>(2,127,959)</u>	<u>(2,129,464)</u>
1,236,589	1,436,703	1,589,358	1,702,416	1,373,344	1,226,901
<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>	<u>39,464,823</u>
<u>\$ 48,030,134</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>
\$ 1,132,430 506,303 5,643,128 (2,673,526) (31,912) (958)	\$ 1,170,053 512,778 (1,151,180) (2,423,263) (22,257) (1,162)	\$ 1,195,913 507,702 4,751,422 (2,272,078) (24,629) (1,248)	\$ 1,147,962 494,708 2,214,224 (2,311,195) (25,011) (1,348)	\$ 1,152,496 442,936 49,110 (2,127,959) (29,915) (1,478)	\$ 1,185,438 454,154 1,828,420 (2,129,464) (19,092) (1,570)
4,575,465	(1,915,031)	4,157,082	1,519,340	(514,810)	1,317,886
<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>31,966,475</u>
<u>41,106,407</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>\$ 6,923,727</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>
85.58%	78.07%	84.76%	78.34%	77.90%	81.80%
\$ 8,438,379	\$ 8,504,298	\$ 8,461,704	\$ 8,245,139	\$ 7,382,264	\$ 7,569,229
82.05%	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, 2024

Fiscal Year Ended September 30,	2024	2023	2022	2021
Actuarially determined contribution	\$ 1,562,067	\$ 1,442,537	\$ 1,300,054	\$ 1,231,597
Contributions in relation to the actuarially determined contribution	<u>1,562,067</u>	<u>1,442,537</u>	<u>1,300,054</u>	<u>1,231,597</u>
Contribution deficiency (excess)	-	-	-	-
Covered payroll	10,841,772	10,211,766	9,446,491	8,876,760
Contributions as a percentage of covered payroll	14.41%	14.13%	13.76%	13.87%

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	22 Years (longest amortization ladder)
Asset valuation method	10 year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% 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 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other information	There were no benefit changes during the year.

2020	2019	2018	2017	2016	2015
\$ 1,162,861	\$ 1,134,073	\$ 1,171,756	\$ 1,208,961	\$ 1,688,279	\$ 1,185,438
<u>1,162,861</u>	<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>
-	-	-	-	-	-
8,586,674	8,407,939	8,479,851	8,561,675	8,565,760	7,569,229
13.54%	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, 2024

Measurement Date December 31,	2023	2022	2021	2020
Total OPEB liability				
Service cost	\$ 16,543	\$ 33,369	\$ 32,170	\$ 26,772
Interest on total OPEB liability	26,767	18,025	18,678	21,372
Differences in actuarial experience	6,991	(25,077)	(13,099)	(1,352)
Change of assumptions	36,442	(312,208)	28,930	121,354
Benefit payments	<u>(26,882)</u>	<u>(21,928)</u>	<u>(21,140)</u>	<u>(7,139)</u>
Net change in total OPEB liability	59,861	(307,819)	45,539	161,007
Total OPEB liability, beginning	<u>666,091</u>	<u>973,910</u>	<u>928,371</u>	<u>767,364</u>
Total OPEB liability, ending (a)	<u>\$ 725,952</u>	<u>\$ 666,091</u>	<u>\$ 973,910</u>	<u>\$ 928,371</u>
Covered-employee payroll	\$ 10,339,125	\$ 9,533,987	\$ 9,191,489	\$ 8,924,124
Total OPEB liability as a percentage of covered-employee payroll	7.02%	6.99%	10.60%	10.40%

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.

Note: No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB 75.

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	3.60% to 11.85% including inflation
Discount rate	3.77%
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MIP-2021 (with immediate convergence).
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 the most recent Scale MP-2021 to account for future mortality improvements subject to the floor.
Other information	The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 19,408	\$ 22,962	\$ 19,462
24,913	21,552	21,343
(57,660)	28,407	-
121,842	(44,820)	49,868
<u>(5,907)</u>	<u>(5,953)</u>	<u>(5,923)</u>
102,596	22,148	84,750
<u>664,768</u>	<u>642,620</u>	<u>557,870</u>
<u>\$ 767,364</u>	<u>\$ 664,768</u>	<u>\$ 642,620</u>
\$ 8,438,379	\$ 8,504,298	\$ 8,461,704
9.09%	7.82%	7.59%

CITY OF PALESTINE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Date September 30,	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 24,207	\$ 28,519	\$ 35,148	\$ 37,713
Interest on total OPEB liability	18,007	21,369	12,952	16,636
Difference in actuarial experience	1,155	(133,017)	3,470	(148,516)
Change of assumptions	6,629	11,271	(130,853)	22,196
Benefit payments	<u>(23,522)</u>	<u>(21,939)</u>	<u>(24,341)</u>	<u>(26,912)</u>
Net change in total OPEB liability	26,476	(93,797)	(103,624)	(98,883)
Total OPEB liability, beginning	<u>388,574</u>	<u>482,371</u>	<u>585,995</u>	<u>684,878</u>
Total OPEB liability, ending (a)	<u>\$ 415,050</u>	<u>\$ 388,574</u>	<u>\$ 482,371</u>	<u>\$ 585,995</u>
Covered-employee payroll	\$ 10,988,600	\$ 10,186,477	\$ 9,446,594	\$ 8,251,093
Total OPEB liability as a percentage of covered-employee payroll	3.78%	3.81%	5.11%	7.10%

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.

Note: No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB 75.

NOTES TO SCHEDULE

Valuation Date: September 30, 2024

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Individual Entry-Age Normal
Discount rate	3.81% as of September 30, 2024
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Demographic assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS).
Health care trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 15 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 4.63% as of September 30, 2023 to 3.81% as of September 30, 2024. Additionally, the health care trend rates were updated.

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 31,768	\$ 98,389	\$ 27,899
17,777	16,126	13,134
(717)	1,222,485	-
19,408	(1,010,597)	(26,625)
<u>(27,816)</u>	<u>(26,180)</u>	<u>(8,187)</u>
40,420	300,223	6,221
<u>644,458</u>	<u>344,235</u>	<u>338,014</u>
 \$ 684,878	 \$ 644,458	 \$ 344,235
 \$ 7,988,233	 \$ 7,681,287	 \$ 7,300,000
 8.57%	 8.39%	 4.72%

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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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.

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, 2024

	Special Revenue Funds				
	Community Forest	Tourism	Municipal Court Security	Municipal Court Technology	Municipal Court Child Safety
ASSETS					
Cash and cash equivalents	\$ 994,006	\$ 1,220,409	\$ 87,456	\$ 63,418	\$ 132,711
Accounts receivable, net of allowance	-	56,074	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	47,319	-	-	-
Total Assets	<u>994,006</u>	<u>1,323,802</u>	<u>87,456</u>	<u>63,418</u>	<u>132,711</u>
LIABILITIES					
Accounts payable	8,850	39,538	-	-	-
Accrued wages payable	-	9,651	-	-	-
Due to other governments	-	-	-	-	41,961
Due to other funds	-	-	-	-	-
Total Liabilities	<u>8,850</u>	<u>49,189</u>	<u>-</u>	<u>-</u>	<u>41,961</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	-	47,319	-	-	-
Restricted for:					
Economic development	-	1,227,294	-	-	-
Public safety	-	-	87,456	63,418	90,750
Community services	-	-	-	-	-
Committed for:					
Community forest	985,156	-	-	-	-
Cemetery	-	-	-	-	-
Community development	-	-	-	-	-
Total Fund Balances	<u>985,156</u>	<u>1,274,613</u>	<u>87,456</u>	<u>63,418</u>	<u>90,750</u>
Total Liabilities and Fund Balances	<u>\$ 994,006</u>	<u>\$ 1,323,802</u>	<u>\$ 87,456</u>	<u>\$ 63,418</u>	<u>\$ 132,711</u>

Special Revenue Fund							Total Nonmajor Governmental Funds
Police Confiscated Money	Cemetery	Police Grants	Airport	Sales Tax Repairs & Maintenance	Emergency		
\$ 159,725	\$ 165,514	\$ 22,548	\$ 367,579	\$ 1,108,976	\$ -	\$ 4,322,342	
-	-	-	-	118,064	-	174,138	
313	-	-	40	-	-	353	
1,250	-	-	-	-	-	48,569	
161,288	165,514	22,548	367,619	1,227,040	-	4,545,402	
88,621	-	-	35,678	9,119	-	181,806	
-	-	-	-	-	-	9,651	
-	-	-	-	-	-	41,961	
-	-	-	72,020	-	-	72,020	
88,621	-	-	107,698	9,119	-	305,438	
1,250	-	-	-	-	-	48,569	
-	-	-	-	-	-	1,227,294	
71,417	-	-	-	-	-	313,041	
-	-	-	259,921	-	-	259,921	
-	-	-	-	-	-	985,156	
-	165,514	22,548	-	-	-	188,062	
-	-	-	-	1,217,921	-	1,217,921	
72,667	165,514	22,548	259,921	1,217,921	-	4,239,964	
\$ 161,288	\$ 165,514	\$ 22,548	\$ 367,619	\$ 1,227,040	\$ -	\$ 4,545,402	

CITY OF PALESTINE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Special Revenue Funds				
	Community Forest	Tourism	Municipal Court Security	Municipal Court Technology	Municipal Court Child Safety
REVENUES					
Taxes:					
Sales	\$ -	\$ 765,181	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	20,371	-	-	-
Fines and forfeitures	-	-	8,995	7,411	13,386
Investment earnings	494	45,152	2,900	2,108	4,329
Miscellaneous	505	-	-	-	-
Total Revenues	<u>999</u>	<u>830,704</u>	<u>11,895</u>	<u>9,519</u>	<u>17,715</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	1,527	-
Community services	18,720	-	-	-	-
Community development	-	898,167	-	-	-
Total Expenditures	<u>18,720</u>	<u>898,167</u>	<u>-</u>	<u>1,527</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(17,721)</u>	<u>(67,463)</u>	<u>11,895</u>	<u>7,992</u>	<u>17,715</u>
OTHER FINANCING SOURCES (USES)					
Transfer in	1,000,000	-	-	-	-
Transfer out	-	(31,371)	-	-	-
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>(31,371)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>982,279</u>	<u>(98,834)</u>	<u>11,895</u>	<u>7,992</u>	<u>17,715</u>
FUND BALANCES - BEGINNING	<u>2,877</u>	<u>1,373,447</u>	<u>75,561</u>	<u>55,426</u>	<u>73,035</u>
FUND BALANCES - ENDING	<u>\$ 985,156</u>	<u>\$ 1,274,613</u>	<u>\$ 87,456</u>	<u>\$ 63,418</u>	<u>\$ 90,750</u>

Special Revenue Fund						Total Nonmajor Governmental Funds
Police Confiscated Money	Cemetery	Police Grants	Airport	Sales Tax Repairs & Maintenance	Emergency	
\$ -	\$ -	\$ -	\$ -	\$ 691,634	\$ -	\$ 1,456,815
-	-	-	130,763	-	-	130,763
-	16,750	-	16,174	-	-	53,295
6,740	-	-	-	-	-	36,532
5,624	6,814	782	8,684	-	-	76,887
-	-	-	-	-	-	505
<u>12,364</u>	<u>23,564</u>	<u>782</u>	<u>155,621</u>	<u>691,634</u>	<u>-</u>	<u>1,754,797</u>
11,800	90,147	-	3,282	-	-	105,229
-	-	-	-	-	-	1,527
-	-	-	252,964	-	-	271,684
-	-	-	-	<u>218,298</u>	-	<u>1,116,465</u>
<u>11,800</u>	<u>90,147</u>	<u>-</u>	<u>256,246</u>	<u>218,298</u>	<u>-</u>	<u>1,494,905</u>
564	(66,583)	782	(100,625)	473,336	-	259,892
-	-	-	307,633	-	19,297	1,326,930
-	-	-	-	-	-	(31,371)
-	-	-	307,633	-	19,297	1,295,559
564	(66,583)	782	207,008	473,336	19,297	1,555,451
72,103	232,097	21,766	52,913	744,585	(19,297)	2,684,513
<u>\$ 72,667</u>	<u>\$ 165,514</u>	<u>\$ 22,548</u>	<u>\$ 259,921</u>	<u>\$ 1,217,921</u>	<u>\$ -</u>	<u>\$ 4,239,964</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 477,565	\$ 477,565	\$ 507,145	\$ 29,580
Investment earnings	<u>1,500</u>	<u>1,500</u>	<u>8,377</u>	<u>6,877</u>
Total Revenue	<u>479,065</u>	<u>479,065</u>	<u>515,522</u>	<u>36,457</u>
EXPENDITURES				
Debt service:				
Principal	642,044	642,044	472,353	169,691
Interest and fiscal charges	<u>956,097</u>	<u>956,097</u>	<u>960,015</u>	<u>(3,918)</u>
Total Expenditures	<u>1,598,141</u>	<u>1,598,141</u>	<u>1,432,368</u>	<u>165,773</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,119,076)	(1,119,076)	(916,846)	202,230
OTHER FINANCING SOURCES (USES)				
Transfers in	949,535	949,535	949,535	-
Transfers out	<u>-</u>	<u>-</u>	<u>(169,691)</u>	<u>(169,691)</u>
Total Other Financing Sources (Uses)	<u>949,535</u>	<u>949,535</u>	<u>779,844</u>	<u>(169,691)</u>
NET CHANGE IN FUND BALANCE	(169,541)	(169,541)	(137,002)	32,539
FUND BALANCE - BEGINNING	<u>311,248</u>	<u>311,248</u>	<u>311,248</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 141,707</u>	<u>\$ 141,707</u>	<u>\$ 174,246</u>	<u>\$ 32,539</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Investment earnings	\$ 315	\$ 315	\$ 494	\$ 179
Miscellaneous	-	-	505	505
Total Revenues	<u>315</u>	<u>315</u>	<u>999</u>	<u>684</u>
EXPENDITURES				
Current:				
Community services	<u>15,000</u>	<u>75,000</u>	<u>18,720</u>	<u>56,280</u>
Total Expenditures	<u>15,000</u>	<u>75,000</u>	<u>18,720</u>	<u>56,280</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(14,685)</u>	<u>(74,685)</u>	<u>(17,721)</u>	<u>56,964</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(14,685)</u>	<u>925,315</u>	<u>982,279</u>	<u>56,964</u>
FUND BALANCE - BEGINNING	<u>2,877</u>	<u>2,877</u>	<u>2,877</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ (11,808)</u>	<u>\$ 928,192</u>	<u>\$ 985,156</u>	<u>\$ 56,964</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes:				
Sales	\$ 600,000	\$ 600,000	\$ 765,181	\$ 165,181
Charges for services	-	-	20,371	20,371
Contributions and donations	2,500	2,500	-	(2,500)
Investment earnings	15,000	15,000	45,152	30,152
Total Revenues	<u>617,500</u>	<u>617,500</u>	<u>830,704</u>	<u>213,204</u>
EXPENDITURES				
Current:				
Community development	<u>762,700</u>	<u>1,288,853</u>	<u>898,167</u>	<u>390,686</u>
Total Expenditures	<u>762,700</u>	<u>1,288,853</u>	<u>898,167</u>	<u>390,686</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(145,200)</u>	<u>(671,353)</u>	<u>(67,463)</u>	<u>603,890</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(31,527)</u>	<u>(31,527)</u>	<u>(31,371)</u>	<u>156</u>
Total Other Financing Sources (Uses)	<u>(31,527)</u>	<u>(31,527)</u>	<u>(31,371)</u>	<u>156</u>
NET CHANGE IN FUND BALANCE	<u>(176,727)</u>	<u>(702,880)</u>	<u>(98,834)</u>	<u>604,046</u>
FUND BALANCE - BEGINNING	<u>1,373,447</u>	<u>1,373,447</u>	<u>1,373,447</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,196,720</u>	<u>\$ 670,567</u>	<u>\$ 1,274,613</u>	<u>\$ 604,046</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 10,575	\$ 10,575	\$ 8,995	\$ (1,580)
Investment earnings	<u>500</u>	<u>500</u>	<u>2,900</u>	<u>2,400</u>
Total Revenues	<u>11,075</u>	<u>11,075</u>	<u>11,895</u>	<u>820</u>
EXPENDITURES				
Current:				
Community services	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Total Expenditures	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>
NET CHANGE IN FUND BALANCE	<u>2,075</u>	<u>2,075</u>	<u>11,895</u>	<u>9,820</u>
FUND BALANCE - BEGINNING	<u>75,561</u>	<u>75,561</u>	<u>75,561</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 77,636</u>	<u>\$ 77,636</u>	<u>\$ 87,456</u>	<u>\$ 9,820</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 8,780	\$ 8,780	\$ 7,411	\$ (1,369)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>2,108</u>	<u>1,108</u>
Total Revenues	<u>9,780</u>	<u>9,780</u>	<u>9,519</u>	<u>(261)</u>
EXPENDITURES				
Current:				
Public safety	<u>5,179</u>	<u>5,179</u>	<u>1,527</u>	<u>3,652</u>
Total Expenditures	<u>5,179</u>	<u>5,179</u>	<u>1,527</u>	<u>3,652</u>
NET CHANGE IN FUND BALANCE	<u>4,601</u>	<u>4,601</u>	<u>7,992</u>	<u>3,391</u>
FUND BALANCE - BEGINNING	<u>55,426</u>	<u>55,426</u>	<u>55,426</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 60,027</u>	<u>\$ 60,027</u>	<u>\$ 63,418</u>	<u>\$ 3,391</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 16,000	\$ 16,000	\$ 13,386	\$ (2,614)
Investment earnings	<u>500</u>	<u>500</u>	<u>4,329</u>	<u>3,829</u>
Total Revenues	<u>16,500</u>	<u>16,500</u>	<u>17,715</u>	<u>1,215</u>
EXPENDITURES				
Current:				
Public safety	<u>1,600</u>	<u>1,600</u>	<u>-</u>	<u>1,600</u>
Total Expenditures	<u>1,600</u>	<u>1,600</u>	<u>-</u>	<u>1,600</u>
NET CHANGE IN FUND BALANCE	<u>14,900</u>	<u>14,900</u>	<u>17,715</u>	<u>2,815</u>
FUND BALANCE - BEGINNING	<u>73,035</u>	<u>73,035</u>	<u>73,035</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 87,935</u>	<u>\$ 87,935</u>	<u>\$ 90,750</u>	<u>\$ 2,815</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 10,000	\$ 10,000	\$ 16,750	\$ 6,750
Investment earnings	<u>-</u>	<u>-</u>	<u>6,814</u>	<u>6,814</u>
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>23,564</u>	<u>13,564</u>
EXPENDITURES				
Current:				
General government	<u>10,000</u>	<u>10,000</u>	<u>90,147</u>	<u>(80,147)</u>
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>90,147</u>	<u>(80,147)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(66,583)</u>	<u>(66,583)</u>
FUND BALANCE - BEGINNING	<u>232,097</u>	<u>232,097</u>	<u>232,097</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 232,097</u>	<u>\$ 232,097</u>	<u>\$ 165,514</u>	<u>\$ (66,583)</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 275,000	\$ 275,000	\$ 130,763	\$ (144,237)
Charges for services	17,881	17,881	16,174	(1,707)
Investment earnings	-	-	8,684	8,684
Total Revenues	<u>292,881</u>	<u>292,881</u>	<u>155,621</u>	<u>(137,260)</u>
EXPENDITURES				
Current:				
General government	-	-	3,282	(3,282)
Community services	<u>435,789</u>	<u>435,789</u>	<u>252,964</u>	<u>182,825</u>
Total Expenditures	<u>435,789</u>	<u>435,789</u>	<u>256,246</u>	<u>179,543</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(142,908)</u>	<u>(142,908)</u>	<u>(100,625)</u>	<u>42,283</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>307,633</u>	<u>307,633</u>	<u>307,633</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>307,633</u>	<u>307,633</u>	<u>307,633</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>164,725</u>	<u>164,725</u>	<u>207,008</u>	<u>42,283</u>
FUND BALANCE - BEGINNING	<u>52,913</u>	<u>52,913</u>	<u>52,913</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 217,638</u>	<u>\$ 217,638</u>	<u>\$ 259,921</u>	<u>\$ 42,283</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, 2024

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes:				
Sales	<u>\$ 605,080</u>	<u>\$ 605,080</u>	<u>\$ 691,634</u>	<u>\$ 86,554</u>
Total Revenues	<u>605,080</u>	<u>605,080</u>	<u>691,634</u>	<u>86,554</u>
EXPENDITURES				
Current:				
Community development	<u>605,080</u>	<u>605,080</u>	<u>218,298</u>	<u>386,782</u>
Total Expenditures	<u>605,080</u>	<u>605,080</u>	<u>218,298</u>	<u>386,782</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>473,336</u>	<u>473,336</u>
FUND BALANCE - BEGINNING	<u>744,585</u>	<u>744,585</u>	<u>744,585</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 744,585</u>	<u>\$ 744,585</u>	<u>\$ 1,217,921</u>	<u>\$ 473,336</u>

STATISTICAL SECTION

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**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.

Contents	Page
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			
	2015	2016	2017	2018
Governmental activities				
Net investment in capital assets	\$ 8,484,473	\$ 8,998,486	\$ 8,837,366	\$ 8,525,320
Restricted	1,901,250	3,021,142	2,338,406	1,799,601
Unrestricted	<u>(1,447,986)</u>	<u>(4,857,349)</u>	<u>(5,856,549)</u>	<u>(5,196,457)</u>
Total Governmental Activities Net Position	<u>\$ 8,937,737</u>	<u>\$ 7,162,279</u>	<u>\$ 5,319,223</u>	<u>\$ 5,128,464</u>
Business-type activities				
Net investment in capital assets	\$ 21,588,418	\$ 20,323,071	\$ 19,797,152	\$ 20,021,618
Restricted	1,192,779	1,012,685	906,364	1,804,479
Unrestricted	<u>2,378,890</u>	<u>4,742,808</u>	<u>5,057,155</u>	<u>4,001,332</u>
Total Business-Type Activities Net Position	<u>\$ 25,160,087</u>	<u>\$ 26,078,564</u>	<u>\$ 25,760,671</u>	<u>\$ 25,827,429</u>
Primary government				
Net investment in capital assets	\$ 30,072,891	\$ 29,321,557	\$ 28,634,518	\$ 28,546,938
Restricted	3,094,029	4,033,827	3,244,770	3,604,080
Unrestricted	<u>930,904</u>	<u>(114,541)</u>	<u>(799,394)</u>	<u>(1,195,125)</u>
Total Primary Government Net Position	<u>\$ 34,097,824</u>	<u>\$ 33,240,843</u>	<u>\$ 31,079,894</u>	<u>\$ 30,955,893</u>

TABLE 1

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 8,786,115	\$ 9,066,858	\$ 12,702,019	\$ 12,454,448	\$ 13,880,345	\$ 17,361,550
1,538,169	1,536,340	1,828,471	2,057,551	1,910,234	1,897,323
<u>(4,686,344)</u>	<u>(2,082,872)</u>	<u>(1,443,363)</u>	<u>4,283,713</u>	<u>4,690,235</u>	<u>5,374,050</u>
<u>\$ 5,637,940</u>	<u>\$ 8,520,326</u>	<u>\$ 13,087,127</u>	<u>\$ 18,795,712</u>	<u>\$ 20,480,814</u>	<u>\$ 24,632,923</u>
\$ 20,763,626	\$ 21,664,885	\$ 16,524,817	\$ 20,816,496	\$ 20,130,376	\$ 21,754,529
1,206,630	1,215,940	219,017	392,131	403,811	417,620
<u>4,608,716</u>	<u>5,273,388</u>	<u>7,481,535</u>	<u>1,441,332</u>	<u>1,494,618</u>	<u>837,395</u>
<u>\$ 26,578,972</u>	<u>\$ 28,154,213</u>	<u>\$ 24,225,369</u>	<u>\$ 22,649,959</u>	<u>\$ 22,028,805</u>	<u>\$ 23,009,544</u>
\$ 29,549,741	\$ 30,731,743	\$ 29,226,836	\$ 33,270,944	\$ 34,010,721	\$ 39,116,079
2,744,799	2,752,280	2,047,488	2,449,682	2,314,045	2,314,943
<u>(77,628)</u>	<u>3,190,516</u>	<u>6,038,172</u>	<u>5,725,045</u>	<u>6,184,853</u>	<u>6,211,445</u>
<u>\$ 32,216,912</u>	<u>\$ 36,674,539</u>	<u>\$ 37,312,496</u>	<u>\$ 41,445,671</u>	<u>\$ 42,509,619</u>	<u>\$ 47,642,467</u>

CITY OF PALESTINE, TEXAS

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

	Fiscal Year			
	2015	2016	2017	2018
Expenses				
Governmental activities:				
General government	\$ 1,490,998	\$ 1,642,279	\$ 2,230,980	\$ 2,299,445
Public safety	7,212,271	9,507,636	8,476,776	7,752,446
Community services	3,461,113	4,057,567	5,001,943	4,512,989
Community development	2,598,872	2,362,118	1,891,830	2,372,808
Interest expense on long-term debt	348,349	402,246	361,890	336,512
Total Governmental Activities Expenses	<u>15,111,603</u>	<u>17,971,846</u>	<u>17,963,419</u>	<u>17,274,200</u>
Business-type activities:				
Water and wastewater	5,817,415	6,138,416	6,952,929	6,822,610
Sanitation	2,871,842	2,690,298	2,653,193	2,849,302
Retail	508,108	377,125	480,820	441,514
Total Business-Type Activities Expenses	<u>9,197,365</u>	<u>9,205,839</u>	<u>10,086,942</u>	<u>10,113,426</u>
Total Primary Government Expenses	<u>24,308,968</u>	<u>27,177,685</u>	<u>28,050,361</u>	<u>27,387,626</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	-	-	-	-
Public safety	703,375	599,702	384,670	326,598
Community services	91,970	183,755	58,091	112,641
Community development	96,400	116,308	267,253	294,514
Operating grants and contributions	779,532	691,525	520,710	481,274
Capital grants and contributions	876,516	381,365	722,501	407,481
Total Governmental Activities Program Revenues	<u>2,547,793</u>	<u>1,972,655</u>	<u>1,953,225</u>	<u>1,622,508</u>
Business-type activities:				
Charges for services:				
Water and wastewater	7,613,860	7,255,558	7,045,911	7,296,990
Sanitation	3,600,036	3,414,943	3,454,821	3,608,496
Retail	585,873	618,223	558,709	546,604
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>11,799,769</u>	<u>11,288,724</u>	<u>11,059,441</u>	<u>11,452,090</u>
Total Primary Government Program Revenues	<u>14,347,562</u>	<u>13,261,379</u>	<u>13,012,666</u>	<u>13,074,598</u>
Net (expense) revenue:				
Governmental activities	(12,563,810)	(15,999,191)	(16,010,194)	(15,651,692)
Business-type activities	2,602,404	2,082,885	972,499	1,338,664
Total Primary Government Net Expense	<u>(9,961,406)</u>	<u>(13,916,306)</u>	<u>(15,037,695)</u>	<u>(14,313,028)</u>

TABLE 2

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 1,838,526	\$ 1,979,943	\$ 2,331,274	\$ 1,737,810	\$ 2,132,875	\$ 2,200,428
8,466,414	8,252,405	8,781,870	8,715,309	11,123,301	10,746,134
3,748,112	4,004,246	3,686,702	3,912,448	5,544,582	5,748,258
2,155,926	1,479,321	1,170,347	1,680,252	1,487,401	1,685,923
314,411	331,368	263,690	962,335	756,673	738,914
<u>16,523,389</u>	<u>16,047,283</u>	<u>16,233,883</u>	<u>17,008,154</u>	<u>21,044,832</u>	<u>21,119,658</u>
6,714,535	6,683,034	7,212,875	8,108,099	9,152,778	8,535,526
3,033,192	2,838,445	2,772,983	2,477,865	3,528,846	3,212,179
417,092	387,207	293,776	71,086	-	-
<u>10,164,819</u>	<u>9,908,686</u>	<u>10,279,634</u>	<u>10,657,050</u>	<u>12,681,624</u>	<u>11,747,705</u>
<u>26,688,208</u>	<u>25,955,969</u>	<u>26,513,517</u>	<u>27,665,204</u>	<u>33,726,456</u>	<u>32,867,363</u>
-	-	-	106,367	26,300	34,329
469,643	551,356	436,198	642,639	496,241	644,041
259,595	159,149	183,485	231,077	60,089	91,730
95,902	143,109	227,485	-	-	-
608,039	1,582,343	350,686	889,137	2,059,085	2,388,624
281,282	103,984	203,741	-	-	-
<u>1,714,461</u>	<u>2,539,941</u>	<u>1,401,595</u>	<u>1,869,220</u>	<u>2,641,715</u>	<u>3,158,724</u>
7,450,889	9,122,286	8,891,893	9,706,683	10,207,220	10,609,072
3,916,708	3,601,184	3,607,878	3,653,634	3,939,247	4,278,975
471,430	650,957	281,857	120	-	-
47,750	-	-	-	-	-
-	200,000	48,265	-	-	6,500
<u>11,886,777</u>	<u>13,574,427</u>	<u>12,829,893</u>	<u>13,360,437</u>	<u>14,146,467</u>	<u>14,894,547</u>
<u>13,601,238</u>	<u>16,114,368</u>	<u>14,231,488</u>	<u>15,229,657</u>	<u>16,788,182</u>	<u>18,053,271</u>
(14,808,928)	(13,507,342)	(14,832,288)	(15,138,934)	(18,403,117)	(17,960,934)
1,721,958	3,665,741	2,550,259	2,703,387	1,464,843	3,146,842
<u>(13,086,970)</u>	<u>(9,841,601)</u>	<u>(12,282,029)</u>	<u>(12,435,547)</u>	<u>(16,938,274)</u>	<u>(14,814,092)</u>

CITY OF PALESTINE, TEXAS

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

	Fiscal Year			
	2015	2016	2017	2018
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property	\$ 6,043,894	\$ 6,301,758	\$ 6,243,134	\$ 6,961,566
Sales and use	5,899,830	5,604,257	5,284,628	5,411,426
Franchise	1,023,089	1,027,661	1,105,224	1,091,211
Hotel/motel	-	-	-	-
Mixed drink	-	-	-	-
Investment earnings	19,336	36,204	67,202	106,787
Gain (loss) on sales of assets	102,283	55,586	8,500	711,863
Miscellaneous other revenue	180,662	28,681	154,576	124,079
Transfers	857,729	1,169,587	1,303,874	1,148,847
Total Governmental Activities	<u>14,126,823</u>	<u>14,223,734</u>	<u>14,167,138</u>	<u>15,555,779</u>
Business-type activities:				
Investment earnings	3,118	5,179	8,041	48,636
Gain (loss) on impairment of capital assets	-	-	-	-
Other income	-	-	5,441	943
Transfers	(857,729)	(1,169,587)	(1,303,874)	(1,148,847)
Total Business-Type Activities	<u>(854,611)</u>	<u>(1,164,408)</u>	<u>(1,290,392)</u>	<u>(1,099,268)</u>
Total Primary Government	<u>13,272,212</u>	<u>13,059,326</u>	<u>12,876,746</u>	<u>14,456,511</u>
Change in Net Position				
Governmental activities	1,563,013	(1,775,457)	(1,843,056)	(95,913)
Business-type activities	<u>1,747,793</u>	<u>918,477</u>	<u>(317,893)</u>	<u>239,396</u>
Total Primary Government	<u>\$ 3,310,806</u>	<u>\$ (856,980)</u>	<u>\$ (2,160,949)</u>	<u>\$ 143,483</u>

TABLE 2

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 7,072,216	\$ 7,047,072	\$ 7,157,149	\$ 7,486,723	\$ 8,186,401	\$ 9,159,997
5,602,207	5,842,057	6,325,417	6,888,617	6,846,383	6,916,337
1,042,241	989,298	1,029,565	1,093,146	1,089,611	1,121,295
-	-	-	734,930	712,477	765,181
-	-	-	43,707	51,278	44,827
151,108	86,482	26,286	134,572	841,501	1,682,241
6,321	193,505	(252,819)	-	-	-
56,196	59,667	59,306	122,759	63,377	34,092
1,094,479	2,171,647	5,054,185	4,343,065	2,297,191	2,389,073
<u>15,024,768</u>	<u>16,389,728</u>	<u>19,399,089</u>	<u>20,847,519</u>	<u>20,088,219</u>	<u>22,113,043</u>
100,650	82,446	28,590	58,997	156,008	187,449
(3,648)	(1,399)	(1,453,508)	-	-	-
-	-	-	5,271	55,186	35,521
<u>(1,094,479)</u>	<u>(2,171,647)</u>	<u>(5,054,185)</u>	<u>(4,343,065)</u>	<u>(2,297,191)</u>	<u>(2,389,073)</u>
<u>(997,477)</u>	<u>(2,090,600)</u>	<u>(6,479,103)</u>	<u>(4,278,797)</u>	<u>(2,085,997)</u>	<u>(2,166,103)</u>
<u>14,027,291</u>	<u>14,299,128</u>	<u>12,919,986</u>	<u>16,568,722</u>	<u>18,002,222</u>	<u>19,946,940</u>
215,840	2,882,386	4,566,801	5,708,585	1,685,102	4,152,109
724,481	1,575,141	(3,928,844)	(1,575,410)	(621,154)	980,739
<u>\$ 940,321</u>	<u>\$ 4,457,527</u>	<u>\$ 637,957</u>	<u>\$ 4,133,175</u>	<u>\$ 1,063,948</u>	<u>\$ 5,132,848</u>

CITY OF PALESTINE, TEXAS**FUND BALANCES OF GOVERNMENTAL FUNDS**

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General fund				
Nonspendable	\$ 286,998	\$ 141,650	\$ 169,369	\$ 277,520
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>2,493,707</u>	<u>2,017,854</u>	<u>826,690</u>	<u>1,488,429</u>
Total general fund	<u>\$ 2,780,705</u>	<u>\$ 2,159,504</u>	<u>\$ 996,059</u>	<u>\$ 1,765,949</u>
All other governmental funds				
Non-spendable	\$ -	\$ 36,481	\$ 3,267	\$ 17,565
Restricted	1,901,250	3,021,142	2,338,406	1,799,601
Committed	304,988	260,898	902,046	864,700
Unassigned	<u>1,299,402</u>	<u>(88,428)</u>	<u>(167,989)</u>	<u>(24,138)</u>
Total all other governmental funds	<u>\$ 3,505,640</u>	<u>\$ 3,230,093</u>	<u>\$ 3,075,730</u>	<u>\$ 2,657,728</u>

TABLE 3

2019	2020	2021	2022	2023	2024
\$ 251,803	\$ 226,868	\$ 153,869	\$ 215,176	\$ 298,005	\$ 185,162
-	-	36,487	-	-	-
-	-	-	-	-	492,400
<u>2,603,151</u>	<u>5,509,918</u>	<u>5,792,925</u>	<u>10,044,643</u>	<u>11,114,026</u>	<u>10,164,874</u>
<u>\$ 2,854,954</u>	<u>\$ 5,736,786</u>	<u>\$ 5,983,281</u>	<u>\$ 10,259,819</u>	<u>\$ 11,412,031</u>	<u>\$ 10,842,436</u>
\$ 30,912	\$ 9,889	\$ 16,092	\$ 36,330	\$ 40,764	\$ 59,694
1,538,169	1,536,340	1,791,984	26,966,157	24,222,568	22,428,489
954,541	1,067,993	424,380	594,329	1,001,325	2,391,139
-	-	(64,718)	(19,297)	(19,297)	-
<u>\$ 2,523,622</u>	<u>\$ 2,614,222</u>	<u>\$ 2,167,738</u>	<u>\$ 27,577,519</u>	<u>\$ 25,245,360</u>	<u>\$ 24,879,322</u>

CITY OF PALESTINE, TEXAS

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

	2015	2016	2017	2018
Revenues				
Taxes	\$ 13,015,304	\$ 12,923,003	\$ 12,623,797	\$ 13,460,749
Licenses, permits, and fees	96,400	116,308	100,586	122,050
Fines and forfeitures	443,291	611,532	312,614	406,310
Charges for services	91,970	183,755	209,783	254,727
Intergovernmental	1,656,048	992,384	1,157,557	743,349
Investment earnings	18,746	35,588	65,710	105,070
Other revenues	282,945	164,773	235,979	197,075
Total Revenues	<u>\$ 15,604,704.00</u>	<u>\$ 15,027,343.00</u>	<u>\$ 14,706,026.00</u>	<u>\$ 15,289,330.00</u>
Expenditures				
Current:				
General government	1,470,766	1,637,433	1,876,371	2,051,514
Public safety	7,010,322	8,548,498	7,661,500	7,758,766
Community services	3,740,776	3,622,155	4,020,346	3,670,963
Community development	3,278,387	1,986,040	2,405,693	2,094,621
Capital outlay	2,314,441	803,499	710,872	260,306
Debt service:				
Principal	475,000	890,000	708,000	730,000
Interest and fees	327,422	384,745	326,785	306,388
Bond issuance costs	-	-	-	-
Total Expenditures	<u>18,617,114</u>	<u>17,872,370</u>	<u>17,709,567</u>	<u>16,872,558</u>
Excess of Revenues Over (Under)				
Expenditures	(3,012,410)	(2,845,027)	(3,003,541)	(1,583,228)
Other Financing Sources (Uses)				
Transfers in	1,467,995	1,613,065	1,585,883	1,885,710
Transfers out	(1,449,499)	(468,285)	(611,022)	(1,201,884)
Issuance of bonds	2,550,000	-	-	-
Premium on bonds	-	-	-	-
Sale of capital assets	-	-	-	990,984
Insurance proceeds	-	-	-	-
Net Other Financing Sources (Uses)	<u>2,568,496</u>	<u>1,144,780</u>	<u>974,861</u>	<u>1,674,810</u>
Net Change in Fund Balances	<u>\$ (443,914)</u>	<u>\$ (1,700,247)</u>	<u>\$ (2,028,680)</u>	<u>\$ 91,582</u>
Debt Service as a Percentage of				
Noncapital Expenditures	<u>5.7%</u>	<u>7.8%</u>	<u>6.4%</u>	<u>6.3%</u>

TABLE 4

2019	2020	2021	2022	2023	2024
\$ 13,712,390	\$ 13,908,213	\$ 14,511,721	\$ 16,236,130	\$ 16,814,323	\$ 17,973,780
95,902	143,109	227,485	116,877	162,657	357,082
414,518	460,461	471,491	338,770	381,731	366,447
249,198	159,149	183,485	288,513	84,731	103,236
781,351	1,583,492	326,063	791,743	2,012,509	2,365,888
148,633	86,482	26,117	134,572	841,500	1,682,241
116,600	162,502	116,294	263,970	105,663	48,736
<u>\$ 15,518,592.00</u>	<u>\$ 16,503,408.00</u>	<u>\$ 15,862,656.00</u>	<u>\$ 18,170,575.00</u>	<u>\$ 20,403,114.00</u>	<u>\$ 22,897,410.00</u>
1,703,139	1,869,467	2,941,151	1,829,715	2,301,960	2,258,889
7,562,633	7,814,019	8,424,518	8,839,781	9,845,742	11,744,996
2,961,596	3,241,261	3,361,876	3,880,224	6,091,639	6,378,607
2,102,796	1,746,350	1,843,487	1,676,281	1,413,601	1,637,076
565,647	529,770	1,043,637	1,328,745	2,864,982	2,796,970
753,000	1,083,000	6,575,726	418,246	461,448	642,044
285,100	259,715	255,092	650,554	972,858	960,015
-	-	-	340,700	-	-
<u>15,933,911</u>	<u>16,543,582</u>	<u>24,445,487</u>	<u>18,964,246</u>	<u>23,952,230</u>	<u>26,418,597</u>
(415,319)	(40,174)	(8,582,831)	(793,671)	(3,549,116)	(3,521,187)
1,482,519	2,468,877	5,533,232	4,636,388	3,403,355	4,696,909
(743,427)	(274,260)	(648,397)	(688,594)	(1,106,164)	(2,307,836)
-	-	2,251,417	22,939,000	-	-
-	-	-	3,514,687	-	-
7,250	231,046	177,960	42,105	27,895	65,481
58,229	57,173	24,993	36,404	44,083	131,000
<u>804,571</u>	<u>2,482,836</u>	<u>7,339,205</u>	<u>30,479,990</u>	<u>2,369,169</u>	<u>2,585,554</u>
<u>\$ 389,252</u>	<u>\$ 2,442,662</u>	<u>\$ (1,243,626)</u>	<u>\$ 29,686,319</u>	<u>\$ (1,179,947)</u>	<u>\$ (935,633)</u>
<u>7.0%</u>	<u>8.7%</u>	<u>30.6%</u>	<u>6.4%</u>	<u>7.4%</u>	<u>8.0%</u>

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CITY OF PALESTINE, TEXAS**TABLE 5**

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

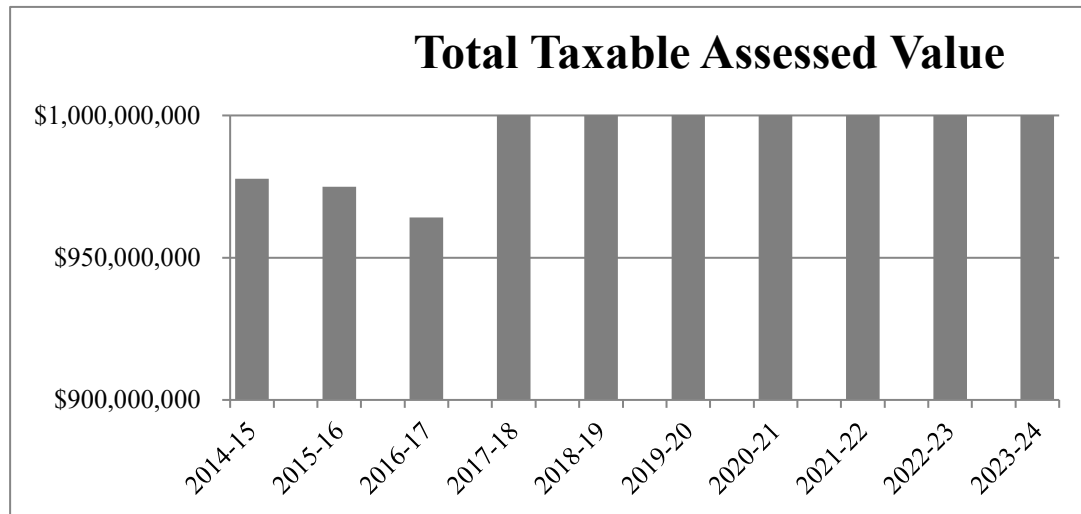
Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Hotel Occupancy	Total
2015	\$ 6,043,894	\$ 5,273,872	\$ 1,023,089	\$ 625,958	\$ 12,966,813
2016	6,301,758	5,103,185	1,027,661	501,072	12,933,676
2017	6,243,134	4,797,388	1,105,224	487,240	12,632,986
2018	6,961,566	4,897,612	1,091,211	513,814	13,464,203
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
2023	8,114,574	6,897,661	1,089,611	712,477	16,814,323
2024	9,133,324	6,961,164	1,114,111	765,181	17,973,780

CITY OF PALESTINE, TEXAS

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY

LAST TEN YEARS

	Fiscal Year			
	2015	2016	2017	2018
Real Property	\$965,219,052	\$972,571,981	\$1,006,673,361	\$1,051,244,347
Personal Property	291,199,252	302,741,992	275,988,192	278,623,883
Less: Tax Exempt Property	(278,617,843)	(300,418,316)	(318,487,917)	(314,963,567)
Total Taxable Assessed Value	<u>\$977,800,461</u>	<u>\$974,895,657</u>	<u>\$ 964,173,636</u>	<u>\$1,014,904,663</u>
Total Direct Tax Rate ⁽¹⁾	0.639000	0.648890	0.648890	0.648890



⁽¹⁾ Tax rates are per \$100 of assessed value.

Source: Anderson County Appraisal District, Certified Values

TABLE 6

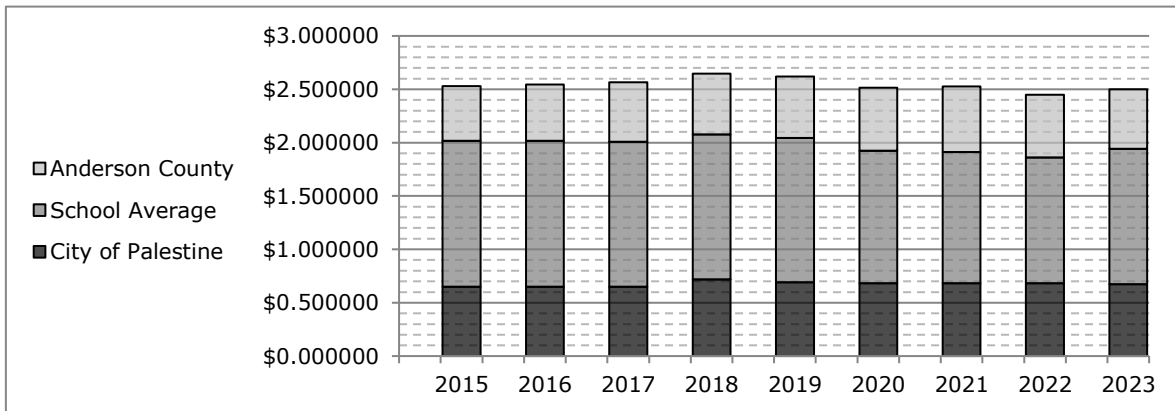
Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 1,087,510,866	\$1,095,578,916	\$1,164,784,925	\$1,341,340,054	\$1,223,330,473	\$ 1,617,955,420
279,851,203	252,340,116	251,717,182	334,434,165	336,394,406	336,394,406
<u>(333,250,004)</u>	<u>(313,876,057)</u>	<u>(338,006,689)</u>	<u>(435,563,193)</u>	<u>(503,314,979)</u>	<u>(392,411,770)</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>	<u>\$1,056,409,900</u>	<u>\$ 1,561,938,056</u>
0.718741	0.692642	0.683774	0.683774	0.673774	0.594285

CITY OF PALESTINE, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN YEARS

	(Tax Rates per \$100 of assessed valuation)			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City of Palestine				
General	0.562460	0.559760	0.543094	0.567820
Debt Service	0.086430	0.089130	0.105796	0.150921
Total Direct Rates	<u>0.648890</u>	<u>0.648890</u>	<u>0.648890</u>	<u>0.718741</u>
 Palestine ISD	1.566000	1.566000	1.548000	1.548000
Westwood ISD	<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>1.359000</u>	<u>1.359000</u>
 Anderson County	<u>0.513780</u>	<u>0.528780</u>	<u>0.556400</u>	<u>0.567542</u>
Total Direct and Overlapping Rates	<u>2.530670</u>	<u>2.545670</u>	<u>2.564290</u>	<u>2.645283</u>



Source: Anderson County Appraisal District

TABLE 7

(Tax Rates per \$100 of assessed valuation)					
<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>0.572993</u>	<u>0.604524</u>	<u>0.555678</u>	<u>0.553818</u>	<u>0.648613</u>	<u>0.568564</u>
<u>0.119649</u>	<u>0.076753</u>	<u>0.128096</u>	<u>0.129956</u>	<u>0.025161</u>	<u>0.025721</u>
<u>0.692642</u>	<u>0.681277</u>	<u>0.683774</u>	<u>0.683774</u>	<u>0.673774</u>	<u>0.594285</u>
<u>1.530000</u>	<u>1.418300</u>	<u>1.404700</u>	<u>1.346800</u>	<u>1.267500</u>	<u>1.093700</u>
<u>1.170000</u>	<u>1.068300</u>	<u>1.052700</u>	<u>1.010600</u>	<u>1.268985</u>	<u>1.076800</u>
<u>1.350000</u>	<u>1.243300</u>	<u>1.228700</u>	<u>1.178700</u>	<u>1.268243</u>	<u>1.085250</u>
<u>0.577438</u>	<u>0.589458</u>	<u>0.612808</u>	<u>0.587247</u>	<u>0.557158</u>	<u>0.482893</u>
<u>2.620080</u>	<u>2.514035</u>	<u>2.525282</u>	<u>2.449721</u>	<u>2.499175</u>	<u>2.162428</u>

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CITY OF PALESTINE, TEXAS

TABLE 8

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Property Taxpayer	2024			2015		
	Taxable Assessed Value*	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Sanderson Farms	\$ 157,323,684	1	10.1%	\$ -		
Wal-Mart Stores # Div Store	42,395,612	2	2.7%	-		
MPT of Palestine-Lima LLC	25,525,139	3	1.6%	14,733,845	1	1.6%
Union Pacific Railroad Co	15,513,903	4	1.0%	-		
Oncor Electric Delivery Co LLC	14,575,500	5	0.9%	-		
Atmos Energy/Mid-Tex Distribution	14,121,842	6	0.9%	-		
Lowes of Palestine #1892	13,792,925	7	0.9%	8,727,999	6	0.9%
Wal-Mart Stores East LP	11,194,675	8	0.7%	10,253,140	4	1.1%
Overlook Lifestyle Apartment Homes	10,628,557	9	0.7%	-		
Willow Creek Apartments	8,045,557	10	0.5%	-		
Wal-Mart Real Estate Business Trust				7,898,512	7	0.8%
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>313,117,394</u>		20.0%	<u>88,190,814</u>		9.5%
Other taxpayers	<u>1,248,820,662</u>		80.0%	<u>842,936,337</u>		90.5%
Grand total	<u>\$ 1,561,938,056</u>		100.0%	<u>\$ 931,127,151</u>		100.0%

*Source: Anderson County Appraisal District

*2015 Data unavailable using 2013 data

CITY OF PALESTINE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN YEARS

	Fiscal Year			
	2015	2016	2017	2018
Tax levy	\$ 6,215,454	\$ 6,240,011	\$ 6,334,034	\$ 6,934,427
Current tax collected	5,829,394	6,080,505	6,006,972	6,801,857
Percent of current tax collections	93.79%	97.44%	94.84%	98.09%
Delinquent tax collections	<u>119,282</u>	<u>100,204</u>	<u>86,471</u>	<u>91,706</u>
Total tax collections	<u>\$ 5,948,676</u>	<u>\$ 6,180,709</u>	<u>\$ 6,093,443</u>	<u>\$ 6,893,563</u>
Total collections as a percentage of tax levy	95.71%	99.05%	96.20%	99.41%

TABLE 9

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 6,877,795	\$ 7,050,720	\$ 7,074,381	\$ 7,380,877	\$ 8,026,882	\$ 9,216,038
6,765,218 98.36%	6,825,785 96.81%	6,872,619 97.15%	7,232,531 97.99%	7,945,669 98.99%	8,987,000 97.51%
<u>112,577</u>	<u>179,518</u>	<u>154,313</u>	<u>114,845</u>	<u>115,046</u>	<u>111,674</u>
<u>\$ 6,877,795</u>	<u>\$ 7,005,302</u>	<u>\$ 7,026,932</u>	<u>\$ 7,347,376</u>	<u>\$ 8,060,715</u>	<u>\$ 9,098,674</u>
100.00%	99.36%	99.33%	99.55%	100.42%	98.73%

CITY OF PALESTINE, TEXAS

LEGAL DEBT MARGIN

LAST TEN YEARS

	Fiscal Year			
	2015	2016	2017	2018
Debt Limit	\$ 48,890,023	\$ 48,744,783	\$ 48,208,682	\$ 50,745,233
Total net debt applicable to limit	<u>663,796</u>	<u>944,472</u>	<u>970,935</u>	<u>12,859,414</u>
Legal debt margin	<u>\$ 48,226,227</u>	<u>\$ 47,800,311</u>	<u>\$ 47,237,747</u>	<u>\$ 37,885,819</u>
Total net debt applicable to the limit as a percentage of debt limit	1.4%	1.9%	2.0%	25.3%

TABLE 10

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 51,705,603	\$ 51,702,149	\$ 53,924,771	\$ 62,010,551	\$ 52,820,495	\$ 78,096,903
<u>11,482,153</u>	<u>10,250,615</u>	<u>14,491,205</u>	<u>54,206,027</u>	<u>53,942,087</u>	<u>50,140,697</u>
\$ 40,223,450	\$ 41,451,534	\$ 39,433,566	\$ 7,804,524	\$ (1,121,592)	\$ 27,956,206
22.2%	19.8%	26.9%	87.4%	102.1%	64.2%

Legal Debt Margin Calculation:

Assessed Value	\$ 1,561,938,056
Debt limit (5% of assessed value)	78,096,903
Debt applicable to limit:	
General obligation bonds	1,370,000
Certificates of obligation	48,867,764
Less: amount set aside for repayment of general obligation debt	(97,067)
Total net debt applicable to limit	<u>50,140,697</u>
Legal Debt Margin	<u>\$ 27,956,206</u>

CITY OF PALESTINE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN YEARS

	Fiscal Year			
	2015	2016	2017	2018
Primary Government				
Governmental Activities:				
Financed purchases	\$ 492,533	\$ 473,329	\$ 817,066	\$ 1,322,300
Leases	-	-	-	-
Certificates of obligation	8,242,000	10,317,000	9,427,000	8,719,000
General obligation bonds	-	-	-	-
Subtotal	<u>8,734,533</u>	<u>10,790,329</u>	<u>10,244,066</u>	<u>10,041,300</u>
Business-Type Activities:				
Certificates of obligation	3,455,000	3,250,000	2,995,000	2,730,000
Revenue bonds	<u>7,598,310</u>	<u>6,701,452</u>	<u>6,077,823</u>	<u>5,437,878</u>
Subtotal	<u>11,053,310</u>	<u>9,951,452</u>	<u>9,072,823</u>	<u>8,167,878</u>
Total Primary Government	<u>\$ 19,787,843</u>	<u>\$ 20,741,781</u>	<u>\$ 19,316,889</u>	<u>\$ 18,209,178</u>
Personal Income ⁽¹⁾	\$ 31,500	\$ 21,787	\$ 21,787	\$ 20,227
Debt as a Percentage of Personal Income	3.43%	5.18%	4.82%	4.92%
Population ⁽¹⁾	18,313	18,383	18,393	18,306
Debt per Capita	1,081	1,128	1,050	995

⁽¹⁾ 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					
2019	2020	2021	2022	2023	2024
\$ 962,850	\$ 1,212,337	\$ 2,693,957	\$ 1,392,216	\$ 1,113,202	\$ 826,895
-	-	-	751,886	458,017	1,236,724
7,989,000	7,236,000	2,000,000	26,296,751	26,043,686	25,596,884
-	-	31,498	1,819,562	1,585,000	1,370,000
<u>8,951,850</u>	<u>8,448,337</u>	<u>4,725,455</u>	<u>30,260,415</u>	<u>29,199,905</u>	<u>29,030,503</u>
2,450,000	2,150,000	11,180,000	25,735,405	24,562,850	23,270,880
<u>4,776,258</u>	<u>4,087,500</u>	<u>582,242</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,226,258</u>	<u>6,237,500</u>	<u>11,762,242</u>	<u>25,735,405</u>	<u>24,562,850</u>	<u>23,270,880</u>
<u>\$ 16,178,108</u>	<u>\$ 14,685,837</u>	<u>\$ 16,487,697</u>	<u>\$ 55,995,820</u>	<u>\$ 53,762,755</u>	<u>\$ 52,301,383</u>
\$ 19,646	\$ 20,192	\$ 21,335	\$ 21,082	\$ 23,235	\$ 26,983
4.54%	4.10%	4.17%	14.16%	12.19%	9.90%
18,136	17,730	18,544	18,756	18,981	19,583
892	828	889	2,985	2,832	2,671

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			
	2016	2017	2018	2019
Net Taxable Assessed Value				
All property	\$ 974,895,657	\$ 964,173,636	\$ 1,014,904,663	\$ 1,034,112,065
Net Bonded Debt				
Gross bonded debt	13,567,000	12,422,000	11,449,000	10,439,000
Less: debt service funds	(944,472)	(970,935)	(1,410,414)	(1,043,153)
Net Bonded Debt	<u>\$ 12,622,528</u>	<u>\$ 11,451,065</u>	<u>\$ 10,038,586</u>	<u>\$ 9,395,847</u>
Ratio of net bonded debt to assessed value	1.29%	1.19%	0.99%	0.91%
Population ⁽¹⁾	18,383	18,393	18,306	18,136
Net bonded debt per capita	\$ 687	\$ 623	\$ 548	\$ 518

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

TABLE 12

Fiscal Year				
2020	2021	2022	2023	2024
\$ 1,034,042,975	\$ 1,078,495,418	\$ 1,240,211,026	\$ 1,056,409,900	\$ 1,561,938,056
9,386,000	13,211,498	53,851,718	52,191,536	50,237,764
<u>(864,615)</u>	<u>(1,279,707)</u>	<u>(354,309)</u>	<u>(1,750,551)</u>	<u>(1,578,021)</u>
\$ <u>8,521,385</u>	\$ <u>11,931,791</u>	\$ <u>53,497,409</u>	\$ <u>50,440,985</u>	\$ <u>48,659,743</u>
0.82%	1.11%	4.31%	4.77%	3.12%
17,730	18,544	18,756	18,981	19,583
\$ 481	\$ 643	\$ 2,852	\$ 2,657	\$ 2,485

CITY OF PALESTINE, TEXAS

TABLE 13

DIRECT AND OVERLAPPING DEBT

AS OF SEPTEMBER 30, 2024

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
City of Palestine			
Financing arrangements	\$ 826,895	100%	\$ 826,895
Leases	1,236,724	100%	1,236,724
Certificates of Obligation	25,596,884	100%	25,596,884
General Obligation Bonds	<u>1,370,000</u>	100%	<u>1,370,000</u>
	<u>29,030,503</u>		<u>29,030,503</u>
Palestine Independent School District ⁽²⁾			
General Obligation Bonds	44,845,000	100%	44,845,000
Maintenance Tax Notes	<u>6,420,000</u>	100%	<u>6,420,000</u>
	<u>51,265,000</u>		<u>51,265,000</u>
Anderson County, Texas ⁽²⁾			
General Obligation Bonds	18,215,000	43%	<u>7,744,457</u>
Certificate of Obligation	<u>5,885,000</u>	43%	<u>2,502,121</u>
	<u>24,100,000</u>		<u>10,246,578</u>
			<u>\$ 90,542,081</u>

⁽¹⁾ 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.

⁽²⁾ Debt information was obtained from most recent Annual Financial Reports for each entity - PISD 2023 Annual Financial Report and Anderson Co 2023 Annual Financial Report.

CITY OF PALESTINE, TEXAS**TABLE 14**

PLEDGED REVENUE COVERAGE

AS OF SEPTEMBER 30, 2024

Water and Sewer Revenue Bonds					
Fiscal Year	Total Operating Revenues	Less: Operating Expenses	Net Available Revenue	Annual Debt Service Requirement	Times Coverage
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
2023	10,254,986	(7,029,978)	3,225,008	1,838,887	1.75
2024	10,851,952	(7,639,471)	3,212,481	1,805,344	1.78

CITY OF PALESTINE, TEXAS**TABLE 15**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN YEARS

(amounts expressed in thousands except for population)

Fiscal Year Ending	Population ⁽¹⁾	Personal Income	Per Capita Income ⁽¹⁾	Unemployment Rate ⁽²⁾
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%
2023	18,981	441,024	23,235	3.9%
2024	19,583	528,408	26,983	4.2%

Data sources:

⁽¹⁾ US Census⁽²⁾ 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

<u>Employer</u>	<u>2024</u>			<u>2015</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>
Wal-Mart Distribution	1,295	1	8.6%	9		
Sanderson Farms	1,130	2	7.5%			
Palestine ISD	585	3	3.9%	6		
Palestine Regional Medical & Rehabilitation	510	4	3.4%	5		
Wal-Mart Retail	365	5	2.4%	10		
Westwood ISD	280	6	1.9%	8		
Anderson County	250	7	1.7%	1		
City of Palestine	200	8	1.3%	3		
Legacy	170	9	1.1%			
MKS Services	130	10	0.9%			
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>4,915</u>					
Other employers	<u>10,109</u>					
Grand total	<u>15,024</u>					

Source: Palestine Economic Development Corporation

* Some information from 2015 could not be obtained.

CITY OF PALESTINE, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN YEARS

	Fiscal Year				
	2015	2016	2017	2018	2019
General Fund:					
Administration*	14.0	13.0	18.0	16.0	18.0
Police	58.0	59.0	46.3	53.0	53.0
Fire	40.0	40.0	39.0	32.0	35.0
Public Works	12.5	9.5	12.0	11.0	12.0
Parks	10.5	11.0	14.5	9.0	4.0
Library	10.0	10.0	10.5	9.0	8.0
Code Enforcement *	8.0	8.0	9.0	-	-
General Fund Total	<u>153.0</u>	<u>150.5</u>	<u>149.3</u>	<u>130.0</u>	<u>130.0</u>
Enterprise Funds:					
Tourism	4.0	4.0	4.0	4.0	2.0
Central Warehouse	1.0	-	-	-	-
Retail Mall	-	3.0	3.0	2.0	3.0
Sanitation	9.0	6.0	7.0	4.0	7.0
Water	20.5	24.0	24.5	20.0	23.0
Wastewater	9.0	11.0	11.0	13.0	13.0
Fleet Maintenance	-	-	-	-	-
Enterprise Fund Total	<u>43.5</u>	<u>48.0</u>	<u>49.5</u>	<u>43.0</u>	<u>48.0</u>
Total City Positions	<u>196.5</u>	<u>198.5</u>	<u>198.8</u>	<u>173.0</u>	<u>178.0</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				
2020	2021	2022	2023	2024
15.0	17.0	21.0	19.0	19.0
55.0	56.0	58.0	58.0	60.0
40.0	40.0	39.0	39.0	40.0
16.0	19.0	13.0	13.0	13.0
10.0	10.0	10.0	13.0	13.0
7.0	6.0	6.0	6.0	6.0
-	-	-	-	-
143.0	148.0	147.0	148.0	151.0
2.0	2.0	3.0	4.0	4.0
-	-	-	-	-
1.0	-	-	-	-
-	-	-	-	-
20.0	20.0	20.0	20.0	21.0
9.0	17.0	16.0	16.0	16.0
-	-	3.0	3.0	3.0
32.0	39.0	42.0	43.0	44.0
175.0	187.0	189.0	191.0	195.0

CITY OF PALESTINE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN YEARS

Function / Program	Fiscal Year			
	2015	2016	2017	2018
Police				
Arrests	1,032	1,483	1,016	1,177
Accident reports	397	474	431	434
Citations	1,752	2,708	2,013	2,158
Offense reports	2,423	2,692	1,966	2,360
Calls for service	27,381	25,290	21,746	24,806
Fire				
Emergency responses	1,191	1,165	1,239	1,697
Fire incidents	113	76	81	105
Average response time	3:00	3:00	3:00	3:00
Water				
Number of users	7,787	7,789	7,763	7,397
Source	surface	surface	surface	surface
Average daily consumption (millions of gallons)	2.553	2.600	2.529	2.479
Total consumption (millions of gallons)	932	949	923	864
Peak daily consumption (millions of gallons)	6.000	5.000	5.000	5.838
Wastewater				
Average daily sewage treatment (millions of gallons)	2.43	2.20	1.84	2.66
Total treatment (millions of gallons)	885.0	808.9	614.2	959.4
Peak daily consumption (millions of gallons)	3.57	3.81	3.10	4.17

Source: Various City departments

TABLE 18

Fiscal Year					
2019	2020	2021	2022	2023	2024
888	924	581	421	899	1,061
368	389	414	444	385	373
2,819	2,309	2,346	2,755	6,898	7,295
2,147	2,278	1,945	1,843	1,436	1,466
22,659	21,728	19,920	18,847	18,960	18,857
1,757	1,420	1,465	1,405	1,956	2,625
85	93	86	100	99	73
4:00	3:30	3:30	3:41	3:52	4:31
7,011	6,897	6,943	6,939	6,862	6,873
surface	surface	surface	surface	surface	surface
2.438	2.271	2.292	2.578	2.688	2.605
890	833	845	941	981	967
4.572	4.123	4.652	5.022	5.118	5.108
2.65	2.17	2.55	2.09	1.77	2.29
969.1	794.0	832.3	762.7	622.5	831.9
6.56	6.94	9.31	4.51	7.64	13.70

CITY OF PALESTINE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN YEARS

Function / Program	Fiscal Year			
	2015	2016	2017	2018
Police				
Stations	1	1	1	1
Patrol units	3	3	3	3
Fire stations				
Number of stations	4	4	4	4
Number of stations (operational)	3	3	3	3
Other public works				
Streets (miles - centerlines)	134.2	134.2	134.2	134.2
Streetlights	2,050	2,050	2,050	2,050
Parks and recreation				
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
Water				
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
Sewer				
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					
2019	2020	2021	2022	2023	2024
1	1	2	2	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	134.0
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
10.00	10.00	10.00	11.00	11.00	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

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SINGLE AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024**

CITY OF PALESTINE, TEXAS

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SEPTEMBER 30, 2024

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**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
and Members of 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, as of and for the year ended September 30, 2024, and the related notes to the financial statements which collectively comprise the City of Palestine, Texas' basic financial statements, and have issued our report thereon dated June 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Palestine, Texas' 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 of Palestine, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Palestine, Texas' 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 City of Palestine, Texas' 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 or significant deficiencies may exist that were not 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' 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 of 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 City of Palestine, Texas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
June 30, 2025



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Palestine, Texas' compliance with the types of compliance requirements identified as subject to audit in the (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Palestine, Texas' major federal programs for the year ended September 30, 2024. the City of Palestine, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Palestine, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Palestine, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Palestine, Texas' federal programs.

OFFICE LOCATIONS

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Palestine, Texas' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Palestine, Texas' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Palestine, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Palestine, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Palestine, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Palestine, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Palestine, Texas' basic financial statements. We issued our report thereon dated June 30, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Waco, Texas
June 30, 2025

CITY OF PALESTINE, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the Texas Department of Agriculture:			
Community Development Block Grant	14.228	CDM22-0147	\$ 16,798
Community Development Block Grant	14.228	CDV23-0354	6,500
<i>Total 14.228</i>			<u>23,298</u>
<i>Total Texas Department of Agriculture</i>			<u>23,298</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>23,298</u>
<u>U.S. Department of Transportation</u>			
Passed through the Texas Department of Transportation:			
COVID-19 - Airport Cares Grant Program	20.106	PALS-20CRPALES	69,000
Click it or Ticket Mobilization Fund Grant	20.616	2024-PALESTINEPD-CIOT	762
Impaired Driving Mobilization Grant	20.616	2024-PALESTINEPD-IDM	9,646
<i>Total Highway Safety Cluster</i>			<u>10,408</u>
<i>Total Texas Department of Transportation</i>			<u>79,408</u>
<i>Total U.S. Department of Transportation</i>			<u>79,408</u>
<u>U.S. Department of Treasury</u>			
Passed through the Texas Division of Emergency Management:			
COVID-19 - State and Local Fiscal Recovery Fund	21.027	N/A	<u>2,000,974</u>
<i>Total Texas Division of Emergency Management</i>			<u>2,000,974</u>
<i>Total U.S. Department of Treasury</i>			<u>2,000,974</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 2,103,680</u>

The accompanying notes are an integral part of this schedule.

CITY OF PALESTINE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

1. GENERAL

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the City. The City's reporting entity is defined in Note I of the basic financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports as of September 30, 2024, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

4. INDIRECT COSTS

The City has not elected to use the de minimis indirect cost rate as allowed in the Uniform Guidance.

5. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the City were passed through to subrecipients.

CITY OF PALESTINE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Section I: Summary of the Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major federal programs:	
Assistance Listing Number(s):	Name of Federal Program or Cluster:
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
The dollar threshold used to distinguish between type A and type B federal programs.	\$750,000
Auditee qualified as low-risk auditee?	No

Section II: Financial Statement Findings

None reported

Section III: Federal Award Findings

None reported

CITY OF PALESTINE, TEXAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

None.

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Agenda Date: July 14, 2025
To: City Council
From: Christophe Trahan, Economic Development Director
Agenda Item: Community Development Grant Performance Agreement between PEDC and ICEE Success Foundation
Date Submitted: 07/09/2025

SUMMARY:

Consider and take action regarding a Community Development Grant Performance Agreement between the Palestine Economic Development Corporation and ICEE Success Foundation for a grant not to exceed \$32,000 for architectural services for the Curious Museum expansion project.

RECOMMENDED ACTION:

Staff recommends approving a Community Development Grant Performance Agreement between the Palestine Economic Development Corporation and ICEE Success Foundation for a grant not to exceed \$32,000 for architectural services for the Curious Museum expansion project.

CITY MANAGER APPROVAL:

Attachments

ICEE Success Foundation - CDG Application
ICEE Success Foundation - CDG Performance Agreement
ICEE Success Foundation - CDG App Narrative



PALESTINE ECONOMIC DEVELOPMENT CORPORATION Community Development Grant Application

IMPORTANT:

- Please read the "*Palestine Community Development Grant Program Guidelines & Criteria*" prior to completing this application.
- The Grant Guidelines & Criteria and Application are available at www.palestinetexas.net; by calling 903.729.4100 or by emailing edcadmin@palestine-tx.org
- Please call to discuss your plans for submitting an application **in advance** of completing the form. Completed application and all supporting documents are required to be submitted electronically for consideration by the PEDC Board. Please submit the application to:

edcdirector@palestine-tx.org

Applications must be completed in full, using this form, and received by PEDC electronically, or in person.

Funding requested must meet the following criteria:

Project Grant

Quality of Life projects that are eligible for funding in accordance with the Type B sales tax statute (refer to examples in Grant Guidelines) and that advance the mission of PEDC.

APPLICATION

ORGANIZATION INFORMATION

Name:

Federal Tax I.D.:

Incorporation Date:

Mailing Address:

City

ST:

Zip:

Phone:

Fax:

Email:

Website:

Check One:

- ☐ Nonprofit – 501(c)(3) Attach a copy of IRS Determination Letter
☐ Governmental entity
☐ Other

Professional affiliations and organizations to which your organization belongs:

REPRESENTATIVE AUTHORIZED TO COMPLETE / SUBMIT APPLICATION:

Name:

Title:

Mailing Address:

City:

ST:

Zip:

Phone:

Fax:

Email:

DESIGNATED CONTACT FOR COMMUNICATION BETWEEN PEDC AND ORGANIZATION:

Name:

Title:

Mailing Address:

City:

ST:

Zip:

Phone

Fax:

Email:

FUNDING

Total amount requested:

Matching Funds Available:

PROJECT

Start Date:

Completion Date:

BOARD OF DIRECTORS *(may be included as an attachment)*

LEADERSHIP STAFF *(may be included as an attachment)*

Using the outline below, provide a written narrative no longer than 5 pages in length:

I. Applying Organization

Describe the mission, strategic goals and objectives, scope of services, day to day operations and number of paid staff and volunteers.

Disclose and summarize any significant, planned organizational changes and describe their potential impact on the Project for which funds are requested.

II. Project

- Outline details of the Project for which funds are requested. Include information regarding scope, goals, objectives, target audience.
- Describe how the proposed Project fulfills strategic goals and objectives for your organization.
- Please also include planned activities, time frame/schedule, and estimated attendance and admission fees if applicable.
- Include the location for Project.
- Provide a timeline for the Project.
- Detail goals for growth/expansion in future years.

Project Grants – please complete the section below:

- | | | |
|-----------------------------|------------------------------|-----------------------------|
| • An expansion/improvement? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A replacement/repair? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A multi-phase project? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A new project? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

Has a feasibility study or market analysis been completed for this proposed project? *If so, please attach a copy of the Executive Summary.*

Provide specific information to illustrate how this Project aligns with one or more of the goals and strategies adopted by Palestine Economic Development Corporation:

- Eligible for PEDC consideration under Sections 501 to 505 of the Texas Local Government Code (refer to PEDC Grant Guidelines & Criteria)
- Support cultural, sports, fitness, entertainment and community projects that attract resident and visitor participation and contribute to quality of life, business development and growth of Palestine sales tax revenue
- Highlight and promote Palestine as a unique destination for residents and visitors alike
- Meet citizen needs for quality of life improvements, business development and sustainable economic growth for residents in the City of Palestine
- Demonstrate informed financial planning – addressing long-term costs, budget consequences and sustainability of projects for which funding is requested
- Educate the community about the impact local dining and shopping has on investment in quality of life improvements in Palestine

Indicate which goal(s) listed above will be supported by the proposed Project:

Has a request for funding, for this Project, been submitted to PEDC in the past?

☐ Yes ☐ No If yes, list date of submittal: _____

III. Financial

- Provide an overview of the organization's financial status including the impact of this grant request on organization mission and goals.
- Please attach your budget for the current year and audited financial statements for the preceding two years. If audited financials are not available, please indicate why.

What is the estimated total cost for this Project?

\$

(Include a budget for the proposed Project)

What percentage of Project funding will be provided by the Applicant?

Are Matching Funds available? ☐ Yes

☐ No

Cash \$

Source

% of Total

In-Kind \$

Source

% of Total

Are other sources of funding available? *If so, please list source and amount.*

Have any other federal, state, or municipal entities or foundations been approached for funding? *If so, please list entity, date of request and amount requested.*

IV. Marketing and Outreach

Describe marketing plans and outreach strategies for your organization, for the Project for which you are requesting funding – and how they are designed to help you achieve current and future goals.

V. Metrics to Evaluate Success

Outline the metrics that will be used to evaluate success of the proposed Project. If funding is awarded, a final report will be required summarizing success in achieving objectives outlined for the event.

Acknowledgements

If funding is approved by the PEDC board of directors, Applicant will assure:

- The Project for which financial assistance is sought will be administered by or under the supervision of the applying organization;
- All funds awarded will be used exclusively for the purpose described in this application;
- PEDC will be recognized in all marketing, outreach, advertising and public relations as a funder of the Project. Specifics to be agreed upon by applicant and PEDC and included in an executed performance agreement;
- Organization's officials who have signed the application are authorized by the organization to submit the application;
- Applicant will comply with the PEDC Grant Guidelines in executing the Project for which funds were received.
- A final report detailing the success of the Project, as measured against identified metrics, will be provided to PEDC no later than 30 days following the completion of the Project.
- An Applicant may submit a request for a partial reimbursement during the course of the Project but prior to the Project's final completion. Requests for partial reimbursement received prior to final Project completion may not exceed 80% of the total approved Project grant amount. Requests for partial reimbursement submitted to the PEDC must be accompanied by copies of paid invoices/receipts and proof of payment and release of liens. Once verified, PEDC Board approval will be required before payment is delivered to the Applicant. The remaining 20% of the grant proceeds may be paid to the Applicant following the PEDC's receipt of all paid invoices/receipts, proof of



payment and release of liens; documentation of fulfillment of obligations to PEDC, including the Applicant's final report on the Project.

- The required performance agreement will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120th day after the date the PEDC notifies the applicant of the violation.

We certify that all figures, facts and representations made in this application, including attachments, are true and correct to the best of our knowledge.

Chief Executive Officer

Representative Completing Application

Signature

Signature

Printed Name

Printed Name

Date

Date

INCOMPLETE APPLICATIONS, OR THOSE RECEIVED AFTER THE DEADLINE, WILL NOT BE CONSIDERED.

CHECKLIST:

Completed Application:

- ☐ Use the form/format provided
- ☐ Organization Description
- ☐ Outline of Project; description, goals and objectives
- ☐ Indicate PEDC goal(s) that will be supported by this Project
- ☐ Project timeline and location
- ☐ Plans for marketing and outreach
- ☐ Evaluation metrics
- ☐ List of board of directors and staff

Attachments:

- ☐ Financials: organization's budget for current fiscal year; Project budget; audited financial statements
- ☐ Feasibility Study or Market Analysis if completed (Executive Summary)
- ☐ IRS Determination Letter (if applicable)

A FINAL REPORT IS TO BE PROVIDED TO PEDC WITHIN 30 DAYS OF THE PROJECT COMPLETION. FINAL PAYMENT OF FUNDING AWARDED WILL BE MADE UPON RECEIPT OF FINAL REPORT. PLEASE USE THE FORM/FORMAT OUTLINED ON THE NEXT PAGE.



PALESTINE ECONOMIC DEVELOPMENT CORPORATION

COMMUNITY DEVELOPMENT GRANT

Final Report

Organization:

Funding Amount:

Project:

Start Date:

Completion Date:

Location of Project:

Please include the following in your report:

- Narrative report on the Project
- Identify goals and objectives achieved
- Financial report – budget as proposed and actual expenditures, with explanations for any variance
- Samples of printed marketing and outreach materials
- Screen shots of online promotions
- Photographs, videos, etc.
- Performance against metrics outlined in application

Please submit Final Report no later than 30 days following the completion of the Project:

Palestine Economic Development Corporation
100 Willow Creek Pkwy., Suite A
Palestine, TX 75801

Attn: Christophe Trahan, Director of Economic
Development edcdirector@palestine-tx.org

COMMUNITY DEVELOPMENT GRANT FUNDING AND PERFORMANCE AGREEMENT

THIS COMMUNITY DEVELOPMENT GRANT FUNDING AND PERFORMANCE AGREEMENT (the “Agreement”) is entered into by and between Palestine Economic Development Corporation (the “PEDC”), a Texas non-profit corporation and Type B Economic Development Corporation, whose address is 100 Willow Creek Pkwy. Suite A, Palestine, Texas 75801, and the ICEE Success Foundation (“Applicant”), whose address is 2718 Timberline Trail, Palestine, TX 75803.

RECITALS

1. PEDC is an Economic Development Corporation, organized under the Texas Development Corporation Act of 1979, Article 5190.6, Sec. 4B of Vernon’s Texas Civil Statutes, now Section 501 et seq. of the Texas Local Government Code (the “Act”), and authorized by the City of Palestine, Texas (the “City”).

2. ICEE Success Foundation is a nonprofit 501c3 corporation, an eligible applicant under the Guidelines and Criteria for the Community Development Grant Program.

3. PEDC created the Community Development Grant Program (the “Grant Program”) to enhance the quality of life in the City of Palestine and advance the mission of the PEDC which is, in part, to provide the leadership and resources to successfully compete for jobs and enhance community wealth.

4. Applicant submitted its Application dated July 1, 2025, for a Community Development Grant (“Application”), which is attached hereto as Exhibit “A”.

5. The project which is the subject of this Agreement is the architectural design work necessary for an expansion of the Curious Museum located at 619 W Oak St within the city limits of Palestine (the “Project”). Applicant plans to make a total investment of **Thirty-Two Thousand Dollars and No Cents (\$32,000.00)** for the Project. PEDC has found that Applicant’s Project will attract resident and visitor participation and contribute to the quality of life & business/workforce development which will ultimately add value to the tax rolls of Palestine and other local taxing entities.

6. The PEDC finds the Project is an authorized project under Texas Local Government Code 505.152 (Museums) and will promote new and expanded business development pursuant to Texas Local Government Code 505.158.

7. The PEDC published general notice of the Project in the Palestine Herald on December 12, 2024, as required by Texas Local Government Code 505.160.

8. The PEDC board of directors has approved a grant and funding to the Applicant in an amount not to exceed **Thirty-Two Thousand Dollars and No Cents (\$32,000.00)** in Project-related expenses.

NOW, THEREFORE, in consideration of mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Applicant and the PEDC agree as follows:

FUNDING AND PERFORMANCE

1. Agreement to Fund Project: The PEDC agrees to provide the Applicant an amount up to and not to exceed **\$32,000.00** in 4B Revenues to be used to facilitate the Project.

2. Agreement to Perform: The Applicant agrees to complete the approved Project within one year of the execution of the Agreement. The Applicant agrees to recognize the PEDC as a sponsor and financial contributor of the Project in all advertising, publicity, and promotional materials, using verbiage that identifies the PEDC as a financial contributor to the Project.

3. Project Administration: The Applicant agrees that it will administer or supervise the administration of the Project in compliance with the PEDC Community Development Grant Program Guidelines absent slight deviations which are hereby approved.

4. No Undocumented Workers: The Applicant agrees that it does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the Applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the Applicant will be required to repay the amount of the grant (a public subsidy) provided under the Agreement plus interest, at an agreed rate, not later than the 120th day after the date the PEDC notifies the Applicant of the violation.

5. Payments Due: The PEDC will tender the Grant of **\$32,000.00** to the Applicant upon Applicant request for reimbursement of its Project-related expenses only after approval of this performance agreement by the City Council of the City of Palestine at its open meeting on July 14, 2025. Up to 80% of the total approved Project grant amount may be requested for reimbursement during the course of the Project but prior to the final Project completion. Requests for partial reimbursement submitted to the PEDC must be accompanied by copies of paid invoices/receipts and proof of payment. The remaining 20% of grant proceeds may be paid to Applicant following the PEDC's receipt of all paid invoices/receipts, proof of payment and release of liens; documentation of fulfillment of obligations to PEDC, including the Applicant's final report on the Project.

6. Use of Grant Payment: All funds tendered to the Applicant under this Agreement will be used exclusively for the purposes described in the Application.

7. Claw Back: If all or a portion of the Grant funds received by the Applicant are not actually used for the Project or not used in accordance with the terms of this agreement or Guidelines, the Applicant must return those Grant funds to the PEDC.

8. Severability: The provisions of this agreement are severable, and if for any reason a provision of this Agreement is determined to be invalid by a court having competent jurisdiction over the subject matter of the invalid provision, the invalidity shall not affect other provisions that can be given effect without the invalid provision. Further, in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as a part of this Agreement, a provision as similar in its terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

9. Applicable Law: This Agreement is governed by and construed in accordance with the laws of the State of Texas. The Agreement is entered into and fully performable within Anderson County, Texas. The Parties agree that venue for any cause of action arising pursuant to the Agreement is proper only in Anderson County, Texas.

10. Interpretation: Each party has had the opportunity to be represented by counsel of its choice in negotiating this Agreement. This Agreement will therefore be deemed to have been negotiated and prepared at the joint request, direction, and construction of the Parties, at arm's length, with the advice and participation of counsel, and will be interpreted in accordance with its terms without favor to any Party.

11. No Joint Venture: Nothing contained in this Agreement is intended by the Parties to create a partnership or joint venture between any or all of the Parties.

12. Parties in Interest: Nothing in this Agreement shall entitle any Party other than PEDC or Applicant to any claim, cause of action, remedy, or right of any term of this Agreement.

13. Survival of Terms: All rights, duties, liabilities, and obligations accrued prior to termination will survive termination.

14. Entire Agreement: This Agreement represents the entire agreement of the Parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement in the year and as of the date indicated.

Executed on the date shown opposite the signature of each party.

For the Applicant(s):

ICEE Success Foundation

By _____ Date _____
Lucinda Presley, Executive Director

For the PEDC:

Palestine Economic Development Corporation

By _____ Date _____
Dan Bochsler, Board President

For the City:

City of Palestine

By _____ Date _____
Mitchell Jordan, Mayor

Curious Museum

Promoting Creative and Innovative Thinking at the Intersections of the Sciences and Art

Awarded 2024 Palestine Nonprofit of the Year by Chamber of Commerce

I. Applying Organization

a. *Describe the mission, strategic goals and objectives, scope of services, day to day operations and number of paid staff and volunteers.*

- **Curious Mission**

- **Mission.** Engage youth and adults in fun, engaging, and informative STEAM* exhibits and experiences that promote creative and innovative thinking to help facilitate both academic and workforce success. ***STEAM: Sciences, Technology, Engineering, the Arts, and Math**

- **Curious Strategic Goals, Objectives, and Rationale**

- According to national researchers, the future of local, state, and national economies rests on the abilities of their **workforces to innovate**. Curious and its parent institution, ICEE Success Foundation, address this need through igniting curiosity, imagination, and problem solving in exhibits, programming, curriculum development, teacher professional development, research, and collaboration with local, state, national, and international partners. They focus on the STEAM intersections with creative (novel idea) and innovative (taking the novel idea to application) thinking. They leverage their director's over 25 years' STEAM experience in the arts, STEM, and STEAM worlds and her recognition nationally as a STEAM leader.
- Curious also accomplishes its goals by being an integral part of a vibrant and successful STEAM ecosystem. In this, it works under the umbrella of [ICEE Success Foundation](#), a local 501(c)3 nonprofit. It also is a test bed for [The Innovation Collaborative](#), a coalition of national arts, STEM, and higher ed. institutions. All entities are legally based in Palestine.

- **History**

- Curious is an outgrowth of a pop-up STEAM exhibit exploring the future of architecture from the famous [Living Architecture](#) project at the University of Waterloo, Toronto, Canada. After the Beesley exhibit, teachers requested hands-on experiences for the students. Thus, Curious was developed in collaboration with the Exploratorium in San Francisco, CA, an international leader in STEAM museums and opened for 3 months in 2015 in a downtown location with an option to purchase the building. However, a number of factors made purchasing impossible. Palestine ISD then offered a portable building, into which Curious moved until April, 2024. Despite an exhaustive search, no building that matched Curious' capacity had been procured, so Curious went into storage.
- Next, a building whose owners were supportive of Curious' mission was offered for lease with an option to purchase. That is the building and property in which we reopened in October, 2024, and are very excited to be able now to redesign it for the future.
- In this new location, Curious expanded from being open 1 day a week to being open 3 days a week with plans on being opened at least 5 days a week in the future.

- **Scope of Services**
 - Curious is open to the public and features field trips, summer camps, birthday parties, afterschool programs, a museum store, family days and other programs, in addition to group visits, and evening events geared to adults around science, tech, and art.
 - Since its reopening in October, 2024, Curious' attendance has increased 252%. This includes, for example, a 120% increase in birthday parties.
 - Field trips are popular. For example, Tyler ISD's Caldwell Arts Academy 1st grade comes yearly and says it is better than the museum in Tyler.
 - *Visitors come from:*
 - E. TX Counties: Anderson, Angelina, Bowie, Cherokee, Henderson, Nacogdoches, Smith, Wood
 - TX Counties: Austin, Bell, Bexar, Brazoria, Brewster, Burnet, Collin, Cooke, Denton, Ellis, Freestone, Ft. Bend, Galveston, Hardin, Harris, Hidalgo, Hunt, Jefferson, Leon, Limestone, McClennan, Montgomery, Nueces, Orange, Tarrant, Tom Green, Travis, Washington, Wharton, Williamson
- **Day to Day Operations**
 - Days and Hours Open: Friday – Sunday, 10-3
 - Curious staff man the Visitors Services desk, facilitate exhibits, and help lead field trips
 - Please see addendum for senior staff and their duties.
 - Visitor Services staff and educators and their areas of expertise include: Sheryl Davis (environmental studies), Brittney Knight (nursing – life science), Kylee Knight (visual art, homeschool), Beulah Williams (special needs youth), Jaci Willis (nursing – life science)
- **Number of Paid Staff and Volunteers**
 - Paid regular staff: 9
 - Paid seasonal staff (camps, etc.): 3
 - Volunteers: 15 (including staff that volunteer time and excluding Board members)
- b. *Disclose and summarize any significant, planned organizational changes and describe their potential impact on the Project for which funds are requested.*
- **Organizational Changes**
 - *Changes*
 - The organizational changes that Curious needed were accomplished when we reopened in October, 2024. This included a new Operations Manager and new Innovation and Outreach Manager, along with new Visitor Services/Education staff. We also have added a maintenance staff person to oversee the physical plant and surroundings. We plan to add more staff, including a Programming Manager to oversee programs. Though she is not technically a staff person, the Curious contractor and exhibit fabricator, Kim Keplar, has worked closely with Curious ED and staff from the beginning and will continue to do so going forward.
 - *Impact*
 - The impact on the Project being proposed is significant, for the increased staff will be able to effectively implement all the changes being brought about by the Project.

II. Project

- *Outline details of the Project for which funds are requested. Include information regarding scope, goals, objectives, target audience.*
 - *Scope*
 - The Project will occur in July - August, 2025. It will include the following deliverables by the architect: architectural program, drawings, renderings, and conceptual narrative.

- *Goals and Objectives*
 - Develop effective architectural program, drawings, renderings, and conceptual narrative to enable Curious to embark on its fundraising campaign and also develop the property it is on effectively.
- *Target Audience*
 - Feasibility study participants, target donors, public donors in the public portion of the campaign, and the public.
- *Describe how the proposed Project fulfills strategic goals and objectives for your organization.*
 - *Local Needs.* The new Curious facility will provide what is needed by the local community. The first step has been to have the Curious Board and staff meet with the architect to provide a comprehensive “wish list” of what that could entail. The ICEE Success Foundation Board of Directors has voted to support his process in creating a new Curious facility and associated exhibit and programming advances.
 - *Permanent Facility Need.* This Project is central to fulfilling Curious’ strategic goals and objectives by providing a facility that can provide fun, engaging, and educational exhibits and learning experiences for youth and adults in from Palestine and beyond.
 - *Location Need.* After an extensive search, Curious has found the perfect spot for its museum, thanks to the gracious collaboration of owners Jodi and Rob Trout. The advantages of this location are: 1) Being close to downtown and thus able to participate in all community events; 2) having significant open space for STEM activities such as launching paper rockets; 3) having “green space” where we can engage youth in life science through gardens; 4) being located in the influential space being created by the Main Street project; and 5) being centrally located and easy to find by visitors.
 - *Physical Facility Need.* While the property is exactly what Curious needs for its permanent location, the buildings need considerable work to constitute a permanent museum. Since the Curious ED has worked in the museum world in both small and large museums for the last 25 years locally, statewide, and nationally, she has a good sense of what is needed. She has brought in well-known museum and other Out-of-School Time collaborators to help envision what would be the most beneficial ways for Curious to move forward. The first step is creating an engaging museum that supports community needs. The next step is providing exciting and engaging museum and visitor experiences that attract visitors from outside Palestine.
 - *Workforce Development Need.* The framework that underpins Curious and ICEE Success Foundation is creative and innovative thinking to deliver academic and workforce success. The first priority of the building campaign will be to build an Innovation Gallery, in collaboration with local inventing firm PCDWorks. This Gallery will consist of: 1) a hands-on exhibit space explaining the innovation and inventing process; 2) a makerspace where visitors can implement creative and innovative thinking to solve problems and create. The Curious ED has a colleague at the Smithsonian (in DC) who could help collaborate with the Smithsonian’s Lemelson initiative for innovation.
 - *STEAM Need.* In order for STEAM to be successful, there needs to be engaging spaces to provide effective experiences to promote creative and innovative experiences through STEAM. This will be accomplished through local, regional, state, and national STEAM collaborations. The Curious ED is the leader of a large National Science Foundation-funded STEAM Out-of-School Time (OST) grant that is in the process of being completed. Comprised of 70 STEAM “rock star” researchers and practitioners across the US, it determined, for the first time, where STEAM is in OST and where it should head next. In this new location, Curious will be perfectly positioned to be a test bed and also a driving force for next steps.

- *Please also include planned activities, time frame/schedule, and estimated attendance and admission fees if applicable.*
 - *Planned Activities Relevant to Project and Timeframe.* In order to realize our goal of a new, engaging, and effective STEAM museum, here are the relevant activities for the project:
 - Assess Community Needs - this was accomplished through interviews with a number of community leaders who became collaborators – see Excel list – 2024-25
 - Assess Board and Staff Needs - this was accomplished in meetings with them and through the meeting with the architect – May-June, 2025
 - Architect Complete Architectural Program Drawings And Renderings – the architect is working on those as we speak – June- August, 2025
 - Launch Feasibility Study – To be conducted by Patrick Willis of Patrick Willis Strategic Consulting and Paul Dunne of the Nonprofit Group, both highly respected fundraisers, this study will interview 35-50 local leaders to ascertain the feasibility of this project. The architect’s drawings are central to being able to determine the exact cost of the architectural program we plan – September – November, 2025
 - Conduct Silent Fundraising Campaign – This phase hopes to raise 80% of the fundraising goal – December – August, 2026
 - Conduct Public Fundraising Campaign – This phase hopes to raise the remaining 20% of the goal – September, 2025 - ~April, 2026.
- *Include the location for Project.*
 - 619 W. Oak
- *Detail goals for growth/expansion in future years*
 - The project construction will be phased and staged through the coming years. However, that phasing and timeline is in the process of being determined.

Has a feasibility study or market analysis been completed for this proposed project?

- A feasibility study by the above-named fundraising professionals will begin as soon as we have the architect’s drawings and are able to determine the exact cost of construction.

Provide specific information to illustrate how this Project aligns with one or more of the goals and strategies adopted by Palestine Economic Development Corporation:

Below are ways in which this Project will align with and support PEDC goals and strategies.

- *Support cultural, sports, fitness, entertainment and community projects that attract resident and visitor participation and contribute to quality of life, business development and growth of Palestine sales tax revenue*

Helping Prepare Local Workforce

- Please see Project - Workforce Development Need above.

Providing Cultural Entertainment

- Arts
 - Curious has a rich cultural component through its Arts focus. We are finding, through research, that not only is science often better understood through its intersection with arts content (such as color, line, shape, texture, space, etc.) and arts habits of mind (such as envisioning, imagination, risk-taking, persistence, and self-confidence) but the art also increases engagement in STEM (Science, Technology, Engineering and Math). Each Curious science themed area has an artist displayed who used those scientific principles,

such as Forces and Motion – sculptor Alexander Calder, and Light and Color – Impressionist Claude Monet.

- Additionally, in its new location, Curious will build on its ED's years as education staff at an art museum to bring in art exhibits and experiences for the local community and visiting public. Associated with that will be cultural events and programming. The Curious ED's ties with the Texas Commission on the Arts will help facilitate that.
- Museum
 - Having a high-quality STEAM museum in Palestine will enhance the quality of life of its residents through its exhibits, programming, and educational opportunities. It also will attract businesses which want to move to a location that has quality experiences for its workforce.

Providing Community Projects

- As Curious expands, it can provide local community projects. Examples could include these topics with respected speakers and programming around: Well-being, storytelling of the community history, and advances in healthcare.

• *Highlight and promote Palestine as a unique destination for residents and visitors alike*

Developing Tourism

- Curious will help put Palestine on the map as a tourist destination through its physical facility, its exhibits, its programming, and its partnerships. The first step to accomplish this is creating an engaging and exciting physical facility.
- The Curious Board has hired highly respected architect Janann Pittman from the Jackson & Ryan Architectural firm in Houston. She came very highly recommended by a colleague of many years, Cheryl McCallum, Chief Strategy Officer at the Children's Museum Houston (CMH). Cheryl has been instrumental the physical expansion of CMH.
- There is no museum in East Texas, we have been told, that can meet Curious' high standards, engagement, and learning. Enhancing Curious through its building program will serve to increase attendance and visits to Palestine through its excellence.

• *Meet citizen needs for quality of life improvements, business development and sustainable economic growth for residents in the City of Palestine*

Helping Revitalize the Downtown Area

- Having a new, vibrant, and exciting STEAM museum in the downtown area could help revitalize the Palestine downtown area. This could bring more local citizens and visitors to the downtown area. Linking Curious with the current Main Street project will contribute to that. This also could lead to business development in the downtown area.

Providing Education

- Since all Curious exhibits are based on scaffolded K-12 state science standards, it is a field trip destination. With the new buildings, exhibits, and programming, it will not only even more effectively serve the local school district needs but also will draw even more out-of-town field trips that could raise Palestine's footprint.

Enhancing Quality of Life

- Through all of the above, the quality of life in Palestine can be increased by Curious' building program and the attendant advances in exhibits, programming, and community involvement.