NEW ISSUE
BOOK-ENTRY-ONLY

PRELIMINARY OFFICIAL STATEMENT
June 28, 2024

Ratings:
Moody's: "Applied For"
(See "BOND INSURANCE", "BOND INSURANCE RISK FACTORS" and "RATINGS" herein.)

In the opinion of Holland & Knight LLP, Bond Counsel, as more fully described herein, under existing law and assuming continuing compliance by the City (hereinafter defined) with certain tax covenants, the interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals under the Code; however, the interest on the Bonds is included in the "adjusted financial statement income" of certain corporations on which the federal alternative minimum tax is imposed under the Code. See "TAX MATTERS" herein.

$60,000,000*
CITY OF BEAUMONT, TEXAS
(A political subdivision of the State of Texas located within Jefferson County, Texas)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2024

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

The City of Beaumont, Texas (the "City") is issuing its $60,000,000* Waterworks and Sewer System Revenue Bonds, Series 2024 (the "Bonds"). Interest on the Bonds will accrue from the Delivery Date (defined below) and is payable on March 1 and September 1 of each year, commencing March 1, 2025, to the registered owners (initially Cede & Co.) appearing on the registration books of the Paying Agent/Registrar (defined below) on the Record Date. See "THE BONDS - Description." Principal of and interest on the Bonds are payable by UMB Bank, N.A., Houston, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"). The Bonds are initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), the initial securities depository, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof**. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapters 1371 and 1502, Texas Government Code, each as amended, and an ordinance adopted by the City Council of the City (the "City Council") on June 18, 2024 (the "Ordinance"). In the Ordinance, and as permitted by Chapter 1371 of the Texas Government Code, as amended, the City Council delegated to certain City officials the ability to execute a pricing certificate (the "Pricing Certificate") to establish the final terms of the Bonds. The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues (hereinafter defined) of the City's waterworks and sewer system (the "System"). The City has reserved the right to issue additional bonds that are secured by a lien on the Net Revenue of the System that is on a parity with or subordinate to the lien securing the Bonds. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY AND ARE NOT PAYABLE FROM FUNDS RAISED OR TO BE RAISED BY TAXATION (see "THE BONDS - Source of Payment" herein).

Proceeds from the sale of the Bonds will be used to (i) provide funds for water and sewer system improvements, and (ii) pay the costs of issuance of the Bonds. See "THE BONDS – Use of Proceeds".

The City reserves the right, at its option, to redeem Bonds maturing September 1, ____ and thereafter, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof (and if within a maturity by lot) on September 1, ____ or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions" herein.

Application has been made to municipal bond insurance companies to have the payment of principal of and interest on the Bonds insured by a municipal bond insurance policy. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.

SEE MATURITY SCHEDULE ON INSIDE COVER PAGE

The Bonds are offered when, as and if issued by the City, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Holland & Knight LLP, Houston, Texas, Bond Counsel for the City, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of Texas. See "LEGAL MATTERS." Certain legal matters will be passed upon for the Underwriters listed below by their co-counsel Creighton, Fox, Johnson & Mills, PLLC, Beaumont, Texas and West & Associates, L.L.P., Houston, Texas. Delivery of the Bonds through DTC is expected to be on or about August 6, 2024 (the "Delivery Date").

ESTRADA HINOJOSA **BOK FINANCIAL SECURITIES, INC.**
RAYMOND JAMES **SAMCO CAPITAL MARKETS**

*Preliminary, subject to change.

MATURITY SCHEDULE FOR THE BONDS
Base CUSIP No[1]: 074561

$60,000,000*
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2024

Maturity Date (9/1)	Principal Amount*	Interest Rate	Yield	CUSIP No. Suffix[1]
2025	$1,025,000			
2026	1,325,000			
2027	1,390,000			
2028	1,460,000			
2029	1,535,000			
2030	1,610,000			
2031	1,690,000			
2032	1,775,000			
2033	1,865,000			
2034	1,960,000			
2035	2,055,000			
2036	2,160,000			
2037	2,265,000			
2038	2,380,000			
2039	2,500,000			
2040	2,625,000			
2041	2,755,000			
2042	2,895,000			
2043	3,040,000			
2044	3,190,000			
2045	3,350,000			
2046	3,515,000			
2047	3,690,000			
2048	3,875,000			
2049	4,070,000			

(Interest to accrue from the Delivery Date)

The City reserves the right, at its option, to redeem the Bonds maturing September 1, ______ and thereafter, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof (and if within a maturity by lot) on September 1, _____ or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Redemption of the Bonds" herein).

---

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned to the Bonds by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

* Preliminary, subject to change.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition of the City or other matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or hyperlinks contained therein are not incorporated into, and are not a part of, this offering document for any purposes.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

The City	The City of Beaumont, Texas (the "City") is a home rule city of the State of Texas located within Jefferson County, Texas. The City operates under the Council/Manager form of government where the Mayor and six Council members are elected for two-year terms. The City Council formulates operating policies for the City while the City Manager is the Chief Administrative Officer. See "ADMINISTRATION OF THE CITY" herein. The City had a 2010 census population of 118,296 and a 2020 census population of 115,282.
The Bonds	The City of Beaumont, Texas $60,000,000* Waterworks and Sewer System Revenue Bonds, Series 2024, dated June 15, 2024, maturing as described on page ii of this Official Statement.
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1371 and Chapter 1502, Texas Government Code, as amended, and an ordinance adopted by the City on June 18, 2024 (the "Ordinance"). In the Ordinance, and as permitted by Chapter 1371 Texas Government Code, as amended, the City Council delegated to certain City officials the ability to execute a pricing certificate (the "Pricing Certificate") to establish the final terms of the Bonds.
Other Characteristics	The Bonds are issued in fully registered form in integral multiples of $5,000. The Bonds maturing on and after September 1, ____ are subject to redemption, at the option of the City, at a price of the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption, September 1, _____ or any date thereafter. See "THE BONDS - Redemption of the Bonds.
Paying Agent/Registrar	The initial paying agent/registrar is UMB Bank, N.A., Houston, Texas (the "Paying Agent/Registrar"). The City intends to use the book-entry-only system of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on behalf of the DTC to discontinue such system. (See "THE BONDS - Book-Entry-Only System.")
Source of Payment	The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues (hereinafter defined) of the City's waterworks and sewer system (the "System"). The City has covenanted that it will not issue any additional indebtedness possessing a lien on the Net Revenues of the System superior to that possessed by the Bonds or any Parity Bonds (hereinafter defined), but the City has reserved the right to issue additional obligations that are secured by a lien on the Net Revenues of the System that is on a parity with or subordinate to the lien securing the Bonds as determined by the City at its discretion. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY AND ARE NOT PAYABLE FROM FUNDS RAISED OR TO BE RAISED BY TAXATION. See "THE BONDS - Source of Payment."
Use of Proceeds	Proceeds from the sale of the Bonds will be used to (i) provide funds for water and sewer system improvements, and (ii) pay the costs of issuance of the Bonds. See "THE BONDS – Use of Proceeds" herein.
Tax Matters	In the opinion of Bond Counsel, as more fully described herein, under existing law and assuming continuing compliance by the City with certain tax covenants the interest on the Bonds is excludable from gross

*Preliminary, subject to change.

income for federal income tax purposes under Section 103 of the Code and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals under the Code; however, the interest on the Bonds is included in the "adjusted financial statement income" of certain corporations on which the federal alternative minimum tax is imposed under the Code. See “TAX MATTERS” herein for a discussion of the opinion of Bond Counsel.

Bond Insurance	Application has been made to municipal bond insurance companies to have the payment of principal and interest on the Bonds insured by a municipal bond insurance policy. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.
Ratings	Moody’s Investors Service, Inc. (Underlying) ...."__"

OFFICIAL STATEMENT RELATING TO

$60,000,000*
CITY OF BEAUMONT, TEXAS
(A political subdivision of the State of Texas located within Jefferson County, Texas)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2024

INTRODUCTORY STATEMENT

Information contained in this Official Statement, including the Appendices, has been obtained from The City of Beaumont, Texas (the "City") in connection with the offering by the City of its $60,000,000* Waterworks and Sewer System Revenue Bonds, Series 2024 (the "Bonds") identified on page ii hereof.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts of revenue from the City's waterworks and sewer system and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future. See "GENERAL CONSIDERATIONS – Forward Looking Statements."

There follows in this Official Statement descriptions of the Bonds and Ordinance (hereinafter defined) and certain other information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained during the offering period from the City's Financial Advisor, RBC Capital Markets, LLC, 303 Pearl Parkway, Suite 220, San Antonio, Texas 78215.

This Official Statement speaks only as of its date and the information contained herein is subject to change. An electronic version of the Official Statement will be deposited with the Municipal Securities Rulemaking Board ("MSRB"), at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended (the "Rule").

THE BONDS

Special Obligations

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE, BOTH AS TO PRINCIPAL AND INTEREST, SOLELY FROM AND SECURED BY A LIEN ON NET REVENUES AS COLLECTED AND RECEIVED BY THE CITY FROM THE OPERATION AND OWNERSHIP OF THE WATERWORKS AND SEWER SYSTEM (THE "SYSTEM"). THE LIEN ON NET REVENUES WILL BE A PARITY LIEN WITH ANY PARITY BONDS (HEREINAFTER DEFINED) HEREBEFORE OR HEREAFTER ISSUED BY THE CITY. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY AND ARE NOT PAYABLE FROM FUNDS RAISED OR TO BE RAISED BY TAXATION AND OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF FROM THE LEVY OF AD VALOREM TAXES OR FROM ANY SOURCE NOT PLEDGED TO PAYMENT OF THE BONDS. SEE "THE BONDS - SOURCE OF PAYMENT."

Description

The Bonds are dated June 15, 2024, bear interest from the Delivery Date at the stated interest rates indicated under "MATURITY SCHEDULE FOR THE BONDS" on page ii, which interest is payable March 1, 2025, and each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form in denominations of $5,000 of principal amount or any integral thereof. Principal of the Bonds is payable at the principal payment office of UMB Bank, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date (hereinafter defined), and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar. See "THE BONDS - Paying Agent/Registrar."

*Preliminary, subject to change.

The Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same series and maturity, in any authorized denomination, upon surrender of the Bonds to be exchanged at the principal payment office of the Paying Agent/Registrar. No service charge will be made for any transfer, but the City may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. It will be required that all transfers be made within three business days after request and presentation.

The record date (the "Record Date") for the interest payable on any Interest Payment Date means the 15th calendar day of the month next preceding such interest payment date.

The Bonds will initially be registered to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Principal of the Bonds will be payable at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment.

The City has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the City and the Paying Agent/Registrar of security or indemnity to keep them harmless. The City may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapters 1371 and 1502, Texas Government Code, as amended, and an ordinance adopted by the City Council on June 18, 2024 (the "Ordinance"). In the Ordinance, and as permitted by Chapter 1371, the City Council delegated to certain City officials the ability to execute a pricing certificate (the "Pricing Certificate") to establish the final terms of the Bonds. Further reference to the Ordinance is hereby made.

Use of Proceeds

Proceeds from the sale of the Bonds will be used to (i) provide funds for water and sewer system improvements, and (ii) pay the costs of issuance of the Bonds.

Source of Payment

The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues (hereinafter defined) of the System. The Ordinance defines Net Revenues as all Gross Revenues remaining after deducting Maintenance and Operation Expenses. Gross Revenues are defined as all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System (but excluding any utility deposits) and the interest income from the investment or deposit of money in the Revenue Fund and the Interest Sinking Fund. **THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY AND ARE NOT PAYABLE FROM FUNDS RAISED OR TO BE RAISED BY TAXATION AND OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF FROM THE LEVY OF AD VALOREM TAXES OR FROM ANY SOURCE NOT PLEDGED TO PAYMENT OF THE BONDS.** The Ordinance does not create a lien or mortgage on the System and any judgment against the City may not be enforced by levy and execution against any property owned by the City, except the Net Revenues. See "SELECTED PROVISIONS OF THE ORDINANCE" and "- Remedies in the Event of Default."

The City expressly retains the right to issue additional obligations secured by a lien on the Net Revenues of the System that is on a parity with or subordinate to the lien securing the Bonds as determined by the City at its discretion.

For additional information, including a description of the flow of funds relating to the Bonds, see "SELECTED PROVISIONS OF THE ORDINANCE."

Redemption of the Bonds

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, ____, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of the Bonds to be redeemed. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver for exchange therefore a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Not less than 30 days prior to a redemption date for the Bonds, the City will cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. Any notice of redemption so mailed will be conclusively presumed to have been duly given irrespective of whether received by the bondholder, and, subject to provisions for payment of the redemption price having been made, interest on the redeemed Bonds will cease to accrue from and after such redemption date notwithstanding that a Bond has not been presented for payment.

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same, such Bonds or portions thereof shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the registered owners to collect interest which would have otherwise accrued after the redemption date on any Bonds or portion thereof called for redemption shall terminate on the date fixed for redemption.

DTC Redemption Provisions

So long as the Book-Entry-Only System is used for the Bonds, any notice of redemption will only be sent to DTC. Any failure by DTC to advise any DTC participation, or of any DTC participant or indirect participant to notify the beneficial owner of the Bonds, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice.

Defeasance

The Ordinance provides for the defeasance of the Bonds in any manner permitted by law, which includes when the payment of the principal and the premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent or other authorized bank in trust (1) money sufficient to make cash payment or (2) pursuant to an escrow or trust agreement, funds or direct U.S. or U.S. guaranteed obligations in such amounts to ensure availability of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent and, if applicable, the escrow agent for the Bonds, provided, any such Bonds to be defeased are to be redeemed prior to maturity, provision shall have been made for giving the required notice for redemption. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid.

Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

Information concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, the Underwriter, or Bond Counsel.

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a qualified bank, trust company, financial institution or other agency legally authorized to serve and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the bond register, or by other such method acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding business day which is not a Saturday, Sunday, or legal holiday on which banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due.

Successor Paying Agent/Registrar

Provision is made in the Ordinance for replacing the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor paying agent/registrar (the "Successor Paying Agent/Registrar"), and the Successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Successor Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other agency legally qualified to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

Pursuant to the Texas Public Securities Procedures Act, Chapter 1201, Texas Government Code, as amended, the Bonds, whether rated or unrated, are (a) legal investments for insurance companies, fiduciaries and trustees and (b) legal investments for the sinking funds of political subdivisions or public agencies of the State. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Again, political subdivisions in the State of Texas may impose a requirement that the Bonds have a rating of not less than "A" or its equivalent to be eligible to serve as collateral for their funds.

The City has not made any investigations of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above entities or persons to purchase or invest in the Bonds.

Remedies in the Event of Default

The Ordinance requires the City to maintain water and sewer charges sufficient to provide for the annual payment of debt service and provide for a Reserve Fund for the benefit of the Bonds and any other outstanding waterworks and sewer system revenue bonds of the City.

In the event certain coverage tests are not met, the City has elected to satisfy the Reserve Fund requirements with respect to the Bonds as provided in the Ordinance (see "SELECTED PROVISIONS OF THE ORDINANCE"). However, the Ordinance provides that the requirement to maintain the Reserve Fund may be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 1.30 times the Average Annual Debt Service Requirements. The Ordinance does not provide any other security for the payment of the Bonds, or any express remedies in the event of default, makes no provision for acceleration of maturity of the Bonds in the event of default, and does not provide for a trustee to protect the rights of the holders of the Bonds.

Although a holder of the Bonds could presumably obtain judgment against the City in the event of default in the payment of principal or interest on the Bonds, such judgment could not be satisfied by execution against any property of the City. A holder of the Bonds could, in the event of default, ask a court for a mandamus or court order compelling the City to maintain water and sewer charges sufficient to produce revenues to pay principal of and interest on the Bonds as it comes due or to perform the City's other obligations under the Ordinance. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment of principal or interest on the Bonds would be subject to judicial discretion, sovereign police powers and the applicable provisions of the federal bankruptcy laws and to any other similar laws affecting the rights of creditors in general and creditors of political subdivisions generally.

It is unclear whether or not the *Tooke* Ruling (described below) will be construed to have any effect with respect to the remedy of mandamus or any injunctive relief, though not an issue in that case. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bond-holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia 197 S.W.3rd 325* (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Effective September 1, 2005, the Texas Legislature amended Chapter 271 of the Local Government Code to waive immunity to suit of municipalities to adjudication of claims regarding written agreements for providing goods or services to the municipality subject to stated limitations. Because it is unclear whether the Texas Legislature has effectively waived the City's sovereign immunity from a suit, bond-holders may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the pledge of the pledged revenues to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bond-holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the rights of municipalities relative to their creditors.

Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of the Bonds	$
Net Original Issue Premium/Discount on the Bonds	
Total Sources of Funds	$
Uses of Funds:	
Deposit to Project Fund	$
Expenses:	
Underwriters Discount	
Other Issuance Costs	
Total Uses of Funds	$

BOND INSURANCE

The City has applied for a bond insurance policy to guarantee the scheduled payment of principal of and interest on the Bonds. The City has yet to determine whether an insurance policy will be purchased on the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of RATINGS herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City nor the Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change.

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025 of the Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or; (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations permitted under the Public Funds Investment Act, and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

Investment Policies

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

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

Additional Provisions

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

Current Investments

The City's investment balances on April 30, 2024 were as follows:

	Face Amount
Government Investment Pools	$ 36,589,121
Bank Deposits	42,457,820
CDs	41,415,280
Total Portfolio	$120,462,221

Source: The City's Accounting Department.

[*The remainder of this page intentionally left blank*]

CITY WATERWORKS AND SEWER SYSTEM REVENUE DEBT

Debt Statement

The following tables, calculations and narratives relate to the Bonds. The Bonds are not a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. See "THE BONDS – Source of Payment."

- Bonded Indebtedness -

Outstanding Revenue Supported Bonds (as of June 15, 2024)	$ 151,765,000
Plus: The Bonds	60,000,000 [1]
Total Parity Lien Debt	$211,765,000
Total Revenue-Supported Debt	$211,765,000

Coverage:

Estimated Average Annual Total Debt Service of $11,885,889 (2024-2049) [1]	2.49 x
Estimated Maximum Annual Total Debt Service of $22,106,468 (2028) [1]	1.34 x

[1] Preliminary, subject to change. See "Pro-Forma Debt Service Schedule" on page 12.

[*The remainder of this page intentionally left blank*]

Pro-Forma Debt Service Schedule

The following is a combined schedule of the principal and interest due on the City's outstanding waterworks and sewer system revenue bonds and the Bonds.

Fiscal Year Ending 9/30	Parity Lien Debt Service	The Bonds[1] Principal	The Bonds[1] Interest	The Bonds[1] Total	Total System Debt Service
2024	$ 17,748,425				$ 17,748,425
2025	17,757,456	$ 1,025,000	$ 3,250,000	$ 4,275,000	22,032,456
2026	17,789,609	1,325,000	2,948,750	4,273,750	22,063,359
2027	17,816,869	1,390,000	2,882,500	4,272,500	22,089,369
2028	17,833,468	1,460,000	2,813,000	4,273,000	22,106,468
2029	14,359,358	1,535,000	2,740,000	4,275,000	18,634,358
2030	14,328,833	1,610,000	2,663,250	4,273,250	18,602,083
2031	11,394,458	1,690,000	2,582,750	4,272,750	15,667,208
2032	11,392,869	1,775,000	2,498,250	4,273,250	15,666,119
2033	10,059,338	1,865,000	2,409,500	4,274,500	14,333,838
2034	10,245,375	1,960,000	2,316,250	4,276,250	14,521,625
2035	7,903,825	2,055,000	2,218,250	4,273,250	12,177,075
2036	7,903,675	2,160,000	2,115,500	4,275,500	12,179,175
2037	4,701,900	2,265,000	2,007,500	4,272,500	8,974,400
2038	3,222,400	2,380,000	1,894,250	4,274,250	7,496,650
2039	3,218,700	2,500,000	1,775,250	4,275,250	7,493,950
2040	3,220,300	2,625,000	1,650,250	4,275,250	7,495,550
2041	1,611,750	2,755,000	1,519,000	4,274,000	5,885,750
2042	1,612,250	2,895,000	1,381,250	4,276,250	5,888,500
2043	1,614,750	3,040,000	1,236,500	4,276,500	5,891,250
2044	1,614,000	3,190,000	1,084,500	4,274,500	5,888,500
2045	1,613,800	3,350,000	925,000	4,275,000	5,888,800
2046	1,611,400	3,515,000	757,500	4,272,500	5,883,900
2047	1,606,800	3,690,000	581,750	4,271,750	5,878,550
2048	-	3,875,000	397,250	4,272,250	4,272,250
2049	-	4,070,000	203,500	4,273,500	4,273,500
Total	$ 202,181,607	$ 60,000,000	$ 46,851,500	$ 106,851,500	$ 309,033,107

Estimated Average Annual Total Requirement (2024-2049)[1] $11,885,889
Estimated Maximum Annual Total Requirement (2028)[1] $22,106,468

[1] Preliminary, subject to change.

THE SYSTEM

Description of the System

- Waterworks System –

The water production facilities consist of approximately 13 miles of diversion canals, one pumping station, and tow gravity intakes for diverting raw water from the Neches River at three separate points and transporting water to a 40 Million Gallon Daily (MGD) filtration plant. The treatment plant consists of raw water pumps, chemical addition equipment, coagulation/clarification tanks, rapid sand filters, and high service pumps.

In addition to the surface water supply, water is also produced from 3 wells. The wells have a total capacity of 15 MGD and include two 5 million gallon ground tanks for pumping the well water into the City's distribution system.

The distribution system is common to both surface water supply and the ground water supply. The System consists of 877 miles of 6" thru 42" lines, 4,610 fire hydrants, 6 elevated water storage tanks with 6.8 million gallon of storage capacity, 4 ground water storage tanks with 17.6 million gallon of storage capacity, for a total of 24.4 million gallon of storage capacity.

- Top Ten Water Customers

Company	FYE 2023 Water Consumption (in Gallons)	FYE 2023 System Revenues
TDCJ/Utilities & Energy	321,215,651	$3,186,630
Federal Correctional Complex	226,435,000	2,260,305
Lamar University	130,441,300	1,357,127
Christus St. Elizabeth Hospital	32,455,400	324,288
Memorial Hermann Baptist Hospital	29,682,900	298,934
Mobil Oil	23,051,000	256,168
GE Betz Chemical	20,904,000	245,171
Chemtrade Refinery	22,480,100	241,785
Martin	30,684,000	241,399
Lucite International Inc.	28,885,000	231,587

- Sanitary Sewer System

The Sanitary Sewer System consists of one 46 MGD high rate trickling filter sewerage treatment plant with polishing ponds, 77 sanitary sewer lift stations with capacities ranging from 0.02 MGD to 64.8 MGD, and 743 miles of sewer lines ranging in size from 6" diameter to 72" diameter.

Source: The City.

Water and Sewer Rates

As of September 30, 2023 City serves approximately 40,489 and 40,157 water and sewer customers, respectively. Of the total, approximately 89% are residential and 11% are commercial. The City serves approximately 50 metered customers located outside the City. The following is a summary of the City's current water and sewer rates effective September 30, 2023.

The City charges the following rates for water and sanitary sewer service furnished to customers within and outside the City limits.

- Water Rates (Minimum) -

Meter Size/Inches	Inside City Rate	Outside City Rate
5/8	$16.14	$24.21
1	17.89	26.83
1-1/2	19.62	29.44
2	22.49	36.74
3	49.75	74.64
4	60.33	90.48
6	108.75	163.12
8	149.55	224.34
10	205.81	308.70
12	256.57	384.85
Usage Rate First 1,000 Gallons	Minimum	Minimum
Over 1,000 Gallons $ per 1,000 Gallons	$ 5.46	$ 8.18

- Sewer Rates (Minimum) –

Meter Size/Inches	Inside City Rate	Outside City Rate
5/8	$10.93	$16.39
1	11.11	16.65
1-1/2	11.29	16.93
2	12.27	18.39
3	13.87	20.80
4	20.32	30.48
6	33.32	49.98
8	40.70	61.05
10	55.53	83.28
12	70.29	105.44
Usage Rate First 1,000 Gallons	Minimum	Minimum
Over 1,000 Gallons $ per 1,000 Gallons	$ 5.19	$ 7.78

Source: The City.

Historical Operations of the System

	Fiscal Years As of September 30				
	2023	**2022**	**2021**	**2020**	**2019**
Revenues:					
Charges for Services	$ 56,565,483	$ 51,615,898	$ 49,556,671	$ 48,407,247	$ 46,433,008
Investment Earnings	1,642,996	278,405	232,636	325,606	727,049
Miscellaneous	1,093,226	466,995	545,547	929,353	1,165,032
Total Revenues	**$ 59,301,705**	**$ 52,361,298**	**$50,334,854**	**$ 49,662,206**	**$ 48,325,089**
Expenses:					
Personnel Services	$ 13,430,201	$ 10,901,605	$ 10,934,812	$ 11,348,514	$ 10,903,684
Other Operating	16,272,508	14,691,358	13,750,193	11,847,463	11,975,765
Loss on Uncollectible Accounts	-	-	-	-	-
Total Expenses	**$ 29,702,709**	**$ 25,592,963**	**$24,685,005**	**$ 23,195,977**	**$ 22,879,449**
Revenue Available for Debt Service	$ 29,598,996	$ 26,768,335	$ 25,649,849	$ 26,466,229	$ 25,445,640
Customer Count:					
Water	40,489	43,604	44,413	43,947	43,228
Sewer	40,157	40,406	41,029	40,363	40,107

Source: The City's Annual Comprehensive Financial Reports for the Fiscal Years Ended September 30, 2019-2023.

SELECTED PROVISIONS OF THE ORDINANCE

The Ordinance authorizes the issuance and sale of the Bonds and prescribe terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the City. Set forth below is a summary of certain provisions of the Ordinance. Such summary is not a complete description of the entire Ordinance and is qualified by reference to the Ordinance, a copy of which are available from the City's Financial Advisor upon request.

Definitions

The following are selected terms that are defined in the Ordinance:

The term "Gross Revenues" shall mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System (but excluding any utility deposits) and the interest income from the investment or deposit of money in the Revenue Fund, and the Interest and Sinking Fund.

The term "Maintenance and Operation Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, and all payments under contracts now or hereafter defined as operating expenses by the Legislature of the State of Texas. Depreciation shall never be considered as a Maintenance and Operation Expense.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting the Maintenance and Operation Expenses.

The term "Parity Bonds" shall mean the Bonds, the City's outstanding Waterworks and Sewer System Revenue Refunding Bonds, Series 2014A, Waterworks and Sewer System Revenue Refunding Bonds, Series 2015A, Waterworks and Sewer System Revenue Bonds, Series 2017, Waterworks and Sewer System Revenue and Refunding Bonds, Series 2020A, Waterworks and Sewer System Refunding Bonds, Taxable Series 2020B, Waterworks and Sewer System Revenue Refunding Bonds, Taxable Series 2022, Waterworks and Sewer System Revenue Bonds, Series 2023 and any additional Parity Bonds.

The term "Record Date" shall mean the fifteenth (15th) calendar day of the month next preceding each Interest Payment Date.

The term "Interest Payment Date", when used in connection with any Bond, shall mean March 1, 2025 and each September 1 and March 1 thereafter until maturity or earlier redemption of such Bond.

The term "Reserve Fund Requirement" shall mean an amount equal to the average annual principal and interest requirement on the Parity Bonds, which may be determined and redetermined each year by the City but in no event less frequently than upon the issuance of each series of Parity Bonds.

The term "System" shall mean all properties, facilities, improvements, equipment, interests and rights constituting the waterworks and sewer system of the City, including all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, but excluding all special projects.

Pledge and Source of Payment

The Bonds are special obligations of the City payable solely from and secured by a lien on and pledge of the Net Revenues of the System, such lien and pledge, which Net Revenues shall, in the manner hereafter provided, be set aside for and are hereby pledged by the City to the payment of the Bonds and any Parity Bonds. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the System, except with respect to the Net Revenues. THE HOLDER OF THIS OBLIGATION IS NOT ENTITLED TO DEMAND PAYMENT OF THIS OBLIGATION OUT OF ANY MONEY RAISED BY TAXATION.

In the Ordinance, the City covenants and agrees that all Gross Revenues of the System shall, as collected and received by the City, be deposited and paid into the special funds established in the Ordinance, and shall be applied to provide for (i) the payment of all Maintenance and Operation Expenses, (ii) the payment of principal, interest and any redemption premiums on the Parity Bonds, and all expenses of paying, securing and insuring the same.

In the Ordinance, the City reserves the right to issue Additional Parity Bonds.

Bond Covenants

Pursuant to the provisions of the Ordinance, the following covenants, terms, conditions and obligations shall exist with respect to all Parity Bonds.

- Rates and Charges -

So long as any Parity Bonds remain outstanding, there shall be fixed, charged and collected rates and charges for the use and services of the System, which may be fully sufficient at all times:

(1) to pay all Maintenance and Operation Expenses; and

(2) to produce Net Revenues in each fiscal year at least equal to 110 percent of the principal and interest requirements scheduled to occur in such fiscal year on all Parity Bonds then outstanding, but in no event less than the amount required to establish and maintain the Interest and Sinking Fund, and, to the extent that funds for such purpose are not otherwise available, to pay all other outstanding obligations payable from the Net Revenues of the System as and when the same become due.

The City covenants that it will not grant or permit any free service from the System except for public buildings and institutions operated by the City.

- Flow of Funds -

All Gross Revenues of the System shall be deposited as collected into the Revenue Fund. Moneys from time to time on deposit to the credit of the Revenue Fund shall be applied as follows in the following order of priority:

(1) First, to pay Maintenance and Operation Expenses and to provide by encumbrance for the payment of all obligations incurred by the City for Maintenance and Operation Expenses which may include an operating reserve equal to one month's estimated Maintenance and Operation Expenses.

(2) Second, to make all deposits into the Interest and Sinking Fund required by the Ordinance authorizing the Bonds and any ordinance authorizing the issuance of Parity Bonds.

(3) Third, to make all deposits into the Reserve Fund required by the Ordinance authorizing the Bonds and any ordinance authorizing the issuance of Parity Bonds.

(4) Fourth, to pay any amounts due to any bond insurer of Parity Bonds not paid pursuant to subsections (2) or (3) above.

(5) Fifth, for any lawful purpose, including transfers to the General Fund as permitted by law.

Whenever the total amounts on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all outstanding Parity Bonds plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Interest and Sinking Fund or the Reserve Fund.

- Additional Bonds –

(1) The City shall not hereafter issue any additional obligations possessing a lien on the Net Revenues of the System superior to that to be possessed by the Parity Bonds.

(2) Parity Bonds. The City reserves the right to issue, for any lawful purpose, including the refunding of any previously issued Parity Bonds or any other bonds or obligations of the City issued in connection with the System, one or more series of Parity Bonds payable from, and secured by a lien on and pledge of, the Net Revenues of the System, on a parity with the Bonds and any other Parity Bonds then outstanding; provided, however, that no Parity Bonds may be issued unless:

  (i) The Parity Bonds mature on September 1, and interest is payable on March 1 and September 1;

  (ii) The Interest and Sinking Fund and the Reserve Fund each contain the amount of money then required to be on deposit therein;

  (iii) For either the preceding fiscal year or any consecutive 12-month calendar period ending no more than 90 days prior to adoption of the ordinance authorizing such Parity Bonds, Net Revenues were equal to at least 125% of the average annual principal and interest requirements on all Parity Bonds that will be outstanding after the issuance of the series of Parity Bonds then proposed to be issued, as certified by the City's Finance Officer or by an independent certified public accountant or firm of independent certified public accountants; or

  (iv) If the City cannot meet the test described in (iii) above, but a change in the rates and charges applicable to the System becomes effective at least sixty (60) days prior to the adoption of the ordinance authorizing Parity Bonds and the City's Finance Officer certifies that, had such change in rates and charges been effective for the preceding fiscal year or 12 consecutive calendar month period ending no more than 90 days prior to adoption of said ordinance, the Net Revenues for such period would have met the test described in (iii) above.

(3) Subordinate Lien Obligations. The City reserves the right to issue, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on and pledges of the Net Revenues that are junior and subordinate to the lien on and pledge of Net Revenues securing payment of the Parity Bonds. Such subordinate lien obligations may be further secured by any other source of payment lawfully available for such purposes.

(4) Special Project Bonds. The City reserves the right to issue revenue bonds secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Notwithstanding anything to the contrary contained herein, the requirement set forth above in this subsection to maintain the Reserve Fund Requirement in the Reserve Fund shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 1.30 times the Average Annual Debt Service Requirements. In the event that the Net Revenues for any Fiscal Year are less than 1.30 times the Average Annual Debt Service Requirements, the City will be required to commence making Required Reserve Fund Deposits, as provided above, and to continue such Required Reserve Fund Deposits until the earlier of (i) such time as the Reserve Fund contains the Reserve Fund Requirement or (ii) the Net Revenues in each of two consecutive years have been equal to not less than 1.30 times the Average Annual Debt Service Requirements.

Financial Statements

A copy of the City's Financial Statements for the fiscal year ended September 30, 2023, is attached hereto in the APPENDIX B. Copies of such statements for preceding years are available, for a fee, upon request.

ADMINISTRATION OF THE CITY

Policy-making and legislative functions are the responsibility of and are vested in the Mayor and City Council under provisions of the "Charter of The City of Beaumont" (the "Charter") approved by the electorate December 6, 1947, and last amended in 2021. The City Council is composed of seven members, including the Mayor. The Mayor and two (2) Councilmembers are elected at-large. Four (4) Councilmembers are elected only by the qualified voters residing in the ward from which each such ward councilmember is elected. All members are elected in odd numbered years and serve two-year terms. The Mayor is entitled to vote on all matters before the City Council, but has no power to veto City Council action. Members of the City Council are described below:

Council Members	Position	Term Expires	Occupation
Roy West	Mayor	May 2025	Business Owner
Albert Turner	Mayor Pro-Tem	May 2025	President: AJ Turner Enterprise LLC
Taylor Neild	Councilmember, Ward 1	May 2025	General Contractor
Mike Getz	Councilmember, Ward 2	May 2025	Attorney at Law
Audwin Samuel	Councilmember, Ward 3	May 2025	Attorney at Law
Charles Durio	Councilmember, Ward 4	May 2025	Retired
Randy Feldschau	Councilmember, At Large	May 2025	Minister

Administration

Under provisions of the Charter, the City Council enacts local legislation, adopts budgets, determines policies and appoints the City Manager, who is charged with the duties of executing the laws and administering the government of the City. As the chief executive officer and head of the administrative branch of the City government, the City Manager is given the power and duties to:

(1) Appoint and remove all department heads and all other employees in the administrative service of the City and may authorize the head of a department to appoint and remove subordinates in his respective department;

(2) Prepare the budget annually, submit it to City Council, and be responsible for its administration;

(3) Prepare and submit to City Council a complete report on the finances and administrative activities of the City;

(4) Keep City Council advised of the financial condition and future needs of the City and make appropriate recommendations; and

(5) Perform such other necessary duties as prescribed by the Charter or required by City Council.

Members of the administrative staff are described below:

Staff Member	Position	Years in Position	Years of Experience
Kenneth R. Williams	City Manager	1	16
Chris Boone	Asst. City Manager	1	21
June Ellis	Asst. City Manager	1	27
Cheryl Ray	Chief Financial Officer	6 months	11
Sharae Reed	City Attorney	2	13
Tina Broussard	City Clerk	14	20
James P. Singletary	Police Chief	10	40
Earl White	Fire Chief	4	39

Consultants

The City has retained several consultants to perform professional services in connection with the independent auditing of its books and records and other City activities. Some of these consultants are identified below:

Bond Counsel .... Holland & Knight LLP
Houston, Texas

Auditors .... Patillo, Brown & Hill, LLP
Waco, Texas

Financial Advisor .... RBC Capital Markets, LLC
San Antonio, Texas

OTHER CONSIDERATIONS

Future Bond Issues

As part of the City's capital program, there are always ongoing updates to the System in order to update the infrastructure and increase efficiencies. Historically, water and sewer revenue bonds are issued every two years to fund these projects.

Pension Fund

The City participates in two pension plans for its employees. The Texas Municipal Retirement System (TMRS), an agent multi-employer defined contribution plan, covers all eligible employees except firefighters. Firefighters are covered by the Beaumont Firemen's Relief and Retirement Fund, a single-employer defined benefit plan. Both plans are created under Texas statutes which establish each plan's provisions. The City's contributions to the pension plans are actuarially determined and established in a collective bargaining agreement, respectively.

The City contributes 14% of covered payroll for all eligible civilian employees and police officers. All employees, civilian and police, have a 7% contribution rate. The City's unfunded pension obligation for this plan totaled \$104,454,016 at the December 31, 2022 valuation date, which will be amortized over 30 years.

Under the Firefighter's Relief and Retirement Fund, the City contributes 18.25% and firefighters contribute 18% of covered payroll in accordance with the collective bargaining agreement effective October 1, 2022.

For more information regarding the TMRS, the assumptions used in calculations, and the City's estimated contributions and unfunded liability, reference is made to the website of the TMRS at www.tmrs.org and the latest valuation report as of December 31, 2023 thereon. There can be no assurance that the assumptions used in calculating the City's unfunded liabilities with respect to its pension plans and the other Post-Employment Benefits discussed below, including but not limited to estimates regarding the value of funded assets, earnings thereon, and benefits payable, will prove correct, and the liability could be greater than estimated. Minor changes in such estimates can materially change the City's annual and long-term liabilities. Whether correct or not, there can be no assurance that the City will be able to satisfy such existing and future unfunded liabilities or to make currently estimated or future annual contributions toward their payment without raising taxes or cutting services.

Other Post-Employment Benefits (OPEB)

The City offers post employment health insurance to its retirees until age 65. The retiree and the City share in the cost based on a percentage applied to the plan the retiree is on. The City's actuarial unfunded liability, as required by GASB 75, is \$31,129,120, as of the valuation at December 31, 2022. The City no longer offers subsidized rates to employees hired as of January 1, 2017 upon their retirement.

Collective Bargaining

Police officers and firemen employed by the City have collective bargaining rights under the Texas Fire and Police Employees Relations Act. Neither the police officers nor the firemen have the right to strike, but under the Texas Local Government Code firemen may submit any unsettled issues relating to compensation or other conditions of employment to a state district court to be resolved, while the policemen may submit such issues to a factfinder with a referendum election finally determining all unresolved issues. The current labor agreement with police officers expires September 30, 2026. The current labor agreement with the firemen expires September 30, 2024.

Litigation

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; other lawsuits and claims alleging unlawful employment practices and certain civil rights violations arising under Federal Law 42 U.S.C. §1983; various claims from contractors for additional amounts under construction contracts; and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the final outcome of such suits. The City typically utilizes its General Liability Fund to liquidate claims and judgments; however, the City may, at its option, issue Tax-Supported Bonds to pay any final, unappealable judgments and settlements resulting from lawsuits against the City. See Note III to the Financial Statements for Fiscal Year 2023 in APPENDIX A.

In the opinion of the City, it is improbable that the lawsuits now outstanding and the claims now pending against the City could become final in a time and manner as to have a material impact upon the City or its ability to repay the Bonds.

Risk Management/Self Insurance

The City's risk management program encompasses obtaining workers compensation and property and liability insurance through Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the state. TML Intergovernmental Risk Pool ("Pool") is considered a self-sustaining risk pool that provides coverage for its members. The City's contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the City. The Pool's liability is limited to the coverage that the City elects as stated in the Pool's Declarations of Coverage for that fund year.

The City has purchased commercial property and casualty insurance on its real property and associated improvements with a deductible of $50,000 per occurrence. There is a $50,000 deductible on all perils not specified with other deductible amounts. The deductible for loss due to a flood is $50,000, except in the case of a named storm where the deductible is 2% with a $50,000 minimum. Subject to the deductible, the insurance provides for payment of replacement cost.

The City retains all risks associated with the employee indemnity health program up to $150,000 per person. Risks associated with workers' compensation are retained by the City up to $500,000 per incident. The City purchases commercial insurance to cover losses beyond the retained risk. Transactions related to employee health claims (including the prescription drug program), workers' compensation claims, dental insurance premiums and the administration of these programs are recorded in the Employee Benefits Fund. Contributions are made to this fund by all appropriate City funds based on the amounts needed for prior, current and estimated future claims. As of September 30, 2023, the City reported its liability for claims incurred in the fund to be $6,004,497, and on the same day, the fund had net unrestricted assets of (-$3,203,146). Employees hired as of January 1, 2017 will not receive a subsidized health insurance rate following their retirement from the City.

RISKS OF HURRICANES AND RECENT WEATHER-RELATED EVENTS

The City is located near the United States Gulf Coast and is subject to hurricanes, tropical storms and other weather events that can cause damage to property through strong winds, storm surges and flooding. Such events may cause a reduction in the taxable assessed valuation of the City, which may exist for several years or longer. Consequently, the ability of the City to raise revenue through its ad valorem taxes could be negatively impacted.

The City experienced a substantial natural disaster in August 2017, when Hurricane Harvey struck the Texas coast and during which the City experienced rainfall measuring up to 55 inches in some areas that caused major flooding in portions of the City. Damaged property included residential and commercial properties, as well as numerous City-owned facilities and City-owned vehicles. Damage to City-owned facilities and infrastructure was approximately $60,000,000 and damage to City-owned vehicles was approximately $250,000. There was no material impact on water/sewer revenue. As a result of the flooding, the City incurred disaster-related expenses, including debris removal, police, firefighter and emergency personnel overtime and emergency repairs to City facilities in the approximate amount of $15,000,000. Most of the damages and disaster related expenses were covered and reimbursed by either flood insurance maintained by the City or by FEMA, but the City will have to use cash reserves of approximately $5,000,000 to pay for damages and disaster expenses not covered by insurance and not reimbursed by FEMA.

The City again experienced substantial flooding in September 2019, when it was struck by Tropical Storm Imelda. This storm resulted in more than 40 inches of rain in the City. Fortunately, the damage to City owned facilities, infrastructure and vehicles were not severe and the City had to only use approximately $3,000,000 in cash reserves to pay for damages and disaster related expenses not covered by insurance and not reimbursed by FEMA.

Hurricane Laura struck the Texas and Louisiana Coast in August 2020. Hurricane Laura was a large-scale Category 3 Hurricane, but most of the damage occurred in Louisiana in Calceseiu and Cameron Parishes which are located East of the City. The City only experienced minor wind damage that was not substantial.

The City does not anticipate that any of the past weather events will negatively impact the City's ability to pay debt service on the Bonds or any of its outstanding obligations. However, if a major weather event should strike the City in the future that causes widespread damage from storm surge, wind or flooding, then such damage could negatively affect property tax values and have an adverse effect on the City's ability to raise revenue from taxes and to pay its outstanding tax supported and revenue supported debt obligations. The City is actively pursuing mitigation grants to help mitigate flooding and the damages it causes.

CYBERSECURITY RISKS

The City relies on its information systems to provide security for processing, transmission and storage of confidential personal, health-related, credit and other information. It is possible that the City's security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the City and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the City may incur significant costs to remediate possible injury to the affected persons, and the City may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the City's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

LEGAL MATTERS

Legal Opinion

The delivery of the Bonds is subject to the approving opinions of the Attorney General of Texas to the effect that the obligations are valid and legally binding obligations of the City payable from the proceeds of the Net Revenues of the System, and the approving legal opinion of Holland & Knight LLP, Bond Counsel to the City ("Bond Counsel"), in substantially the form attached as APPENDIX C. In connection with the issuance of the Bonds, Bond Counsel has represented only the City. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is payable only upon the sale and delivery of the Bonds.

Bond Counsel has participated in the preparation of the Official Statement, but such firm has not undertaken to independently verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of any kind with regard to the accuracy or completeness of any of the information contained herein.

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

No-Litigation Certificate

The City will furnish to the Underwriters a certificate, dated as of the Delivery Date of the Bonds, executed by appropriate City officials, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Underwriters to take and pay for the Bonds, and of the City to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the City subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, as more fully described below, under existing law and assuming continuing compliance by the City with certain tax covenants, the interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals under the Code; however, the interest on the Bonds is included in the "adjusted financial statement income" of certain corporations on which the federal alternative minimum tax is imposed under the Code.

The foregoing opinions of Bond Counsel are subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be excludable from gross income for federal income tax purposes. The City has covenanted to comply with such requirements.

The scope of the foregoing opinions of Bond Counsel is limited to matters addressed above and no opinion is expressed by Bond Counsel regarding other federal income tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. In rendering such opinions, Bond Counsel further assumes and relies upon (i) without undertaking to verify the same by independent investigation, the accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact of the City with respect to matters affecting the excludability of interest on the Bonds from gross income for federal income tax purposes under the Code; and (ii) continuing compliance by the City with the applicable requirements of the Code as to such tax matters and certain procedures, agreements and covenants that must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes.

Bond Counsel has not been engaged or retained to monitor post-issuance compliance. Failure of the City to comply with such requirements may cause the interest on the Bonds to not be excludable from gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which such noncompliance occurs or is ascertained.

Bond Counsel's opinions set forth above are based upon current facts and circumstances, and upon existing law and interpretations thereof, as of the date such opinions are delivered and Bond Counsel assumes no affirmative obligation to update, revise or supplement such opinions to reflect any action thereafter taken or not taken or if such facts or circumstances, or laws or interpretations thereof, change after the date of such opinions, including, without limitation, changes that adversely affect the excludability of interest on the Bonds, even if such actions, inactions or changes come to Bond Counsel's attention. Further, such opinions are limited solely to the matters stated therein, and no opinion is to be implied or is intended beyond the opinions expressly stated therein. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed or of a particular result, and is not binding on the Internal Revenue Service (the "IRS") or the courts. See also "LEGAL MATTERS" herein.

Prospective purchasers of the Bonds should also be aware that ownership of the Bonds may result in adverse tax consequences under the laws of various states and local jurisdictions. Bond Counsel expresses no opinion regarding any state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to any state and local tax consequences to them of owning the Bonds.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "Appendix C – Form of Bond Counsel Opinion" for the complete text thereof.

Certain Collateral Federal Income Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of any Bonds. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Bonds.

Prospective purchasers of the Bonds should be aware that ownership of, receipt or accrual of interest on, or disposition of, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations with "excess net passive income" and foreign corporations subject to the branch profits tax, individuals eligible to receive the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, will be subject to "backup withholding" with respect to payments on the Bonds and proceeds from the sale of the Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Bonds. This withholding generally applies if the owner of the Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding.

Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

Original Issue Premium

The Bonds maturing on [______] 1 in the years 20[__] through and including 20[__] (collectively, the "Premium Bonds") were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated. Purchasers of Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange or other disposition of, Premium Bonds.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds which are not purchased in the initial offering may be determined according to rules which differ from those described above.

Original Issue Discount

The Bonds maturing on [______] 1 in the years 20[__] through and including 20[__] (collectively, the "Discount Bonds") were sold at prices less than the stated principal amounts thereof. The difference between the principal amount of the Discount Bonds and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of such Discount Bonds of the same maturity was sold, is "original issue discount." Original issue discount represents interest which is excluded from gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above as to stated interest on the Bonds. Such interest is taken into account for purposes of determining the alternative minimum tax liability, and other collateral tax consequences, although the owner of such Discount Bonds may not have received cash in such year. Original issue discount will accrue over the term of a Discount Bond at a constant interest rate compounded on interest payment dates. A purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond.

Purchasers of Discount Bonds should consult their own tax advisors regarding the treatment for federal income tax purposes of interest accrued upon sale, redemption or the disposition of Discount Bonds, including various special rules relating thereto, and the state and local tax consequences, in connection with the acquisition, ownership, accrual of discount on, sale, exchange or other disposition of, Discount Bonds.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Discount Bonds which are not purchased in the initial offering may be determined according to rules which differ from those described above.

Miscellaneous

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law or that otherwise become effective, will not cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the Bondholders from realizing the full current benefit of the tax status of the interest on the Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the Bonds. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is possible that legislation could be introduced that, if enacted, could change the federal tax consequences of owning the Bonds and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Purchasers of the Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should consult their own tax advisors regarding other tax considerations.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as “APPENDIX C- Form of Bond Counsel Opinion” for the complete text thereof. See also “LEGAL MATTERS” herein.

RATINGS

In connection with the sale of the Bonds, the City has made application to Moody’s Investors Service, Inc. ("Moody’s") for ratings, and an underlying rating of "__" has been assigned to the Bonds. An explanation of the significance of such a rating may be obtained from Moody’s. The rating reflects only the views of Moody’s, and the City makes no representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if, in the judgment of Moody’s, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. The City has agreed to provide the information only to the MSRB. This updated information will be available to the public at www.emma.msrb.org (“EMMA”).

Annual Reports

The City undertakes and agrees for the benefit of the Bondholders to provide annually to the MSRB, within six months after the end of each fiscal year, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized in the Ordinance (i) under the headings "CITY WATERWORKS AND SEWER SYSTEM REVENUE DEBT," "THE SYSTEM – Water and Sewer Rates," and “ADMINISTRATION OF THE CITY”, and in APPENDIX B. The information to be provided shall include the financial statements of the City prepared in accordance with the accounting principles the City may be required to employ from time to time pursuant to State law or regulation and audited, if the audit is completed within the period during which they must be provided. If the audit of such financial statements is not completed within such period, then the City shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report on such statement becomes available. The City will provide the updated information to the MSRB via EMMA.

If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC as permitted by the Rule. The City's current fiscal year end is September 30.

Event Notices

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

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

Availability of Information

The City has agreed to provide the foregoing information only to the MSRB via EMMA. The information will be available to the public at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide event notices only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach, WHETHER NEGLIGENT OR WITHOUT

FAULT ON ITS PART, of its continuing disclosure agreement or from any statement made pursuant to its agreement. Holders or beneficial owners of Bonds may seek as their sole remedy a writ of mandamus to compel the City to comply with its agreement. No default by the City with respect to its continuing disclosure agreement shall constitute a breach of or default under the Ordinance for purposes of any other provision of the Ordinance. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws. The City's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the City if, but only if, (i) the agreement, as so amended, would have permitted a purchaser to purchase or sell the Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate amount of the outstanding Bonds consent to such amendment or (b) a person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, and the City may amend the agreement in its discretion in any other circumstance or manner, but in either case only to the extent that its right to do so would not prevent the Underwriters from purchasing the Bonds in the offering described herein in compliance with the Rule. If the City amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

The City has made a continuing disclosure agreement and, except as noted below, has complied in all material respects with its prior continuing disclosure agreements made in accordance with the Rule.

A Notice of Defeasance was not filed after the bonds refunding the Waterworks and Sewer System Revenue and Refunding Bonds, Series 2014A were issued on March 31, 2022. Subsequently, a Notice of Defeasance was filed on January 25, 2023, and is available on EMMA. In addition, a Notice of Defeasance was not filed after the bonds refunding the Waterworks and Sewer System Revenue Bonds, Series 2012 (the "Series 2012 Bonds") were issued on October 29, 2020. However, the Series 2012 Bonds have since been redeemed and are, therefore, no longer outstanding.

UNDERWRITING

The Underwriters have agreed to purchase Bonds from the City for $__________ (being the principal amount of the Bonds, plus a net premium on the Bonds of $________ and less an Underwriters' discount of $_________), plus no accrued interest.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

FINANCIAL ADVISOR

RBC Capital Markets, LLC is employed as Financial Advisor to the City. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the City and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the City. The summaries of the statutes, orders, ordinances and other related documents are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The information contained in this Official Statement in the section entitled "APPENDIX B – Audited Financial Statements of the City" has been provided by Patillo, Brown, & Hill, L.L.P., Waco, Texas and has been included herein in reliance upon their authority as an expert in the fields of auditing and accounting.

Forward-Looking Statements

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

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

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in the Official Statement has been derived from the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as or as part of a contract with the original or subsequent owners of the Bonds.

This Official Statement was duly authorized and approved by the City Council of The City of Beaumont, Texas as of the date specified on the first page hereof.

THE CITY OF BEAUMONT, TEXAS

Mayor
The City of Beaumont, Texas

ATTEST:

City Clerk
The City of Beaumont, Texas

[This page is intentionally left blank.]

APPENDIX A

ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

General

The Third Congress of the Republic of Texas chartered the City of Beaumont on December 16, 1838. Beaumont, however, came of age January 10, 1901, when the first great oil well in the world, the Anthony F. Lucas Gusher, blew in at Spindletop. At the turn of the century the population was approximately 8,500; within 30 days after the discovery of oil at Spindletop, the population increased to approximately 30,000 people. With a population of over 100,000, Beaumont is the major city in an area with more than 400,000 residents.

The City of Beaumont, the county seat of Jefferson County, is located ninety miles east of Houston and approximately 35 miles north of the Gulf of Mexico on the banks of the Neches River. The area is a natural resource basin producing oil, gas sulphur and salt; a healthy agricultural economy includes rice, soybeans, blueberries, crawfish, wheat, corn, grain, sorghum and livestock.

Financing in the Beaumont area is available from a number of sources. Beaumont's financial community strongly supports economic development efforts and demonstrates flexibility and creativity in meeting corporate needs for new facilities and business expansion. Banks represented in Beaumont are as follows: Chase Bank, N.A.; Capital One Bank N.A.; Community Bank; BBVA Compass Bank; Bank of America, N.A.; Third Coast Bank; Wells Fargo Bank N.A.; Prosperity Bank, Hancock Whitney Bank, First Financial Bank, N.A., Woodforest National Bank and Allegiance Bank.

The following information has been derived from various sources, including the Texas Almanac, Texas Municipal Reports, U.S. Census data, The City of Beaumont Chamber of Commerce, Texas Bureau of Labor Statistics and City officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

- Beaumont -
- Major Employers -

According to The City of Beaumont and Texas Workforce Commission, the following is a listing of some of the largest firms in the area, in terms of employment and relevant product.

Name	Product
Beaumont Independent School District	Education
ExxonMobile Corporation	Chemical/Energy
Christus St. Elizabeth Hospital	Health Care
Memorial Hermann Baptist Hospital	Health Care
Lamar University	Education
The City of Beaumont	Government
County of Jefferson	Government
Conn Appliances Inc	Electronics
Wal-Mart SuperCenter	Retailer
Goodyear	Tire Manufacturer

- Beaumont, Port Arthur, Orange MSA -
- Major Employers -

1000+ Employees	
Beaumont Independent School District	Education
City of Beaumont	Government
Christus St. Elizabeth Hospital	Medical
Conn Appliances	Household Goods
Entergy Gulf States Inc.	Public Utilities
Jefferson County	Government
Lamar University	Education
Texas Department Criminal Justice	Mark Stiles State Prison
Memorial Hermann Baptist Hospital	Medical
Signal International	Ship Builders
Wholesale Electric Supply Co.	Electric Equipment and Sales

500-999 Employees	
Ameripol-Synpol	Synthetic Rubber Manufacturing
ENGlobal Engineering	Engineering Services
Goodyear Tire & Rubber Co.	Rubber Manufacturers
Huntsman Corporation	Petrochemical Manufacturing
Matrix Engineering	Engineering Services
Motiva Enterprises	Petrochemical Manufacturing
Valero Port Arthur Refinery	Petrochemical Manufacturing
Walmart Supercenter	Department Store
West Corp.	Communications Services
West Orange-Cove ISD	Education
Xerox Corporation	Copy Machines

Source: The City of Beaumont, Texas Workforce Commission.

-Port of Beaumont -

Beaumont's water resources mean much more than water sports and outdoor recreation. Beaumont's rivers have deep-and-wide commercial transportation value that continues to enrich our communities.

The Sabine-Neches Waterway serves the greater Beaumont area ports of Beaumont, Port Arthur, Orange, and Sabine Pass. The federally maintained deep-water channel from the Gulf of Mexico to the Port of Beaumont – the inland port the greatest distance from the gulf – is ranked first in the nation in strategic importance. The waterway averages 4,000 vessels a year, about 87 million tons annually, including military and strategic fuels cargoes. The port handles ten percent of our nation's gasoline and 20 percent of its jet fuel. At least 30 percent of all military equipment – 800,000 tons – rolled through the port coming or going on 100 ships during Operation Iraqi Freedom and Enduring Freedom.

The Port of Beaumont maintains complete facilities to handle a variety of cargo, including, but not limited to – forest products, grains, project cargo, military, bagged goods, aggregate, metals, and wood chips. In addition to the deep-water channel to the gulf, the Intracoastal Waterway and Mississippi River connect Beaumont with a vast inland waterway system serving such cities as Minneapolis, Chicago, St. Louis, Kansas City, Louisville, Omaha and Memphis.

- Lamar University -

Lamar University is a regional, comprehensive university and a member of the Texas State University System. The Texas State University System consists of four universities including Lamar, Sam Houston State University, Southwest Texas State University and Sul Ross State University. In addition, three two-year institutions belong to the System-Lamar State College-Port Arthur, Lamar State College-Orange and the Lamar Institute of Technology.

Lamar University is located in Beaumont-the industrial center of Southeast Texas. Lamar University's assets to area industry include the faculty, division of continuing education, research centers, computer center and the Gray Library with over a million volumes. Lamar University has over 13,000 students and five academic colleges.

Lamar University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award degrees at the associate, baccalaureate, master's and doctoral levels. Several of the university's colleges and degree programs are accredited as well. Lamar offers 63 undergraduate (bachelor's) degrees in 76 fields of study, 47 master's degrees and nine doctoral degrees in arts and sciences, business, education and human development, engineering, fine arts and communication.

- Building Permits -
(Source: The City of Beaumont)

	Commercial		Residential	
Year	Number of Permits	Value	Number of Permits	Value
2002	109	$105,059,108	202	$30,258,516
2003	56	25,955,137	254	41,023,182
2004	64	46,266,590	251	38,164,783
2005	56	140,615,539	205	31,493,965
2006	411	67,008,358	357	40,226,543
2007	242	132,869,780	446	51,659,666
2008	333	145,372,719	345	39,958,046
2009	607	204,297,987	480	41,622,697
2010	323	212,579,555	1,278	43,709,109
2011	208	115,549,763	1,262	48,621,171
2012	191	93,508,061	381	63,171,407
2013	37	94,134,538	160	67,782,376
2014	45	56,176,095	344	44,679,716
2015	35	52,401,755	195	29,117,125
2016	49	48,917,584	166	33,723,231
2017	38	45,664,992	127	23,724,169
2018	47	47,814,990	150	23,811,167
2019	35	23,874,960	232	28,686,550
2020	38	118,296,450	234	30,346,880
2021	69	144,477,444	534	92,625,218
2022	58	123,257,801	419	84,915,957
2023	233	99,161,851	1,150	51,721,168

- Growth Indicators -
(Source: Local Utility Providers)

	1970	1980	1990	2000	2010	2020
Electric Meters (a)	42,835	44,859	53,310	52,374	55,905	62,986
Water Meters	37,975	41,423	44,844	48,000	42,389	43,228
Population	117,548	118,102	114,323	113,866	118,296	115,282

(a) Provided by Entergy Corporation.

- Employment Information -
(Source: Texas Workforce Commission)

Jefferson County

	2024[1]	2023	2022	2021	2020
Labor Force	104,476	103,246	101,423	101,725	105,592
Employed	98,246	96,784	95,037	91,528	93,022
Unemployed	6,230	6,462	9,386	10,197	12,570
Unemployed Rate	6.0%	6.3%	6.3%	10.0%	11.9%

City of Beaumont

	2024[1]	2023	2022	2021	2020
Labor Force	50,098	49,376	48,481	48,521	50,684
Employed	47,380	46,675	45,832	44,140	45,127
Unemployed	2,718	2,701	2,649	4,381	5,557
Unemployed Rate	5.4%	5.5%	5.5%	9.0%	11.0%

(1) As of March 2024.

APPENDIX B – EXCERPTS FROM ANNUAL COMPREHENSIVE FINANCIAL REPORT

[This page is intentionally left blank.]

City of Beaumont, Texas

Annual Comprehensive Financial Report

For the Fiscal Year ended September 30, 2023

Prepared by the
Finance Department

Cheryl Ray, CPA
Chief Financial Officer

Bridgette Evick, CPA, Deputy Controller

Janice Ridley, Grants Manager

Angie Breeden, Senior Accountant
Betty Strong, Accountant
Bailey Thompson, Grants Accountant
Debbie Meaux, Fiscal Assistant

BEAUMONT
Finance

CITY OF BEAUMONT, TEXAS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

STATISTICAL SECTION

INTRODUCTORY SECTION

BEAUMONT
Finance

March 19, 2024

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Beaumont:

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Beaumont as of and for the year ended September 30, 2023. This report was prepared by the Finance Department, in accordance with the City Charter, and in compliance with State law, to provide citizens, investors, grantor agencies and other interested parties with reliable financial information about the City.

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

The City of Beaumont's financial statements have been audited by Pattillo, Brown & Hill LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Beaumont for the fiscal year ended September 30, 2023, 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. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Beaumont's financial statements for the fiscal year ended September 30, 2023, and that those statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Beaumont was a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Beaumont's separately issued Single Audit Report.

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

PROFILE OF THE GOVERNMENT

The City of Beaumont, Texas, incorporated in 1838, is located in the southeast corner of the state and is the seat of Jefferson County. With a population of 115,282 in the 2020 Census, the City occupies a land area of 84.01 square miles. The City has a major interstate highway dividing it and is serviced by a major port, a regional airport and three railroad lines. This City is empowered to levy a property tax on both real and personal properties located within its boundaries and collects sales tax revenues on taxable sales and purchases. The City is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City has a Council-Manager form of government. It is governed by an elected Council composed of a Mayor and six council members, who each serve two-year terms. Four council members serve a separate ward district, and two serve at-large. They are charged with formulating public policy, enacting local legislation, adopting budgets, and appointing the City Manager, City Attorney, City Clerk and City Magistrate. The City Manager is the chief administrative and executive officer of the City, and implements Council directives and policies, administers the fiscal affairs, and is responsible for the administration of the municipal operations.

The City of Beaumont provides a full range of services, including police and fire protection; construction and maintenance of streets and other infrastructure; recreational activities; health and welfare services; and cultural events.

The annual budget serves as the foundation for the City of Beaumont's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager on or before May 15 of each year. The City Manager uses these requests as the starting point for developing a proposed budget which is presented to the Council for review by August 15. The Council is required to hold public hearings on the proposed budget and to adopt a final budget in accordance with the Texas Local Government Code. The appropriated budget is prepared by fund, function, (e.g. public safety), and department (e.g. police). Transfers between expenditure accounts within a department may occur with the approval of the Department Director and review of the Budget Officer. Transfers between operating departments may occur within the same fund with the approval of the City Manager. Transfers of appropriations between funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 59 of the required supplementary information section of the report. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 83.

History

In 1835, Henry Millard, Joseph Pulsifer and Thomas Huling visited two small communities located on the banks of the Neches River with the hopes of starting a mercantile business. Given a tour of the riverfront property, Millard and his partners recognized its potential and purchased the property for $500, naming the town "Beaumont" after his late wife "Mary Beaumont." However, plans for the development of the new town were abruptly halted by the onset of the Texas Revolution.

Returning from war, Millard continued his quest to establish the settlement. On December 16, 1838, by an act of the Third Congress of the Republic of Texas, the City of Beaumont received its charter. By August 1840, the first elected officials were sworn in. Order of business was promptly addressed with passage of the first ordinance establishing a liability for removing carcasses of cattle that drowned while being driven across the Neches. By the early 1900's Beaumont came of age when the first great oil well of the world, the Anthony F. Lucas Gusher, blew in at Spindletop. With the discovery of oil at Spindletop, Beaumont's population exploded.

The early 1920's were hard and the citizens of Beaumont were met with many adversities. They fought an epidemic of the bubonic plague brought on by one of the ships docked in the port and had to replace the wooden streets with asphalt and concrete after the town was destroyed by a flood. By the latter part of the decade, the City enjoyed an economic growth spurred by the growing oil economy. Good times were short-lived, however, because in 1929 the stock market crashed and started the Great Depression. During World War II, wartime changes again brought prosperity to Beaumont. Local industries such as oil refining and manufacturing and shipbuilding experienced increased production which caused an expanded population.

The 1960's and 1970's were years of both torment and triumph. The area, now referred to as the Golden Triangle, had become the petrochemical complex of Southeast Texas. In 1971, Beaumont approved its first bond issue since 1921, totaling $12 Million. By 1975, the economy had progressed so far that the nationwide recession had little effect on the area. In 1978, Beaumont was named by *Money* magazine as the town with the most potential for growth in the entire country. During 1982, the local economy began to slide into the deepest recession since the Great Depression. Tens of thousands of jobs in the chemical, petroleum, shipbuilding, and oil drilling industries were lost. By 1987, the recession reached its deepest point, and a steady sustainable recovery had begun and continued through the early 2000's.

In the summer of 2005, as Beaumont was assisting with the housing of evacuees from Hurricane Katrina, the City was dealt a major blow of its own when it took a direct hit from Hurricane Rita. Many homes and businesses suffered major damage or were completely destroyed by winds and downed trees. Most of the electrical utility grid and telecommunications throughout the area were destroyed and had to be rebuilt. Thousands of workers from other parts of the country descended on the area to help rebuild. Residential and commercial construction was soon at an all-time high for hotels and new and remodeled homes, with a need not only to accommodate the increasing labor force, but to replace those structures that had been destroyed. Businesses flourished with renewed activity. As the area attempted to return to a normal life, we were soon forced to deal with the arrival of Hurricanes Humberto in 2007 and Gustav and Ike in 2008. While Humberto was a relatively minor storm, and Gustav skirted the eastern edge of the area, Ike was a completely different story. As one of the largest and most devastating storms in history, encompassing the entire Gulf of Mexico at one point, the storm surge completely obliterated some areas around Beaumont. While the damage in the City itself was not as severe as with Rita, many residents had to relocate, businesses were closed, and the rebuilding began again. Nine years later in August 2017, Hurricane Harvey, a category 4 hurricane made landfall on the Texas gulf coast. After striking land, Harvey weakened to a tropical storm and for about two days stalled over Southeast Texas dropping very heavy rainfall and causing widespread flooding. Two years later in September 2019, Tropical Storm Imelda made landfall causing devastating and record-breaking floods in the City of Beaumont. One year later in August 2020, Hurricane Laura, a category 4 hurricane made landfall in southeast Louisiana, causing substantial damage to our surrounding area.

While striving to return to pre-storm conditions, the City of Beaumont is committed to future development city-wide.

Factors Affecting Financial Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. The City, its area residents, and local businesses continue their recovery efforts from the impact of Hurricane Harvey in August 2017, Tropical Storm Imelda in September 2019, and Hurricane Laura in August 2020. This restoration has been a combination of repairs to return structures to pre-storm conditions and major renovations. As a result of this activity, Beaumont did experience an increase in sales tax revenue. However, in 2020 the Coronavirus Pandemic hit the nation, which has created many uncertainties and negative financial impacts for the City.

Although Beaumont's economy continues to be dominated by the petrochemical industry, employment trends show a shift to service-oriented jobs. This shift from manufacturing is consistent with national trends. Area chemical plants continue to upgrade and expand their facilities to meet increased product demand and stricter environmental controls. Multibillion-dollar investments in local energy projects have provided employment for thousands of temporary workers for several years, as well as adding hundreds of permanent positions. New multibillion-dollar expansion projects are also being planned for the area. This will have a direct impact on the housing, retail, and service markets as well.

Lamar University and Lamar Institute of Technology, both a part of the Texas State University System, are dedicated to providing a quality education for all who seek it. Satisfying the demand for qualified labor has become a top priority for both, and enrollment has steadily increased over the past several years. With workers needed for construction and the ensuing permanent positions, many of the specialized fields of education are tailored to meet the needs of area businesses. Lamar University has some of the best MBA and chemical engineering programs in the county, with plans for a new degree program in energy engineering.

Beaumont has much to offer. City officials and the Greater Beaumont Chamber of Commerce continue to aggressively market our community to business and industry. A four-year university and one of the fastest-growing technical colleges in Texas provide the basis for an educated and skilled workforce to meet the requirements of companies competing in a global economy.

Long-term financial planning

By charter, the City of Beaumont maintains a five-year Community Investment Plan (CIP) which serves as its planning document to ensure that its facilities, streets and water and sewer infrastructure are well maintained. The Community Investment Plan is prepared annually to provide for both short- and long-range physical development within the City. As included in the 2024-2028 Community Investment Plan, there are approximately $87.5 million of street/drainage, water/sewer and facility improvements in the design or construction phase for fiscal year 2024, and $572 million for fiscal years 2025-2028.

Relevant financial policies

The City of Beaumont has adopted a comprehensive set of financial policies. During the current year, two of these policies were particularly relevant. The City of Beaumont has a policy that requires any budget amendments calling for new fund appropriations that exceed unencumbered fund balances to be approved by the City Council. In September 2023, due to unforeseen expenditures, Council approved budget amendments in the following funds: General Liability Fund - $850,000, Solid Waste Fund - $1,300,000, Employee Benefits Fund - $3,000,000, and Water/Sewer Fund - $1,250,000.

In addition, the City of Beaumont has a policy that requires that transfers between funds must be accomplished by budget amendments approved by the City Council. In September 2023, in order to strengthen the fund balance for FY 2024, transfers were approved by City Council in the following funds: $3.96 million to the Capital Reserve Fund to help fund costs that are being proposed in the FY24 budget; $1 million to the General Liability Fund; $4.91 million to the Employee Benefits Fund; and $2.5 million to the Municipal Transit Fund;

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beaumont for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. This was the thirty-seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

The preparation of this Annual Comprehensive Financial Report was made possible by the dedicated service and hard work of the entire staff of the Finance Department. The professional expertise and commitment of Cheryl Ray, Chief Financial Officer; Bridgette Evick, Deputy Controller, Janice Ridley, Grants Manager; Staff Accountants, Angie Breeden, Betty Strong & Bailey Thompson; and Debbie Meaux, Fiscal Assistant made this presentation possible.

Appreciation is also expressed to the staff of the operating departments for their cooperation and contribution, to the firm of Pattillo, Brown & Hill, LLP for their professional assistance and to City Council for their interest and support.

Respectfully submitted,

Kenneth R Williams	Cheryl Ray, CPA
City Manager	Chief Financial Officer

City of
Beaumont, Texas

BEAUMONT
TEXAS

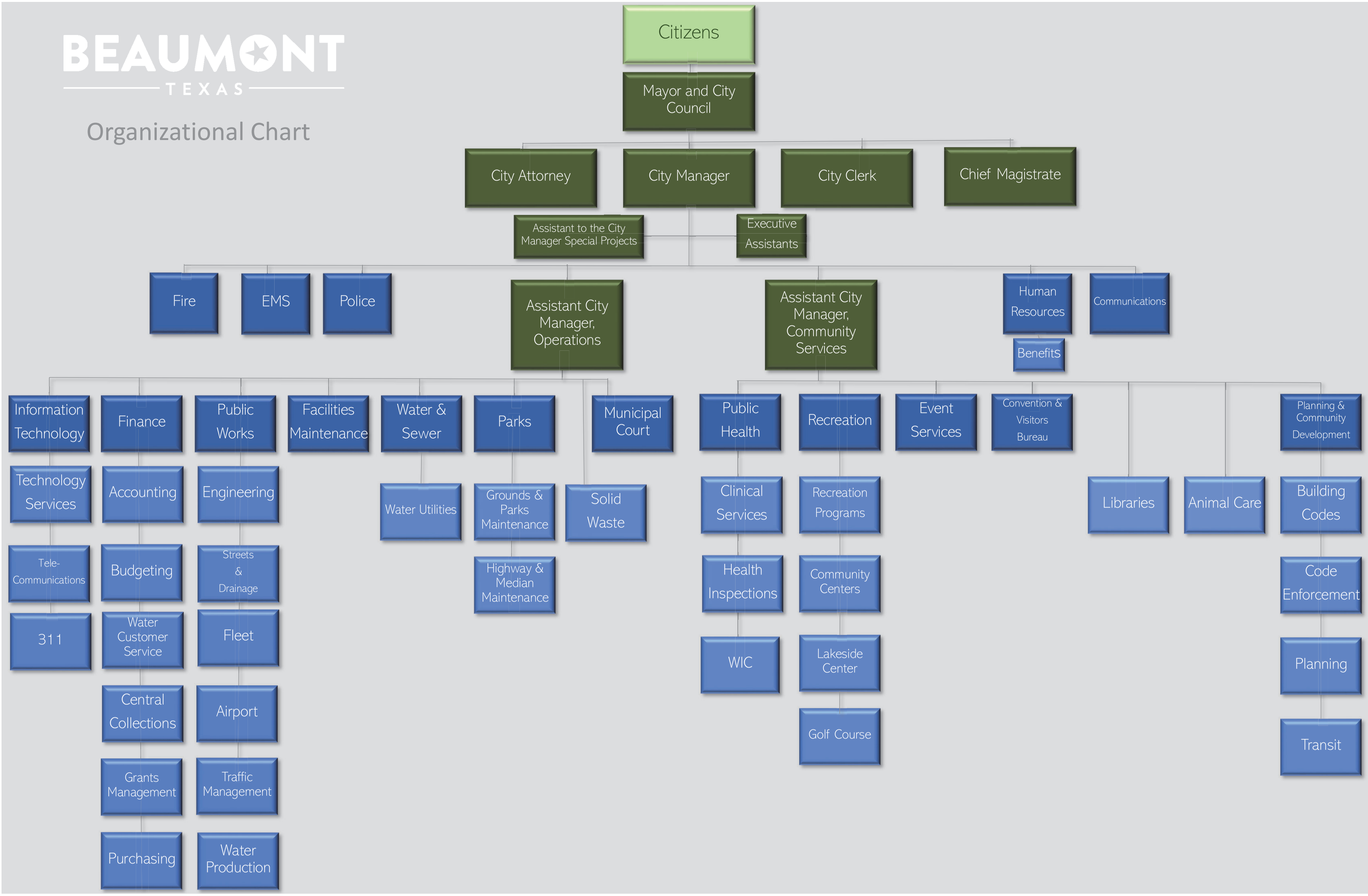
List of Principal Officials

as of September 30, 2023

Roy West, *Mayor*

Randy Feldschau, *At Large*
Albert "AJ" Turner, *At Large*
Taylor Neild, *Ward I*
Mike Getz, *Ward II*
Audwin M. Samuel, *Ward III*
Charles Durio, *Ward IV*

Kenneth R. Williams, *City Manager*
June Ellis, *Assistant City Manager, Operations*
Christopher S. Boone, *Assistant City Manager, Community Services*


BEAUMONT
TEXAS
Organizational Chart
Citizens
Mayor and City Council
City Attorney
City Manager
City Clerk
Chief Magistrate
Assistant to the City Manager Special Projects
Executive Assistants
Fire
EMS
Police
Assistant City Manager, Operations
Assistant City Manager, Community Services
Human Resources
Benefits
Communications
Information Technology
Technology Services
Tele-Communications
311
Finance
Accounting
Budgeting
Water Customer Service
Central Collections
Grants Management
Purchasing
Public Works
Engineering
Streets & Drainage
Fleet
Airport
Traffic Management
Water Production
Facilities Maintenance
Water & Sewer
Water Utilities
Parks
Grounds & Parks Maintenance
Highway & Median Maintenance
Solid Waste
Municipal Court
Public Health
Clinical Services
Health Inspections
WIC
Recreation
Recreation Programs
Community Centers
Lakeside Center
Golf Course
Event Services
Convention & Visitors Bureau
Libraries
Animal Care
Planning & Community Development
Building Codes
Code Enforcement
Planning
Transit

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Beaumont
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

BEAUMONT

Finance

FINANCIAL SECTION

BEAUMONT

Finance

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Beaumont, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

We did not audit the financial statements of the Beaumont Firemen's Relief and Retirement Fund (the "Fund"), which represents 58.7 percent and 78.9 percent, respectively, of the assets and net position of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fund, is based solely on the report of the other auditors.

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.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2023 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 due date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas
March 19, 2024

BEAUMONT

Finance

MANAGEMENT'S DISCUSSION AND ANALYSIS

BEAUMONT
Finance

Management's Discussion and Analysis

As management of the City of Beaumont (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of 2023 by $232 million. Of this amount, a negative $185.2 million is considered unrestricted. The unrestricted net position of the City's governmental activities is a negative $170.5 million. The unrestricted net position of the City's business-type activities is a negative $14.8 million.

- The net position decreased by $29.6 million in 2023. The underlying reason for the decrease in net position related to Governmental activities was due to the City's pension liabilities experiencing significant increases. The primary reasons for the increase in net position in the Business-Type activities are additional grant monies received, and an increase in utility receipts due to higher usage.

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $67.5 million. Approximately $31.9 million of the $67.5 million fund balance is considered unassigned at September 30, 2023.

- The City's total liabilities increased by $149.8 million during the current fiscal year. The key factor for the increase was due to large increases to the City's pension liabilities.

- The General Fund reported a fund balance of $47.6 million at the end of the current fiscal year. The unassigned fund balance for the General Fund was $41 million or 27.6% of total General Fund expenditures (excluding transfers out).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business- type activities). The governmental activities of the City include general government, public works, public safety, health and welfare, culture and recreation, and housing and economic development. The business-type activities of the City include two enterprise activities: a water and sewer system, and a solid waste system.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *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 may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 33 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Street Improvement Fund. Data from the other 31 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.

The City of Beaumont adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

Proprietary funds. The City maintains two different 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 uses enterprise funds to account for its water and solid waste operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions including employee benefits, self-insurance, fleet management, capital reserve and general liability. The services provided by these funds predominantly benefit the governmental rather than the business-type functions. They have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and solid waste operations. However, the Water Fund is only considered to be a major fund of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 17 – 19 of this report.

Fiduciary funds. The Beaumont Firemen's Relief and Retirement Fund is being reported as a blended component unit. The Other Postemployment Benefits Trust Fund is being reported to account for assets held by the City in a trustee capacity. The basic fiduciary fund financial statements can be found on pages 24 – 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 – 58 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Beaumont's progress in funding its obligation to provide pension benefits to its employees, other post-employment benefits and the General Fund's budgetary information. Required supplementary information can be found on pages 59 - 70 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 71 - 113 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by $232 million at the close of the most recent fiscal year.

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

The City's deferred outflows and inflows of resources changed significantly from the prior year mainly due to investment experience as well as changes in assumptions in the Beaumont Firemen's Relief and Retirement Fund.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 130,538,617	$ 155,764,734	$ 54,194,187	$ 50,768,187	$ 184,732,804	$ 206,532,921
Capital assets	441,521,491	442,005,134	281,635,501	264,352,030	723,156,992	706,357,164
Total assets	572,060,108	597,769,868	335,829,688	315,120,217	907,889,796	912,890,085
Total deferred outflows of resources	172,625,264	95,949,255	12,293,037	6,164,477	184,918,301	102,113,732
Long-term liabilities	509,533,570	386,439,534	197,196,511	171,163,841	706,730,081	557,603,375
Other liabilities	18,183,581	14,946,706	26,901,610	29,488,154	45,085,191	44,434,860
Total liabilities	527,717,151	401,386,240	224,098,121	200,651,995	751,815,272	602,038,235
Total deferred inflows of resources	107,031,480	144,385,393	1,657,542	6,687,328	108,689,022	151,072,721
Net investment in capital assets	257,587,294	259,745,649	137,089,489	129,869,236	394,676,783	389,614,885
Restricted	22,818,694	11,546,352	53,234	2,073,864	22,871,928	13,620,216
Unrestricted	(170,469,247)	(123,344,511)	(14,775,661)	(17,997,728)	(185,244,908)	(141,342,239)
Total net position	$ 109,936,741	$ 147,947,490	$ 122,367,062	$ 113,945,372	$ 232,303,803	$ 261,892,862

An additional portion of the City's net position represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position may be used to meet the government's on-going obligations to citizens and creditors.

The government's net position decreased by $29.6 million during the current fiscal year. Governmental activities decreased the City's net position by $38.0 million and the Business-Type activities increased by $8.4 million. The underlying reason for the decrease in net position related to Governmental activities was due to the City's pension liabilities experiencing significant increases. The primary reasons for the increase in net position in the Business-Type activities are additional grant monies received, and an increase in utility receipts due to higher usage.

Changes in Net Position

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Total 2023	Total 2022
Revenues						
Program revenues						
Charges for services	$ 14,680,455	$ 13,595,419	$ 70,171,839	$ 65,655,707	$ 84,852,294	$ 79,251,126
Operating grants and contributions	11,141,532	59,128,590	-	-	11,141,532	59,128,590
Capital grants and contributions	-	6,134,577	5,896,532	1,476,822	5,896,532	7,611,399
General revenues:						
Property taxes	65,506,919	61,626,765	-	-	65,506,919	61,626,765
Industrial payments	18,633,827	18,377,610	-	-	18,633,827	18,377,610
Sales taxes	53,789,014	52,198,175	-	-	53,789,014	52,198,175
Franchise taxes	9,459,813	12,567,765	-	-	9,459,813	12,567,765
Investment earnings	4,036,836	851,300	1,712,472	296,551	5,749,308	1,147,851
Miscellaneous	2,455,087	1,285,404	1,093,226	466,995	3,548,313	1,752,399
Oil and gas royalties	9,007	7,379	-	-	9,007	7,379
Gain (loss) on disposal of assets	38,104	46,433	82,192	460,314	120,296	506,747
Total revenues	179,750,594	225,819,417	78,956,261	68,356,389	258,706,855	294,175,806
Expenses						
General government	24,749,602	19,034,530	-	-	24,749,602	19,034,530
Public safety	108,650,563	85,954,407	-	-	108,650,563	85,954,407
Public works	51,656,751	46,732,933	-	-	51,656,751	46,732,933
Health and welfare	12,765,839	54,530,204	-	-	12,765,839	54,530,204
Culture and recreation	18,810,383	15,589,689	-	-	18,810,383	15,589,689
Housing and economic development	8,395,551	6,100,151	-	-	8,395,551	6,100,151
Interest on long- term debt	6,432,654	7,185,846	-	-	6,432,654	7,185,846
Water	-	-	44,548,032	39,545,335	44,548,032	39,545,335
Solid waste	-	-	12,286,539	11,303,816	12,286,539	11,303,816
Total expenses	231,461,343	235,127,760	56,834,571	50,849,151	288,295,914	285,976,911
Increase (decrease) in net position before transfers	(51,710,749)	(9,308,343)	22,121,690	17,507,238	(29,589,059)	8,198,895
Transfers	13,700,000	10,160,000	(13,700,000)	(10,160,000)	-	-
Increase (decrease) in net position	(38,010,749)	851,657	8,421,690	7,347,238	(29,589,059)	8,198,895
Net position, beginning	147,947,490	147,095,833	113,945,372	106,598,134	261,892,862	253,693,967
Net position, ending	$ 109,936,741	$ 147,947,490	$ 122,367,062	$ 113,945,372	$ 232,303,803	$ 261,892,862

Financial Analysis of the Government's Funds

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

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

As of September 30, 2023 the City's governmental funds reported combined ending fund balances of $67.5 million, an decrease of $25.6 million in comparison with the prior year. Approximately $31.9 million of this amount constitutes *unassigned fund balance,* which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At September 30, 2023, unassigned fund balance of the General Fund was $41 million, while total fund balance was $47.6 million, an decrease of $6 million in comparison with the prior year. The decreased fund balance is mainly attributed to decreased sales taxes and intergovernmental revenues, combined with increases in spending related to Public Safety. 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 (excluding transfers out). Unassigned fund balance represents 27.6% of total General Fund expenditures (excluding transfers out), while total fund balance represents 32.0% of that same amount.

The Street Improvement Fund has a total fund balance of $15.3 million. The net decrease in fund balance during 2023 in this fund was approximately $9.5 million. Fund balance decreased due to spending on planned capital projects.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. This includes both enterprise funds and internal service funds.

Enterprise funds' net position at September 30, 2023, amounted to $122.4 million. The total increase in net position of $9 million was primarily due to increased operating revenues from charges to customers, and slightly higher interest income from investments in the Water Fund.

Internal service funds total net position decreased $1.4 million due to increases in insurance premiums and health benefit claims.

General Fund Budgetary Highlights

For the General Fund, the final budgeted amount for revenues was $134.8 million. This was a decrease of $10 million from the original budget estimate of $144.8 million. The budget was amended for a decrease in other revenues and an increase in Public Safety and Culture and Recreation expenditures. Actual revenues were $6.8 million above the final budgeted amounts due to more sales tax and other revenues than expected. Overall, ending fund balance in the General Fund was $7.6 million higher than budgeted.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2023, amounted to $723.2 million (net of accumulated depreciation). This investment in capital assets includes land, right of use lease assets, buildings, improvements, equipment, streets and drainage systems and infrastructure.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 55,803,819	$ 55,920,190	$ 3,390,347	$ 3,390,348	$ 59,194,166	$ 59,310,538
Right of use lease assets	683,320	769,304	336,522	382,670	1,019,842	1,151,974
Right of use software	626,826	-	24,851	-	651,677	-
Buildings	65,094,182	66,542,590	1,351,411	1,438,315	66,445,593	67,980,905
Improvements	15,154,431	15,786,055	235,647,081	241,419,310	250,801,512	257,205,365
Infrastructure	268,191,414	270,039,521	2,139,534	2,384,764	270,330,948	272,424,285
Machinery and equipment	18,079,164	19,550,084	8,999,165	6,622,963	27,078,329	26,173,047
Construction in progress	17,888,335	13,397,390	29,746,590	8,713,660	47,634,925	22,111,050
Total	$ 441,521,491	$ 442,005,134	$ 281,635,501	$ 264,352,030	$ 723,156,992	$ 706,357,164

Additional information on the City's capital assets can be found in Note 1 on pages 29-30 and Note 4 on pages 38 - 39 of this report.

Long-term debt. At September 30, 2023, the City, the primary government, had $341.4 million of long- term bonds and certificates of obligation outstanding. Of this amount, $189.6 million comprises bonds backed by the full faith and credit of the City and $151.8 million secured solely by specified revenue sources (i.e. revenue bonds).

General Obligation and Revenue Bonds Outstanding

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	$ 154,507,350	$ 163,150,850	$ 747,650	$ 844,150	$ 155,255,000	$ 163,995,000
Certificates of obligation	34,390,000	36,045,000	-	-	34,390,000	36,045,000
Revenue bonds	-	-	151,765,000	139,265,000	151,765,000	139,265,000
Total	$ 188,897,350	$ 199,195,850	$ 152,512,650	$ 140,109,150	$ 341,410,000	$ 339,305,000

Total long-term bonds and certificates outstanding at September 30, 2023 increased by $2.1 million, a 0.6% increase, compared to September 30, 2022.

The City's most recent bond ratings are shown in the following table.

	Standard & Poor's	Moody's Investor Services
General Obligation Debt	AA-	Aa3
Revenue Bonds	AA	A1

Additional information regarding the City's long-term debt can be found in Note 1 on pages 30 - 33 and in Note 3 on pages 40 - 44 of this report.

Economic Factors and Next Year's Budgets and Rates

Sales tax is the largest single source of revenue for the General Fund representing 35.8% of total General Fund revenues for FY 2023. In FY 2023, sales tax revenues decreased $1.5 million compared to the prior year, FY 2022. The FY 2024 Budget anticipates a 1.4% increase in sales tax revenue compared to the FY 2023 Budget.

The tax rate for FY 2023 is $0.68148 per $100 of assessed valuation, a .01352 cent decrease from FY 2023. The General Fund is allocated $0.49148 of the tax rate and $0.19000 to the Debt Service Fund. Property tax revenues account for 33.6% or $47.6 million of the revenues in the General Fund's FY 2023 Budget. Assessed values for tax year 2023 are 13.4% higher than the previous year.

Industrial payments account for 13.2% of the General Fund's overall revenue in the FY 2024 Budget. The newest contracts call for payments based on 80% of the appraised value for the first three years and 75% of the value the last four years. Industrial payments are expected to be approximately $7K less in FY 2024 than in FY 2023.

Expenditures for FY 2024, including transfers, are expected to total $162.5 million. The budget allows for a 2% wage increase for civilian employees and, pursuant to the current labor agreement, sworn police and sworn firefighter employees will receive 3.75% and 4% increases, respectively. Overall budgeted expenditures, not including transfers, are expected to grow 3.1% over FY 2023, mostly attributable to salary increases. The General Fund's Budget contemplates using $4.6M of prior years' excess funds in the fund balance, however still leaving a healthy ending balance of 23% of total expenditures. The City has implemented policies to hold spending only to budgeted amounts in FY 2024 and has enacted zero-based budgeting for FY 2025.

The City is confident in its financial sustainability. The stable outlook reflects management's historical commitment to maintaining sound reserves, which, provides stability during the time of economic uncertainty and downturn and allows the City to continue to provide service to all citizens and to enhance quality of life through new and renovated public facilities, improved city streets and beautification of the City.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Beaumont, Finance Department, P.O. Box 3827, Beaumont, Texas, 77704.

BASIC
FINANCIAL STATEMENTS

BEAUMONT

Finance

CITY OF BEAUMONT, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 48,237,242	$ 6,256,059	$ 54,493,301
Investments	29,677,887	7,817,654	37,495,541
Receivables (net of allowances for uncollectibles)	46,176,995	16,528,373	62,705,368
Prepaid items	1,991,266	-	1,991,266
Inventories	1,266,005	3,288,522	4,554,527
Internal balances	1,321,302	(1,321,302)	-
Restricted assets:			
Cash and cash equivalents	1,867,920	12,524,049	14,391,969
Investments	-	9,100,832	9,100,832
Capital assets:			
Nondepreciable	73,692,154	33,136,937	106,829,091
Depreciable	823,958,850	479,002,649	1,302,961,499
Less: accumulated depreciation	(456,129,513)	(230,504,085)	(686,633,598)
Total capital assets	441,521,491	281,635,501	723,156,992
Total assets	572,060,108	335,829,688	907,889,796
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	7,061,745	2,312,647	9,374,392
Pension - TMRS	45,029,424	9,235,969	54,265,393
Pension - BFRRF	116,625,899	-	116,625,899
Other post employment benefits	3,908,196	744,421	4,652,617
Total deferred outflows of resources	172,625,264	12,293,037	184,918,301
LIABILITIES			
Accounts payable	6,113,246	5,053,790	11,167,036
Accrued liabilities	3,809,446	527,742	4,337,188
Other liabilities	1,905,485	1,249,141	3,154,626
Unearned revenue	5,773,587	12,287,522	18,061,109
Accrued interest payable	581,817	521,098	1,102,915
Customer deposits	-	7,262,317	7,262,317
Noncurrent liabilities:			
Due within one year	15,018,967	12,986,785	28,005,752
Due in more than one year:			
Long-term debt	230,237,275	161,550,495	391,787,770
Net pension liability - TMRS	86,675,943	17,778,073	104,454,016
Net pension liability - BFRRF	151,975,309	-	151,975,309
Net OPEB liability	25,626,076	4,881,158	30,507,234
Total liabilities	527,717,151	224,098,121	751,815,272
DEFERRED INFLOWS OF RESOURCES			
Pension - TMRS	382,401	78,434	460,835
Pension - BFRRF	96,586,366	-	96,586,366
Other post employment benefits	8,290,317	1,579,108	9,869,425
Lease related	1,772,396	-	1,772,396
Total deferred inflows of resources	107,031,480	1,657,542	108,689,022
NET POSITION			
Net investment in capital assets	257,587,294	137,089,489	394,676,783
Restricted for:			
Debt service	3,031,702	53,234	3,084,936
General government	1,890,880	-	1,890,880
Public safety	9,610,010	-	9,610,010
Public works	4,299,288	-	4,299,288
Health and welfare	2,646,153	-	2,646,153
Culture and recreational	535,744	-	535,744
Housing and economic development	804,917	-	804,917
Unrestricted	(170,469,247)	(14,775,661)	(185,244,908)
Total net position	$ 109,936,741	$ 122,367,062	$ 232,303,803

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

		Program Revenues		
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 24,749,602	170,717	-	-
Public safety	108,650,563	5,527,595	1,099,271	-
Public works	51,656,751	1,828,632	2,699,519	-
Health and welfare	12,765,839	4,998,067	5,260,486	-
Culture and recreation	18,810,383	2,155,444	185,512	-
Housing and economic development	8,395,551	-	1,896,744	-
Interest on long-term debt	6,432,654	-	-	-
Total governmental activities	231,461,343	14,680,455	11,141,532	-
Business-type activities:				
Water	44,548,032	56,565,483	-	5,896,532
Solid waste	12,286,539	13,606,356	-	-
Total business-type activities	56,834,571	70,171,839	-	5,896,532
Total primary government	$288,295,914	$ 84,852,294	$ 11,141,532	$ 5,896,532

General revenues:
Taxes:
Property taxes
Industrial payments
Sales taxes
Franchise taxes
Oil and gas royalties
Investment earnings
Miscellaneous
Gain on sale of capital assets
Transfers
Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(24,578,885)	-	(24,578,885)
(102,023,697)	-	(102,023,697)
(47,128,600)	-	(47,128,600)
(2,507,286)	-	(2,507,286)
(16,469,427)	-	(16,469,427)
(6,498,807)	-	(6,498,807)
(6,432,654)	-	(6,432,654)
(205,639,356)	-	(205,639,356)
-	17,913,983	17,913,983
-	1,319,817	1,319,817
-	19,233,800	19,233,800
(205,639,356)	19,233,800	(186,405,556)
65,506,919	-	65,506,919
18,633,827	-	18,633,827
53,789,014	-	53,789,014
9,459,813	-	9,459,813
9,007	-	9,007
4,036,836	1,712,472	5,749,308
2,455,087	1,093,226	3,548,313
38,104	82,192	120,296
13,700,000	(13,700,000)	-
167,628,607	(10,812,110)	156,816,497
(38,010,749)	8,421,690	(29,589,059)
147,947,490	113,945,372	261,892,862
$ 109,936,741	$ 122,367,062	$ 232,303,803

CITY OF BEAUMONT, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General	Street Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 17,524,160	$ 8,565,122	$ 7,205,682	$ 33,294,964
Investments	15,737,232	7,691,806	6,248,849	29,677,887
Receivables, net				
Taxes - property	5,126,562	-	2,128,579	7,255,141
Taxes - other	8,641,245	-	-	8,641,245
Notes	-	-	322,274	322,274
Intergovernmental	402,634	-	16,810,917	17,213,551
Leases	1,818,212	-	-	1,818,212
Other	10,397,045	8,885	498,144	10,904,074
Due from other funds	7,490,111	-	-	7,490,111
Restricted cash	-	-	1,867,920	1,867,920
Inventories	-	-	409,681	409,681
Prepaid items	1,938,309	-	52,957	1,991,266
Total assets	69,075,510	16,265,813	35,545,003	120,886,326
LIABILITIES				
Accounts payable	1,261,210	952,449	2,441,223	4,654,882
Accrued liabilities	3,512,214	-	220,217	3,732,431
Due to other funds	-	-	7,437,461	7,437,461
Other liabilities	1,454,525	-	450,960	1,905,485
Unearned revenue	-	-	3,773,587	3,773,587
Total liabilities	6,227,949	952,449	14,323,448	21,503,846
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Property tax	4,966,648	-	2,059,438	7,026,086
EMS fees	6,388,251	-	-	6,388,251
Gift cards	6,720	-	-	6,720
Demolition fees	1,181,709	-	-	1,181,709
Weed abatement fees	745,314	-	-	745,314
Forfeitures	195,332	-	-	195,332
Notes	-	-	804,917	804,917
Grants	-	-	13,743,771	13,743,771
Other	-	-	35,000	35,000
Lease related	1,772,396	-	-	1,772,396
Total deferred inflows of resources	15,256,370	-	16,643,126	31,899,496
FUND BALANCES				
Nonspendable:				
Inventories	-	-	409,681	409,681
Prepaid items	1,938,309	-	52,957	1,991,266
Permanent fund principal	-	-	861,185	861,185
Restricted:				
Debt service	-	-	972,264	972,264
Culture and recreation	-	-	437,284	437,284
General government	-	-	1,890,880	1,890,880
Health and welfare	-	-	214,411	214,411
Public safety	-	-	739,275	739,275
Public works	-	15,313,364	5,723,641	21,037,005
Assigned:				
Culture and recreation	-	-	961,445	961,445
Public works	-	-	1,450,959	1,450,959
Next year's budget	4,607,000	-	-	4,607,000
Unassigned	41,045,882	-	(9,135,553)	31,910,329
Total fund balances	47,591,191	15,313,364	4,578,429	67,482,984
Total liabilities, deferred inflows of resources and fund balances	$ 69,075,510	$ 16,265,813	$ 35,545,003	$ 120,886,326

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

CITY OF BEAUMONT, TEXAS

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

SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds	$ 67,482,984
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.	441,521,491
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.	
General obligation bonds and certificates of obligation	(188,897,350)
Leases and SBITAs	(1,233,290)
Financed purchases	(773,712)
Compensated absences	(28,741,832)
Claims payable	(6,512,167)
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.	(581,817)
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	(19,097,891)
Deferred loss	7,061,745
Internal Service funds are used by the City's management to charge the costs of vehicle maintenance, health and workers' compensation claims, risk management, and vehicle replacement to the appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	13,554,373
Receivables from sources that are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the fund financial statements.	30,127,100
Included in the items related to debt is the recognition of the City's net pension liability, net OPEB liability, and related deferred outflows and inflows of resources.	
Net pension liabilities	(238,651,252)
Deferred outflows related to pensions	161,655,323
Deferred inflows related to pensions	(96,968,767)
Net OPEB liability	(25,626,076)
Deferred outflows related to OPEB	3,908,196
Deferred inflows related to OPEB	(8,290,317)
Net Position of Governmental Activities	$ 109,936,741

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

CITY OF BEAUMONT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General	Street Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 47,571,558	$ -	$ 16,975,340	$ 64,546,898
Sales	50,729,017	-	-	50,729,017
Gross receipts	9,227,177	-	3,292,633	12,519,810
Industrial payments	18,633,827	-	-	18,633,827
Licenses and permits	2,687,654	-	-	2,687,654
Charges for services	5,388,461	-	1,336,034	6,724,495
Fines and forfeitures	1,438,496	-	323,216	1,761,712
Recreational activities	2,064,593	-	-	2,064,593
Intergovernmental	803,228	1,206	13,602,613	14,407,047
Oil and gas royalities	-	-	9,007	9,007
Investment earnings	2,092,936	765,254	707,448	3,565,638
Contributions	-	-	188,812	188,812
Miscellaneous	972,306	-	35,113	1,007,419
Total revenues	141,609,253	766,460	36,470,216	178,845,929
EXPENDITURES				
Current:				
General government	19,421,500	-	151,032	19,572,532
Public safety	87,564,947	-	3,216,688	90,781,635
Public works	22,972,088	-	7,463,643	30,435,731
Health and welfare	2,374,143	-	7,567,733	9,941,876
Culture and recreational	11,742,898	-	3,427,593	15,170,491
Housing and economic development	4,398,356	-	2,072,774	6,471,130
Capital outlay	205,173	12,671,580	5,539,064	18,415,817
Debt service:				
Principal	65,859	-	10,315,076	10,380,935
Interest and fiscal charges	8,142	-	7,353,621	7,361,763
Total expenditures	148,753,106	12,671,580	47,107,224	208,531,910
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,143,853)	(11,905,120)	(10,637,008)	(29,685,981)
OTHER FINANCING SOURCES (USES)				
Issuance of SBITA	205,173	-	-	205,173
Sale of capital assets	16,301	-	21,803	38,104
Transfers in	10,900,000	2,444,000	2,597,000	15,941,000
Transfers (out)	(9,954,000)	-	(2,157,000)	(12,111,000)
Total Other Financing Sources	1,167,474	2,444,000	461,803	4,073,277
NET CHANGE IN FUND BALANCES	(5,976,379)	(9,461,120)	(10,175,205)	(25,612,704)
FUND BALANCES, BEGINNING	53,567,570	24,774,484	14,753,634	93,095,688
FUND BALANCES, ENDING	$ 47,591,191	$ 15,313,364	$ 4,578,429	$ 67,482,984

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

CITY OF BEAUMONT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Net change in fund balances - total governmental funds (page 15)	$	(25,612,704)
Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		21,389,338
Depreciation expense		(24,289,100)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(235,902)
The issuance of long-term debt (e.g. bonds, leases) 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, the governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt		(205,173)
Principal paid on long-term debt		10,380,935
Amortization of bond premiums and deferred charges		935,485
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(1,539,720)
Pension expense		(18,564,031)
OPEB expense		447,898
Interest payable		43,715
Internal Service Funds are used by management to charge the costs of certain capital assets and employee benefits to individual funds. The net revenue of certain activities of Internal Service Funds is reported with governmental activities.		(761,490)
Change in net position of governmental activities (pages 11-12)	$	(38,010,749)

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Solid Waste	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,637,669	$ 618,390	$ 6,256,059	$ 14,942,278
Investments	7,262,316	555,338	7,817,654	-
Receivables (net of allowance for uncollectibles)				
Utilities	13,524,759	1,816,097	15,340,856	-
Intergovernmental	648,062	-	648,062	-
Other	38,018	501,437	539,455	22,498
Inventories	3,288,522	-	3,288,522	856,324
Restricted cash - construction	12,524,049	-	12,524,049	-
Restricted investment:				
Debt service	53,234	-	53,234	-
Construction	9,047,598	-	9,047,598	-
Total current assets	52,024,227	3,491,262	55,515,489	15,821,100
Noncurrent assets:				
Capital assets:				
Right of use lease assets	499,080	42,655	541,735	1,085,114
Right of use software	31,706	-	31,706	497,334
Land	507,509	2,882,838	3,390,347	321,414
Construction in progress	29,746,590	-	29,746,590	1,936,259
Buildings	3,401,099	513,572	3,914,671	9,431,349
Improvements	427,938,998	2,062,681	430,001,679	6,561,592
Equipment	20,456,351	20,153,564	40,609,915	61,434,539
Infrastructure	3,641,481	261,462	3,902,943	217,991
Total capital assets	486,222,814	25,916,772	512,139,586	81,485,592
Less accumulated depreciation	(213,599,611)	(16,692,406)	(230,292,017)	(59,874,732)
Less accum amortization	(187,378)	(24,690)	(212,068)	(466,448)
Total capital assets, net of accumulated depreciation and amortization	272,435,825	9,199,676	281,635,501	21,144,412
Total noncurrent assets	272,435,825	9,199,676	281,635,501	21,144,412
Total assets	324,460,052	12,690,938	337,150,990	36,965,512
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	2,312,647	-	2,312,647	-
Pension - TMRS	6,381,610	2,854,359	9,235,969	1,416,327
Other post employment benefits	511,789	232,632	744,421	139,578
Total deferred outflows of resources	9,206,046	3,086,991	12,293,037	1,555,905

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Solid Waste	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	3,529,161	1,524,629	5,053,790	1,458,364
Accrued payroll	388,262	139,480	527,742	77,015
Accrued interest payable	521,058	40	521,098	13,183
Customer utility deposits payable	7,262,317	-	7,262,317	-
Due to other funds	-	-	-	52,650
Other liabilities	1,050,709	198,432	1,249,141	-
Unearned revenue	12,287,522	-	12,287,522	2,000,000
Estimated claims liability	-	-	-	507,670
Compensated absences	108,038	46,595	154,633	-
Leases payable	102,951	9,778	112,729	225,243
SBITA payable	10,145	-	10,145	93,027
Financed purchase arrangements	-	-	-	305,242
Bonds payable	12,709,278	-	12,709,278	-
Total current liabilities	37,969,441	1,918,954	39,888,395	4,732,394
Noncurrent liabilities:				
Estimated claims liability	-	-	-	6,004,497
Compensated absences	739,040	732,396	1,471,436	202,040
Leases payable	221,573	8,690	230,263	444,569
SBITA payable	10,562	-	10,562	302,897
Financed purchase arrangements	-	-	-	468,470
Bonds payable	155,357,329	-	155,357,329	-
Net pension liability - TMRS	12,283,792	5,494,281	17,778,073	2,726,250
Net OPEB liability	3,355,796	1,525,362	4,881,158	915,217
Accrued landfill closure costs	-	4,480,905	4,480,905	-
Total noncurrent liabilities	171,968,092	12,241,634	184,209,726	11,063,940
Total liabilities	209,937,533	14,160,588	224,098,121	15,796,334
DEFERRED INFLOWS OF RESOURCES				
Pension - TMRS	54,194	24,240	78,434	12,028
Other post employment benefits	1,085,636	493,472	1,579,108	296,083
Unavailable - notes	-	-	-	-
Total deferred inflows of resources	1,139,830	517,712	1,657,542	308,111
NET POSITION				
Net investment in capital assets	127,908,281	9,181,208	137,089,489	19,700,888
Restricted for:				
Debt service	53,234	-	53,234	-
Other	-	-	-	63,460
Unrestricted	(5,372,780)	(8,081,579)	(13,454,359)	2,652,624
Total net position	$ 122,588,735	$ 1,099,629	$ 123,688,364	$ 22,416,972

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.	(1,321,302)
Net position of business-type activities (page 10)	$ 122,367,062

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

CITY OF BEAUMONT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Solid Waste	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services	$ 56,565,483	$ 13,606,356	$ 70,171,839	$ 36,622,550
Miscellaneous	1,093,226	-	1,093,226	646,490
Total operating revenues	57,658,709	13,606,356	71,265,065	37,269,040
OPERATING EXPENSES				
Personnel services	13,430,201	5,682,973	19,113,174	2,899,312
Other operating expenses	16,272,508	4,798,283	21,070,791	10,367,469
Landfill closure costs	-	157,551	157,551	-
Health and life insurance premiums	-	-	-	28,321,131
Other insurance premiums	-	-	-	1,940,844
Damage claims	-	-	-	1,715,893
Depreciation	8,416,741	1,465,370	9,882,111	3,908,535
Amortization	137,922	31,526	169,448	399,465
Total operating expenses	38,257,372	12,135,703	50,393,075	49,552,649
OPERATING INCOME (LOSS)	19,401,337	1,470,653	20,871,990	(12,283,609)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	1,642,996	69,476	1,712,472	471,198
Interest expense	(5,201,216)	(899)	(5,202,115)	(50,091)
Gain/loss on sale of equipment	72,341	9,851	82,192	631,265
Other nonoperating expenses	(639,633)	-	(639,633)	-
Net nonoperating revenues (expenses)	(4,125,512)	78,428	(4,047,084)	1,052,372
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	15,275,825	1,549,081	16,824,906	(11,231,237)
Capital contributions	5,896,532	-	5,896,532	-
Transfers in	-	-	-	9,870,000
Transfers out	(11,000,000)	(2,700,000)	(13,700,000)	-
CHANGE IN NET POSITION	10,172,357	(1,150,919)	9,021,438	(1,361,237)
TOTAL NET POSITION - BEGINNING	112,416,378	2,250,548		23,778,209
TOTAL NET POSITION - ENDING	$122,588,735	$ 1,099,629		$ 22,416,972

Some amounts reported for business-type activities in the statement of net position are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.	(599,748)
Change in net position of business-type activities (pages 11-12)	$ 8,421,690

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

BEAUMONT

Finance

CITY OF BEAUMONT, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds	
	Water	Solid Waste
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 54,739,886	$ 13,340,102
Cashed received from interfund charges for services	-	-
Cash payments for goods and services	(16,236,791)	(3,343,929)
Cash payments to employees	(12,801,409)	(5,203,492)
Net cash provided (used) by operating activities	25,701,686	4,792,681
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from other funds	-	-
Cash paid to other funds	(11,000,000)	(2,700,000)
Net cash provided (used) by noncapital financing activities	(11,000,000)	(2,700,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	118,819	10,809
Proceeds from issuance of bonds	25,001,050	-
Payments for capital acquisitions	(24,069,848)	(3,167,379)
Principal payments on long-term debt	(11,041,582)	(31,683)
Interest paid and fiscal charges	(6,190,978)	(970)
Net cash provided (used) by capital and related financing activities	(16,182,539)	(3,189,223)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) sale of investments	(1,940,844)	286,326
Receipt of interest	1,642,996	69,476
Net cash provided (used) by investing activities	(297,848)	355,802
NET INCREASE (DECREASE) IN CASH	(1,778,701)	(740,740)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,940,419	1,359,130
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 18,161,718	$ 618,390
Restricted	12,524,049	-
Unrestricted	5,637,669	618,390

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

Business-Type Activities - Enterprise Funds Total	Governmental Activities Internal Service Funds
$ 68,079,988	$ 5,471,862
-	31,778,639
(19,580,720)	(40,866,186)
(18,004,901)	(2,689,072)
30,494,367	(6,304,757)
-	9,870,000
(13,700,000)	(87,489)
(13,700,000)	9,782,511
129,628	1,027,089
25,001,050	-
(27,237,227)	(6,335,511)
(11,073,265)	(756,126)
(6,191,948)	(46,331)
(19,371,762)	(6,110,879)
(1,654,518)	-
1,712,472	470,805
57,954	470,805
(2,519,441)	(2,162,320)
21,299,549	17,104,598
$ 18,780,108	$ 14,942,278
12,524,049	-
6,256,059	14,942,278

CITY OF BEAUMONT, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds	
	Water	Solid Waste
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 19,401,337	$ 1,470,653
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,554,663	1,496,896
Landfill closure costs	-	157,550
Change in assets and liabilities:		
(Increase) decrease in accounts and other receivable	(3,280,845)	(266,254)
(Increase) decrease in inventory	(695,509)	-
(Increase) decrease in deferred outflows related to pensions	(4,471,055)	(2,020,104)
(Increase) decrease in deferred outflows related to OPEB	132,598	35,864
Increase (decrease) in accrued payroll	49,320	(136)
Increase (decrease) in claims liability	-	-
Increase (decrease) in accrued compensated absences	133,546	50,324
Increase (decrease) in accounts payable	731,226	1,454,355
Increase (decrease) in other liabilities	183,642	12,892
Increase (decrease) in net pension liability	9,240,318	4,165,332
Increase (decrease) in net OPEB liability	(930,320)	(260,520)
Increase (decrease) in deferred inflows related to pensions	(3,845,325)	(1,678,507)
Increase (decrease) in deferred inflows related to OPEB	319,710	174,336
Increase (decrease) in customer deposits	178,380	-
Net cash provided (used) by operating activities	$ 25,701,686	$ 4,792,681
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Equipment acquired through leases	$ 113,532	$ -
Software acquired through SBITA's	31,707	-

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

Business-Type Activities - Enterprise Funds Total	Governmental Activities Internal Service Funds
$ 20,871,990	$ (12,283,609)
10,051,559	4,308,000
157,550	-
(3,547,099)	(18,539)
(695,509)	(87,913)
(6,491,159)	21,518
168,462	(1,003,235)
49,184	6,240
-	381,102
183,870	338
2,185,581	1,218,212
196,534	(32,250)
13,405,650	2,068,201
(1,190,840)	(156,312)
(5,523,832)	(831,111)
494,046	104,601
178,380	-
$ 30,494,367	$ (6,304,757)
$ 113,532	$ 287,098
31,707	497,334

CITY OF BEAUMONT, TEXAS

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

DECEMBER 31, 2022

	Pension and Other Post-Employment Benefits Trust Funds
ASSETS	
Cash and cash equivalents	$ 1,630,361
Receivables - interest and dividends	153,751
Investments at fair value:	
Common stocks	19,893,957
Equity mutual funds	27,106,174
International equity funds	13,741,430
Domestic fixed income funds	9,322,246
International fixed funds	5,670,651
Government and agency bonds	6,621,935
Alternative funds	10,908,703
Corporate bonds and notes	1,582,961
Real estate	6,840,221
Total investments at fair value	101,688,278
Prepaids	147,736
Property and equipment, net	857,956
Total assets	104,478,082
LIABILITIES	
Accrued expenses	59,674
Total liabilities	59,674
DEFERRED INFLOWS OF RESOURCES	
Lease related	147,736
Total deferred inflows of resources	147,736
NET POSITION	
Restricted for pensions	103,648,786
Restricted for OPEB	621,886
Total net position	$ 104,270,672

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Pension and Other Post-Employment Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	$ 6,831,334
Plan members	4,100,000
Total contributions	10,931,334
Investment income:	
Net appreciation (depreciation)	
In fair value of investments	(21,828,280)
Interest	1,233,616
Dividends	1,659,475
Other	88,674
Total investment income	(18,846,515)
Less investment expense	(639,169)
Net investment income	(19,485,684)
Total additions	(8,554,350)
DEDUCTIONS	
Benefits paid	12,800,425
PROP withdrawals	1,606,922
Administrative expenses	301,110
Total deductions	14,708,457
NET INCREASE (DECREASE) IN NET POSITION	(23,262,807)
TOTAL NET POSITION - BEGINNING	127,533,479
TOTAL NET POSITION - ENDING	$ 104,270,672

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

BEAUMONT

Finance

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a municipal corporation operating under a Council-Manager form of government. It is governed by an elected board composed of a Mayor and six (6) Council members.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be 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.

Blended Component Units Reported with the Primary Government

Blended component units provide services exclusively, or almost exclusively, for the City, or their board of directors are substantially the same as the City Council. The following blended component units are reported:

The ***Beaumont Firemen's Relief and Retirement Fund*** (the "Plan") was created pursuant to the Texas Local Fire Fighters Retirement Act. The Plan provides pension, disability, death, and severance benefits to employees of the City's fire department pursuant to a single-employer defined benefit pension plan. The Fund is governed by a seven-member Board of Trustees (the "Board") consisting of three firefighter members (elected by the membership), one member representing the Mayor of the City of Beaumont, one member representing the City's Finance Officer and two residents of the City of Beaumont (non-employees of the City) who are elected by the previously defined five members of the Board. The City is obligated to make contributions to the plan. Thus, a financial benefit/burden relationship exists, and management has determined that the omission of the Plan would potentially make the City's financial statements misleading or incomplete. Thus, in accordance with Paragraph 6 of GASB 84, the Plan has been included as a fiduciary component unit and is presented as a pension trust fund. The fiduciary fund's fiscal year end is December 31, 2022.

The ***Beaumont Municipal Transit Corporation*** (the "Corporation") was established to provide certain transportation services to citizens within the City. The Corporation is governed by a board of directors that is substantively the same as the City Council, which approves the Corporation's budget and revenue rates. Additionally, The management of the City has operational responsibility for the Corporation. Thus, the Corporation has been included as a blended component unit and is presented as a special revenue fund.

Excluded From the Financial Reporting Entity

The following agencies were considered in the determination of component units of the City's financial reporting entity:

Beaumont Multi-Family Housing Corporation
Beaumont Industrial Development Corporation
Beaumont Health Facilities Development Corporation
Beaumont Housing Financing Corporation

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

The agencies were excluded due to the following criteria: separate corporate powers make them legally separate entities; the governing bodies are not appointed by the City; the City is not legally entitled to access the resources of the agencies; the City is not legally obligated and has not assumed the obligation to fund the deficits or provide financial support to the agencies and is not obligated for the debt of the agencies.

Related Organization

The Beaumont Housing Authority (Authority) is a legally separate organization formed to administer housing programs funded by the U. S. Department of Housing and Urban Development (HUD), which has a scope of public service within the geographic boundaries of the City. The City governing authority appoints a majority of the Authority members; however, the City's accountability does not extend beyond making the appointments, as the administration of the Authority is vested solely with its board, and there is no financial relationship between the Authority and the primary government.

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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, 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 are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental, special revenue and capital project funds and 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. Revenue is 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 revenue 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*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City has the following major governmental funds:

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

The ***Street Improvement Fund*** is a capital project fund used to account for the acquisition and construction of major street-related capital facilities other than those financed by proprietary funds and trust funds.

The City reports the following proprietary funds:

The ***Water Fund*** accounts for the provision of water and sewer services to residents and commercial businesses in the City and proximate area. It is a major proprietary fund.

The ***Solid Waste Fund*** accounts for trash and brush collection, disposal services and the operations of the City landfill. It is a major proprietary fund.

Additionally, the government reports the following fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the City or its citizenry.

Debt Service Fund is a legally restricted fund used to account for the revenues recognized to liquidate the debt service requirements for the City's general obligation debt.

Internal Service Funds account for employee benefits, risk management, fleet and other capital asset management services provided to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary Funds account for assets held by the City in a trustee capacity or as a custodian for individuals, private organizations, other governmental units, and other funds. The fiduciary fund statements have a year end of December 31.

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

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

Proprietary funds distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods regarding a proprietary fund's principal ongoing operation. The principal operating revenue of the Water Fund, of the Solid Waste Fund, and of the City's Internal Service Funds are charges to customers for sales and services.

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

1. Deposit and Investments

Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and policies mandated by City Council authorize the City to invest in obligations of the U.S. Treasury, certificates of deposit, and certain investment pools.

Government agency securities are stated at fair value; TexasTERM and is stated at net asset value; and certificates of deposit and TexPool are stated at amortized cost.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported 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."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

3. 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 using the purchase method in both government-wide and fund financial statements.

4. Restricted Assets

Funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Additionally, cash received for utility deposits is restricted on the Water Fund statement of net position. Also, unspent bond proceeds are restricted in the Water Fund for construction projects.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Right-to-use lease assets are recorded at the present value of the lease payments at the origination of the lease agreement.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

Assets	(Years)
Buildings	15 - 50
Improvements other than buildings	10 - 50
Machinery and equipment	3 - 12
Infrastructure	12 - 50
Right to use capital asset	1 - 5
Right to use software	1 - 5

6. Compensated Absences

The City's employees earn paid time off (PTO), sick leave, personal leave and short-term disability, all of which may either be taken or accumulated, up to certain amounts, until paid on termination or retirement. This liability reflects amounts attributable to cumulative employee services already rendered. Governmental funds report an expenditure and a fund liability of the only when those absences have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). Amounts for compensated absences that are not expected to be liquidated with expendable available financial resources are not reported in the Governmental Fund financial statements. In proprietary fund types, this liability is recorded as a current liability in the individual proprietary fund since payment of this liability will be made from resources of these funds.

Policies relating to the accrual and payment of these benefits are as follows:

Paid time off - Employees may earn from 4.62 to 12.92 hours of paid time off per pay period and may accrue up to 160 days (1,280 hours) to be used in future periods. Upon separation, employees are paid for accumulated leave if they have completed 12 consecutive months of service with the City. Fire Department employees are paid for this accumulation without a service waiting period.

Sick Leave - Police and Fire Department employees earn 1.25 days of sick leave for each month of service. Payment for accrued sick leave is limited to 90 days upon separation. Unlike Fire Department employees, who have no waiting period, Police Department employees must have two years of employment before qualifying to receive accumulated sick leave upon separation.

Personal Leave - Police Department personnel earn one day of personal leave per quarter up to a maximum of 32 hours. Fire Department personnel earn one day of personal leave per year for 10 years of service and 2 days per year for 20 years of service.

Short-term Disability (STD) - Employees other than Police and Fire earn 3.69 hours of short-term disability per pay period. Short-term disability leave may only be used after an employee has been absent five consecutive working days. Accrual of short-term disability leave is limited to 720 hours. Upon termination, employees are paid for unused STD hours accumulated prior to October 1, 1991, at the employee's rate of pay as of September 30, 1991. However, if the accumulated PTO leave exceeds 1,280 hours, the employee will not be paid for any STD. Upon termination, employees are not paid for accumulated STD leave earned on or after October 1, 1991.

7. Long-term Obligations

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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

8. Fund Balance Policies

The City classifies fund balances of governmental funds using the following classifications, which describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory, prepaid, and permanent fund principal items have been properly classified in the Governmental Funds Balance Sheet.

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

Assigned fund balance – amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council authorized that the assignment of fund balance can be expressed by the City Manager through its fund balance policy. Additionally, the City Council can exercise its authority to assign fund balances when it adopts a deficit budget for the General Fund for the next subsequent fiscal year, by which existing fund balance is assigned to fund expenditures in the next fiscal year.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and 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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has a deferred charge on refunding, which 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. The City also has deferred outflows for pensions and OPEB. Deferred pension amounts are recognized in accordance with GASB Statement No. 68. Deferred OPEB amounts are recognized in accordance with GASB 75.

In addition to liabilities, the statement of net position and 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 future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City's deferred inflows include property taxes, EMS fees, demolition fees, weed abatement fees, forfeitures, notes and grants in the governmental funds, pensions and OPEB. Unavailable revenues are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension amounts are amortized in accordance with GASB Statement No. 68. Deferred OPEB amounts are amortized in accordance with GASB Statement No. 75. For additional information on deferred outflows/inflows related to pensions and OPEB, reference note 4 Employee Retirement Systems or Post Employment Benefits Other Than Pension Benefits. Deferred inflow from leases receivable amounts are amortized in accordance with GASB Statement No. 87, Leases.

<u>Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance</u> (continued)

10. Net Position Flow Assumption

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

11. Fund Balance Flow Assumptions

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

12. Pensions

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Beaumont Firemen's Relief and Retirement Fund (BFRRF) and additions to/deductions from BFRRF's fiduciary net position have been determined on the same basis as they are reported by BFRRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Copies of the BFRRF's financial statements can be obtained by writing to 1515 Cornerstone Ct., Beaumont, TX 77706.

13. Leases

The City has entered into various lease agreements as both 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 the interest rate charged by the lessor as 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 non-cancellable 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.

<u>Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance</u> (continued)

Lessee - The City is a lessee for noncancellable leases of vehicles and 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 of several buildings on City property. 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.

14. Subscription-Based Information Technology Arrangements

The City is a lessee for subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

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

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.

- The agreement term includes the noncancellable period of the SBITA.

- The agreed upon payments included in the measurement of the 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 SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long- term debt on the statement of net position.

15. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s plan and additions to/deduction from the City’s fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, the City recognizes benefit payments when due and payable in accordance with the benefit terms. The OPEB Plan’s investments are reported at fair value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

16. New pronouncements

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was adopted effective July 1, 2022. The statement addresses accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Statement No. 96 establishes standards for recognizing and measuring assets, liabilities, and revenues and expenses related to SBITA's in the basic financial statements, in addition to requiring more extensive note disclosures. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The adoption of this standard did not result in a restatement of beginning fund balances or net position, but assets and liabilities were recognized, and more extensive note disclosures were required.

17. Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances/Net Position

Several funds ended the fiscal year with a negative fund balance or Net Position as follows:

The COVID-19 Recovery Fund had a negative fund balance in the amount of $5,922,702 due to timing of reimbursements related to expenditures.

The Laura Recovery Fund had a negative fund balance in the amount of $2,739,924 due to timing of reimbursements related to expenditures.

The Miscellaneous Grants Fund had a negative fund balance in the amount of $10,055 due to timing of reimbursements related to expenditures.

The Municipal Transit Fund had a negative fund balance in the amount of $234 due to timing of reimbursements related to expenditures.

The Fleet Internal Service Fund had a negative Net Position of $1,393,863 due to pension costs accrued due to GASB 68 as well as OPEB costs accrued due to GASB 75.

The Employee Benefits Internal Service Fund had a negative Net Position of $3,203,146 due to recognition of estimated claims payable.

The General Liability Fund had a negative Net Position of $162,369 due to increased insurance costs.

III. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by state statutes and the City's investment policy as of September 30, 2023.

DETAILED NOTES ON ALL FUNDS (continued)

Deposits and Investments (continued)

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

The City follows GASB Statement 31 (Accounting and Financial Reporting for Certain Investments and for External Investment Pools), Statement 40 (Deposit and Investment Risk Disclosures), Statement 72 (Fair Value Measurement and Application), and Statement 79 (Certain External Investment Pools and Pool Participants). These statements require, with limited exception, that governmental entities report investments at fair value and that all investment income, including changes in the fair value of investments, be reported as revenue in the statement of activities. The City reports the change in fair value as part of investment earnings (loss).

The City's cash and investments are as follows:

	Reported Value 9/30/2023	Measurement Basis	Weighted Average Maturity (Days)
Money Market Account/Petty Cash	$ 64,610,432	Cost	1
Government Investment Pools	5,180,513	NAV	1
US Agency Securities	4,982,813	Fair Value Level 1	17
Certificates of Deposit	40,707,885	Cost	299
Total Cash and Investments	$ 115,481,643		318

Interest Rate Risk - Fair value fluctuates with interest rates and increasing rates may cause fair value to decline below original cost. In compliance with the City's Investment policy, the City minimized interest rate risk by limiting the weighted average maturity of the portfolio to 365 days with a stated final maturity date not to exceed 3 years from the date of purchase. In addition, the portfolio is structured so that securities mature to meet cash flow requirements, thereby avoiding the need to sell securities prior to maturity and below the original cost.

Credit Risk - The City's investment policy requires approved investment pools to be continuously rated no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized agency. In compliance with the City's investment policy, as of September 30, 2023, all of the City's purchased investments in investment pools, TexPool, and Texas Range were rated AAAm by Standard & Poors and AAAf by Fitch, respectively.

Concentration Risk - The City's investment policy allows no more than a 30% portion of the portfolio to be invested with any one U.S. Agency. In compliance with the policy, as of September 30, 2023 the City has 4% invested in U.S. Agency investments.

Custodial Credit Risk **-** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102.0 percent of the fair value. FNMA, GNMA, FFCB, FHLMC, FHLB and Municipal Bond investments are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a city depository.

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

DETAILED NOTES ON ALL FUNDS (continued)

Deposits and Investments (continued)

The City participates in TexPool, Texas Class, and Texas Range which are external investment pools. The State Comptroller of Public Accounts maintains oversight responsibility for TexPool. This responsibility includes the ability to influence operations, designation of management and accountability for fiscal matters. Texas Range is a public funds investment pool 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 is privately managed. TexPool reports investments in compliance with GASB 79 which permits the pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value when computing their net position and share price. Investments in TexasDAILY, a portfolio established by Texas Range, are measured using the net asset value per share practical expedient.

Interest income on pooled cash and investments is allocated monthly based on the percentage of a fund's pooled cash and investments monthly balance compared to the total city-wide monthly balance in pooled cash and investments. Bond funds and other separate non-pooled cash are distributed to the fund where the cash and investment is recorded.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

	Reported Value 9/30/2023	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
TexasDAILY	$ 323	-	Daily	Same Day
Texas Class	5,179,656	-	Daily	Same Day
TexPool	534	-	Daily	Same Day
	$ 5,180,513			

Investment in State Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexPool, Texas Class, and Texas Range. Investments in the pools are not categorized in accordance with GASB Statement No. 31 disclosure requirements since the City has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pool. The fair value of the position of the pools is measured at net asset value and is designed to approximate the share value. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Interest income on pooled cash and investments is allocated monthly based on the percentage of a fund's pooled cash and investments monthly balance compared to the total city-wide monthly balance in pooled cash and investments. Bond funds and other separate non-pooled cash are distributed to the fund where the cash and investment is recorded.

OPEB Trust Fund Investments

The City has contracted with ICMA-RC for trust administration, and the City's OPEB plan investments are held in a VantageCare Retirement Health Savings Plan Trust. This is an employer investment program designed to help meet public sector employers' retiree health obligations and ease administrative responsibilities. As of December 31, 2022, 100% of the City's OPEB plan investment assets were in a balanced mutual fund valued at $621,886. The City may change the allocation or transfer assets between investment funds at any time.

DETAILED NOTES ON ALL FUNDS (continued)

Property Taxes

Property appraisal within the City is the responsibility of the Jefferson Central Appraisal District (Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City can appeal classes of appraised values established by the Appraisal District through various appeals and legal action. Under the Property Tax Code legislation, the City establishes tax rates for property within the city's corporate limits. However, if the tax rate exceeds the no new revenue tax rate after certain adjustments for the previous year by more than three- and one-half percent (3.5%), then an automatic election is triggered to determine whether to limit the tax rate to no more than three and one half percent (3.5%) above the no new revenue tax rate.

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

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

The balance of property taxes receivable and property tax assessments included in unavailable revenues as of September 30, 2023 are as follows:

	General Fund	Debt Service	Total
Property taxes receivable	$ 5,285,115	$ 2,194,411	$ 7,479,526
Less: allowance for doubtful accounts	(158,553)	(65,832)	(224,385)
Net property taxes receivable	$ 5,126,562	$ 2,128,579	$ 7,255,141
Unavailable property taxes	$ 4,966,648	$ 2,059,438	$ 7,026,086

Receivables

Receivables as of year-end for the City's individual major funds, nonmajor and internal service funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Street Improvements	Nonmajor Governmental	Water	Solid Waste	Internal Service	Total
Receivables:							
Interest	$ 21,583	$ 8,885	$ 4,858	$ 18,671	$ 572	$ 8,300	$ 62,869
Taxes - Property	5,285,115	-	2,194,411	-	-	-	7,479,526
Taxes - Other	8,641,245	-	-	-	-	-	8,641,245
Utilities	-	-	-	13,811,301	1,904,594	-	15,715,895
Notes	-	-	322,274	-	-	-	322,274
Lease	1,818,212		-	-	-	-	1,818,212
Intergovernmetal	402,634	-	16,810,917	648,062	-	-	17,861,613
Other	26,099,833	-	589,541	19,347	503,835	14,198	27,226,754
Gross receivables	42,268,622	8,885	19,922,001	14,497,381	2,409,001	22,498	79,128,388
Less: allowance for uncollectibles	(15,882,924)	-	(162,087)	(286,542)	(91,467)	-	(16,423,020)
Net Total Receivables	$ 26,385,698	$ 8,885	$ 19,759,914	$ 14,210,839	$ 2,317,534	$ 22,498	$ 62,705,368

Lease Asset Receivables

On May 1, 2018, the City entered into a 30-year lease agreement as lessor for the use of 600 Marina Street. The lessee is required to make monthly fixed payments of $8,250 and will be adjusted every year thereafter based on the consumer price index. The lease has an interest rate of 2.88%.

On September 1, 2022, the City entered into a 36-month agreement as Lessor for the use of 2430 W Cardinal Drive, Suites C, D & E. The lessee is required to make monthly fixed payments totaling $4,407 for the duration of the lease. The lease has an interest rate of 2.88%.

DETAILED NOTES ON ALL FUNDS (continued)

Lease Asset Receivables (continued)

A summary of the County's lease receivables as of September 30, 2023, is as follows:

Lease Description	Lease Begin Date	Lease End Date	Minimum Monthly Lease Payment	Lease Receivable 9/30/2023	Deferred Inflow of Resources 9/30/2023
600 Marina Street	5/1/2018	4/30/2048	$ 8,250	$ 1,719,713	$ 1,675,167
2430 W Cardinal Dr, Ste C-E	9/1/2022	8/31/2025	4,407	98,499	97,229
			$ 12,657	$ 1,818,212	$ 1,772,396

Capital Assets

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

	Beginning Balance,	Additions	Reclassifications/ Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 55,920,190	$ -	$ (116,371)	$ 55,803,819
Construction in progress	13,397,390	20,585,933	(16,094,988)	17,888,335
Total capital assets not	69,317,580	20,585,933	(16,211,359)	73,692,154
Capital assets being depreciated and amortized:				
Right of use lease assets	1,157,184	287,098	(298,781)	1,145,501
Right of use software	-	710,649	-	710,649
Buildings	107,607,744	-	6,770,856	114,378,600
Improvements other than buildings	60,843,039	-	(4,908,917)	55,934,122
Infrastructure	524,783,492	1,841,574	14,933,356	541,558,422
Machinery and equipment	109,074,207	3,910,285	(2,752,936)	110,231,556
Total assets being depreciated	803,465,666	6,749,606	13,743,578	823,958,850
Less accumulated depreciation for:				
Right of use lease assets	(387,880)	(378,481)	304,180	(462,181)
Right of use software	-	(83,823)	-	(83,823)
Buildings	(46,768,548)	(2,515,870)	-	(49,284,418)
Improvements other than buildings	(39,353,590)	(1,681,590)	255,489	(40,779,691)
Infrastructure	(254,743,971)	(18,603,868)	(19,169)	(273,367,008)
Machinery and equipment	(89,524,123)	(5,336,795)	2,708,526	(92,152,392)
Total accumulated depreciation	(430,778,112)	(28,600,427)	3,249,026	(456,129,513)
Total capital assets being depreciated, net	372,687,554	(21,850,821)	16,992,604	367,829,337
Governmental activities capital assets, net	$ 442,005,134	$ (1,264,888)	$ 781,245	$ 441,521,491

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 3,390,347	$ -	$ -	$ 3,390,347
Construction in progress	8,713,660	22,542,086	(1,509,156)	29,746,590
Total capital assets not being depreciated	12,104,007	22,542,086	(1,509,156)	33,136,937
Capital assets being depreciated:				
Right of use lease assets	552,798	113,532	(124,595)	541,735
Right of use software	-	31,706	-	31,706
Buildings and system	3,914,671	-	-	3,914,671
Improvements other than buildings	428,509,079	-	1,492,600	430,001,679
Infrastructure	3,902,943	-	-	3,902,943
Machinery and equipment	36,352,074	4,695,141	(437,300)	40,609,915
Total assets being depreciated	473,231,565	4,840,379	930,705	479,002,649
Less accumulated depreciation for:				
Right of use lease assets	(170,128)	(162,593)	127,508	(205,213)
Right of use software	-	(6,855)	-	(6,855)
Buildings and system	(2,476,356)	(86,904)	-	(2,563,260)
Improvements other than buildings	(187,089,769)	(7,264,829)	-	(194,354,598)
Infrastructure	(1,518,179)	(245,230)	-	(1,763,409)
Machinery and equipment	(29,729,111)	(2,285,148)	403,509	(31,610,750)
Total accumulated depreciation	(220,983,543)	(10,051,559)	531,017	(230,504,085)
Total capital assets being depreciated, net	252,248,022	(5,211,180)	1,461,722	248,498,564
Business-type activities capital assets, net	$ 264,352,029	$ 17,330,906	$ (47,434)	$ 281,635,501

DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets (continued)

Depreciation expense was charged to function/programs of the City as follows:

	Depreciation
Governmental activities:	
General government	$ 858,013
Public safety	1,716,026
Public works	23,166,346
Health and welfare	286,004
Culture and recreation	2,574,038
Total Depreciation Expense - Governmental Activities	$ 28,600,427
Business-type activities:	
Water	$ 8,554,663
Solid Waste	1,496,896
Total Depreciation Expense - Business-type Activities	$ 10,051,559

Construction and Other Significant Commitments

The City has active construction and other significant projects as of September 30, 2023. At year-end, the City's commitments are as follows:

Project	Expenditures to Date	Remaining Commitments
Governmental Activities:		
Riverfront Development	$ 4,109,212	$ 25,502,464
555 Main Street	3,115,355	1,134,645
Sprott Park Pavilion	155,901	44,099
4th Street US69 to Ashley	2,074,079	4,325,921
HSIP Interchange Signal Program	366,762	372,258
Citywide Ditching 2023	1,324,052	1,240,948
Long Street Repairs	3,819,840	2,273,430
Organ Upgrade	90,000	60,000
Civic Center Balcony Rail Project	280,500	144,900
Main Library Hot Water Piping	705,418	(31,239)
Municipal Court Third Floor Buildout	57,263	813,637
Art Museum Roof	467,486	32,514
Police Department Roof	378,538	21,462
LOEB Facility	811,730	38,571
Well #2 Reduced	47,356	20,245
Walker Lift Station	84,844	-
Total Governmental Activities	$ 17,888,336	$ 35,993,855
Business-type Activities:		
Raw Water Delivery Line	$ 1,133,234	$ 16,166,766
Raw Water Pump Station	17,339,135	8,710,861
Lawson's Raw Water Line	223,473	826,527
SW Elevated Storage Tank Rehab	894,891	605,110
Sewer Main Rehab	5,349,287	6,550,713
Pine Street Water Resiliency Line Engineering	444,672	80,329
IH10/69 Cardinal Interchange	196,867	4,803,133
IH10/69 Eastex Interchange	633,252	15,766,748
Pine Street Water Production Plant Chlorine Dioxide	166,455	2,333,545
Orange Avenue Water Main Rehab	21,800	828,200
Pine Street Electrical Building	524,771	(1,771)
Prison Ground Stroage Tank Rehab	27,740	922,260
Leand and Copper Rule Revision	31,354	968,646
Lift Station Repairs	161,602	238,398
Lift Station Electrical Improvements	57,079	602,921
Sanitary Sewer Repair of Small Mains	1,014,120	485,880
Assessment of Sewer Collection System Phase II	202,368	447,632
Wastewater Treatment Plant Road Repairs	3,864	746,136
Pine Street Water Production Plant Chemical Improvements	1,320,625	179,375
Total Business-type Activities	$ 29,746,589	$ 61,261,409

DETAILED NOTES ON ALL FUNDS (continued)

Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	$ 7,437,461
General Fund	Internal Service Funds	52,650
	Totals	$ 7,490,111

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

Interfund transfers:

Interfund transfers during the year ended September 30, 2023, were as follows:

Transfer From	Transfer To	Amount
General Fund	Street Improvement Fund	$ 2,444,000
General Fund	Nonmajor Governmental Funds	2,500,000
General Fund	Internal Service Funds	5,010,000
Water Fund	General Fund	7,900,000
Water Fund	Internal Service Funds	3,100,000
Solid Waste Fund	General Fund	2,400,000
Solid Waste Fund	Internal Service Funds	300,000
Nonmajor Governmental Funds	General Fund	600,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	97,000
Nonmajor Governmental Funds	Internal Service Funds	1,460,000
		$ 25,811,000

Transfers are primarily used to move funds from:

- The Proprietary Funds and Hotel Occupancy Tax Fund to the General Fund for payments in lieu of taxes.
- Hotel Occupancy Tax Fund to the Debt Service Fund to cover a debt payment.
- The General Fund to finance various programs in accordance with budgetary authorizations.

Long-Term Liabilities

The City issues general obligation bonds, certificates of obligation, revenue bonds, notes, leases, and financed purchase arrangements to finance various long-term projects of the City. These debt instruments are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general obligation bonds and certificates of obligation are paid through the Debt Service fund from property tax revenues. During the year, $23,305,000 of Water Works and Sewer System Revenue Bonds, Series 2023 were issued to provide funds for water and sewer system improvements.

DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities (continued)

The following is a summary of changes in the City's governmental and business-type activity total long-term liabilities for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General obligation bonds	$ 163,150,850	$ -	$ 8,643,500	$ 154,507,350	$ 9,108,700
Certificates of obligation	36,045,000	-	1,655,000	34,390,000	1,730,000
Issuance premiums	20,669,471	-	1,571,580	19,097,891	1,571,580
Total bonds payable	219,865,321	-	11,870,080	207,995,241	12,410,280
Lease payable	783,478	287,098	372,524	698,052	238,490
SBITA's	-	702,507	167,269	535,238	161,280
Financed purchase agreements	1,072,480	-	298,768	773,712	305,242
Claims payable	6,131,065	20,112,631	19,731,529	6,512,167	507,670
Compensated absences	27,201,775	2,684,502	1,144,445	28,741,832	1,396,005
Total governmental	$ 255,054,119	$ 23,786,738	$ 33,584,615	$ 245,256,242	$ 15,018,967
Business-type Activities					
Bonds Payable:					
Revenue and refunding bonds	$ 139,265,000	$ 23,305,000	$ 10,805,000	$ 151,765,000	$ 11,540,000
General obligation bonds	844,150	-	96,500	747,650	101,300
Issuance premiums	14,454,492	2,141,547	1,042,082	15,553,957	1,067,978
Total bonds payable	154,563,642	25,446,547	11,943,582	168,066,607	12,709,278
Lease payable	390,225	113,532	160,765	342,992	112,729
SBITA's	-	31,707	11,000	20,707	10,145
Compensated absences	1,442,199	268,123	84,253	1,626,069	154,633
Accrued landfill closure costs	4,323,355	157,550	-	4,480,905	-
Total business-type	$ 160,719,421	$ 26,017,459	$ 12,199,600	$ 174,537,280	$ 12,986,785

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. In general, the City uses the General Fund and the Debt Service Fund to liquidate governmental long-term liabilities. Compensated absences are typically liquidated by the General Fund. Long-term liabilities applicable to the City's proprietary funds are reported in the appropriate proprietary funds' financial statements and are accounted for using the accrual basis of accounting.

Bonds and Certificates of Obligation Payable

A summary of the terms of general obligation bonds, certificates of obligation, and revenue bonds payable, as of September 30, 2023, are as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Governmental Activities				
General Obligation Bonds				
Series 2015 Refunding	$ 41,935,000	2030	4.41	$ 22,240,000
Series 2016 Refunding	41,658,000	2034	2.04	28,012,350
Series 2020A Refunding	28,590,000	2040	2.29	24,360,000
Series 2020B Refunding	81,100,000	2038	2.26	79,895,000
Total General Obligation Bonds				$ 154,507,350
Certificates of Obligation				
Series 2012	$ 22,400,000	2038	2.56	$ 335,000
Series 2018	9,260,000	2033	4.27	6,870,000
Series 2021	28,150,000	2041	3.36	27,185,000
Total Certificates of Obligation				$ 34,390,000
Business- type Activities				
General Obligation Bonds				
Series 2016 Refunding	$ 1,112,000	2034	2.04	$ 747,650
Total General Obligation Bonds				$ 747,650
Revenue & Refunding Bonds				
Series 2014A Refunding	$ 69,300,000	2034	3.11	$ 10,370,000
Series 2015A Refunding	31,055,000	2036	3.69	29,140,000
Series 2017	18,550,000	2037	2.98	14,665,000
Series 2020A Refunding	37,170,000	2040	2.14	33,950,000
Series 2020B Refunding	13,420,000	2032	2.26	10,290,000
Series 2022	31,140,000	2033	2.88	30,320,000
Series 2023	23,305,000	2047	5.00	23,030,000
Total Revenue & Refunding Bonds				$ 151,765,000

DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities (continued)

The annual requirements to amortize general obligation bonds outstanding at September 30, 2023, are as follows:

Year Ending	Governmental Activities		Business- type Activities	
September 30	Principal	Interest	Principal	Interest
2024	$ 9,108,700	$ 5,501,167	$ 101,300	$ 30,133
2025	9,573,500	5,034,110	106,500	24,940
2026	10,087,300	4,546,340	67,700	20,585
2027	10,574,150	4,050,675	70,850	17,475
2028	11,071,300	3,544,417	73,700	14,583
2029- 2033	62,452,600	10,864,210	282,400	33,140
2034- 2038	37,144,800	3,134,592	45,200	907
2039- 2043	4,495,000	170,475	-	-
Total	$ 154,507,350	$ 36,845,986	$ 747,650	$ 141,763

The annual requirements to amortize governmental activity certificates of obligation outstanding at September 30, 2023, are as follows:

Certificates of Obligation

Year Ending	Governmental Activities	
September 30	Principal	Interest
2024	$ 1,730,000	$ 1,322,444
2025	1,810,000	1,237,498
2026	1,725,000	1,150,825
2027	1,810,000	1,062,450
2028	1,905,000	969,575
2029-2033	10,975,000	3,411,475
2034-2038	8,610,000	1,543,625
2039-2043	5,825,000	265,575
Total	$ 34,390,000	$ 10,963,467

Revenue Bonds

Requirements to amortize business-type activity revenue bonds outstanding as of September 30, 2023, are as follows:

Year Ending September 30	Principal	Interest
2024	$ 11,540,000	$ 6,208,426
2025	12,065,000	5,692,457
2026	12,465,000	5,324,610
2027	12,955,000	4,861,869
2028	13,465,000	4,368,468
2029- 2033	46,715,000	14,819,857
2034- 2038	27,710,000	6,267,175
2039- 2043	9,000,000	2,277,750
Thereafter	5,850,000	596,000
Total	$ 151,765,000	$ 50,416,612

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Remaining revenues may then be used for any lawful purpose. For fiscal year 2023, net revenue available for debt service was 1.47 times the average annual debt service requirement. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. The management of the City believes that it is in compliance with all significant financial requirements as of September 30, 2023.

DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities (continued)

Issuance of Bonds

During fiscal year 2023, the City issued Waterworks and Sewer System Revenue Bonds, Series 2023 for $23,305,000 with an interest rate of 5.0% maturing in 2043. Proceeds from the sale of the Bonds will be used water and sewer system improvements and for the payment of the costs associated with the issuance of the Bonds.

Conduit Debt Obligations

The City has issued Industrial Revenue Bonds, Housing Finance Corporation Bonds, Multi-Family Housing Finance Corporation Bonds, Housing Corporation Mortgage Bonds and Health Facilities Development Corporation Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

There are no issues currently outstanding.

Financed Purchase Arrangements

The City has entered into certain financing arrangements to purchase various pieces of equipment. These obligations are paid out of the Capital Reserve Fund with an interest rate of 1.68% per annum.

Following is a summary of future payments outstanding as of September 30, 2023:

Year Ending	Governmental Activities		
September 30	Principal	Interest	Total
2024	$ 305,242	$ 16,021	$ 321,263
2025	311,861	9,402	321,263
2026	156,609	2,631	159,240
Total	$ 773,712	$ 28,054	$ 801,766

Leases Payable

The City has entered into various lease agreements as lessee primarily for vehicles and office equipment. Certain leases require additional payments based on actual asset usage, which are expensed as incurred as variable lease payments. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate (4.048%) to discount the lease payments. The value of the right to use asset as of August 31, 2023 is $1,687,236 with accumulated amortization of $667,394.

A summary of leases payable as of September 30, 2023, are as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current: Year	Amounts Outstanding 9/30/23
Governmental Activities					
Copiers	2.88%	2022	$ 232,980	$ 6,997	$ 206,763
Vehicles	2.88%	2022	550,026	16,624	491,289
Totals				$ 23,621	$ 698,052
Business-type Activities					
Copiers	2.88%	2022	$ 18,325	$ 322	$ 10,373
Vehicles	2.88%	2022	371,387	10,317	332,619
Totals				$ 10,639	$ 342,992

DETAILED NOTES ON ALL FUNDS (continued)

<u>Long-Term Liabilities</u> (continued)

The future principal and interest lease payments as of September 30, 2023, were as follows:

	Governmental Activities			Business-Type Activities		
Year Ending September 30,	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2024	$ 238,490	$ 19,265	$ 257,755	$ 112,729	$ 9,429	$ 122,158
2025	199,862	12,229	212,091	105,772	5,970	111,742
2026	140,158	6,496	146,654	74,384	2,834	77,218
2027	97,955	2,497	100,452	34,807	1,251	271,269
2028	21,587	198	21,785	15,300	245	89,583
Totals	$ 698,052	$ 40,685	$ 738,737	$ 342,992	$ 19,729	$ 671,970

SBITA Payable

During the fiscal year, the City entered into multiple subscriptions for the use of various software. An initial subscription liability was recorded in the amount of $734,213. As of September 30, 2023, the value of the subscription liability is $555,945. The City is required to make annual fixed payments ranging from $10,999 to $109,410. As the interest rate implicit in the City's SBITA's is not readily determinable, the City utilizes its incremental borrowing rate (4.048%) to discount the SBITA payments. The value of the right to use asset as of August 31, 2023 is $742,355 with accumulated amortization of $90,678.

A summary of SBITA's payable as of September 30, 2023, are as follows:

Purpose of SBITA	Interest Rate	Initial Year of SBITA	Amount of Initial SBITA Liability	Interest Current: Year	Amounts Outstanding 9/30/23
Governmental Activities					
Body camera software	4.05%	2023	$ 497,334	$ 6,099	$ 395,924
GIS software	4.05%	2023	205,173	8,142	139,314
Totals				$ 14,241	$ 535,238
Business-Type Activities					
GIS software	4.05%	2023	$ 31,706	$ 560	$ 20,707
Totals				$ 560	$ 20,707

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total Requirements
2024	$ 161,280	$ 18,860	$ 180,140
2025	167,973	12,016	179,989
2026	100,911	6,945	107,856
2027	105,074	2,717	107,791
Totals	$ 535,238	$ 40,538	$ 575,776

	Business-Type Activities		
Year Ending September 30,	Principal	Interest	Total Requirements
2024	$ 10,145	$ 581	$ 10,726
2025	10,562	150	10,712
Totals	$ 20,707	$ 731	$ 21,438

DETAILED NOTES ON ALL FUNDS (continued)

Risk Management/Insurance Funds

Transactions related to the City's risk management program are recorded in two separate internal service funds - the Employee Benefits Fund and the General Liability Fund. The City's General, Water, Solid Waste, Hotel Occupancy Tax, Fleet and certain Grant Funds participate in the program and make contributions based on amounts needed to fund prior and current claims and to establish a reserve for unexpected and unusual claims. Employees of the City also participate in the form of contributions for coverage of dependents.

The Employee Benefits Fund records all transactions related to employee health claims, workers' compensation claims, dental insurance premiums and the administration of these programs. The program is managed by a benefit coordinator with necessary support staff. The City offers employees an indemnity health plan. Under the indemnity health plan, the City retains all risks associated with the employee health program up to $200,000 per person. Risks associated with workers' compensation liabilities are also retained by the City, up to $1,000,000 per incident. The City purchases commercial insurance to cover losses beyond coverage provided by the fund. The City has not incurred losses in excess of insurance coverage for the past three fiscal years. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). Claim liabilities are calculated considering recent claim settlement trends. Changes in the Employee Benefits Fund's claims liability (including an estimate for claims incurred, but not reported) were:

	Year Ended 9/30/2023	Year Ended 9/30/2022
Liability for claims, beginning of fiscal year	$ 5,383,465	$ 4,766,004
Incurred claims and changes in estimated	18,636,668	19,091,913
Claim payments	(18,015,636)	(18,474,452)
Liability for claims, end of fiscal year	$ 6,004,497	$ 5,383,465

The General Liability Fund accounts for the City's risk management activity related to torts and other statutory causes of action. The City retains all risks associated with torts and other statutory causes of action, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the laws of the State of Texas, claims for torts are limited to $250,000 per person and $500,000 per incident. This limit does not apply to claims arising from other causes of action. The General Liability Fund records a claim as payable when information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the General Liability Fund's claims liability were:

	Year Ended 9/30/2023	Year Ended 9/30/2022
Liability for claims, beginning of fiscal year	$ 747,600	$ 584,100
Incurred claims and changes in estimated	1,475,963	1,535,365
Claim payments	(1,715,893)	(1,371,865)
Liability for claims, end of fiscal year	$ 507,670	$ 747,600

Contingent Liabilities

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

Various claims and lawsuits are pending against the City. Those judgments which are considered "probable" and estimable are accrued, while those claims and judgments which are considered "reasonably possible" are disclosed but not accrued. In the opinion of the City Attorney, the potential loss resulting from all significant claims which are considered reasonably possible, excluding condemnation proceedings, is approximately $2.795 million as of September 30, 2023. At September 30, 2023, approximately $507,670 has been recorded in the risk funds for claims and lawsuits considered to be probable. In the opinion of the City Attorney, this is the total of all such claims which represent probable loss to the City.

DETAILED NOTES ON ALL FUNDS (continued)

Texas Municipal Retirement System (TMRS)

Plan Description

The City of Beaumont participates as one of 892 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City are as follows:

	Plan Year December 31, 2022
Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating
Supplement death benefit	
for active employees	No
for retirees	No

Employees covered by benefit terms

At the December 31, 2022 measurement date, the following employees were covered by TMRS benefits:

Inactive employees or beneficiaries currently receiving benefits	989
Inactive employees entitled to but not yet receiving benefits	550
Active employees	1023
Total	2562

Contributions

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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees for the City of Beaumont were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Beaumont were 200% of employee contributions in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were $13,703,201 and were equal to the required contributions.

DETAILED NOTES ON ALL FUNDS (continued)

Texas Municipal Retirement System (TMRS) (continued)

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	2.65% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees are used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment of 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 were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013 factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The actuarial value of assets is based on the market value of assets with a ten-year phase in of actual investment return in excess of (less than) expected investment income.

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, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.0%	

Texas Municipal Retirement System (TMRS) (continued)

Discount/Crediting Rates

System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the City Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

The below schedule presents the changes in the Net Pension Liability as of December 31, 2022:

Changes in the Net Pension Liability

	Increase (Decease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2021	$ 553,238,347	$ 527,533,333	$ 25,705,014
Changes for the year:			
Service cost	11,482,359	-	11,482,359
Interest	36,760,331	-	36,760,331
Difference between expected and actual experience	9,900,731	-	9,900,731
Change in assumptions	-	-	-
Contributions - employer	-	13,045,964	(13,045,964)
Contributions - employee	-	4,758,823	(4,758,823)
Net investment income	-	(38,474,780)	38,474,780
Benefit payments, including refunds of employee contributions	(28,764,063)	(28,764,063)	-
Administrative expense	-	(333,226)	333,226
Other changes	-	397,638	(397,638)
Net changes	29,379,358	(49,369,644)	78,749,002
Balance at 12/31/2022	$ 582,617,705	$ 478,163,689	$ 104,454,016

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) 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%)
Net pension liability	$ 180,392,600	$ 104,454,016	$ 41,696,342

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.

Texas Municipal Retirement System (TMRS) (continued)

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

For the year ended September 30, 2023, the City recognized pension expense of $21,886,731. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 10,760,862	$ 460,835
Difference between projected and actual investment earnings	32,959,626	-
Contributions subsequent to the measurement date	10,544,905	-
Total	$ 54,265,393	$ 460,835

$10,544,905 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the 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,	
2024	$ 5,745,308
2025	12,313,068
2026	10,384,620
2027	14,816,657
Total	$ 43,259,653

The City allocates pension items between governmental activities and business type activities on the basis of covered payroll of the respective activities.

Beaumont Firemen's Relief and Retirement Fund (BFRRF)

Plan Description

The Board of Trustees of the BFRRF is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund. Firefighters in the Beaumont Fire Department are covered by the Beaumont Firemen's Relief and Retirement Fund.

The Fund is governed by a seven-member Board of Trustees (the "Board") consisting of three firefighter members (elected by the membership), one member representing the Mayor of the City of Beaumont, one member representing the City's Finance Officer and two residents of the City of Beaumont (non-employees of the City) who are elected by the previously defined five members of the Board. The Board has general powers and duties to administer the Fund, including appointing an administrator to carry out the business of the Board, investing the assets of the Fund, making expenditures from the Fund, and determining employees' eligibility for benefits.

Plan Membership as of the December 31, 2022 valuation and measurement date:

Retirees and beneficiaries currently receiving benefits	231
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members	242
Total	474

Benefits Provided

The benefit provisions of this plan are authorized by the Texas Local Fire Fighter's Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. Amending the plan requires approval of any proposed change by: a) an eligible actuary and b) a majority of the participating members of the fund.

DETAILED NOTES ON ALL FUNDS (continued)

Beaumont Firemen's Relief and Retirement Fund (BFRRF) (continued)

The plan provides retirement, termination, disability and death benefits.

Service Retirement:
Date: Attainment of age 50 and 20 years of service.
Benefit: 63.15% of highest 60-month average salary plus a longevity benefit equal to $123 per month for each year of service in excess of 20 years.

Early Retirement:
Date: Attainment of 20 years of service.
Benefit: Equal to the service retirement as shown above multiplied by an actuarial reduction factor based on age at time of commencement.

Vesting:
Schedule: 100% after 20 years of service.
Benefit: Member will receive his (her) accrued benefit payable at age 50. Non-vested members receive a refund of accumulated member contributions without interest.

Death Benefits:
Surviving Spouse of Member (eligible for service retirement): Accrued benefit, as shown under the service retirement benefit provision on the previous page; reduced to be equivalent to the 100JS optional form of benefit.

Surviving Spouse of Member (not eligible for service retirement): 47.36% of the member's highest 60-month average salary plus a longevity benefit equal to $92.25 per month for each year of service in excess of 20 years.

Dependent Children of Member (with surviving spouse): Each child is entitled to 9.47% of the member's highest 60-month average salary, payable until age 18 or until age 25 as along as the child remains a full-time student.

Dependent Children of Member (with no surviving spouse): Each child is entitled to 18.94% of the member's highest 60-month average salary, payable until age 18 or until age 25 as long as the child remains a full-time student.

Maximum Death Benefit Payable: For a retired member or member who was not retired but was eligible for service retirement at time of death, the sum of death benefits being paid shall not exceed the benefit the member was receiving or would have received had the member retired on the date of death. For a member who was not retired and was not eligible for service retirement at time of death, the sum of death benefits being paid shall not exceed the disability retirement benefit that the member would have received had the member become disabled on the date of death.

Disability Retirement:

Eligibility: After the first year, to be eligible for disability benefits, the firefighter must be determined to be unable to (a) perform the duties of any occupation for which the firefighter is reasonable suited by education, training and experience and to (b) earn as much in his occupation as the firefighter would have earned if the firefighter would have continued in the former position with the fire department.

Benefit: Accrued benefit, as shown under the service retirement benefit provision

Deferred Retirement Option Program

5-Year Retro Deferred Retirement Option Program (DROP):
Eligibility: Attainment of age 50 and 20 years of Service. Participation Period: Not to Exceed 60 Months.
Accumulation: Sum of the monthly Service Retirement benefit the Member would have received if had retired on the Retro DROP determination date plus an amount equal to the Member contributions deposited into the fund subsequent to the Retro DROP determination date.

<u>Beaumont Firemen's Relief and Retirement Fund (BFRRF)</u> (continued)

7-Year Retro Deferred Retirement Option Program (DROP):
Eligibility: Attainment of age 55 and 25 years of Service. Participation Period: Not to Exceed 84 Months.

Accumulation: Sum of the monthly Service Retirement benefit the Member would have received if had retired on the Retro DROP determination date plus an amount equal to the Member contributions deposited into the fund subsequent to the Retro DROP determination date.

<u>Post Retirement Option Plan (PROP)</u> Eligibility: Retro DROP Retiree.
Rate of Return: 2% less than the actuarial assumed investment return. The PROP balance as December 31, 2022 is $25,513,989.

Contributions

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City. While the actual contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by BFRRF be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Member contributions can be changed by a vote of the firefighters in accordance with section 29 of the TLFFRA. The City's contribution rate is determined periodically as a part of collective bargaining agreement between the City and the firefighters. Employees were required to contribute 18% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.25% in fiscal year 2023 and 16.5% in fiscal year 2022. The City's contributions to BFRRF for the year ended September 30, 2023 were $4,526,880 and were equal to the required contributions.

Net Pension Liability

The BFRRF's net pension liability (NPL) was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of December 31, 2022. The components of the NPL on December 31, 2022 were as follows:

Total Pension Liability	$ 255,624,095
Plan Fiduciary Net Pension	(103,648,786)
Sponsor's Net Pension Liability	$ 151,975,309
Plan Fiduciary Net Pension as a percentage of Total Pension Liability	40.55%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of December 31, 2022 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	3.00% to 9.70%, including inflation
Discount Rate	7.50%
Investment Rate of Return	7.50%
Municipal Bond Rate	1.84%

Beaumont Firemen's Relief and Retirement Fund (BFRRF) (continued)

Mortality rates were based on the PubS-2010 (public safety) total dataset tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2018. The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class. For 2022, the inflation rate assumption of the investment advisor was 3.0%. These ranges are combined to produce the long-term excepted rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return	Benchmark Index
Equities			
Domestic Equity	50.00%	45.0% - 55.0%	Russell 3000 Index
International Equity	15.00%	10.0% - 20.0%	MSCI ACWI ex. U.S.
Fixed Income			
Domestic core	16.00%	11.0% - 21.0%	Bloomberg U.S. Aggregate Index
Multisector Fixed Income	2.50%	0.0% - 5.0%	Bloomberg U.S. Aggregate Index
Private Debt	3.00%	0.0% - 5.0%	Bloomberg U.S. Aggregate Index
Cash	1.00%	0.0% - 5.0%	90-day T-bill
Real Estate			
Private Real Estate	7.50%	2.5% - 12.5%	NFI ODCE Index
Alternative			
Infrastructure	5%	0.0% - 10.0%	50% MSCI ACWI + 50% Bloomberg U.S. Aggregate Index
Total	100%		

Discount Rate

A single discount rate of 5.47% was used to measure the total pension liability as of December 31 , 2022. This single discount rate was based on an expected rate of return on pension plan investments of 7.50% and a municipal bond rate of 4.05% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). Based on the stated assumptions and the projection of cash flows (which reflect contribution rate increases adopted prior to the measurement date), the pension plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members through 2049. Note that the projected contributions reflected the updated City contribution rates that were accepted by City Council in March 2022, which included an ultimate contribution rate of 20% beginning with the fiscal year ending September 30, 2024. As a result, a single discount rate of 5.47% was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2022. The discount rate was 7.50% as of the prior measurement date.

Separate Audit Report Issued

A separate audit report is issued for the Beaumont Firemen's Relief and Retirement Fund (BFRRF.) A copy of the most recent report can be obtained by contacting the finance department at City Hall.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the city, calculated using the discount rate of 5.47%, compared to what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.47%) or 1-percentage-point higher (6.47%) than the current rate:

	1% Decrease (4.47%)	Current: Discount Rate (5.47%)	1% Increase (6.47%)
BFRRF's net pension liability	$ 182,190,283	$ 151,975,309	$ 127,058,689

DETAILED NOTES ON ALL FUNDS (continued)

<u>Beaumont Firemen's Relief and Retirement Fund (BFRRF)</u> (continued)

Changes in Net Pension Liability

	Increase (Decease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2022	$ 207,232,184	$ 126,824,995	$ 80,407,189
Changes for the year:			
Service cost	4,065,430	-	4,065,430
Interest	15,413,579	-	15,413,579
Difference between expected and actual experience	(5,770,048)	-	(5,770,048)
Change in assumptions	46,249,403	-	46,249,403
Contributions - employer	-	3,990,440	(3,990,440)
Contributions - employee	-	4,100,000	(4,100,000)
Net investment income	-	(19,401,694)	19,401,694
Benefit payments, including refunds of employee contributions	(11,566,453)	(11,566,453)	-
Administrative expense	-	(298,502)	298,502
Net changes	48,391,911	(23,176,209)	71,568,120
Balance at 12/31/2023	$ 255,624,095	$ 103,648,786	$ 151,975,309

For the year ended September 30, 2023, the City recognized pension expense of $16,454,256. As of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to BFFRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,203,347	$ 5,660,570
Changes in actuarial assumptions	86,092,252	80,281,273
Difference between projected and actual investment earnings	23,017,620	10,644,523
Contributions subsequent to the measurement date	3,312,680	-
Total	$ 116,625,899	$ 96,586,366

$3,312,680 reported as the net deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2024	$ 7,509,350
2025	7,465,519
2026	7,580,559
2027	1,791,729
2028	(8,141,487)
Thereafter	521,183
Total	$ 16,726,853

Pension Plan Fiduciary Net Position

Information about the Plan's fiduciary net position can be found at www.beaumontfirepension.com.

Postemployment Benefits Other Than Pension Benefits

Plan Description

All City of Beaumont employees retiring under TMRS or BFRRF will be provided the opportunity to elect employer-subsidized health insurance until age 65 if retired and/or hired by the City on or before December 31, 2016. Civilian employees and their dependents who retire and were hired by the City of Beaumont on January 1, 2017 or later will be offered insurance at unsubsidized rates. The retiree plans are the same as the active plans. The medical and prescription drug coverages are self-insured by the City. The City's Retiree Health Insurance OPEB Plan is a single-employer defined benefit plan, defined by City policy. The OPEB Plan does not issue a separate report that includes financial statements and required supplementary information for the OPEB Plan. As of the December 31, 2022 valuation date, the number of plan members split between active and inactive (retirees) consisted of the following:

Inactive (does not include spouses)	164
Active	684
Total	848

Contributions

Benefit provisions, as well as retiree premium contributions, are established by City management. The City determines the employer and participant contribution rates annually, based on recommendations of City staff and the City's benefit consultant. For the year ended September 30 2023, the City's average contribution rate was 3.1 percent of covered-employee payroll.

Investments

The City participates in the Mission Square's employer investment program which is designed to help meet public sector employer's retiree health obligations. The goal is to generate adequate long-term returns that, when combined with contributions, will result in enough assets to pay the present and future obligations of the City's OPEB plan. The City's OPEB plan investments are 100% invested in the American Balanced Fund. This fund has a traditional balanced approach with a diversified portfolio of quality stocks and bonds. This fund seeks three goals: capital conservation, current income and long-term growth of capital and income.

Concentration: Assets of the OPEB plan are held in trust by Mission Square which is fully discussed in Note 4 of this report.

Rate of return*:* For the year ended December 31, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 12.22 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Net OPEB Liability

The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The components of the net OPEB liability on December 31, 2022 were as follows:

Total OPEB Liability	$ 31,129,120
Plan Fiduciary Net Pension	(621,886)
Net OPEB Liability	$ 30,507,234
Plan Fiduciary Net Pension as a percentage of Total Pension Liability	2.00%

Postemployment Benefits Other Than Pension Benefits (continued)

Actuarial Assumptions

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

Actuarial cost method:	Entry Age Normal (level percent of salary)
Asset valuation method:	Market Value
Inflation:	2.50%
Salary increases:	3.00%
Discount rate:	1.84% (2.75% for the previous valuation)
Return on assets:	6.75%

Healthcare cost trend rates:

Year	Rate	Year	Rate
2022-25	7.58%	2031-37	5.49%
2026	7.25%	2038	5.39%
2027	6.88%	2039	5.35%
2028	6.53%	2040	5.32%
2029	6.18%	2041	5.28%
2030	5.83%	2041	4.44%

Withdrawal (termination)	TMRS low turnover table adjusted to match the City's experience
Mortality:	PUB- 2010 (26% General Table; 74% Safety) projected using MP- 2021. 2022 representative rates per thousand are as follows:

	Non-Annuitant		Annuitant	
Age	Male	Female	Male	Female
20	0.412	0.165	0.412	0.165
30	0.555	0.329	0.555	0.329
40	0.812	0.538	0.812	0.538
50	1.200	0.814	2.064	1.538
60	2.868	1.799	5.521	4.479

Retirement Rates:

Age	Retirement Rates
40-44	0.50%
45-49	1.00%
50-54	2.50%
55-59	5.00%
60	20.00%
61-64	10.00%
65-69	50.00%
70+	100.00%

Percent Married:	45%
Spouse's Age:	Females are 3 years younger than males
Participation percentage	75% of those who retire elect the retiree medical plan

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

Discount Rate

Funds available in the OPEB trust fund are not enough to cover future benefits payable under the plan. Therefore, a single discount rate of 4.05%, based on the Fidelity Municipal GO AA 20-year index, was used to measure the total OPEB liability as of December 31, 2022.

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

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

	1% Decrease (3.05%)	Current: Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB liability - retiree health	$ 39,346,255	$ 30,507,234	$ 33,604,571

<u>Postemployment Benefits Other Than Pension Benefits</u> (continued)

Changes in the Total OPEB Liability

Total City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2022, the measurement and actuarial valuation date, was calculated as follows:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate.

	1% Decrease (3.5%)	Current: Healthcare Trend Rate (4.5%)	1% Increase (5.5%)
Healthcare Trend Rate	$ 32,513,537	$ 30,507,234	$ 40,956,753

Changes in assumptions and other inputs reflect a change in the discount rate from 1.84% to 4.5%.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at 12/31/2021	$ 36,426,118	$ 708,484	$ 35,717,634
Changes for the year:			
Service cost	1,491,245	-	1,491,245
Interest	675,574	-	675,574
Change of benefit terms	-		
Difference between expected and actual experience	438,127	-	438,127
Change in assumptions	(5,061,050)	-	(5,061,050)
Contributions - employer	-	2,840,894	(2,840,894)
Net investment income	-	(83,990)	83,990
Benefit payments	(2,840,894)	(2,840,894)	-
Administrative expense	-	(2,608)	2,608
Net changes	(5,296,998)	(86,598)	(5,210,400)
Balance at 12/31/2022	$ 31,129,120	$ 621,886	$ 30,507,234

OPEB Trust Fund Fiduciary Statement of Net Position

STATEMENT OF NET POSITION
OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
DECEMBER 31, 2022

ASSETS	
Investments at fair value:	
Equity mutual funds	$ 621,886
Total investments at fair value	621,886
Total Assets	621,886
LIABILITIES	
Total Liabilities	-
NET POSITION	
Held in trust for other postemployment benefits	621,886
Total Net Position	$ 621,886

<u>Postemployment Benefits Other Than Pension Benefits</u> (continued)

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

For the year ended September 30, 2023, the City recognized OPEB expense of $1,341,717. Also, as of September 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 1,686,629	$ 7,651,477
Differences between expected and actual experience	1,221,802	2,217,948
Differences between expected and actual investment earnings	52,500	-
Contributions subsequent to the measurement date	1,691,686	-
Total	$ 4,652,617	$ 9,869,425

$1,691,686 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to the TMRS OPEB will be recognized in OPEB expense in future periods as follows:

For the Year Ended September 30,	
2023	$ (787,778)
2024	(776,368)
2025	(1,224,549)
2026	(1,213,660)
2027	(1,240,005)
Thereafter	(1,666,134)
Total	$ (6,908,494)

Closure and Postclosure Care Cost

The City owns and operates a landfill site located on Lafin Road. State and federal laws and regulations require the City to place a final cover on the landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The $4.48 million reported as landfill closure and postclosure care liability at September 30, 2023 represents the cumulative amount reported to date based on the use of estimated capacity of the landfill that had previously been in existence. The City has obtained approval to expand the landfill vertically, and therefore, the revised capacity estimates greatly exceed that which previously had been considered. The remaining estimated liability for landfill closure and postclosure care, estimated at $4.40 million, will be recognized as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2023. The City expects to close the landfill in the year 2048. Actual costs may be higher due to inflation, changes in technology or changes in regulations. As of September 30, 2023, 36.42% of the landfill's total capacity has been used.

The City is required by state and federal laws and regulations to demonstrate financial assurance for closure and postclosure care costs. The City has complied with the financial test criteria as specified in Subchapter K of 31 Texas Administrative Code, Chapter 330.285.

Tax Abatements

The City enters into economic development agreements to provide financial incentives for the purposes of stimulating the local economic development and business and commercial activity in the City. These agreements are authorized under Chapter 380 and Chapter 312 of the Texas Local Government Code. The City has entered into one (1) Chapter 380 agreement that calls for rebates of property taxes of 100% on assessed values for 10 years.

Tax Abatements (continued)

In exchange for the ten-year tax abatement, the agreement calls for payments to the City in the amount of $1,000,000 for fiscal years 2017 & 2018 and $139,000 for the next 8 years. Also, The City has entered into one (1) Chapter 312 agreement that calls for rebates of property taxes of 100% on assessed values for 9 years. In exchange for the nine-year tax abatement, the agreement calls for payments to the City in the amount of $850,000 for fiscal years 2018 & 2019 and $161,000 for the next 7 years. The City abated no taxes under the Chapter 380 or 312 agreements during fiscal year 2023.

The City enters into industrial agreements to collect payments in lieu of taxes with companies located outside the city limits in our Extra Territorial Jurisdiction or ETJ. These agreements are made under the authority of Section 42.044 of the Texas Local Government Code. The City's practice is to have seven-year agreements with these companies whereby they make payments based on 80% of the appraised value for the first three years of the agreement and 75% of the appraised value during the last four years. In return, the companies provide for significant construction projects within the City's ETJ per the terms of the agreement. If the payments made by the companies under the agreements are not made timely to the city, the tax abatements may be recaptured immediately and paid to the City within 60 days. For fiscal year 2023, the City abated property taxes of $2.45 million or 26% of the $9.4 million total levy.

New Accounting Standards

Significant new accounting standards and guidance issued by the GASB not yet implemented by the City include the following:

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

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

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

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

[This page is intentionally left blank.]

APPENDIX C - FORM OF BOND COUNSEL'S OPINION

[This page is intentionally left blank.]

Holland & Knight

811 Main Street, Suite 2500 | Houston TX 77002 | T 713-821-7000 | F 713-821-7001
Holland & Knight LLP | www.hklaw.com

Derrick Mitchell
713-244-8159
Derrick.Mitchell@hklaw.com

________, 2024

City of Beaumont
801 Main St.
Beaumont, TX 77701

Re: City of Beaumont, Texas Waterworks and Sewer System Revenue Bonds, Series 2024

Ladies and Gentlemen:

WE HAVE ACTED as bond counsel for the CITY OF BEAUMONT, TEXAS (the "City"), in connection with an issue of bonds described as follows:

> CITY OF BEAUMONT, TEXAS, WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2024 (the "Bonds"), in the aggregate original principal amount of $_______, issuable in fully registered form only, in denominations, dated the date, bearing interest, maturing in the years and amounts, and transferable and exchangeable as set out in the Bonds, in the Ordinance adopted by the City Council of Beaumont, Texas (the "Ordinance"), and the Pricing Certificate authorizing their issuance.

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the status of the interest on the Bonds under federal income tax law. In such capacity we have examined relevant provisions of the Constitution and laws of the State of Texas; a transcript of certain certified proceedings pertaining to the issuance of the Bonds; certain certifications and representations concerning the use and investment of proceeds of the Bonds, the use of other funds of the City, and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds, including executed Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations thereunder (the "Regulations"), court decisions, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. Failure of Bonds and the proceeds thereof to comply with the applicable requirements of the Code and the Regulations that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, and continue to be, excludable from gross income for federal income tax purposes, may cause the inclusion of interest on the Bonds in the gross income of the holders thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data, or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. Capitalized terms used herein, unless otherwise defined, have the meaning set forth in the Ordinance.

BASED ON SUCH EXAMINATION, it is our opinion that the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds are valid and legally binding Bonds of the City in accordance with the terms and conditions thereof, except to the extent that the enforcement of the rights and remedies of the owners thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, or moratorium or other similar laws affecting the rights of creditors, or the exercise of judicial discretion in accordance with general principles of equity; the Bonds have been authorized in accordance with law; the Bonds and any additional Bonds hereafter issued on a parity therewith are payable from and are secured solely by a limited pledge of the Net Revenues of the City's waterworks and sewer system.

IT IS OUR FURTHER OPINION that, under existing law and assuming continued compliance by the City with certain tax covenants, the interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not be treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals under the Code; however, the interest on the Bonds is included in the "adjusted financial statement income" of certain corporations on which the federal alternative minimum tax is imposed under the Code. We express no opinion regarding other federal, state or local tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The opinion set forth immediately above assumes the accuracy of factual representations made by the City and is subject to the compliance by the City with all requirements of the Code and the Regulations that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

In providing such opinions, we have relied on representations of the City, the City's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the City, the City's Financial Advisor, and the Underwriter, respectively, which we have not independently verified. The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update, revise or supplement these opinions to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention or to reflect any changes in any law or interpretation thereof that may hereafter be enacted, arise or occur. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions.

Very truly yours,

[This page is intentionally left blank.]

RBC
Capital Markets