

# Comprehensive Annual Financial Report



For the Year ended  
September 30, 2018



## CITY OF BAY CITY, TEXAS

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**CITY OF BAY CITY, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the fiscal year ended September 30, 2018*

Scotty Jones  
*Finance Director*

Mark Bricker  
*Mayor*

Issued By:  
Finance Department

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## **INTRODUCTORY SECTION**



# CITY OF BAY CITY

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Mayor  
Ext. 1676  
979-245-7597

City Secretary  
Ext. 1628  
979-245-5311

Animal Control  
979-323-1706

Airport  
979-245-5037

Civic Center  
979-245-8333

Code Enforcement  
Ext. 1924  
979-245-8500

Finance  
Ext. 1631  
979-245-7597

Fire Station  
979-245-8314

Inspections/Permits  
Ext. 1669  
979-323-1659

Municipal Court  
Ext. 1647  
979-245-0003

Parks & Recreation  
Ext. 1607  
979-323-1660

Personnel  
Ext. 1628  
979-245-5311

Public Works  
979-323-1659

Police  
979-245-8500

Utilities Operation  
979-323-1110

Utility Billing  
Ext. 1638  
979-245-7597

March 25, 2019

Citizens of Bay City  
Honorable Mayor and Members of the City Council,

The Finance Department is pleased to submit the Comprehensive Annual Financial Report for the City of Bay City, Texas, for the fiscal ended September 30, 2018. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditor. State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, the comprehensive annual financial report of the City of Bay City, Texas (the "City") for the fiscal year ended September 30, 2018, is hereby submitted.

The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. The report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by **Harrison, Waldrop, & Uherek, L.L.P.**, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the year ended September 30, 2018, 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 comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes a Management's Discussion and Analysis (MD&A), basic financial statements and schedules, as well as the auditor's report on the governmental activities, business-type activities, major funds, and the aggregate remaining fund information, as well as budgetary comparison information and combining and individual fund financial statements and schedules.

The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The MD&A is a narrative introduction, overview and analysis to accompany the basic financial statements. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Bay City's MD&A can be found immediately following the report of our independent auditors.

In addition to the MD&A described above, this annual report includes government-wide financial statements, prepared using accrual accounting for all of our financial activities.

These government-wide financial statements help users:

- Assess the finances of the government in its entirety, including the year's operating results
- Determine whether the government's overall financial position improved or deteriorated
- Evaluate whether the government's current-year revenues were sufficient to pay for current-year services
- See the Cost of providing services to its citizenry
- See how the government finances its programs-through user fees and other program revenue versus general tax revenues
- Understand the extent to which the government has invested in capital assets, including streets, bridges, and other infrastructure assets.
- Make better comparisons between governments.

## **PROFILE OF THE GOVERNMENT**

The City, incorporated in 1902, is located in Matagorda County, currently occupies a land area of 8.92 square miles and serves a population of 17,809. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, if deemed appropriate by the City Council.

The City of Bay City has adopted a Mayor-Council form of government. The Council, vested with policy-making and legislative authority, is comprised of a Mayor and five Council members. The Mayor is elected to a three-year term, with three term limits, and Council members are elected at large for a two-year term, with three term limits. The City Council is responsible, among other things, for passing ordinances, adopting the budget and the hiring of the City's management and attorney.

The City provides a full range of municipal services: public safety (police and fire protection), public improvements, water and wastewater utilities, repairs and maintenance of infrastructure, recreation, sanitation and general administrative services. In addition, the City owns and operates a general aviation airport. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board, the City reports all funds for which the City, as the primary government, is accountable.

## **LOCAL ECONOMY**

The City of Bay City is home to a diversified group of industries. Major industries and business activities in the area include nuclear power generation, healthcare, metals, oil and gas services and a variety of general retail operations. This diversification is evident in the fact that no single tax payer represents more than 1.82% of assessed valuation in the City.

The City is also a major retail trade area for industrial services, legal services, financial services, building materials, general merchandise, food stores, automotive, and restaurants.

Net taxable value for all residential and commercial property in the City exceeded \$811 million for fiscal year 2018, which is an 6% increase from fiscal year 2017.

## **ACCOUNTING SYSTEMS AND BUDGETING CONTROL**

### **Accounting Systems**

The City's accounting records for general governmental operations are maintained on a modified accrual basis with the revenues recorded when available and measurable and expenditures recorded when the services and goods are received and the liabilities are incurred. Accounting records for the City's proprietary activities are maintained on the accrual basis.

Consideration of adequate internal accounting controls has been made in designing the City's accounting system. Internal accounting controls, instituted by the Finance Department as part of the accounting system, are designed to provide reasonable assurances that assets are properly safeguarded against loss from unauthorized use or disposition, that financial records used in preparation of the financial statements are reliable, and that accountability for the City's assets is maintained. The concept of reasonable assurance in relation to internal controls recognizes that the cost of the process should not exceed the benefits derived from the performance of related procedures and that the City's management must make estimates and judgments in evaluating the cost and benefit relationships relating to internal control processes and procedures that become part of the City's accounting system.

### **Budgetary Compliance**

Because budgetary compliance is significant in managing governmental activities, budgetary compliance controls are critical. The objective of these controls is to ensure compliance with legal spending limits in annual or project appropriated budgets approved by City Council. The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Council. The City has adopted budgets for the General, Special Revenue Funds, Capital Project Funds, Enterprise Funds and Internal Service Funds. Quarterly financial and capital project reports are presented to Council to aid in accomplishing budgetary control. The original budget is adopted by the City Council prior to the beginning of the fiscal year. Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, City Council may make emergency appropriations to meet a pressing need for public expenditures in order to protect the public health, safety, or welfare. City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

### **Budgetary Controls**

During the year, expenditure controls are maintained by each department with review of the budget provided by the Finance Director and overall exercised by City Council. Constant review of revenue and expenditure estimates is performed to assure the integrity of the adopted budget and to assure funds are available to meet current obligations. As a result of this review, it is possible to exercise administrative budgetary controls throughout the year. As demonstrated by the financial statements presented in this report, the City continues to meet responsibility for sound financial management.

## **FINANCIAL CONDITION**

### **Cash Management**

Cash temporarily idle during the year is deposited into various types of investments. Cash balances are monitored on a daily basis to ensure that sufficient funds are available. The City Council reviews and adopts the City's Investment Policy annually.

### **Risk Management**

The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the cost of insurance.

Risk control techniques have been established to reasonably assure that the City's employees are aware of their responsibilities regarding loss exposure related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned or under the control of the City.

## **Long-Term Financial Planning**

The City of Bay City will work to maintain sufficient cash reserves and unreserved fund balances/unrestricted net assets in its general and utility funds to avoid borrowing for general operating purposes and to handle emergency situations, while providing quality service levels to the public. In 2015 the City adopted a fund balance policy which requires the City to maintain a minimum unassigned fund balance in its General Fund ranging from 15% to 20%. This policy was again updated in 2017 to maintain a minimum unassigned balance in its General Fund of 90 days.

In fiscal year 2018, the City adopted a five-year Capital Improvements Plan. This gives the City a five-year outlook on possible capital projects to maintain the City's infrastructure and operations. The plan has been reviewed and updated as necessary during the budget development process each year thereafter.

## **MAJOR INITIATIVES**

The City issued \$5,665,000 in certificates of obligation during fiscal year 2016. The funds will be used for street rehabilitation and reconstruction, repairing and/or replacing water and sewer lines. Phase II of the Street Rehabilitation project was completed fiscal year 2016. Phase III is expected to be completed in fiscal year 2019. The City is also improving the buildings and infrastructure at the Bay City Airport through grants and local match.

## **AWARDS AND ACKNOWLEDGEMENTS**

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 Bay City for its comprehensive annual financial report for the fiscal year ended September 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual 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 comprehensive annual 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.

We would like to express our sincere appreciation to the City's employees for their dedication and commitment to the City. The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Appreciation is expressed to the City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based. Acknowledgement is given to representatives of Harrison, Waldrop & Uherek, L.L.P. for their assistance in producing the final product.

We would like to thank the Members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner. Their support is critical in budget preparation, implementation and review. Also, we would like to thank the City Council for their input throughout the year.

Respectfully submitted,

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Mark Bricker  
Mayor

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Scotty Jones  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Bay City  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO





**CITY OF BAY CITY, TEXAS****DIRECTORY OF PRINCIPAL OFFICIALS***September 30, 2018*

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<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
Mark Bricker	Mayor	2019
Julie Estlinbaum	Council Member - Position #1	2020
William Cornman	Council Member - Position #2	2020
Chrystal Folse	Council Member - Position #3	2019
Becca Sitz	Council Member - Position #4	2019
Jason Childers	Council Member - Position #5	2019

<b>Key Staff</b>	<b>Position</b>
Timothy Kirwin	City Attorney
Barry Calhoun	Public Works Director
Scotty Jones	Finance Director
Robert Lister	Police Chief
David Holubec	City Secretary
Suzan Thompson	Municipal Court Judge
James Mason	Airport Manager
Shawn Blackburn	Parks and Recreation Director

## **FINANCIAL SECTION**



CERTIFIED PUBLIC ACCOUNTANTS  
101 S. MAIN, SUITE 400  
VICTORIA, TEXAS 77901-8142

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members  
of the City Council  
City of Bay City, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bay City, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bay City Gas Company, which represent 22 percent, 40 percent, and 57 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions insofar as it relates to the amounts included in the Bay City Gas Company, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Bay City Community Development Corporation were not audited in accordance with *Government Auditing Standards*.

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

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

The Honorable Mayor and Members  
of the City Council  
City of Bay City, Texas

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, 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.

### Emphasis of Matter

As discussed in Note 15 to the financial statements, in 2018 the City adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 75 related to accounting for other post employment benefit plans. This resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and Members  
of the City Council  
City of Bay City, Texas

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, 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 the 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.

A handwritten signature in black ink that reads "Harrison, Waldrop & Uherek, LLP". The signature is written in a cursive, flowing style.

HARRISON, WALDROP & UHEREK, L.L.P.  
Certified Public Accountants

March 25, 2019

As management of the City of Bay City, Texas (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, 2018.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$31,404,825 (*net position*). Of this amount, \$4,258,999 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position of the governmental and business-type activities increased \$1,628,095 and \$545,199, respectively. The net position of the Water and Sewer Fund increased by \$259,466 and the Airport Fund increased by \$285,733.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,585,471 an increase of \$26,704 from the prior year. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,169,106, or 18% of total General Fund expenditures.
- The City's outstanding bonded debt for governmental and business-type activities had a net decrease of \$2,035,000 or 10% from the prior year. The City also issued \$1,285,000 in tax notes in 2018.

### **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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Organization and Flow of Financial Section Information**

##### **Independent Auditors' Report**

*Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.*

##### **Management's Discussion and Analysis**

*This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.*

Pages 4 to 11

##### **Government-wide Financial Statements**

*Provides information on governmental and business-type activities of the primary government.*

Pages 12 to 15

##### **Fund Financial Statements**

*Provides information on the financial position of specific funds of the primary government.*

Pages 16 to 28

##### **Notes to Financial Statements**

*Provides a summary of significant accounting policies and related disclosures.*

Pages 29 to 75



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## **OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)**

### **Government-wide Financial Statements**

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

#### **Statement of Net Position**

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

#### **Statement of Activities**

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., 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 safety, public works, and cultural recreation. The business-type activities of the City include water and sewer and airport services.

### **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 or 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 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 maintained fifteen individual governmental funds during the 2017-2018 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund and the 2016 Capital Project Fund, which are considered major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation.

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## **OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)**

### **Governmental Funds - (Continued)**

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. A Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual has been provided to demonstrate compliance with the appropriated budgets.

### **Proprietary Funds**

The City maintains two types of *proprietary funds*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/wastewater utility service and for its airport operations. The City uses internal service funds to account for equipment maintenance and information technology services. Because these services predominantly benefit governmental rather than 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 a more detailed format. The proprietary fund financial statements provide information for the water/wastewater utility service and the airport operation; which are considered to be major funds of the City.

### **Notes to Financial Statements**

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

### **Other Information**

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund, a schedule of changes in liability and related ratios for the TMRS Defined Benefit Pension Plan, a schedule of employer contributions for the TMRS Defined Benefit Pension Plan, a schedule of changes in Total OPEB liability and related ratios for the TMRS Supplemental Death Benefit Plan, a schedule of employer contributions for the TMRS Supplemental Death Benefit Plan, and a schedule of changes in Total OPEB liability and related ratios for the Retiree Healthcare Plan. Required supplementary information can be found on pages 76-85 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 86-102 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. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$31,404,825 at the close of the fiscal year 2018.

By far, the largest portion of the City's net position (84%) reflects its investment in capital assets (i.e., land, buildings, machinery and equipment), less a related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

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**City of Bay City, Texas****Net Position**

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	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 7,992,951	\$ 6,983,278	\$ 5,968,875	\$ 5,047,849	\$ 13,961,826	\$ 12,031,127
Capital assets (net)	22,068,251	20,685,897	23,504,510	24,352,615	45,572,761	45,038,512
<b>Total assets</b>	<b>30,061,202</b>	<b>27,669,175</b>	<b>29,473,385</b>	<b>29,400,464</b>	<b>59,534,587</b>	<b>57,069,639</b>
<b>Total deferred outflow of resources</b>	<b>490,158</b>	<b>1,579,888</b>	<b>183,543</b>	<b>393,286</b>	<b>673,701</b>	<b>1,973,174</b>
Current liabilities	3,371,510	2,360,913	1,932,311	1,772,170	5,303,821	4,133,083
Noncurrent liabilities	13,847,453	15,683,853	8,752,165	9,743,270	22,599,618	25,427,123
<b>Total liabilities</b>	<b>17,218,963</b>	<b>18,044,766</b>	<b>10,684,476</b>	<b>11,515,440</b>	<b>27,903,439</b>	<b>29,560,206</b>
<b>Total deferred inflow of resources</b>	<b>701,465</b>	<b>201,460</b>	<b>198,559</b>	<b>49,616</b>	<b>900,024</b>	<b>251,076</b>
Net investment in capital assets	11,656,559	10,607,667	14,675,577	14,799,364	26,332,136	25,407,031
Restricted	813,690	1,034,228	-	-	813,690	1,034,228
Unrestricted	160,683	(639,058)	4,098,316	3,429,330	4,258,999	2,790,272
<b>Total net position</b>	<b>\$ 12,630,932</b>	<b>\$ 11,002,837</b>	<b>\$ 18,773,893</b>	<b>\$ 18,228,694</b>	<b>\$ 31,404,825</b>	<b>\$ 29,231,531</b>

\*2017 net position has been restated. See Note 15 of this report.

The balance of unrestricted net position, \$4,258,999 may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the primary government as a whole.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

The over-all increase in net position is \$2,173,294, which consists of an increase of \$1,628,095 in governmental activities and an increase of \$545,199 in business-type activities.

The increase in the governmental activities is mainly due to a \$649,988 increase in ad valorem taxes and a decrease in expenses of \$438,309. The increase in taxes is due to an increase in valuations and the tax rate for the 2017 tax roll. The decrease in expenses is mainly due to a decrease in pension expense for fiscal year 2018 compared to 2017.

The increase in the business-type activities is mainly due to an increase in charges for services in the amount of \$309,628 of which approximately \$269,000 relates to the Water and Sewer Fund. This increase is due to an increase in utility rates in fiscal year 2018.

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**City of Bay City, Texas****Changes in Net Position**

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	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 3,151,476	\$ 3,088,865	\$ 8,083,512	\$ 7,743,884	\$ 11,234,988	\$ 10,832,749
Operating grants and contributions	807,058	571,157	15,870	48,351	822,928	619,508
Capital grants and contributions	798,666	911,963	417,799	406,561	1,216,465	1,318,524
General revenues:						
Property taxes	5,268,946	4,618,958	-	-	5,268,946	4,618,958
Sales taxes	4,277,863	4,295,598	-	-	4,277,863	4,295,598
Franchise taxes	1,253,205	1,127,475	-	-	1,253,205	1,127,475
Other taxes	801,926	845,778	-	-	801,926	845,778
Unrestricted investment earnings	110,943	37,960	51,731	23,244	162,674	61,204
Miscellaneous	289,684	213,350	-	8,200	289,684	221,550
<b>Total revenues</b>	<b>16,759,767</b>	<b>15,711,104</b>	<b>8,568,912</b>	<b>8,230,240</b>	<b>25,328,679</b>	<b>23,941,344</b>
<b>EXPENSES</b>						
General government	2,570,638	2,489,768	-	-	2,570,638	2,489,768
Public safety	5,129,141	5,633,913	-	-	5,129,141	5,633,913
Public works	5,513,362	5,500,397	-	-	5,513,362	5,500,397
Cultural and recreation	2,534,887	2,576,955	-	-	2,534,887	2,576,955
Interest on long-term debt	391,428	376,732	-	-	391,428	376,732
Water and sewer	-	-	6,431,453	6,121,251	6,431,453	6,121,251
Airport	-	-	584,476	707,869	584,476	707,869
<b>Total expenses</b>	<b>16,139,456</b>	<b>16,577,765</b>	<b>7,015,929</b>	<b>6,829,120</b>	<b>23,155,385</b>	<b>23,406,885</b>
Change in net position before transfers	620,311	(866,661)	1,552,983	1,401,120	2,173,294	534,459
Transfers	1,007,784	998,619	(1,007,784)	(998,619)	-	-
Change in net position	1,628,095	131,958	545,199	402,501	2,173,294	534,459
Net position - October 1	11,002,837	10,870,879	18,228,694	17,826,193	29,231,531	28,697,072
Net position - September 30	<u>\$ 12,630,932</u>	<u>\$ 11,002,837</u>	<u>\$ 18,773,893</u>	<u>\$ 18,228,694</u>	<u>\$ 31,404,825</u>	<u>\$ 29,231,531</u>

\*2017 net position has been restated. See Note 15 of this report.

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## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,585,471, an increase of \$26,704 from the prior year.

Approximately 39% of this total amount or \$2,169,106 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$3,416,365 or 61% is either non-spendable, restricted or assigned to indicate that it is not available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$2,169,106. Unassigned fund balance represents 18% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$855,214 during the current fiscal year. The increase in fund balance for the City's General Fund is attributable to an increase in revenues of \$1,003,468. The fund balance of the 2016 Capital Project Fund, a major capital project fund, decreased by \$1,808,952 due to the spending of the 2016 bond proceeds. The Debt Service Fund fund balance decreased by \$7,979.

### **Proprietary Funds**

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

Unrestricted net position of the Water and Sewer Fund at the end of the current fiscal year amounted to \$3,968,856, which is an increase of \$535,717 from the prior year. Unrestricted net position of the Airport Fund amounted to \$129,460 at the end of the current fiscal year, which is an increase of \$21,590 from the prior year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Total revenues earned were greater than budgetary expectations by \$220,633. The positive variance in actual revenues compared to the budget is primarily related to the building permits of the new Junior High. Building permits exceeded budget by \$215,138. In addition, sales tax revenue exceeded budget by \$40,363. Actual expenditures were \$929,287 less than budget. This was greatly due to the timing of capital projects that will carry over to next fiscal year. In addition, the City did budget to build the reserves by \$177,000. Total operating revenues were \$13,745,833 while total operating expenditures were \$12,262,171. This resulted in an excess of revenues over expenditures of \$1,483,662 which was \$1,149,920 greater than budgetary expectations. This is before any transfers to other funds. Net other financing sources (uses) of (\$628,448) resulted in a net increase in the General Fund of \$855,214. All departments had positive variances.

Differences between the General Fund's original budget and final amended budget were a net increase of \$297,000 to expenditures. This was due to new capital expenditures approved during the fiscal year funded by new debt and not by current General Fund revenues.

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## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities amounts to \$45,572,761 (net of accumulated depreciation) at the end of the current fiscal year. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, water and sewer system, and land structured facilities. The net increase in the City's investment in capital assets was \$534,249.

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<b>City of Bay City, Texas</b>						
<b>Capital Assets (Net of Depreciation)</b>						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,603,907	\$ 1,495,007	\$ 381,117	\$ 381,117	\$ 1,985,024	\$ 1,876,124
Construction in progress	4,588,958	2,212,209	784,896	264,075	5,373,854	2,476,284
Buildings and improvements	758,978	309,864	411,641	419,139	1,170,619	729,003
Machinery and equipment	1,871,667	2,398,429	5,803,678	6,696,103	7,675,345	9,094,532
Infrastructure	13,244,741	14,270,388	16,123,178	16,592,181	29,367,919	30,862,569
Total	<u>\$22,068,251</u>	<u>\$20,685,897</u>	<u>\$23,504,510</u>	<u>\$24,352,615</u>	<u>\$45,572,761</u>	<u>\$45,038,512</u>

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Additional information on the City's capital assets can be found in Note 5 of this report.

### **Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$19,345,010. Of this amount, \$2,290,000 represents general obligation debt and certificates of obligation totaled \$17,055,010. The City's bonded debt had a net decrease of \$2,035,000 or 10% during the fiscal year ended September 30, 2018. The net decrease included current year payments of principal of \$2,035,000. The City also issued \$1,285,000 in tax notes in 2018.

Additional information on the City's long-term debt can be found in Note 10.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following factors were considered in preparing the City's budget for the 2019 fiscal year.

Although property values and consumer spending appear strong, the City continues to budget conservatively. The total sales tax payments received by the City from the State Comptroller in fiscal year 2018 equaled \$4,277,863. This amount is a slight decrease compared to the previous year. For fiscal year 2019, the City anticipates sales tax to increase 2% over fiscal year 2018 due to new added permanent workforce in the County. Tenaris-Bay City, a seamless pipe mill company just outside of the City limits completed construction in 2017. This facility currently employs 663 permanent jobs. Oxea Chemicals recently created 19 new full-time jobs due to a 250-million-dollar expansion project. McCoy's building Supply began construction and should be completed before the end of 2019. The South Texas Project (STP) is hiring approximately 100 workers per year to prepare for transition of a workforce that will soon be retirement eligible. Even though this nuclear plant resides in the County, it is anticipated that many employees will seek residence inside the city limits.

The certified assessed taxable property valuations for the 2019 fiscal year (2018 tax roll) total \$857,099,643 with a tax rate of \$0.5104 per \$100 valuation for maintenance and operations and \$0.1446 per \$100 valuation for the interest and sinking fund. The total tax rate of \$0.6550 remained flat from the fiscal 2018 tax rate. The certified assessed taxable property valuations increased from the 2017 tax roll by \$47,786,570 or 5.90%.

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## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - (Continued)**

The City issued Certificates of Obligation in the summer of 2016. The proceeds from these Certificates continue to be used for street improvements as well as water and sewer infrastructure improvements throughout the City. Phase II of the Street Rehabilitation project was completed in fiscal year 2016. Phase III of the Street Rehabilitation project, funded by the 2016 Certificates of Obligation, is scheduled to be completed in fiscal year 2019.

The City, in conjunction with the Bay City Community Development Corporation, approved the creation of two Tax Increment Reinvestment Zones (TIRZ#1 and TIRZ#2) pursuant to Chapter 311 of the Texas Tax Code. The first reinvestment zone is generally located in the downtown area, including a large portion of the north downtown area. The second reinvestment zone is generally located at the far eastern city limit and is currently unimproved land. TIRZ #3 was approved for an estimated 68 lot sub-division in 2017. Values have increased thus far in these zones by approximately 15 million combined.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, 1901 Fifth Street, Bay City, Texas 77414.



## **Basic Financial Statements**

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 6,457,539	\$ 4,874,826	\$ 11,332,365	\$ 2,064,011
Investments	-	-	-	2,032,173
Receivables (net)	1,079,967	999,169	2,079,136	260,890
Due from other governments	376,552	9,481	386,033	119,622
Due from component unit	14,783	-	14,783	-
Prepaid items	64,110	22,485	86,595	10,263
Inventory	-	62,914	62,914	55,482
Restricted assets				
Cash and cash equivalents	-	-	-	210,029
Investments	-	-	-	209,620
Total current assets	<u>7,992,951</u>	<u>5,968,875</u>	<u>13,961,826</u>	<u>4,962,090</u>
Noncurrent assets				
Due from employees	-	-	-	8,036
Capital assets				
Land and other assets not being depreciated	6,192,865	1,166,013	7,358,878	794,190
Buildings, improvements, and equipment (net)	<u>15,875,386</u>	<u>22,338,497</u>	<u>38,213,883</u>	<u>17,883,397</u>
Total noncurrent assets	<u>22,068,251</u>	<u>23,504,510</u>	<u>45,572,761</u>	<u>18,685,623</u>
<b>Total assets</b>	<u>30,061,202</u>	<u>29,473,385</u>	<u>59,534,587</u>	<u>23,647,713</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred amounts related to pension	444,291	172,784	617,075	-
Deferred amounts related to OPEB	<u>45,867</u>	<u>10,759</u>	<u>56,626</u>	-
<b>Total deferred outflow of resources</b>	<u>490,158</u>	<u>183,543</u>	<u>673,701</u>	-

The accompanying notes are an integral part of this statement.

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Units
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 1,560,416	\$ 197,834	\$ 1,758,250	\$ 140,033
Accrued expenses	220,410	48,413	268,823	7,161
Accrued interest payable	30,889	20,833	51,722	28,660
Due to primary government	-	-	-	14,783
Due to other governments	31,266	-	31,266	-
Deposits	23,093	926,821	949,914	469,649
Unearned revenue	9,665	8,635	18,300	-
Accrued compensated absences	30,596	3,949	34,545	-
Current portion of long-term obligations	1,465,175	725,826	2,191,001	370,608
Total current liabilities	<u>3,371,510</u>	<u>1,932,311</u>	<u>5,303,821</u>	<u>1,030,894</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	13,847,453	8,752,165	22,599,618	10,573,830
Total noncurrent liabilities	<u>13,847,453</u>	<u>8,752,165</u>	<u>22,599,618</u>	<u>10,573,830</u>
<b>Total liabilities</b>	<u>17,218,963</u>	<u>10,684,476</u>	<u>27,903,439</u>	<u>11,604,724</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred inflow related to pension	<u>701,465</u>	<u>198,559</u>	<u>900,024</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	11,656,559	14,675,577	26,332,136	7,733,149
Restricted for:				
Debt service	210,786	-	210,786	-
Development	26,243	-	26,243	-
Public safety	40,023	-	40,023	-
Municipal court	65,170	-	65,170	-
Cultural and recreation	471,468	-	471,468	-
Unrestricted	<u>160,683</u>	<u>4,098,316</u>	<u>4,258,999</u>	<u>4,309,840</u>
<b>Total net position</b>	<u>\$ 12,630,932</u>	<u>\$ 18,773,893</u>	<u>\$ 31,404,825</u>	<u>\$ 12,042,989</u>

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2018

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 2,570,638	\$ 610,361	\$ 460,195	\$ -
Public safety	5,129,141	18,332	130,037	-
Public works	5,513,362	2,394,073	-	28,982
Cultural and recreation	2,534,887	128,710	216,826	769,684
Interest on long-term debt	391,428	-	-	-
Total governmental activities	<u>16,139,456</u>	<u>3,151,476</u>	<u>807,058</u>	<u>798,666</u>
Business-type activities				
Water and sewer	6,431,453	7,779,321	-	17,260
Airport	<u>584,476</u>	<u>304,191</u>	<u>15,870</u>	<u>400,539</u>
Total business-type activities	<u>7,015,929</u>	<u>8,083,512</u>	<u>15,870</u>	<u>417,799</u>
Total primary government	<u>\$ 23,155,385</u>	<u>\$ 11,234,988</u>	<u>\$ 822,928</u>	<u>\$ 1,216,465</u>
<b>Component Units</b>	<u>\$ 4,153,509</u>	<u>\$ 3,666,617</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (1,500,082)	\$ -	\$ (1,500,082)	\$ -
(4,980,772)	-	(4,980,772)	-
(3,090,307)	-	(3,090,307)	-
(1,419,667)	-	(1,419,667)	-
(391,428)	-	(391,428)	-
<u>(11,382,256)</u>	<u>-</u>	<u>(11,382,256)</u>	<u>-</u>
-	1,365,128	1,365,128	-
<u>-</u>	<u>136,124</u>	<u>136,124</u>	<u>-</u>
-	1,501,252	1,501,252	-
<u>(11,382,256)</u>	<u>1,501,252</u>	<u>(9,881,004)</u>	<u>-</u>
-	-	-	<u>(486,892)</u>
4,105,993	-	4,105,993	-
1,162,953	-	1,162,953	-
4,277,863	-	4,277,863	1,425,954
1,253,205	-	1,253,205	-
801,926	-	801,926	-
110,943	51,731	162,674	28,199
289,684	-	289,684	35,615
1,007,784	(1,007,784)	-	-
<u>13,010,351</u>	<u>(956,053)</u>	<u>12,054,298</u>	<u>1,489,768</u>
1,628,095	545,199	2,173,294	1,002,876
<u>11,002,837</u>	<u>18,228,694</u>	<u>29,231,531</u>	<u>11,040,113</u>
<u>\$ 12,630,932</u>	<u>\$ 18,773,893</u>	<u>\$ 31,404,825</u>	<u>\$ 12,042,989</u>

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

September 30, 2018

	General	2016 Capital Project Fund	Debt Service Fund	Other Governmental Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 2,499,444	\$ 1,711,244	\$ 190,059	\$ 2,038,091
Receivables (net)	909,173	-	50,324	120,470
Due from other governments	358,866	-	1,292	16,394
Due from other funds	11,832	-	-	-
Due from component unit	14,783	-	-	-
Prepaid items	49,261	-	-	14,849
<b>Total assets</b>	<u>\$ 3,843,359</u>	<u>\$ 1,711,244</u>	<u>\$ 241,675</u>	<u>\$ 2,189,804</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 855,637	\$ 620,038	\$ -	\$ 65,134
Accrued expenditures	201,545	-	-	1,635
Deposits	4,280	-	-	18,813
Due to other funds	-	-	-	10,010
Due to other governments	31,266	-	-	-
Unearned revenue	-	-	-	9,665
<b>Total liabilities</b>	<u>1,092,728</u>	<u>620,038</u>	<u>-</u>	<u>105,257</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	532,264	-	50,324	-
<b>Total deferred inflows of resources</b>	<u>532,264</u>	<u>-</u>	<u>50,324</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	49,261	-	-	14,849
Restricted	-	1,091,206	191,351	2,069,698
Unassigned	2,169,106	-	-	-
<b>Total fund balances</b>	<u>2,218,367</u>	<u>1,091,206</u>	<u>191,351</u>	<u>2,084,547</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 3,843,359</u>	<u>\$ 1,711,244</u>	<u>\$ 241,675</u>	<u>\$ 2,189,804</u>

The accompanying notes are an integral part of this statement.

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Total  
Governmental  
Funds

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\$ 6,438,838  
1,079,967  
376,552  
11,832  
14,783  
64,110  

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\$ 7,986,082

\$ 1,540,809  
203,180  
23,093  
10,010  
31,266  
9,665  

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1,818,023

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582,588  

---

582,588

64,110  
3,352,255  

---

2,169,106  

---

5,585,471

\$ 7,986,082

---



**CITY OF BAY CITY, TEXAS****RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION  
OF GOVERNMENTAL ACTIVITIES**

September 30, 2018

---

**Total governmental fund balances****\$ 5,585,471**

*Amounts reported for governmental activities in the statement of net position are different because:*

Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

233,787

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are "unavailable" in the funds.

427,778

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.

154,810

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs

\$ 50,496,370

Accumulated depreciation of governmental capital assets

(28,705,351)

21,791,019

Deferred outflows of resources are not reported in the governmental funds:

Deferred amount on pension

444,291

Deferred amount on OPEB

45,867

490,158

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and certificates payable

(10,677,262)

Premiums on bonds payable

(358,459)

Tax notes payable

(1,386,000)

Accrued interest on the bonds

(30,889)

Compensated absences

(282,475)

Net pension liability

(1,994,402)

OPEB liability

(621,139)

(15,350,626)

Deferred inflows of resources are not reported in the governmental funds:

Deferred amount on pension

(701,465)**Net position of governmental activities****\$ 12,630,932**

The accompanying notes are an integral part of this statement.

**CITY OF BAY CITY, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS***For the year ended September 30, 2018*

	General	2016 Capital Project Fund	Debt Service Fund	Other Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 9,758,845	\$ -	\$ 1,172,408	\$ 761,585
Licenses and permits	396,638	-	-	-
Fines and forfeitures	201,602	-	-	13,676
Fees and charges for services	2,467,896	-	-	85,735
Intergovernmental	330,037	-	-	107,945
Investment income	31,474	58,076	11,643	9,560
Miscellaneous	559,341	-	-	126,162
<b>Total revenues</b>	<u>13,745,833</u>	<u>58,076</u>	<u>1,184,051</u>	<u>1,104,663</u>
<b>EXPENDITURES</b>				
Current				
General government	2,218,852	-	-	225,944
Public safety	4,784,440	-	-	34,703
Public works	3,429,104	-	-	-
Cultural and recreation	1,829,775	-	-	520,613
Debt service				
Principal	-	-	1,419,841	-
Interest and fiscal charges	-	-	361,967	762
Paying agents' fees and issue costs	-	-	4,772	54,329
Capital outlay	-	1,867,028	-	517,399
<b>Total expenditures</b>	<u>12,262,171</u>	<u>1,867,028</u>	<u>1,786,580</u>	<u>1,353,750</u>
Excess (deficiency) of revenues over expenditures	1,483,662	(1,808,952)	(602,529)	(249,087)
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issued	-	-	-	1,285,000
Transfers in	852,560	-	594,550	394,813
Transfers out	(1,481,008)	-	-	(442,305)
<b>Total other financing sources (uses)</b>	<u>(628,448)</u>	<u>-</u>	<u>594,550</u>	<u>1,237,508</u>
Net change in fund balances	855,214	(1,808,952)	(7,979)	988,421
Fund balances at beginning of year	<u>1,363,153</u>	<u>2,900,158</u>	<u>199,330</u>	<u>1,096,126</u>
<b>Fund balances at end of year</b>	<u>\$ 2,218,367</u>	<u>\$ 1,091,206</u>	<u>\$ 191,351</u>	<u>\$ 2,084,547</u>

The accompanying notes are an integral part of this statement.

---

Total  
Governmental  
Funds

---

\$ 11,692,838  
396,638  
215,278  
2,553,631  
437,982  
110,753  
685,503  
16,092,623

2,444,796  
4,819,143  
3,429,104  
2,350,388

1,419,841  
362,729  
59,101  
2,384,427  
17,269,529

(1,176,906)

1,285,000  
1,841,923  
(1,923,313)  
1,203,610

26,704

5,558,767

\$ 5,585,471

**CITY OF BAY CITY, TEXAS****RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
*For the year ended September 30, 2018*


---

<b>Total net change in fund balances - governmental funds</b>	<b>\$ 26,704</b>
---	------------------

*Amounts reported for governmental activities in the statement of activities are different because:*

Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The net activity of the internal service funds are reported with governmental activities.	(57,275)
---	----------

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Increase in capital assets	\$ 3,257,225	
Depreciation expense	<u>(1,743,696)</u>	1,513,529

The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.	(19,766)
--	----------

Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(1,285,000)
---	-------------

Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:

Debt principal retirement	1,419,841
---------------------------	-----------

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year end and are not reported as revenue in the governmental funds.

Property taxes	(14,503)	
Other revenues	<u>(14,071)</u>	(28,574)

Some items 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. These activities consist of:

Increase in compensated absences	(18,316)	
Increase in accrued interest	(1,893)	
Net pension cost	75,674	
Net OPEB cost	(30,013)	
Decrease in bond premium	<u>33,184</u>	<u>58,636</u>

<b>Change in net position of governmental activities</b>	<b><u>\$ 1,628,095</u></b>
--	----------------------------

The accompanying notes are an integral part of this statement.

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2018

	Business-type Activities			Governmental Activities
	Water and Sewer	Airport	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,805,736	\$ 69,090	\$ 4,874,826	\$ 18,701
Receivables (net)	987,846	11,323	999,169	-
Due from other governments	-	9,481	9,481	-
Prepaid items	16,548	5,937	22,485	-
Inventory	-	62,914	62,914	-
Total current assets	<u>5,810,130</u>	<u>158,745</u>	<u>5,968,875</u>	<u>18,701</u>
Noncurrent assets				
Land and other assets not being depreciated	1,116,120	49,893	1,166,013	-
Buildings, improvements, and equipment (net)	<u>20,250,302</u>	<u>2,088,195</u>	<u>22,338,497</u>	<u>277,232</u>
Total noncurrent assets	<u>21,366,422</u>	<u>2,138,088</u>	<u>23,504,510</u>	<u>277,232</u>
<b>Total assets</b>	<u>27,176,552</u>	<u>2,296,833</u>	<u>29,473,385</u>	<u>295,933</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow related to pension	172,784	-	172,784	-
Deferred outflow related to OPEB	<u>10,759</u>	<u>-</u>	<u>10,759</u>	<u>-</u>
<b>Total deferred outflows of resources</b>	<u>183,543</u>	<u>-</u>	<u>183,543</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	189,721	8,113	197,834	19,607
Accrued expenses	45,014	3,399	48,413	17,230
Due to other funds	-	-	-	1,822
Accrued interest payable	20,833	-	20,833	-
Deposits	921,961	4,860	926,821	-
Unearned revenue	-	8,635	8,635	-
Accrued compensated absences	3,521	428	3,949	2,349
Current portion of certificates payable	<u>725,826</u>	<u>-</u>	<u>725,826</u>	<u>-</u>
Total current liabilities	<u>1,906,876</u>	<u>25,435</u>	<u>1,932,311</u>	<u>41,008</u>
Noncurrent liabilities				
Accrued compensated absences	31,685	3,850	35,535	21,138
Net pension liability	467,823	-	467,823	-
OPEB liability	145,700	-	145,700	-
Certificates payable (net of unamortized deferred amounts)	<u>8,103,107</u>	<u>-</u>	<u>8,103,107</u>	<u>-</u>
Total noncurrent liabilities	<u>8,748,315</u>	<u>3,850</u>	<u>8,752,165</u>	<u>21,138</u>
<b>Total liabilities</b>	<u>10,655,191</u>	<u>29,285</u>	<u>10,684,476</u>	<u>62,146</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow related to pension	<u>198,559</u>	<u>-</u>	<u>198,559</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,537,489	2,138,088	14,675,577	277,232
Unrestricted net position	<u>3,968,856</u>	<u>129,460</u>	<u>4,098,316</u>	<u>(43,445)</u>
<b>Total net position</b>	<u>\$ 16,506,345</u>	<u>\$ 2,267,548</u>	<u>\$ 18,773,893</u>	<u>\$ 233,787</u>

The accompanying notes are an integral part of this statement.

**CITY OF BAY CITY, TEXAS**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**
**PROPRIETARY FUNDS**
*For the year ended September 30, 2018*

	Business-type Activities			Governmental Activities
	Water and Sewer	Airport	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,696,073	295,063	\$ 7,991,136	\$ -
Other	83,248	9,128	92,376	-
<b>Total operating revenues</b>	<u>7,779,321</u>	<u>304,191</u>	<u>8,083,512</u>	<u>-</u>
<b>OPERATING EXPENSES</b>				
Water and sewer system	4,317,116	-	4,317,116	-
Airport	-	393,286	393,286	-
Maintenance	-	-	-	507,502
Information technology	-	-	-	523,206
Depreciation	1,847,334	191,190	2,038,524	130,275
<b>Total operating expenses</b>	<u>6,164,450</u>	<u>584,476</u>	<u>6,748,926</u>	<u>1,160,983</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	1,614,871	(280,285)	1,334,586	(1,160,983)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	51,490	241	51,731	190
Noncapital grants and contributions	-	15,870	15,870	-
Interest and fiscal charges	(267,003)	-	(267,003)	(888)
<b>Total nonoperating revenues (expenses)</b>	<u>(215,513)</u>	<u>16,111</u>	<u>(199,402)</u>	<u>(698)</u>
Income (loss) before contributions and transfers	1,399,358	(264,174)	1,135,184	(1,161,681)
Contributions and transfers				
Capital contributions	17,260	400,539	417,799	15,232
Transfers in	-	150,000	150,000	1,089,174
Transfers out	(1,157,152)	(632)	(1,157,784)	-
<b>Total contributions and transfers</b>	<u>(1,139,892)</u>	<u>549,907</u>	<u>(589,985)</u>	<u>1,104,406</u>
Change in net position	259,466	285,733	545,199	(57,275)
Total net position at beginning of year, as restated	<u>16,246,879</u>	<u>1,981,815</u>	<u>18,228,694</u>	<u>291,062</u>
<b>Total net position at end of year</b>	<u>\$ 16,506,345</u>	<u>\$ 2,267,548</u>	<u>\$ 18,773,893</u>	<u>\$ 233,787</u>

The accompanying notes are an integral part of this statement.

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2018

	Business-type Activities			Governmental Activities
	Water and Sewer	Airport	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 7,774,425	\$ 301,227	\$ 8,075,652	\$ 1,822
Cash paid to suppliers for goods and services	(2,575,079)	(302,890)	(2,877,969)	(617,196)
Cash paid to employees for services	(1,641,267)	(121,995)	(1,763,262)	(415,010)
<b>Net cash provided (used) by operating activities</b>	<u>3,558,079</u>	<u>(123,658)</u>	<u>3,434,421</u>	<u>(1,030,384)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers (to) from other funds	(1,157,152)	149,368	(1,007,784)	1,089,174
Noncapital grants and contributions	-	19,946	19,946	-
Increase (decrease) in customer deposits	<u>43,009</u>	<u>(1,035)</u>	<u>41,974</u>	<u>-</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,114,143)</u>	<u>168,279</u>	<u>(945,864)</u>	<u>1,089,174</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(609,967)	(54,794)	(664,761)	(18,865)
Proceeds from capital grants and contributions	526,864	-	526,864	1,839
Principal paid on long-term debt	(714,159)	-	(714,159)	(36,156)
Interest paid	<u>(278,546)</u>	<u>-</u>	<u>(278,546)</u>	<u>(888)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,075,808)</u>	<u>(54,794)</u>	<u>(1,130,602)</u>	<u>(54,070)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	<u>51,490</u>	<u>241</u>	<u>51,731</u>	<u>190</u>
<b>Net cash provided (used) by investing activities</b>	<u>51,490</u>	<u>241</u>	<u>51,731</u>	<u>190</u>
Net increase (decrease) in cash and cash equivalents	1,419,618	(9,932)	1,409,686	4,910
Cash and cash equivalents at beginning of year	<u>3,386,118</u>	<u>79,022</u>	<u>3,465,140</u>	<u>13,791</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,805,736</u>	<u>\$ 69,090</u>	<u>\$ 4,874,826</u>	<u>\$ 18,701</u>

(continued)

The accompanying notes are an integral part of this statement.

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2018

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 1,614,871	\$ (280,285)	\$ 1,334,586	\$ (1,160,983)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,847,334	191,190	2,038,524	130,275
Changes in assets and liabilities				
(Increase) decrease in accounts receivable	(4,896)	(1,678)	(6,574)	-
(Increase) decrease in inventory	-	(37,247)	(37,247)	-
(Increase) decrease in prepaid items	518	1,023	1,541	-
(Increase) decrease in deferred outflows	209,743	-	209,743	-
Increase (decrease) in accounts payable	(2,593)	756	(1,837)	5,326
Increase (decrease) in accrued expenses	1,791	1,130	2,921	(2,237)
Increase (decrease) in due to other funds	-	-	-	1,822
Increase (decrease) in unearned revenue	-	(1,285)	(1,285)	-
Increase (decrease) in net pension liability	(288,347)	-	(288,347)	-
Increase (decrease) in OPEB liability	31,197	-	31,197	-
Increase (decrease) in deferred inflows	148,943	-	148,943	-
Increase (decrease) in compensated absences	(482)	2,738	2,256	(4,587)
Total adjustments	<u>1,943,208</u>	<u>156,627</u>	<u>2,099,835</u>	<u>130,599</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 3,558,079</u>	<u>\$ (123,658)</u>	<u>\$ 3,434,421</u>	<u>\$ (1,030,384)</u>
<b>Noncash capital and related financing activities</b>				
Assets acquired from contributions	<u>\$ 17,260</u>	<u>\$ 400,539</u>	<u>\$ 417,799</u>	<u>\$ -</u>
Payment on capital lease from contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,393</u>

(concluded)



**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**September 30, 2018**

	Bay City Community Development Corporation	Bay City Gas Company	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,266,491	\$ 797,520	\$ 2,064,011
Investments	-	2,032,173	2,032,173
Receivables (net)	24,486	236,404	260,890
Due from other governments	119,622	-	119,622
Prepaid items	-	10,263	10,263
Inventory	-	55,482	55,482
Restricted assets			
Cash and cash equivalents	-	210,029	210,029
Investments	-	209,620	209,620
Total current assets	1,410,599	3,551,491	4,962,090
Noncurrent assets			
Due from employee	-	8,036	8,036
Capital assets			
Land and other assets not being depreciated	453,763	340,427	794,190
Buildings, improvements, and equipment (net)	16,527,826	1,355,571	17,883,397
Net capital assets	16,981,589	1,695,998	18,677,587
Total noncurrent assets	16,981,589	1,704,034	18,685,623
<b>Total assets</b>	<b>18,392,188</b>	<b>5,255,525</b>	<b>23,647,713</b>
<b>LIABILITIES</b>			
Accounts payable	64,290	75,743	140,033
Accrued expenditures	6,358	803	7,161
Accrued interest payable	28,660	-	28,660
Due to primary government	14,783	-	14,783
Deposits	50,000	419,649	469,649
Long-term liabilities			
Due within one year	370,608	-	370,608
Due in more than one year	10,573,830	-	10,573,830
<b>Total liabilities</b>	<b>11,108,529</b>	<b>496,195</b>	<b>11,604,724</b>
<b>NET POSITION</b>			
Net investment in capital assets	6,037,151	1,695,998	7,733,149
Unrestricted	1,246,508	3,063,332	4,309,840
<b>Total net position</b>	<b>\$ 7,283,659</b>	<b>\$ 4,759,330</b>	<b>\$ 12,042,989</b>

The accompanying notes are an integral part of this statement.

**CITY OF BAY CITY, TEXAS****STATEMENT OF ACTIVITIES****COMPONENT UNITS***For the year ended September 30, 2018*

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Component Units</b>				
Bay City Community Development Corporation	\$1,708,712	\$ 747,316	\$ -	\$ -
Bay City Gas Company	<u>2,444,797</u>	<u>2,919,301</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$4,153,509</u>	<u>\$ 3,666,617</u>	<u>\$ -</u>	<u>\$ -</u>

## General revenues:

## Taxes:

Sales taxes

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of this statement.

---

Net (Expense) Revenue and Changes in Net Position		
Component Units		
Bay City Community Dev. Corporation	Bay City Gas Company	Total
\$ (961,396)	\$ -	\$ (961,396)
-	474,504	474,504
(961,396)	474,504	(486,892)
1,425,954	-	1,425,954
9,223	18,976	28,199
35,615	-	35,615
1,470,792	18,976	1,489,768
509,396	493,480	1,002,876
6,774,263	4,265,850	11,040,113
<u>\$ 7,283,659</u>	<u>\$ 4,759,330</u>	<u>\$ 12,042,989</u>

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The City of Bay City, Texas (the "City") is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles (GAAP) in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the Bay City Community Development Corporation, ("the Corporation") and the Bay City Gas Company (the "Gas Company") as discretely presented component units. The Corporation has a September 30 year-end and the Company has a March 31 year-end. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

Discretely Presented Component Units

Bay City Community Development Corporation

The Bay City Community Development Corporation (the "Corporation") has been included in the reporting entity as a discretely presented component unit. In 1994, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, and developing commercial, industrial and manufacturing enterprises and to promote and encourage employment and public welfare within the City. The Board of Directors consists of seven members, which are appointed by the City Council. Services provided by the Corporation almost exclusively benefit the City in that the development of the area within the community increases the tax bases, resulting in additional tax revenue to the City. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City. The operations of the Corporation are presented as a governmental fund type. Complete financial statements for the Company may be obtained from its administrative offices.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

A. Reporting Entity - (Continued)

Discretely Presented Component Units - (Continued)

Bay City Gas Company

The Bay City Gas Company (the "Gas Company") has been included in the reporting entity as a discretely presented component unit. The Gas Company provides for the distribution of natural gas services throughout the City, is controlled by a permanent three-person board, which was originally appointed by Victor LeTulle, who contributed the gas distribution system to the City in 1938. The board is comprised of two lifetime members with the City's mayor serving as the third member. The board is self-perpetuating with the lifetime members appointing their successors. The board is responsible for the daily operations and policies of the gas utility.

Historically, the Gas Company has made contributions from its profits to the City for capital improvements. Also included as part of these contributions are gas services to City facilities and volunteer firemen, which are not billed by the Gas Company. For the year ended March 31, 2018 these contributions totaled \$166,000. Complete financial statements for the Gas Company may be obtained from its administrative offices.

B. Government-wide and Fund Financial Statements

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

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

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

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

The City reports the following major governmental funds:

The General Fund is the 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 Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City has three Capital Project Funds, one of which has been reported as a major fund. The 2016 Capital Project Fund is used to account for the proceeds and expenditures of the 2016 debt issue.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds

The City reports the following major proprietary funds:

Enterprise Funds are used to account for operations: 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

The Water and Sewer Fund accounts for the activities of the City related to its sewage treatment plant and water distribution system.

The Airport Fund accounts for the operation of the City's airport.

Additionally, the City reports the following fund types:

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

The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City maintains two Internal Service Funds which are the Maintenance Fund and the Information Technology Fund.

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

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

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

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



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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Annual appropriated budgets are adopted for the General Fund and Debt Service Fund using the same basis of accounting as for financial reporting. All annual appropriations lapse at year-end. Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in the total budgeted appropriations must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function or department, to another activity, function or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

In cooperation with the department heads of the City, the City Finance Director prepares an annual budget for the General Fund and the Debt Service Fund for the ensuing fiscal year, in a form and style as deemed desirable by the Council. The budgets, as adopted must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and applicable bond covenants.

E. Deposits and Investments

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.

The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; 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; other obligations, the principal and interest of which are unconditionally 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; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

As of September 30, 2018, the City has adopted a formal investment policy.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

F. 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 "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. Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes. The allowance on the unpaid property taxes is equal to 10% of the outstanding property taxes and the allowance on the penalties and interest is equal to 70% of the assessed amount.

G. Inventory and Prepaid Items

Inventory reported in the Airport Fund is held for resale and is valued at the lower of cost (first-in, first-out) or market. Estimated cost is used when actual cost figures are not available.

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are reported as prepaid items (governmental funds) or prepaid expenses (proprietary funds) in the fund financial statements and as prepaid items in the government-wide financial statements.

H. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on capital assets of business-type activities when acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred during the period of construction until completion of the project with interest earned on invested proceeds over the same period.

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

<u>Assets</u>	<u>Years</u>
Buildings	39
Improvements other than buildings	39
Water and wastewater distribution system	25-50
Machinery and equipment	5-15
Public domain infrastructure	25-50

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****I. Compensated Absences**

The City allows twelve days sick leave per year for each full-time employee and further allows each employee to accumulate an unlimited number of days of sick leave. Upon termination, there is no provision to pay the employee for accumulated sick days.

The City's employees earn vacation which may be either taken or accumulated, up to certain amounts. Only earned leave is paid upon termination or retirement. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

All compensated absences pay is accrued when incurred in the government-wide and proprietary fund financial statements.

**J. Long-term Obligations**

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

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.

**K. Deferred Outflows/Inflows of Resources**

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

- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension or OPEB liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****K. Deferred Outflows/Inflows of Resources - (Continued)**

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

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

**L. 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. Information regarding the City's pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68.

**M. Fund Equity**

Fund balances of Governmental Funds classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Council through a resolution. Once the resolution is passed, the commitment remains in place until another resolution is passed to remove or revise the commitment.

Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. The Council has by resolution authorized the Finance Director or his/her designee to assign fund balance. Unlike commitments, assignments generally only exist temporarily and a formal action by the Council does not have to occur in order to remove the assignment.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

**N. Use of Estimates**

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

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**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****A. Budgetary Compliance**

Budgetary compliance is monitored at fund level in the Debt Service Fund. There was one situation of expenditures exceeding the amount appropriated during the fiscal year 2017-2018.

<u>Fund / Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
Debt Service Fund	\$ 1,784,000	\$1,786,580	\$ 2,580

These expenditures were funded by available fund balance in the Debt Service Fund.

**NOTE 3: DEPOSITS AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Public Funds Investment Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the City's and the depository bank's agent bank. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

As of September 30, 2018, the City had the following investments classified as cash and cash equivalents:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
TexPool	\$ 6,238,927	28
Texas CLASS	2,601,278	52

The pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. The pools use amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

**Interest Rate Risk**

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. TexPool and Texas CLASS weighted average maturities cannot exceed 60 days.

**Credit Risk**

The investment pools operate in full compliance with the Public Funds Investment Act. TexPool and Texas CLASS are rated AAAM by Standard & Poor's.

**Concentration of Credit Risk**

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

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**NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 110% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, this 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 investments or collateral securities that are in the possession of an outside party. All of the City's investments are invested in TexPool and Texas CLASS and they have no custodial credit risk.

**NOTE 4: RECEIVABLES**

Receivables at September 30, 2018, consist of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Airport Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:						
Accounts	\$ 284,198	\$ -	\$ 1,119,275	\$ 11,323	\$ -	\$ 1,414,796
Ad valorem taxes	578,942	67,787	-	-	-	646,729
Franchise taxes	91,943	-	-	-	-	91,943
Occupancy taxes	-	-	-	-	120,470	120,470
Municipal court fines	117,071	-	-	-	-	117,071
Other	789,895	-	11,885	-	-	801,780
Total gross receivables	1,862,049	67,787	1,131,160	11,323	120,470	3,192,789
Less: Allowances	952,876	17,463	143,314	-	-	1,113,653
Total net receivables	<u>\$ 909,173</u>	<u>\$ 50,324</u>	<u>\$ 987,846</u>	<u>\$ 11,323</u>	<u>\$ 120,470</u>	<u>\$ 2,079,136</u>

The City's governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 377,454	\$ -	\$ 377,454
Fines	29,268	-	29,268
Other	125,542	-	125,542
Debt Service Fund			
Ad valorem taxes	50,324	-	50,324
Nonmajor Funds			
Fines and forfeitures	-	9,665	9,665
	<u>\$ 582,588</u>	<u>\$ 9,665</u>	<u>\$ 592,253</u>

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**NOTE 4: RECEIVABLES - (Continued)**

The City's property taxes are levied annually on October 1<sup>st</sup> on the basis of the Appraisal District's assessed values as of January 1<sup>st</sup> of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Matagorda County Tax Office and are due and payable on January 31<sup>st</sup>. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on the property on January 1<sup>st</sup> of the subsequent calendar year.

For the current year, the City levied property taxes of \$0.65500 per \$100 of assessed valuation, for maintenance and operations, \$0.51100 and interest and sinking, \$0.14400. The resulting adjusted total tax levy was \$5,305,771 on the total adjusted taxable valuation of \$810,967,405 for the 2017 tax roll.

**NOTE 5: CAPITAL ASSETS**

The City's capital assets activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 1,495,007	\$ 108,900	\$ -	\$ 1,603,907
Construction in progress	2,212,209	2,376,749	-	4,588,958
Total capital assets not being depreciated	3,707,216	2,485,649	-	6,192,865
Capital assets, being depreciated				
Machinery and equipment	9,896,171	79,791	340,630	9,635,332
Buildings	4,825,933	710,651	10,000	5,526,584
Infrastructure	30,011,878	-	50,000	29,961,878
Total capital assets being depreciated	44,733,982	790,442	400,630	45,123,794
Less accumulated depreciation for				
Machinery and equipment	7,497,742	606,553	340,630	7,763,665
Buildings	4,516,069	261,537	10,000	4,767,606
Infrastructure	15,741,490	1,005,881	30,234	16,717,137
Total accumulated depreciation	27,755,301	1,873,971	380,864	29,248,408
Total capital assets being depreciated, net	16,978,681	(1,083,529)	19,766	15,875,386
Governmental activities capital assets, net	\$ 20,685,897	\$ 1,402,120	\$ 19,766	\$22,068,251

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**NOTE 5: CAPITAL ASSETS - (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 381,117	\$ -	\$ -	\$ 381,117
Construction in progress	264,075	1,134,565	613,744	784,896
Total capital assets not being depreciated	<u>645,192</u>	<u>1,134,565</u>	<u>613,744</u>	<u>1,166,013</u>
Capital assets, being depreciated				
Machinery and equipment	12,602,520	55,855	12,708	12,645,667
Buildings and improvements	1,109,191	-	-	1,109,191
Infrastructure	33,629,738	613,744	-	34,243,482
Total capital assets being depreciated	<u>47,341,449</u>	<u>669,599</u>	<u>12,708</u>	<u>47,998,340</u>
Less accumulated depreciation for				
Machinery and equipment	5,906,417	948,280	12,708	6,841,989
Buildings and improvements	690,052	7,498	-	697,550
Infrastructure	17,037,558	1,082,746	-	18,120,304
Total accumulated depreciation	<u>23,634,027</u>	<u>2,038,524</u>	<u>12,708</u>	<u>25,659,843</u>
Total capital assets being depreciated, net	<u>23,707,422</u>	<u>(1,368,925)</u>	<u>-</u>	<u>22,338,497</u>
Business-type activities capital assets, net	<u>\$ 24,352,614</u>	<u>\$ (234,360)</u>	<u>\$ 613,744</u>	<u>\$23,504,510</u>

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

**Governmental activities**

General government	\$ 104,931
Public safety	243,691
Public works	1,162,412
Cultural and recreation	232,662
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>130,275</u>
Total depreciation expense - governmental activities	<u>\$ 1,873,971</u>

**Business-type activities**

Water and sewer	\$ 1,847,334
Airport	<u>191,190</u>
Total depreciation expense - business-type activities	<u>\$ 2,038,524</u>



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**NOTE 6: DEFINED BENEFIT PENSION PLAN****Plan Description**

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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 TMRS 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 comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the 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. Plan provisions of the City for plan year 2018 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	
(expressed as age/years of service)	60/5, 0/25
Updated service credit	100.0% repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	102
Inactive employees entitled to but not yet receiving benefits	102
Active employees	<u>160</u>
	<u>364</u>

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The 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 were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.96% and 9.61% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$729,678, and were equal to the required contributions.

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**NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)****Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	3.0%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disables annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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**NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)****Net Pension Liability - (Continued)****Actuarial Assumptions - (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
<b>Total</b>	<b><u>100.00%</u></b>	

**Discount Rate**

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balance at 12/31/2016</b>	\$ 33,149,112	\$ 28,701,050	\$ 4,448,062
Changes for the year:			
Service cost	822,110	-	822,110
Interest	2,215,411	-	2,215,411
Changes of benefit terms	-	-	-
Difference between expected and actual experience	71,726	-	71,726
Change of assumptions	-	-	-
Contributions - Employer	-	760,275	(760,275)
Contributions - Employee	-	381,667	(381,667)
Net investment income	-	3,974,802	(3,974,802)
Benefit payments, including refunds of employee contributions	(1,478,531)	(1,478,531)	-
Administrative expense	-	(20,615)	20,615
Other changes	-	(1,045)	1,045
Net changes	<u>1,630,716</u>	<u>3,616,553</u>	<u>(1,985,837)</u>
<b>Balance at 12/31/2017</b>	<b><u>\$ 34,779,828</u></b>	<b><u>\$ 32,317,603</u></b>	<b><u>\$ 2,462,225</u></b>

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**NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)****Net Pension Liability - (Continued)*****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 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:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	\$7,289,549	\$2,462,225	\$(1,487,429)

***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](http://www.tmrs.com).

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

For the year ended September 30, 2018 the City recognized pension expense of \$733,032.

At September 30, 2018, 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	\$ 62,409	\$ 101,832
Changes in actuarial assumptions	25,402	-
Difference between projected and actual investment earnings	-	798,192
Contributions subsequent to the measurement date	529,264	-
Total	\$ 617,075	\$ 900,024

\$617,075 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2018	\$ 27,702
2019	(35,576)
2020	(396,843)
2021	(407,498)
2022	-
Thereafter	-
Total	\$ (812,215)

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**NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)****Plan Description and Benefits Provided**

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

**Membership**

At the December 31, 2017 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	82
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>160</u>
Total	<u>257</u>

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.23%	0.08%
2018	0.22%	0.07%

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**NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)****Total OPEB Liability**

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

**Actuarial Assumptions**

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Inflation	2.5%
Salary increases	3.5% to 10.5 % including inflation
Discount rate	3.31%; based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**Implementing GASB Statement No. 75**

In the year of implementation (fiscal year ended September 30, 2018), the City made a prior period adjustment for the Total OPEB Liability as of the 12/31/16 measurement date and recorded a deferred outflow of resources for contributions recorded by the City (retiree portion of SDB rate only) from December 31, 2016 to September 30, 2017. TMRS elected not to calculate other deferrals as of the December 31, 2016 measurement date.

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**NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)****Total OPEB Liability - (Continued)***Changes in Total OPEB Liability*

The following details the changes in the Total OPEB liability:

<b>Balance at 12/31/16</b>	<b>\$ 482,561</b>
Changes for the year:	
Service cost	16,793
Interest	18,443
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	39,009
Benefit payments	(6,107)
Net changes	<u>68,138</u>
<b>Balance at 12/31/17</b>	<b><u>\$ 550,699</u></b>

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1.0% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1.0% Increase in Discount Rate (4.31%)
City's Total OPEB Liability:	\$649,068	\$550,699	\$472,245

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$42,991.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in actuarial assumptions	31,254	-
Contributions subsequent to the measurement date	12,116	-
Total	\$ 43,370	\$ -

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**NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)**

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended December 31:	OPEB Expense Amount
2018	\$ 7,755
2019	7,755
2020	7,755
2021	7,755
2022	234
Thereafter	-
Total	\$ 31,254

**NOTE 8: RETIREE HEALTH BENEFIT PLAN (OPEB)****Plan Description**

In addition to providing pension benefits, the City provides medical benefits to eligible retirees and dependents with postemployment health care benefits through a single-employer postemployment healthcare plan (the "plan") administered by Texas Municipal League Multistate Intergovernmental Employee Benefits Pool. A separate audited financial report is not issued on the plan. All permanent full-time employees of the City are eligible to participate in the retiree health care plan. In order for a City employee to be eligible for this benefit, he or she must currently be enrolled in the health care policy and be eligible to retire through TMRS. The City's TMRS retirement eligibility is five years of service credit and at least 60 years of age or 25 years of service credit at any age. For retiree medical eligibility, there is no minimum service requirement with the City.

Members that terminate before normal retirement conditions are not eligible for retiree health care. The City does not provide death-in-service benefits to a surviving spouse other than COBRA. Employees who retire under a disability retirement are immediately eligible for retiree health care benefits. For a spouse to be eligible for retiree health care benefits, the spouse must be enrolled in the plan at the time of the retiree's retirement. This health care coverage can continue to the surviving spouse of deceased retiree if the spouse had coverage prior to the member's death. A surviving spouse who chooses to maintain their coverage is required to pay the rate for dependent coverage.

Retirees have the option to maintain their health care coverage after they become eligible for Medicare. The City does not require retirees to enroll in Medicare. The City does not provide an "opt-out" benefit for retirees. There is no incentive if they do not elect coverage.

The retiree pays 100% of the monthly premium for health coverage. Retiree may purchase retiree health care coverage for eligible spouses and dependents at their own expense. The following are the monthly premiums effective October 1, 2018:

Plan	Employee Only	Employee & Spouse
Base Medical Plan	\$ 563.84	\$ 923.55
Buy-Up Medical Plan	759.89	1,595.74
Dental	19.26	71.30



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**NOTE 8: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)****Plan Description - (Continued)**

At the December 31, 2017 valuation and measurement date, the following represents the participants in the plan:

Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>143</u>
Total plan members	<u>144</u>

**Total OPEB Liability*****Funded Status***

As of September 30, 2018, the most recent valuation date, the Total OPEB Liability for benefits was \$216,140, all of which was unfunded. There are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

***Actuarial Methods and Assumptions***

Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. The actuarial methods and assumptions used in the December 31, 2017 valuation are as follows:

Actuarial method	Individual entry age normal cost method
Discount rate	3.31%
Inflation	2.50%
Salary increases	3.50% to 10.50%, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the TMRS
Mortality	For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health care trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 14 years
Participation rates	20% of those retiring between ages 50 and 65 were assumed to elect medical coverage through the City's plan

***Implementing GASB Statement No. 75***

In the year of implementation (fiscal year ended September 30, 2018), the City made a prior period adjustment for the Total OPEB Liability as of September 30, 2017.

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**NOTE 8: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)****Total OPEB Liability** - (Continued)*Changes in Total OPEB Liability*

The following details the changes in the Total OPEB liability:

<b>Balance at 12/31/16</b>	<b>\$ 190,988</b>
Changes for the year:	
Service cost	11,720
Interest	7,406
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	10,949
Benefit payments	(4,923)
Net changes	25,152
<b>Balance at 12/31/17</b>	<b>\$ 216,140</b>

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1.0% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1.0% Increase in Discount Rate (4.31%)
City's Total OPEB Liability:	\$240,226	\$216,140	\$194,862

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

The following presents the Net OPEB Liability of the City, calculated using the trend rate, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1.0% Decrease in Trend Rate	Trend Rate	1.0% Increase in Trend Rate
City's Net OPEB Liability:	\$190,252	\$216,140	\$247,436

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$20,489.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in actuarial assumptions	9,586	-
Differences between projected and actual investments	3,670	-
Total	\$ 13,256	\$ -

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**NOTE 8: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)**

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended September 30:	OPEB Expense Amount
2019	\$ 1,363
2020	1,363
2021	1,363
2022	1,363
2023	1,363
Thereafter	2,771
Total	\$ 9,586

**NOTE 9: RISK MANAGEMENT**

The City is exposed to various risks of loss encompassed in the areas of general liabilities, workers' compensation claims, and employee health related expenses. The City has purchased general liability and workers' compensation insurance to cover potential losses in those areas. The City has entered into interlocal agreements with the Texas Municipal League Intergovernmental Risk Pool for general liability and workers' compensation coverage. Through the payment of contributions to the Texas Municipal League Intergovernmental Risk Pool, the City has transferred these risks to the pool. The City has not retained any risks other than the deductible and is covered up to the limits of coverage after the deductible. Settlements of claims did not exceed insurance coverage for any of the past three years.

The City has also entered into an interlocal agreement with the Texas Municipal League Group Benefits Risk Pool for health insurance for its employees. The City pays the health care premiums for City employees. Employees have the option of paying dependent coverage via payroll deductions. The City has no liability for any claims incurred by participants in this plan.

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**NOTE 10: LONG-TERM DEBT****Changes in Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds and certificates payable					
General obligation bonds	\$ 2,645,000	\$ -	\$ 355,000	\$ 2,290,000	\$ 360,000
Certificates of obligation	9,353,103	-	965,841	8,387,262	979,175
Plus deferred amounts:					
Bond premium	391,643	-	33,184	358,459	-
Total bonds and certificates payable	12,389,746	-	1,354,025	11,035,721	1,339,175
Tax notes	200,000	1,285,000	99,000	1,386,000	126,000
Capital lease payable	49,549	-	49,549	-	-
Net pension liability	3,691,892	-	1,697,490	1,994,402	-
OPEB liability	559,046	62,093	-	621,139	-
Compensated absences	292,233	377,183	363,454	305,962	30,596
Total governmental activity					
long-term liabilities	<u>\$ 17,182,466</u>	<u>\$ 1,724,276</u>	<u>\$ 3,563,518</u>	<u>\$ 15,343,224</u>	<u>\$ 1,495,771</u>
<b>Business-type activities</b>					
Certificates payable					
Certificates of obligation	\$ 9,381,907	\$ -	\$ 714,159	\$ 8,667,748	\$ 725,826
Plus deferred amounts:					
Bond premium	171,344	-	10,159	161,185	-
Total certificates payable	9,553,251	-	724,318	8,828,933	725,826
Net pension liability	756,170	-	288,347	467,823	-
OPEB liability	114,503	31,197	-	145,700	-
Compensated absences	37,228	61,633	59,377	39,484	3,949
Total business-type activity					
long-term liabilities	<u>\$ 10,346,649</u>	<u>\$ 61,633</u>	<u>\$ 1,072,042</u>	<u>\$ 9,336,240</u>	<u>\$ 729,775</u>

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**NOTE 10: LONG-TERM DEBT - (Continued)**General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bonds have been issued for both governmental activities.

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

	<u>Term</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Refunding Series 2013	2013 - 2024	3.00% - 4.50%	\$ 4,975,000

Annual debt service requirements to maturity for general obligation refunding bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 360,000	\$ 45,800	\$ 405,800
2020	370,000	38,600	408,600
2021	375,000	31,200	406,200
2022	385,000	23,700	408,700
2023	395,000	16,000	411,000
2024	405,000	8,100	413,100
	<u>\$ 2,290,000</u>	<u>\$ 163,400</u>	<u>\$ 2,453,400</u>

Combination Tax and Revenue Certificates of Obligation

The City also issues combination tax and revenue certificates of obligation (C.O.'s) to provide funds for the acquisition and construction of major capital facilities payable from the proceeds of an annual ad valorem tax and further payable from a junior and subordinate pledge of the net revenues of the City's water and sewer system. The C.O.'s have been issued for both governmental and business-type activities. C.O.'s currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Certificates of Obligation 2009 Series	2009-2019	3.00% - 3.50%	\$ 5,000,000
Certificates of Obligation 2010 Series	2010-2030	4.50%	3,300,000
Certificates of Obligation 2012 Series	2013-2027	0.7% - 3.3%	9,530,000
Certificates of Obligation 2014 Series	2014-2034	2.0% - 4.0%	3,995,000
Certificates of Obligation 2016 Series	2016-2036	2.0% - 3.0%	5,665,000

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**NOTE 10: LONG-TERM DEBT - (Continued)**Combination Tax and Revenue Certificates of Obligation - (Continued)

Annual debt service requirements to maturity for certificates of obligation are as follows:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 979,175	\$ 276,495	\$ 725,826	\$ 260,053	\$ 2,241,549
2020	421,258	245,286	748,742	239,387	1,654,673
2021	429,592	233,155	770,409	217,893	1,651,049
2022	446,675	220,757	793,325	195,766	1,656,523
2023	458,759	207,274	816,242	172,799	1,655,074
2024-2028	2,536,713	809,314	3,643,289	488,188	7,477,504
2029-2033	2,250,471	353,310	764,533	141,190	3,509,504
2034-2036	864,619	49,152	405,382	23,498	1,342,651
	<u>\$ 8,387,262</u>	<u>\$ 2,394,743</u>	<u>\$ 8,667,748</u>	<u>\$ 1,738,774</u>	<u>\$ 21,188,527</u>

Tax Notes

The City also issues tax notes to provide funds for the acquisition, repair, replacement and construction of facilities and equipment. The tax notes have been issued for governmental activities and currently outstanding are as follows:

	Term	Interest Rate	Original Amount
Tax Notes - 2013 Series	2013-2019	1.37%	\$ 642,000
Tax Notes - 2018 Series	2019-2025	3.01%	1,285,000

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

Year	Governmental Activities		Total
	Principal	Interest	
2019	\$ 126,000	\$ 41,781	\$ 167,781
2020	195,000	37,926	232,926
2021	200,000	32,057	232,057
2022	205,000	26,036	231,036
2023	210,000	19,866	229,866
2024-2025	450,000	17,007	467,007
	<u>\$ 1,386,000</u>	<u>\$ 174,673</u>	<u>\$ 1,560,673</u>

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**NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS****Interfund Receivables and Payables**

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2018, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 10,010
	Internal Service Funds	
	Maintenance	<u>1,822</u>
		<u>\$ 11,832</u>

**Interfund Transfers**

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise funds to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds. In most cases there is not a specific reason for the amount of the transfer or the purpose other than to subsidize the receiving fund. During the current fiscal year, transfers between funds consisted of the following:

<u>Transfers In</u>						
<u>Transfers Out</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Airport Fund</u>	<u>Internal Service Funds</u>	<u>Nonmajor Govt. Funds</u>	<u>Total</u>
General	\$ -	\$ 594,550	\$ 150,000	\$ 546,466	\$ 189,992	\$ 1,481,008
Nonmajor Govt. Funds	389,560	-	-	-	52,745	442,305
Water and Sewer	463,000	-	-	542,076	152,076	1,157,152
Airport	-	-	-	632	-	632
	<u>\$ 852,560</u>	<u>\$ 594,550</u>	<u>\$ 150,000</u>	<u>\$ 1,089,174</u>	<u>\$ 394,813</u>	<u>\$ 3,081,097</u>

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**NOTE 12: COMMITMENTS AND CONTINGENCIES****Grant Programs**

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2018, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**Litigation**

The City was not involved in any litigation as of September 30, 2018, and management was not aware of any threatened litigation or unasserted claims as of that date.

**Construction Commitments**

As of September 30, 2018, the following construction projects were in progress:

<u>Project Description</u>	<u>Costs Incurred To Date</u>	<u>Estimated Remaining Costs</u>	<u>Source of Funds</u>
<b>Governmental activities:</b>			
2016 capital improvements	\$ 2,166,356	\$ 852,354	City
Nile Valley	1,714,683	2,500,000	City
Ave H & 6th St. sidewalk project	13,750	311,250	City/Grant
SH 60 sidewalk project	21,000	415,425	City/State
New recycling center	40,942	597,154	City/Grant
Theatre Arts Center	360,088	2,139,912	City
City-wide roof replacements	216,971	216,971	City
City Hall generator	17,260	145,222	City/Grant
Fire Department generator	17,260	45,724	City/Grant
Civic Center generator	20,647	190,335	City/Grant
	<u>4,588,957</u>	<u>7,414,347</u>	
<b>Business-type activities:</b>			
Grace St. water plant rehab	625,877	29,123	City
Cottonwood lift station rehab	80,858	47,555	City
SH 60 water line improvements	34,970	197,359	City
Airport lighting project	6,667	1,144,333	City/State
AVGAS site & terminal	19,264	31,632	City
Warehouse generator	17,260	141,043	City/Grant
	<u>784,896</u>	<u>1,591,045</u>	
	<u>\$ 5,373,853</u>	<u>\$ 9,005,392</u>	



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**NOTE 13: FUND BALANCES**

The following is a detail of the governmental fund balances at September 30, 2018.

	Governmental Fund Balances			
	Nonspendable	Restricted	Unassigned	Total
General				
Prepaid items	\$ 49,261	\$ -	\$ -	\$ 49,261
Unassigned	-	-	2,169,106	2,169,106
2016 Capital Project				
Various capital projects	-	1,091,206	-	1,091,206
Debt Service				
Retirement of long-term debt	-	191,351	-	191,351
Nonmajor Governmental				
Prepaid items	14,849	-	-	14,849
Tourism	-	404,406	-	404,406
Municipal court	-	65,170	-	65,170
General government	-	15,851	-	15,851
Culture and recreation:				
Parks	-	52,213	-	52,213
Public safety: Police	-	40,023	-	40,023
Various capital projects	-	1,492,035	-	1,492,035
	<u>\$ 64,110</u>	<u>\$ 3,352,255</u>	<u>\$ 2,169,106</u>	<u>\$ 5,585,471</u>

**NOTE 14: SALES TAX REIMBURSEMENT AND ECONOMIC INCENTIVE AGREEMENTS**

The City has executed a sales tax reimbursement agreement and multiple economic incentive agreements, authorized under Chapter 380 of the Local Government Code, with various business entities.

The purpose of the incentive is to create jobs, and invigorate the local economy. The companies are a tax collecting entity inside and outside the city limits engaged in desirable economic development activities. In addition to the 380 agreements the City also has entered into a Chapter 312 agreement with one entity which the purpose of the incentive is identical to the Chapter 380 agreements.

The agreements are contingent upon the following conditions: a) Certain minimum number of full-time jobs must be created and maintained, and b) a certain amount of capital investment must be made by the participating entities. If conditions are not met the agreements will be null and void, and the City will have no further obligations

The agreements, both Chapter 380 and 312 are typically for a period of 10 year, unless terminated sooner. For the year ended September 30, 2018 the City incurred costs of \$0 related to the mixed beverage tax reimbursement agreement related to Chapter 380 economic incentive agreements. To date there has been no tax abatements granted under the Chapter 312 agreements due to certain aspects of the agreement not being completed as of September 30, 2018.

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**NOTE 15: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

The GASB has issued the following statement which became effective for fiscal year 2018:

GASB Statement No. 75: Accounting and Financial Reporting for Post-employment Benefits Other than Pensions replaces previous authoritative literature. For plans that do not have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the total OPEB liability and the related OPEB expense on their financial statements along with the related deferred outflows and inflows of resources. In addition to the deferred outflows/inflows associated with plan experience and assumption changes, the standard requires the benefit payments and administrative costs incurred subsequent to the measurement date and before the end of the employer's reporting period to be reported as a deferred outflow of resources.

The implementation of GASB No. 75 resulted in the restatement of beginning net position for the recording of the beginning OPEB liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying the change results in the adjustments below.

	<u>Government-wide</u>		<u>Fund Level</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water and Sewer</u>
Net position at September 30, 2017, as previously reported	\$ 11,548,096	\$ 18,340,373	\$ 16,358,558
Recording of Total OPEB - Health liability as of September 30, 2017	(158,520)	(32,468)	(32,468)
Deferral for OPEB - Health contributions made after the measurement date	3,070	629	629
Recording of Total OPEB - SDB liability as of September 30, 2017	(400,526)	(82,035)	(82,035)
Deferral for OPEB - SDB contributions made after the measurement date	<u>10,717</u>	<u>2,195</u>	<u>2,195</u>
Net position at September 30, 2017, as restated	<u>\$ 11,002,837</u>	<u>\$ 18,228,694</u>	<u>\$ 16,246,879</u>

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**NOTE 16: BAY CITY COMMUNITY DEVELOPMENT CORPORATION****A. Organization**

Bay City Community Development Corporation (CDC) is a public instrumentality and nonprofit economic development corporation under Section 4B of the Development Corporation Act of 1979, Article 5190.6 of the Revised Civil Statutes of Texas (the "Act") on March 13, 1998. Under the Act, the Board of Directors consists of five members appointed by and who serve at the pleasure of the City Council of the City of Bay City, Texas (the "City") for two-year terms.

CDC is organized exclusively for the purpose of benefiting and accomplishing public purposes of the City, by promoting, assisting and enhancing economic development activities for the City.

CDC prepares annual financial statements as of September 30 of each year. CDC reports its financial results as a governmental type entity.

**B. Summary of Significant Accounting Policies**

The accounting and reporting policies of Bay City Community Development Corporation conform to generally accepted accounting principles (GAAP), as applicable to governmental units. The more significant accounting policies are described below.

**1. Reporting Entity - Component Unit Status**

CDC is reported as a component unit of the City of Bay City, Texas in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. CDC meets the criteria established by the GASB to be a component unit of the City, due to the fact that the City Council of Bay City appoints each member of its Board of Directors. CDC is included in the City's annual financial statements as a discretely presented component unit.

**2. Government-wide and Fund Accounting**

The combined government-wide and fund financial statements (i.e., the Statement of Net Position and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance) report information on all activities of CDC.

The combined Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance demonstrate the degree to which the direct expenses of CDC are offset by program revenues. Direct expenses are those that are clearly identifiable with CDC's specific function, that of economic development. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide and fund financial statements are provided for CDC with a column for adjustments between the two statements.

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**NOTE 16: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

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

The government-wide information (i.e., the columns labeled "Statement of Net Position" and "Statement of Activities") in the financial statements is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund (i.e., the column labeled "General Fund") financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, CDC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred.

Sales taxes and interest revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when CDC receives cash.

CDC reports the following major governmental fund:

General Fund - The General Fund is CDC's operating fund. All financial resources are accounted for in the General Fund. The General Fund's transactions consist primarily of revenues realized from the collection of sales tax revenue dedicated to the purpose of economic development and income received on operating leases.

CDC reports no other funds.

4. Budgets and Budgetary Accounting

In accordance with CDC's articles of incorporation, the budget for the forthcoming fiscal year shall be submitted to, and approved by, the Board of Directors, and the City Council of the City. In submitting the budget to the City Council, the Board of Directors shall submit the budget on forms prescribed by the City's mayor and in accordance with the annual budget preparation schedule as set forth by the City's mayor. The budget shall be submitted to the City's mayor for inclusion in the annual budget presentation to the City Council. The budget proposed for adoption shall include the projected operating expenses, and such other budgetary information as shall be useful to or appropriate for the Board of Directors and the City Council of the City.

The budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by functions/categories. Expenditures may not exceed appropriations at the line-item level for project expenditures, the administration does have the authority to modify the budget for certain administrative and prospect expenditures. Within these above control levels, the Board of Directors may transfer appropriations without approval by the City. Budgetary level of controls based on the above criteria are deemed to be at the line item level. Any unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

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**NOTE 16: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

5. Deposits and Investments

CDC'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.

CDC may invest its excess funds in certain instruments authorized by the Public Funds Investment Act (Chapter 2256.001 Texas Government Code). CDC limits the investment of excess funds to certificates of deposit issued by banking institutions and credit unions with office locations within the city limits of Bay City, Texas and Texas Local Government Investment Pool money market mutual fund. Investment balances with bank institutions should not exceed the limits of the Federal Deposit Insurance Corporation (FDIC).

CDC has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. Except as noted in Note 2, the investments of CDC are in compliance with CDC's investment policy.

6. Capital Assets

CDC's capital assets, which consist of land, buildings, and office equipment with an estimated useful life in excess of one year, are recorded at cost. Depreciation has been charged against these assets using the straight-line method of 39 years for buildings and five to seven years for equipment.

7. Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities statement of net position.

8. Compensated Absences

CDC offers to full-time employees vacation, sick, and emergency leave. Leave time is accrued at different rates and no payment is made by CDC in lieu of taking the time off. However, in the case of termination, only accrued vacation time through the date of termination will be paid upon approval of the Board of Directors. Accumulated vacation time benefits payable were not considered material to the accompanying financial statements. As such, no liability for these benefits has been reported as of September 30, 2018.

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**NOTE 16: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****C. Stewardship, Compliance, and Accountability****1. Budgetary Compliance**

Budgetary compliance is monitored at the line item level in the General Fund. There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2017-2018.

	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
Business expense	\$ 6,020	\$ 6,087	\$ 67
Equipment rental	2,000	2,685	685
Professional services	19,900	24,850	4,950
Camofest	-	24,781	24,781
Downtown parking lot	-	5,085	5,085
Main Street Program	25,000	25,635	635
Matagorda Co. Eco. Dev.	67,500	70,000	2,500
Training Center operations	100,000	139,041	39,041
Training classes	-	8,410	8,410
Salaries, wages, and benefits	256,595	277,210	20,615
Telephone	5,000	5,906	906
Travel	8,680	10,754	2,074
Utilities	4,500	5,664	1,164
Capital outlay	-	125,954	125,954
Interest and fiscal charges	377,923	472,430	94,507

These over expenditures were funded by available fund balance in the General Fund.

**D. Deposits and Investments**

As of September 30, 2018, CDC had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
TexPool	\$ 10,890	34

The investment pool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. The pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool.

**Interest Rate Risk**

In accordance with CDC's investment policy, CDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 36 months or less. CDC's certificates of deposits have original maturities that are 12 to 24 months.

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**NOTE 16: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**

D. Deposits and Investments - (Continued)

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. CDC was not exposed to credit risk.

Concentration of Credit Risk

CDC's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, CDC was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

CDC's custodial credit risk refers to the risk that in the event of a bank failure, CDC's deposits may not be returned to it. CDC's investment policies require that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to CDC by the depository in an amount equal to at least 102% of the carrying value of deposits held.

As of September 30, 2018, CDC had deposits in three local financial institutions and the deposits were FDIC insured at each institution up to \$250,000. At September 30, 2018, \$401,228 of the CDC's bank balance was uninsured.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, CDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. CDC was not exposed to custodial credit risk.

E. Sales Taxes

CDC, by law, is to receive one-fourth of the sales tax earned by the City and paid monthly to the City by the State of Texas. CDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2018, was \$119,622. The City collects the sales tax from the State of Texas and then pays CDC's portion monthly when collected.

F. Sales Tax Rebate Agreements

BCCDC, a municipal corporation, executed a sales tax reimbursement agreement, authorized under Chapter 380 of the Local Government Code, with the Apple Texas Restaurants, Inc. (Applebee's). The purpose of the incentive is to create jobs, and invigorate the local economy. The company is a tax collecting entity inside the city limits engaged in desirable economic development activities

BCCDC as part of a business development plan to bring in new businesses to the City, entered into a ten-year agreement effective December 31, 2013 with Applebee's whereby, BCCDC will rebate Applebee's monthly 0.5% of the sales tax collected as a result of Applebee's taxable sales. During the year ended September 30, 2018, no tax rebate expenditure was incurred due to the closing of Applebee's in August of 2018.

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**NOTE 16: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****F. Sales Tax Rebate Agreements - (Continued)**

The agreement provides for a maximum reimbursement of \$225,000 comprised of 10 years of sales tax rebates up to a maximum of \$20,000 per year, along with an agreement to reimburse Applebee's up to \$10,000 for building permits and \$25,000 for water and sewer tap reimbursements. Prior to the current fiscal year, Applebee's has been reimbursed \$1,518 for building permits and \$12,152 for sales tax.

Applebee's collects sales tax on each taxable transaction and then pays that tax on a monthly basis to the Texas Comptroller's Office. BCCDC's portion was reimbursed based on the twelve-month accumulation of Comptroller sales tax receipts. While recapture is applicable, no recapture is expected by management.

**G. Capital Assets**

CDC's capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 353,914	\$ 99,849	\$ -	\$ 453,763
Total capital assets not being depreciated	353,914	99,849	-	453,763
Capital assets, being depreciated				
Machinery and equipment	150,250	-	-	150,250
Buildings	18,621,798	26,105	-	18,647,903
Total capital assets being depreciated	18,772,048	26,105	-	18,798,153
Less accumulated depreciation for				
Machinery and equipment	(135,150)	(10,631)	-	(145,781)
Buildings	(1,647,008)	(477,538)	-	(2,124,546)
Total accumulated depreciation	(1,782,158)	(488,169)	-	(2,270,327)
Total capital assets being depreciated, net	16,989,890	(462,064)	-	16,527,826
Bay City City Development Corporation capital assets, net	\$ 17,343,804	\$ (336,110)	\$ -	\$ 16,981,589

Depreciation expense of \$488,169 was charged to the general government function/program.



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**NOTE 16: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****H. Long-term Debt**

Long-term liability activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable Series 2016	\$ 1,846,953	\$ -	\$ 79,145	\$ 1,767,808	\$ 81,046
Note payable Series 2016 A	1,932,814	-	82,825	1,849,989	84,814
Note payable TDECU	<u>6,520,696</u>	<u>979,304</u>	<u>173,359</u>	<u>7,326,641</u>	<u>204,748</u>
	<u>\$ 10,300,463</u>	<u>\$ 979,304</u>	<u>\$ 335,329</u>	<u>\$ 10,944,438</u>	<u>\$ 370,608</u>

In April 2016, the CDC refinanced their 2013 note payable with Government Capital Corporation Series 2016. Interest is fixed at an initial rate of 2.38% and is adjustable at the 5, 10, and 15-year anniversary. Principal and interest are payable on a quarterly basis of \$30,600 through April 2036. The note is secured by all sales and use taxes levied and collected.

In July 2016, the CDC borrowed an additional amount to finance a portion of the Family Entertainment Center in the amount of \$1,947,760. Interest is fixed at an initial rate of 2.38% and is adjustable at the 5, 10, and 15-year anniversary. Principal and interest are payable on a quarterly basis of \$30,600 through April 2036. The note is secured by all sales and use taxes levied and collected.

In January 2018, the CDC obtained permanent financing with TDECU in the amount of \$7,500,000 to fully finance the construction of the Family Entertainment Center. Interest is fixed at a rate of 5.00%. Principal and interest are payable on a monthly basis of \$47,200 through December 2022, at which time the balance of \$6,415,336 will be due subject to renewal. The note is secured by the Family Entertainment Center.

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 370,608	\$ 446,277	\$ 816,885
2020	384,077	432,807	816,884
2021	400,105	416,780	816,885
2022	6,859,572	401,031	7,260,603
2023	182,374	68,116	250,490
2024-2028	979,704	272,748	1,252,452
2029-2033	1,103,120	149,332	1,252,452
2034-2038	<u>664,878</u>	<u>23,971</u>	<u>688,849</u>
	<u>\$ 10,944,438</u>	<u>\$ 2,211,062</u>	<u>\$ 13,155,500</u>

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**NOTE 16: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**

I. Lessor Agreements

CDC leases a commercial building to three unrelated third parties. CDC pays all utility bills then invoices its tenants for reimbursement of their portion. The variable costs, which are insurance and maintenance, are not reimbursed. CDC receives \$75,600 in rental fees each year.

CDC leases the Family Entertainment Center to Schulman's Movie Bowl Grille, LLC (SMBG). The lease agreement between the CDC and SMBG is for SMBG to pay the debt on the Family Entertainment Center, which totaled \$569,963 at September 30, 2018. In January 2018, the CDC obtained permanent financing with TDECU in the amount of \$7,500,000 and SMBG will be responsible for paying the debt payment, including both principal and interest, in the amount of \$47,200 monthly. Beginning January 2018, SMBG has made monthly payments in the amount of \$50,000 each.

J. Fund Balances

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances - nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. CDC did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2018. This Statement did not have an impact on CDC's functions, financial position or results of operations.

K. Family Entertainment Center

On October 8, 2015, CDC entered into a lease agreement with Schulman's Movie Bowl Grille, LLC (SMBG). In connection with this agreement, CDC also entered into a Development Agreement with SMBG dated October 9, 2015. The Development Agreement defines the proposed project as the development of an estimated \$12 million cinema/family entertainment center, approximately 48,860 square feet, and a surface parking facility. SMBG will donate the land to CDC for the development. CDC will contract with a developer to oversee the design and construction of the facility at a cost of 3% of construction costs. CDC will borrow approximately \$7.5 million in order to construct the facility. SMBG is responsible for the installation of all furniture, fixtures, and equipment inside the facility. SMBG will then lease the facility from CDC for an amount equal to the debt service. In accordance with the lease agreement, CDC agrees to sell the facility anytime during the first five years at cost. The construction of the facility was completed during 2017. As of September 30, 2018 a total of \$12,049,495 of expenditures have been incurred on this project.

L. Employees' Retirement Plan

The CDC provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. Details of the funding arrangements can be found in the City of Bay City's comprehensive annual financial report. The employees of CDC are treated as employees of the City of Bay City for retirement plan purposes.

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**NOTE 17: BAY CITY GAS COMPANY****A. Summary of Significant Accounting Policies**

The combined financial statements of Bay City Gas Company (A Component Unit of the City of Bay City, Texas) (the "Company") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The Bay City Gas Company is a component unit of the City of Bay City, Texas, and designated profits are used primarily for capital improvements of the City. The Bay City Gas Company is a single purpose government engaged in a business-type activity. The Company has no oversight responsibility for any other governmental entity since no entities are considered to be controlled by or dependent upon them. The Board of Trustees consists of the current Mayor of the City of Bay City, Texas, and two lifetime members. The surviving life trustee appoints the new lifetime member. The Board of Trustees has the authority to significantly influence operations and to hire management. They are responsible and accountable for all fiscal matters.

**2. Basis of Presentation**

The Bay City Gas Company is a single purpose business-type activity. As such they present only the enterprise fund financial statements, as they would only mirror the government-wide statements. The required statements under GASB No. 34 are the statement of net position, statement of revenues, expenses and changes in fund net position, and statement of cash flows.

**3. Measurement Focus and Basis of Accounting**

These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**4. Budgetary Information**

Although proprietary funds are not required to adopt an annual budget, the Company has chosen to prepare and adopt annual budgets to aid in planning and monitoring of its activities. There were some insignificant variances in budget to actual as shown in the supplementary schedules.

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**NOTE 17: BAY CITY GAS COMPANY - (Continued)**

A. Summary of Significant Accounting Policies - (Continued)

5. Assets, Liabilities and Net Position

a. Cash and Cash Equivalents

The Company'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.

b. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurers' Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

c. Inventories

Inventories on the balance sheet are stated at latest cost. Inventory items are recorded as expenditures when they are consumed.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$2,500 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Utility system	20-40
Buildings	40
Furniture and fixtures	7-10
Vehicles	5-10
Equipment	3-10

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**NOTE 17: BAY CITY GAS COMPANY - (Continued)**

A. Summary of Significant Accounting Policies - (Continued)

5. Assets, Liabilities and Net Position - (Continued)

e. Compensated Absences

It is the policy of the Company to permit employees to accrue paid time off based on years of service. Unused paid time off may accumulate and carry forward up to a maximum of 120 or 160 hours which is paid upon termination. At March 31, 2018 the amount of accrued paid time off was determined to be immaterial to these financial statements and thus not recorded.

6. Enterprise fund operating and nonoperating revenues and expenses

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

7. Reclassifications

Certain reclassifications were made to the 2017 financial statements in order to conform to the 2018 financial statement presentation.

B. Deposits and Investments

Cash Deposits

Custodial credit risk - the risk that in the event of a bank failure, the government's deposits may not be returned to it. At March 31, 2018 the Company's bank balance was \$801,786. The Company's carrying balance was \$1,007,549. The amount was exposed to custodial credit risk, however, this exposure was collateralized by the applicable bank with pledge securities.

Investments

All investments made by the Gas Company complied with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations. The Company is authorized to invest in obligations of or guaranteed by the governmental entities, certificates of deposit, repurchase agreements, commercial paper, mutual funds and public fund investment pools.

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**NOTE 17: BAY CITY GAS COMPANY - (Continued)****B. Deposits and Investments - (Continued)****Investments - (Continued)**

The Company's investments at March 31, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Certificates of Deposit	< 3 years	FDIC	\$ 1,889,148	84.27%
Money Market Account	< 3 years	FDIC	351,243	15.67%
GNMA Pool	< 5 years	Not Rated	1,402	0.06%
Total Investments			<u>\$ 2,241,793</u>	<u>100.00%</u>

**Policies Governing Deposits and Investments**

In compliance with the Public Funds Investment Act, the Company has adopted a deposit and investment policy. That policy addresses the following risks:

**1. Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The Company policy limits exposure to credit risk by limiting investments to those authorized by the Act. At March 31, 2018, the Company was not significantly exposed to credit risk.

**2. Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Company's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Company, or are held by either the counterparty or the counterparty's trust department or agent but not in the Company's name.

The Company's investment policy limits exposure to custodial credit risk by requiring all uninsured deposits and investments be covered by pledged collateral. At March 31, 2018, the Company was not exposed to custodial credit risk.

**3. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a Company's investment in a single issuer. The Company's investment policy limits overconcentration of its assets in specific instruments except U.S. Treasury Securities and insured or collateralized certificates of deposit. At year-end, the Company was not exposed to concentration of credit risk.

**4. Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Company's investment policy limits exposure to interest rate risk by limiting average maturities to no more than five years. At year-end, the Company was not exposed to interest rate risk.

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**NOTE 17: BAY CITY GAS COMPANY - (Continued)****C. Capital Assets**

Capital asset activity for the year ended March 31, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Construction in progress	\$ 350,450	\$ 400	\$ 10,423	\$ 340,427
Capital assets, being depreciated:				
Utility plant	1,003,283	11,040	-	1,014,323
Plant additions	1,614,822	-	-	1,614,822
Regulators	-	2,784	-	2,784
Office building	552,891	5,165	-	558,056
Vehicles	285,847	24,310	-	310,157
Machinery and equipment	424,760	13,793	-	438,553
Furniture and fixtures	25,767	-	-	25,767
Total capital assets being depreciated	3,907,370	57,092	-	3,964,462
Less accumulated depreciation for:				
Utility plant	(1,342,320)	(40,371)	-	(1,382,691)
Plant additions	(240,903)	(35,863)	-	(276,766)
Regulators	-	(46)	-	(46)
Office building	(365,704)	(14,287)	-	(379,991)
Vehicles	(200,565)	(21,464)	-	(222,029)
Machinery and equipment	(299,332)	(23,405)	-	(322,737)
Furniture and fixtures	(23,662)	(969)	-	(24,631)
Total accumulated depreciation	(2,472,486)	(136,405)	-	(2,608,891)
Total capital assets being depreciated, net	1,434,885	(79,313)	-	1,355,572
Bay City Gas Company capital assets, net	\$ 1,785,334	\$ (78,913)	\$ -	\$ 1,695,998

**D. Accounts Receivable**

Accounts receivable of \$231,933 represent billed and uncollected service fees of \$251,607 less a 13% allowance for uncollectible service fees of \$19,674.

**E. Risk Management**

The Company is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the Company purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

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**NOTE 17: BAY CITY GAS COMPANY - (Continued)**

F. Pension Plan

1. Plan Description

The Gas Company participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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 TMRS 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 comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Gas Company, 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 Gas Company-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. Plan provisions of the City for plan year 2017 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	
(expressed as age/years of service)	60/5, 0/25
Updated service credit	100.0% repeating
Annuity increase (to retirees)	70.0% of CPI



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**NOTE 17: BAY CITY GAS COMPANY - (Continued)**

F. Pension Plan - (Continued)

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Gas Company matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Gas Company. Under the state law governing TMRS, the contribution rate for each entity 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 Gas Company were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the Gas Company were 9.96% and 9.61% in calendar years 2017 and 2018, respectively. The Gas Company's contributions to TMRS for the fiscal year ended March 31, 2018 were \$66,331, and were equal to the required contributions.

4. Net Pension Liability

The Gas Company pension plan is incorporated with the City of Bay City, information related to the net pension liability is included in the totals for the City of Bay City, Texas. As a result, the Gas Company does not recognize a net pension liability or deferred inflows/outflows of resources. This information may be obtained by writing the City of Bay City, Texas, 1901 5<sup>th</sup> Street, Bay City, Texas 77414.

G. Health Care Coverage

In an effort to keep health insurance premiums at a reasonable level, the Company chose to go with a higher deductible plan at \$6,550 per employee. As a result of the higher deductible, they established a health reimbursement arrangement under Section 105 of the Internal Revenue Code in which the employees are issued a debit card for up to \$3,000 on medical expenses including a provision for up to \$500 for vision care, leaving a \$3,550 gap they must fill before reaching the \$6,550 deductible. The plan may be terminated by the Company at any time and is administered independently of the Company by TPA Systems, Inc.

H. Restricted Assets

Cash of \$210,029 and investments of \$209,620 totaling \$419,649 has been restricted for the payment of customer deposits.

I. Nonmonetary Transactions

It is the Company's policy to donate gas consumed by City owned property. At March 31, 2018, the amount of gas at retail prices consumed by City property was \$21,358.

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**NOTE 17: BAY CITY GAS COMPANY - (Continued)**

J. Operating Lease

The Company has one copier lease. Total expenditures for the operating lease for the year ended March 31, 2018 were \$1,908.

Future minimum lease payments for the lease are as follows:

<u>Year</u>	
2019	\$ 1,908
2020	1,908
2021	<u>1,908</u>
	<u>\$ 5,724</u>

K. Subsequent Events

The Company has evaluated events through July 27, 2018, the date which the financial statements were available to be issued. No such events have occurred subsequent to the balance sheet date and through the date of the Company's evaluations that would required adjustment to, or disclosure in, the financial statements.

**Required Supplementary Information**

# CITY OF BAY CITY, TEXAS

## MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

#### BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018				2017
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>					
Taxes					
Ad valorem taxes	\$ 4,267,949	\$ 4,267,949	\$ 4,187,436	\$ (80,513)	\$ 3,820,914
Other taxes	5,417,500	5,537,500	5,571,409	33,909	5,462,380
Licenses and permits	181,500	181,500	396,638	215,138	154,409
Fines and forfeitures	283,500	283,500	201,602	(81,898)	252,113
Fees and charges for services	2,491,400	2,416,400	2,467,896	51,496	2,563,553
Intergovernmental	332,085	332,085	330,037	(2,048)	153,480
Investment income	2,500	18,500	31,474	12,974	7,440
Miscellaneous	487,766	487,766	559,341	71,575	328,076
<b>Total revenues</b>	<u>13,464,200</u>	<u>13,525,200</u>	<u>13,745,833</u>	<u>220,633</u>	<u>12,742,365</u>
<b>EXPENDITURES</b>					
Current					
General government	2,305,420	2,381,420	2,218,852	162,568	2,191,915
Public safety	5,015,868	4,875,868	4,784,440	91,428	5,077,199
Public works	3,337,075	3,875,075	3,429,104	445,971	3,241,311
Cultural and recreation	2,236,095	2,059,095	1,829,775	229,320	1,338,905
Debt service	-	-	-	-	53,227
<b>Total expenditures</b>	<u>12,894,458</u>	<u>13,191,458</u>	<u>12,262,171</u>	<u>929,287</u>	<u>11,902,557</u>
Excess (deficiency) of revenues over expenditures	569,742	333,742	1,483,662	1,149,920	839,808
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,053,800	1,366,800	852,560	(514,240)	522,550
Transfers out	(1,623,542)	(1,523,542)	(1,481,008)	42,534	(1,974,219)
<b>Total other financing sources (uses)</b>	<u>(569,742)</u>	<u>(156,742)</u>	<u>(628,448)</u>	<u>(471,706)</u>	<u>(1,451,669)</u>
Net change in fund balance	-	177,000	855,214	678,214	(611,861)
Fund balance at beginning of year	<u>1,363,153</u>	<u>1,363,153</u>	<u>1,363,153</u>	<u>-</u>	<u>1,975,014</u>
<b>Fund balance at end of year</b>	<u>\$ 1,363,153</u>	<u>\$ 1,540,153</u>	<u>\$ 2,218,367</u>	<u>\$ 678,214</u>	<u>\$ 1,363,153</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF BAY CITY, TEXAS**
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**
**TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION**
*Last ten years*

	Measurement Year		
	2014	2015	2016
<b>Total Pension Liability</b>			
Service cost	\$ 643,573	\$ 764,701	\$ 798,874
Interest (on the total pension liability)	2,059,531	2,108,170	2,137,296
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(538,291)	82,317	(245,259)
Change of assumptions	-	191,065	-
Benefit payments, including refunds of employee contributions	(1,440,240)	(1,620,823)	(1,612,009)
<b>Net Change in Total Pension Liability</b>	724,573	1,525,430	1,078,902
<b>Total Pension Liability - Beginning</b>	29,820,207	30,544,780	32,070,210
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 30,544,780</u>	<u>\$ 32,070,210</u>	<u>\$ 33,149,112</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 709,618	\$ 764,694	\$ 712,959
Contributions - Employee	326,089	364,143	370,192
Net Investment Income	1,531,183	41,131	1,851,007
Benefit payments, including refunds of employee contributions	(1,440,240)	(1,620,823)	(1,612,009)
Administrative expense	(15,988)	(25,056)	(20,914)
Other	(1,314)	(1,237)	(1,127)
<b>Net Change in Plan Fiduciary Net Position</b>	1,109,348	(477,148)	1,300,108
<b>Plan Fiduciary Net Position - Beginning</b>	26,768,742	27,878,090	27,400,942
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 27,878,090</u>	<u>\$ 27,400,942</u>	<u>\$ 28,701,050</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 2,666,690	\$ 4,669,268	\$ 4,448,062
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	91.27%	85.44%	86.58%
<b>Covered Payroll</b>	\$ 6,521,784	\$ 7,282,870	\$ 7,403,837
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	40.89%	64.11%	60.08%

NOTE: Information for the prior six years was not readily available. The City will compile the respective information over the next six years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

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Measurement Year

2017

\$ 822,110  
2,215,411

-

71,726

-

(1,478,531)

1,630,716

33,149,112

\$ 34,779,828

\$ 760,275  
381,667  
3,974,802

(1,478,531)

(20,615)

(1,045)

3,616,553

28,701,050

\$ 32,317,603

\$ 2,462,225

92.92%

\$ 7,633,333

32.26%

**CITY OF BAY CITY, TEXAS****SCHEDULE OF EMPLOYER CONTRIBUTIONS****TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION***Last ten fiscal years*

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	Fiscal Year		
	2015	2016	2017
Actuarially Determined Contribution	\$ 733,848	\$ 723,264	\$ 756,345
Contribution in relation to the actuarially determined contribution	<u>(751,736)</u>	<u>(740,221)</u>	<u>(773,967)</u>
Contribution deficiency (excess)	<u>\$ (17,888)</u>	<u>\$ (16,957)</u>	<u>\$ (17,622)</u>
Covered payroll	\$ 6,930,006	\$ 7,332,068	\$ 7,661,683
Contributions as a percentage of covered payroll	10.85%	10.10%	10.10%

NOTE: Information for the prior six fiscal years was not readily available. The City will compile the respective information over the next six fiscal years.

The accompanying notes to required supplementary information are an integral part of this schedule.

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<u>Fiscal Year</u>
<u>2018</u>

\$ 729,678

(747,195)

\$ (17,517)

\$ 7,519,621

9.94%



**CITY OF BAY CITY, TEXAS****SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT**  
*Last ten years*

---

	<u>Measurement Year</u>
	<u>2017</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 16,793
Interest (on the total OPEB liability)	18,443
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	39,009
Benefit payments	<u>(6,107)</u>
<b>Net Change in Total OPEB Liability</b>	68,138
<b>Total OPEB Liability - Beginning</b>	<u>482,561</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 550,699</u>
 <b>Covered Payroll</b>	 \$ 7,633,333
 <b>Total OPEB Liability as a Percentage of Covered Payroll</b>	 7.21%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF BAY CITY, TEXAS****SCHEDULE OF EMPLOYER CONTRIBUTIONS****TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT***Last ten fiscal years*

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	<u>Fiscal Year</u>
	<u>2018</u>
Actuarially Determined Contribution	\$ 5,465
Contribution in relation to the actuarially determined contribution	<u>(5,465)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 7,519,621
Contributions as a percentage of covered payroll	0.0727%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine years.

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF BAY CITY, TEXAS****SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS****RETIREE HEALTHCARE***Last ten years*

---

	<u>Measurement Year</u>
	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 11,720
Interest (on the total OPEB liability)	7,406
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	10,949
Benefit payments	<u>(4,923)</u>
<b>Net Change in Total OPEB Liability</b>	25,152
<b>Total OPEB Liability - Beginning</b>	<u>190,988</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 216,140</u>
 <b>Covered Payroll</b>	 \$ 6,759,060
 <b>Total OPEB Liability as a Percentage of Covered Payroll</b>	 3.20%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine years as provided by actuaries on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

## **CITY OF BAY CITY, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

September 30, 2018

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#### **NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

#### **NOTE 2: BUDGETARY LEGAL COMPLIANCE**

For the year ended September 30, 2018 the City complied with budgetary restrictions at all departmental levels.

#### **NOTE 3: DEFINED BENEFIT PENSION PLAN**

##### Valuation Date

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

##### Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return*	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

##### Other Information

There were no benefit changes during the year.

#### **NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB**

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

There were no changes in plan provisions or assumptions during the year.

**CITY OF BAY CITY, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

*September 30, 2018*

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**NOTE 5: RETIREE HEALTH BENEFIT PLAN - OPEB**

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

There were no changes in plan provisions or assumptions during the year.

**Combining and Individual Fund Statements and Schedules**

## **NONMAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds** are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

**Civic and Cultural Arts** - Accounts for the collection of hotel and motel taxes collected within the City.

**Donation Fund** - Accounts for various fundraising activities of the City.

**Forfeiture Fund** - Accounts for items seized by the City through the police department as a result of criminal investigations. The funds are used for one-time equipment purchases and other purchases to assist in police activities.

**Court Building Security Fund** - Account for funds received in addition to municipal court fines to enhance these specific areas.

**Court Technology Fund** - Account for funds received in addition to municipal court fines to enhance these specific areas.

**Texas Capital Fund** - Accounts for funds received to fund public infrastructure related to business development or to fund downtown revitalization such as sidewalks in the Historic District.

**TIRZ Fund** - Accounts for property tax dollars for three separate reinvestment zones receiving incremental tax revenue. The funds are used to help pay for public improvements in those zones.

**Hazard Mitigation Fund** - Accounts for local and federal funds received to fund mitigation type projects to be better prepared for natural disasters. This fund also accounts for restoration projects as a result of Hurricane Harvey. The funds are awarded by the Texas Division of Emergency Management.

**Capital Project Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**Street Maintenance Fund** - Accounts for monies transferred from other City funds for the improvement and construction of the City's streets.

**2014 Capital Project Fund** - Accounts for the proceeds and expenditures of the 2014 debt issue.

**2018 Capital Project Fund** - Accounts for the proceeds and expenditures of the 2018 debt issue.

**CITY OF BAY CITY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
September 30, 2018

Special Revenue Funds

	Civic and Cultural Arts Fund	Donation Fund	Forfeiture Fund	Court Building Security Fund	Court Technology Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 342,483	\$ 52,313	\$ 49,688	\$ 40,407	\$ 32,196
Receivables (net)					
Taxes	120,470	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	14,849	-	-	-	-
<b>Total assets</b>	<u>\$ 477,802</u>	<u>\$ 52,313</u>	<u>\$ 49,688</u>	<u>\$ 40,407</u>	<u>\$ 32,196</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 38,099	\$ 100	\$ -	\$ 7,413	\$ 20
Accrued expenditures	1,635	-	-	-	-
Deposits	18,813	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	9,665	-	-
<b>Total liabilities</b>	<u>58,547</u>	<u>100</u>	<u>9,665</u>	<u>7,413</u>	<u>20</u>
<b>FUND BALANCES</b>					
Nonspendable	14,849	-	-	-	-
Restricted	404,406	52,213	40,023	32,994	32,176
<b>Total fund balances</b>	<u>419,255</u>	<u>52,213</u>	<u>40,023</u>	<u>32,994</u>	<u>32,176</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 477,802</u>	<u>\$ 52,313</u>	<u>\$ 49,688</u>	<u>\$ 40,407</u>	<u>\$ 32,196</u>



Special Revenue Funds			Capital Project Funds			Total
Texas Capital Fund	TIRZ Fund	Hazard Mitigation Fund	Street Maintenance Fund	2014 Capital Project Fund	2018 Capital Project Fund	
\$ -	\$ 10,392	\$ 28,969	\$ 279,421	\$ 6,167	\$ 1,196,055	\$ 2,038,091
-	-	-	-	-	-	120,470
10,010	-	6,384	-	-	-	16,394
-	-	-	-	-	-	14,849
<u>\$ 10,010</u>	<u>\$ 10,392</u>	<u>\$ 35,353</u>	<u>\$ 279,421</u>	<u>\$ 6,167</u>	<u>\$ 1,196,055</u>	<u>\$ 2,189,804</u>
\$ -	\$ -	\$ 19,502	\$ -	\$ -	\$ -	\$ 65,134
-	-	-	-	-	-	1,635
-	-	-	-	-	-	18,813
10,010	-	-	-	-	-	10,010
-	-	-	-	-	-	9,665
<u>10,010</u>	<u>-</u>	<u>19,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,257</u>
-	-	-	-	-	-	14,849
-	10,392	15,851	279,421	6,167	1,196,055	2,069,698
-	10,392	15,851	279,421	6,167	1,196,055	2,084,547
<u>\$ 10,010</u>	<u>\$ 10,392</u>	<u>\$ 35,353</u>	<u>\$ 279,421</u>	<u>\$ 6,167</u>	<u>\$ 1,196,055</u>	<u>\$ 2,189,804</u>

**CITY OF BAY CITY, TEXAS**
**NONMAJOR GOVERNMENTAL FUNDS**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
*For the year ended September 30, 2018*

	Special Revenue Funds				
	Civic and Cultural Arts Fund	Donation Fund	Forfeiture Fund	Court Building Security Fund	Court Technology Fund
<b>REVENUES</b>					
Taxes					
Hotel - motel tax	\$ 761,585	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	5,773	3,394	4,509
Fees and charges for services	85,735	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income					
Interest	1,509	213	242	111	91
Miscellaneous	5,157	16,826	-	-	-
<b>Total revenues</b>	<u>853,986</u>	<u>17,039</u>	<u>6,015</u>	<u>3,505</u>	<u>4,600</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	20,268	8,632	5,803
Cultural and recreation	520,524	89	-	-	-
Debt service					
Interest and fiscal charges	-	-	-	-	-
Paying agents' fees and issue costs	-	-	-	-	-
Capital outlay	378,862	-	-	-	-
<b>Total expenditures</b>	<u>899,386</u>	<u>89</u>	<u>20,268</u>	<u>8,632</u>	<u>5,803</u>
Excess (deficiency) of revenues over expenditures	(45,400)	16,950	(14,253)	(5,127)	(1,203)
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(103,545)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(103,545)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(148,945)	16,950	(14,253)	(5,127)	(1,203)
Fund balances at beginning of year	<u>568,200</u>	<u>35,263</u>	<u>54,276</u>	<u>38,121</u>	<u>33,379</u>
<b>Fund balances at end of year</b>	<u>\$ 419,255</u>	<u>\$ 52,213</u>	<u>\$ 40,023</u>	<u>\$ 32,994</u>	<u>\$ 32,176</u>

Special Revenue Funds				Capital Project Funds			Total
Library Fund	Texas Capital Fund	TIRZ Fund	Hazard Mitigation Fund	Street Maintenance Fund	2014 Capital Project Fund	2018 Capital Project Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 761,585
-	-	-	-	-	-	-	13,676
-	-	-	-	-	-	-	85,735
-	13,750	-	94,195	-	-	-	107,945
-	-	-	11	564	6,167	652	9,560
-	-	44,601	59,578	-	-	-	126,162
-	13,750	44,601	153,784	564	6,167	652	1,104,663
-	-	42,274	182,959	711	-	-	225,944
-	-	-	-	-	-	-	34,703
-	-	-	-	-	-	-	520,613
-	-	-	-	-	-	762	762
-	-	-	-	-	-	54,329	54,329
-	13,750	-	103,787	-	21,000	-	517,399
-	13,750	42,274	286,746	711	21,000	55,091	1,353,750
-	-	2,327	(132,962)	(147)	(14,833)	(54,439)	(249,087)
-	-	-	-	-	-	1,285,000	1,285,000
-	-	-	148,813	225,000	21,000	-	394,813
(83,665)	-	-	-	-	(220,589)	(34,506)	(442,305)
(83,665)	-	-	148,813	225,000	(199,589)	1,250,494	1,237,508
(83,665)	-	2,327	15,851	224,853	(214,422)	1,196,055	988,421
83,665	-	8,065	-	54,568	220,589	-	1,096,126
\$ -	\$ -	\$ 10,392	\$ 15,851	\$ 279,421	\$ 6,167	\$ 1,196,055	\$ 2,084,547

## **GENERAL FUND**

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

**CITY OF BAY CITY, TEXAS****MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****BALANCE SHEET**

September 30, 2018

With comparative totals for September 30, 2017

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,499,444	\$ 1,171,265
Receivables (net)		
Accounts	400,721	392,150
Taxes	479,184	498,943
Fines	29,268	49,346
Due from other governments	358,866	326,637
Due from other funds	11,832	239,827
Due from component unit	14,783	94,037
Prepaid items	49,261	31,665
<b>Total assets</b>	<u>\$ 3,843,359</u>	<u>\$ 2,803,870</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 855,637	\$ 424,713
Accrued expenditures	201,545	185,250
Due to other governments	31,266	37,326
Deposits	4,280	4,600
Due to other funds	-	220,589
<b>Total liabilities</b>	<u>1,092,728</u>	<u>872,478</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	532,264	568,239
<b>Total deferred inflows of resources</b>	<u>532,264</u>	<u>568,239</u>
<b>FUND BALANCES</b>		
Nonspendable	49,261	31,665
Unassigned	2,169,106	1,331,488
<b>Total fund balances</b>	<u>2,218,367</u>	<u>1,363,153</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 3,843,359</u>	<u>\$ 2,803,870</u>

**CITY OF BAY CITY, TEXAS****MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem tax	\$ 4,267,949	\$ 4,187,436	\$ (80,513)	\$ 3,820,914
Sales tax	4,237,500	4,277,863	40,363	4,295,598
Mixed beverage tax	35,000	40,341	5,341	39,307
Franchise tax	1,265,000	1,253,205	(11,795)	1,127,475
Total taxes	9,805,449	9,758,845	(46,604)	9,283,294
Other revenues				
Licenses and permits	181,500	396,638	215,138	154,409
Fines and forfeitures	283,500	201,602	(81,898)	252,113
Fees and charges for services	2,416,400	2,467,896	51,496	2,563,553
Intergovernmental	332,085	330,037	(2,048)	153,480
Investment income	18,500	31,474	12,974	7,440
Miscellaneous	487,766	559,341	71,575	328,076
Total other revenues	3,719,751	3,986,988	267,237	3,459,071
<b>Total revenues</b>	<b>13,525,200</b>	<b>13,745,833</b>	<b>220,633</b>	<b>12,742,365</b>
<b>EXPENDITURES</b>				
Current				
General government				
City secretary				
Personnel services	125,451	127,368	(1,917)	240,574
Supplies	14,500	12,950	1,550	13,283
Other services and charges	10,500	9,987	513	55,985
Total city secretary	150,451	150,305	146	309,842
City general services				
Personnel services	15,000	1,486	13,514	264
Supplies	14,724	28,371	(13,647)	15,887
Repairs and maintenance	30,000	9,075	20,925	22,919
Other services and charges	967,174	913,099	54,075	920,582
Capital outlay	57,000	-	57,000	-
Total city general services	1,083,898	952,031	131,867	959,652
Administration and council				
Personnel services	202,455	199,645	2,810	257,354
Supplies	7,150	5,029	2,121	10,492
Other services and charges	5,700	10,244	(4,544)	11,756
Total administration and council	215,305	214,918	387	279,602

(continued)

**CITY OF BAY CITY, TEXAS****MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
General government - (Continued)				
Main Street				
Supplies	\$ -	\$ -	\$ -	\$ 22
Other services and charges	69,800	68,621	1,179	56,270
Total Main Street	69,800	68,621	1,179	56,292
Human resources				
Personnel services	172,202	171,341	861	-
Supplies	5,500	5,161	339	-
Other services and charges	70,500	71,142	(642)	-
Total human resources	248,202	247,644	558	-
Municipal court				
Personnel services	183,919	177,765	6,154	172,263
Supplies	7,200	7,535	(335)	6,497
Repairs and maintenance	3,000	1,085	1,915	1,799
Other services and charges	100,900	90,738	10,162	100,202
Total municipal court	295,019	277,123	17,896	280,761
Finance				
Personnel services	304,115	289,649	14,466	284,639
Supplies	8,250	7,876	374	5,632
Other services and charges	6,380	10,685	(4,305)	15,495
Total finance	318,745	308,210	10,535	305,766
Total general government	2,381,420	2,218,852	162,568	2,191,915
Public safety				
Police				
Personnel services	3,937,530	3,991,587	(54,057)	4,097,615
Supplies	108,500	101,064	7,436	105,009
Repairs and maintenance	56,100	61,481	(5,381)	42,538
Other services and charges	244,910	250,199	(5,289)	311,377
Capital outlay	119,800	36,755	83,045	169,586
Total police	4,466,840	4,441,086	25,754	4,726,125

(continued)

**CITY OF BAY CITY, TEXAS****MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Public safety - (Continued)				
Fire				
Personnel services	\$ 59,648	\$ 57,888	\$ 1,760	\$ 54,915
Supplies	12,150	14,910	(2,760)	10,024
Repairs and maintenance	40,000	42,351	(2,351)	54,277
Other services and charges	73,400	70,792	2,608	70,990
Capital outlay	60,000	-	60,000	-
Total fire	245,198	185,941	59,257	190,206
Animal impoundment				
Personnel services	142,630	144,956	(2,326)	142,636
Supplies	3,700	3,797	(97)	2,923
Repairs and maintenance	6,000	1,210	4,790	4,064
Other services and charges	11,500	7,450	4,050	11,245
Total animal impoundment	163,830	157,413	6,417	160,868
Total public safety	4,875,868	4,784,440	91,428	5,077,199
Public works				
Streets and sanitation				
Personnel services	1,106,625	961,547	145,078	1,039,210
Supplies	108,650	73,230	35,420	68,169
Repairs and maintenance	262,000	222,505	39,495	163,341
Other services and charges	1,859,800	2,130,880	(271,080)	1,970,591
Capital outlay	538,000	40,942	497,058	-
Total streets and sanitation	3,875,075	3,429,104	445,971	3,241,311
Total public works	3,875,075	3,429,104	445,971	3,241,311
Cultural and recreation				
Parks and recreation				
Personnel services	715,745	669,777	45,968	618,378
Supplies	92,800	85,346	7,454	59,372
Repairs and maintenance	148,000	172,246	(24,246)	111,877
Other services and charges	261,500	232,494	29,006	277,149
Capital outlay	94,000	94,750	(750)	115,389
Total parks and recreation	1,312,045	1,254,613	57,432	1,182,165

(continued)



**CITY OF BAY CITY, TEXAS****MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Cultural and recreation - (Continued)				
Riverside park				
Personnel services	\$ 110,300	\$ 93,778	\$ 16,522	\$ 101,422
Supplies	15,000	10,989	4,011	11,999
Repairs and maintenance	6,000	6,702	(702)	12,861
Other services and charges	29,000	15,540	13,460	30,458
Capital outlay	50,000	17,550	32,450	-
Total riverside park	210,300	144,559	65,741	156,740
Library				
Personnel services	259,050	245,139	13,911	-
Supplies	53,450	58,817	(5,367)	-
Repairs and maintenance	7,000	7,574	(574)	-
Other services and charges	102,250	84,567	17,683	-
Capital outlay	115,000	34,506	80,494	-
Total library	536,750	430,603	106,147	-
Total cultural and recreation	2,059,095	1,829,775	229,320	1,338,905
Debt service				
Principal	-	-	-	51,849
Interest and fiscal charges	-	-	-	1,378
Total debt service	-	-	-	53,227
<b>Total expenditures</b>	<b>13,191,458</b>	<b>12,262,171</b>	<b>929,287</b>	<b>11,902,557</b>
Excess (deficiency) of revenues over expenditures	333,742	1,483,662	1,149,920	839,808
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,366,800	852,560	(514,240)	522,550
Transfers out	(1,523,542)	(1,481,008)	42,534	(1,974,219)
<b>Total other financing sources (uses)</b>	<b>(156,742)</b>	<b>(628,448)</b>	<b>(471,706)</b>	<b>(1,451,669)</b>
Net change in fund balance	177,000	855,214	678,214	(611,861)
Fund balance at beginning of year	1,363,153	1,363,153	-	1,975,014
<b>Fund balance at end of year</b>	<b>\$ 1,540,153</b>	<b>\$ 2,218,367</b>	<b>\$ 678,214</b>	<b>\$ 1,363,153</b>

(concluded)

### **DEBT SERVICE FUND**

The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for general government debt principal and interest.

**CITY OF BAY CITY, TEXAS****MAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current taxes	\$ 1,167,501	\$ 1,140,170	\$ (27,331)	\$ 854,361
Delinquent taxes	13,000	17,898	4,898	14,740
Penalty and interest	8,742	14,340	5,598	13,242
Investment income	207	11,643	11,436	155
<b>Total revenues</b>	<u>1,189,450</u>	<u>1,184,051</u>	<u>(5,399)</u>	<u>882,498</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	1,419,841	1,419,841	-	1,380,508
Interest and fiscal charges	361,952	361,967	(15)	400,694
Paying agents' fees and issue costs	2,207	4,772	(2,565)	5,495
<b>Total expenditures</b>	<u>1,784,000</u>	<u>1,786,580</u>	<u>(2,580)</u>	<u>1,786,697</u>
Excess (deficiency) of revenues over expenditures	(594,550)	(602,529)	(7,979)	(904,199)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	594,550	594,550	-	869,704
<b>Total other financing sources (uses)</b>	<u>594,550</u>	<u>594,550</u>	<u>-</u>	<u>869,704</u>
Net change in fund balances	-	(7,979)	(7,979)	(34,495)
Fund balances at beginning of year	199,330	199,330	-	233,825
<b>Fund balances at end of year</b>	<u>\$ 199,330</u>	<u>\$ 191,351</u>	<u>\$ (7,979)</u>	<u>\$ 199,330</u>

## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The City maintains two Internal Service Funds: Maintenance and Information Technology.

**Maintenance Fund** - The Maintenance Fund was created to provide maintenance on City owned equipment, vehicles, and facilities.

**Information Technology Fund** - The Information Technology Fund was created to provide computer maintenance and purchases for all departments of the City.

**CITY OF BAY CITY, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2018**

	<u>Maintenance</u>	<u>Information Technology</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ 18,701	\$ 18,701
Total current assets	-	18,701	18,701
Noncurrent assets			
Capital assets			
Buildings, improvements, and equipment (net)	112,564	164,668	277,232
Total noncurrent assets	112,564	164,668	277,232
<b>Total assets</b>	112,564	183,369	295,933
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	155	19,452	19,607
Accrued expenses	11,919	5,311	17,230
Due to other funds	1,822	-	1,822
Accrued compensated absences	1,518	831	2,349
Total current liabilities	15,414	25,594	41,008
Noncurrent liabilities			
Accrued compensated absences	13,662	7,476	21,138
Total noncurrent liabilities	13,662	7,476	21,138
<b>Total liabilities</b>	29,076	33,070	62,146
<b>NET POSITION</b>			
Net investment in capital assets	112,564	164,668	277,232
Unrestricted	(29,076)	(14,369)	(43,445)
<b>Total net position</b>	\$ 83,488	\$ 150,299	\$ 233,787

**CITY OF BAY CITY, TEXAS****INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION***For the year ended September 30, 2018*


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	<u>Maintenance</u>	<u>Information Technology</u>	<u>Total</u>
<b>OPERATING REVENUES</b>	\$ -	\$ -	\$ -
<b>OPERATING EXPENSES</b>			
Maintenance	507,502	-	507,502
Information technology	-	523,206	523,206
Depreciation	74,997	55,278	130,275
<b>Total operating expenses</b>	<u>582,499</u>	<u>578,484</u>	<u>1,160,983</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(582,499)	(578,484)	(1,160,983)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	123	67	190
Interest and fiscal charges	-	(888)	(888)
Net nonoperating revenues (expenses)	<u>123</u>	<u>(821)</u>	<u>(698)</u>
Income (loss) before contributions and transfers	(582,376)	(579,305)	(1,161,681)
Contributions and transfers			
Capital contributions	-	15,232	15,232
Transfers in	530,782	558,392	1,089,174
Total contributions and transfers	<u>530,782</u>	<u>573,624</u>	<u>1,104,406</u>
Change in net position	(51,594)	(5,681)	(57,275)
Total net position at beginning of year	<u>135,082</u>	<u>155,980</u>	<u>291,062</u>
<b>Total net position at end of year</b>	<u>\$ 83,488</u>	<u>\$ 150,299</u>	<u>\$ 233,787</u>

**CITY OF BAY CITY, TEXAS****INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF CASH FLOWS***For the year ended September 30, 2018*

	Maintenance	Information Technology	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,822	\$ -	\$ 1,822
Cash paid to suppliers for goods and services	(295,141)	(322,055)	(617,196)
Cash paid to employees for services	(224,871)	(190,139)	(415,010)
<b>Net cash provided (used) by operating activities</b>	<u>(518,190)</u>	<u>(512,194)</u>	<u>(1,030,384)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers (to) from other funds	530,782	558,392	1,089,174
<b>Net cash provided (used) by noncapital financing activities</b>	<u>530,782</u>	<u>558,392</u>	<u>1,089,174</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(18,865)	-	(18,865)
Capital grants and contributions	-	1,839	1,839
Principal paid on capital lease	-	(36,156)	(36,156)
Interest paid on capital lease	-	(888)	(888)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(18,865)</u>	<u>(35,205)</u>	<u>(54,070)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	123	67	190
<b>Net cash provided (used) by investing activities</b>	<u>123</u>	<u>67</u>	<u>190</u>
Net increase (decrease) in cash and cash equivalents	(6,150)	11,060	4,910
Cash and cash equivalents at beginning of year	6,150	7,641	13,791
<b>Cash and cash equivalents at end of year</b>	<u>\$ -</u>	<u>\$ 18,701</u>	<u>\$ 18,701</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (582,499)	\$ (578,484)	\$ (1,160,983)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	74,997	55,278	130,275
Changes in assets and liabilities			
Increase (decrease) in accounts payable	(7,293)	12,619	5,326
Increase (decrease) in accrued expenses	(678)	(1,559)	(2,237)
Increase (decrease) in due to other funds	1,822	-	1,822
Increase (decrease) in accrued compensated absences	(4,539)	(48)	(4,587)
Total adjustments	<u>64,309</u>	<u>66,290</u>	<u>130,599</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (518,190)</u>	<u>\$ (512,194)</u>	<u>\$ (1,030,384)</u>
<b>Noncash capital and related financing activities</b>			
Payment on capital lease from contributions	\$ -	\$ 13,393	\$ 13,393

## **STATISTICAL SECTION**



## **STATISTICAL SECTION**

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

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**CITY OF BAY CITY, TEXAS****NET POSITION BY COMPONENT (1)***Last ten fiscal years*

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 11,507,535	\$ 12,166,490	\$ 7,541,744	\$ 7,904,146
Restricted	3,493,985	-	407,739	410,945
Unrestricted	1,554,168	4,195,081	4,373,229	5,054,417
Total governmental activities net position	<u>\$ 16,555,688</u>	<u>\$ 16,361,571</u>	<u>\$ 12,322,712</u>	<u>\$ 13,369,508</u>
Business-type activities				
Net investment in capital assets	\$ 9,390,238	\$ 9,836,242	\$ 10,543,619	\$ 10,948,774
Restricted	530,241	548,261	339,292	-
Unrestricted	688,817	1,366,416	2,359,186	2,952,528
Total business-type activities net position	<u>\$ 10,609,296</u>	<u>\$ 11,750,919</u>	<u>\$ 13,242,097</u>	<u>\$ 13,901,302</u>
Primary government				
Invested in capital assets, net of related debt	\$ 20,897,773	\$ 22,002,732	\$ 18,085,363	\$ 18,852,920
Restricted	4,024,226	548,261	747,031	410,945
Unrestricted	2,242,985	5,561,497	6,732,415	8,006,945
Total primary government activities net position	<u>\$ 27,164,984</u>	<u>\$ 28,112,490</u>	<u>\$ 25,564,809</u>	<u>\$ 27,270,810</u>

(1) Accrual basis of accounting

NOTES: The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

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Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 8,444,943	\$ 7,050,325	\$ 6,540,844	\$ 9,638,245	\$10,607,667	\$11,656,559
132,143	1,073,579	646,117	994,641	1,034,228	813,690
<u>3,865,608</u>	<u>2,807,480</u>	<u>3,391,400</u>	<u>783,252</u>	<u>(93,799)</u>	<u>160,683</u>
<u>\$ 12,442,694</u>	<u>\$ 10,931,384</u>	<u>\$ 10,578,361</u>	<u>\$ 11,416,138</u>	<u>\$11,548,096</u>	<u>\$12,630,932</u>
\$ 12,245,026	\$ 9,681,894	\$ 13,826,216	\$ 15,011,700	\$14,799,364	\$14,675,677
-	-	-	-	-	-
<u>2,668,278</u>	<u>6,217,963</u>	<u>1,518,085</u>	<u>2,926,172</u>	<u>3,541,009</u>	<u>4,098,316</u>
<u>\$ 14,913,304</u>	<u>\$ 15,899,857</u>	<u>\$ 15,344,301</u>	<u>\$ 17,937,872</u>	<u>\$18,340,373</u>	<u>\$18,773,993</u>
\$ 20,689,969	\$ 16,732,219	\$ 20,367,060	\$ 24,649,945	\$25,407,031	\$26,332,236
132,143	1,073,579	646,117	994,641	1,034,228	813,690
<u>6,533,886</u>	<u>9,025,443</u>	<u>4,909,485</u>	<u>3,709,424</u>	<u>3,447,210</u>	<u>4,258,999</u>
<u>\$ 27,355,998</u>	<u>\$ 26,831,241</u>	<u>\$ 25,922,662</u>	<u>\$ 29,354,010</u>	<u>\$29,888,469</u>	<u>\$31,404,925</u>

**CITY OF BAY CITY, TEXAS**  
**CHANGES IN NET POSITION (1)**  
*Last ten fiscal years*

	Fiscal Year			
	2009	2010	2011	2012
<b>Governmental activities</b>				
Expenses				
General government	\$ 2,473,385	\$ 2,012,790	\$ 2,592,172	\$ 1,992,271
Public safety	4,099,853	3,771,477	4,248,889	4,073,513
Public works	2,849,343	2,340,844	3,571,109	2,377,316
Construction for outside parties	-	2,320,411	-	-
Cultural and recreation	3,048,544	2,573,635	2,028,142	1,920,640
Interest on long-term debt	381,608	583,214	576,214	331,816
Total expenses	<u>12,852,733</u>	<u>13,602,371</u>	<u>13,016,526</u>	<u>10,695,556</u>
Program revenues				
Charges for services				
General government	254,034	240,650	210,778	94,793
Public safety	72,011	406,931	1,139,693	620,749
Public works	13,033	-	-	-
Construction for outside parties	-	1,847,562	-	-
Cultural and recreation	111,374	203,546	199,657	161,334
Operating grants and contributions	2,172,387	439,912	334,370	111,982
Capital grants and contributions	-	-	-	-
Total program revenues	<u>2,622,839</u>	<u>3,138,601</u>	<u>1,884,498</u>	<u>988,858</u>
Total governmental activities net program (expense) revenue	(10,229,894)	(10,463,770)	(11,132,028)	(9,706,698)
General revenues and other changes in net position				
Taxes				
Property taxes	3,059,879	3,414,585	3,724,754	3,728,127
Sales taxes	5,076,657	3,986,482	4,423,374	3,385,962
Franchise taxes	756,851	860,750	794,918	1,099,039
Other taxes	-	432,144	478,484	474,242
Investment earnings	26,809	14,401	14,914	6,163
Miscellaneous	514,177	1,014,427	1,100,694	924,999
Special item - discontinued operations	-	-	-	-
Transfers	(842,299)	74,131	98,338	1,134,962
Total general revenues and other changes in net position	<u>8,592,074</u>	<u>9,796,920</u>	<u>10,635,476</u>	<u>10,753,494</u>
<b>Total governmental activities change in net position</b>	<u><b>\$ (1,637,820)</b></u>	<u><b>\$ (666,850)</b></u>	<u><b>\$ (496,552)</b></u>	<u><b>\$ 1,046,796</b></u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 2,321,123	\$ 2,295,602	\$ 2,147,396	\$ 2,534,500	\$ 2,489,768	\$ 2,570,638
4,303,562	4,662,949	4,661,538	5,383,527	5,633,913	5,129,141
2,656,096	5,854,434	5,595,487	5,216,175	5,500,397	5,513,362
-	-	-	-	-	-
2,100,338	2,137,429	2,220,915	2,483,518	2,576,955	2,534,887
495,527	305,880	340,100	450,012	376,732	391,428
11,876,646	15,256,294	14,965,436	16,067,732	16,577,765	16,139,456
81,818	999,059	235,881	429,269	421,190	610,361
538,848	149,354	326,125	276,229	16,762	18,332
59,130	1,832,671	2,657,519	2,779,000	2,413,138	2,394,073
-	-	-	-	-	-
154,573	260,195	154,741	239,908	237,775	128,710
281,587	280,889	200,000	317,050	571,157	807,058
-	-	386,329	828,794	911,963	798,666
1,115,956	3,522,168	3,960,595	4,870,250	4,571,985	4,757,200
(10,760,690)	(11,734,126)	(11,004,841)	(11,197,482)	(12,005,780)	(11,382,256)
3,769,351	3,749,040	4,098,134	4,462,235	4,618,958	5,268,946
3,440,988	3,469,272	4,077,195	4,060,320	4,295,598	4,277,863
1,087,598	984,607	1,047,005	1,040,631	1,127,475	1,253,205
497,136	614,073	668,601	694,611	845,778	801,926
5,779	3,653	2,660	16,254	37,960	110,943
685,286	709,694	1,077,904	756,915	213,350	289,684
-	-	(1,208,541)	-	-	-
501,909	692,477	2,903,367	1,004,293	998,619	1,007,784
9,988,047	10,222,816	12,666,325	12,035,259	12,137,738	13,010,351
\$ (772,643)	\$ (1,511,310)	\$ 1,661,484	\$ 837,777	\$ 131,958	\$ 1,628,095

(continued)

**CITY OF BAY CITY, TEXAS**  
**CHANGES IN NET POSITION (1)**  
*Last ten fiscal years*

	Fiscal Year			
	2009	2010	2011	2012
<b>Business-type activities</b>				
Expenses				
Water and sewer	\$ 4,706,783	\$ 5,258,532	\$ 5,027,229	\$ 5,026,141
Sanitation	113,933	1,952,979	1,890,468	2,482,660
Airport	397,202	411,863	401,842	389,402
Total expenses	<u>5,217,918</u>	<u>7,623,374</u>	<u>7,319,539</u>	<u>7,898,203</u>
Program revenues				
Charges for services				
Water and sewer	5,561,610	5,730,656	6,326,946	6,521,880
Sanitation	-	2,176,550	2,204,210	2,632,229
Airport	159,161	201,474	227,920	239,173
Operating grants and contributions	361,082	-	-	220,997
Capital grants and contributions	-	726,097	123,325	-
Total program revenues	<u>6,081,853</u>	<u>8,834,777</u>	<u>8,882,401</u>	<u>9,614,279</u>
Total business-type activities net program (expense) revenue	863,935	1,211,403	1,562,862	1,716,076
General revenues and other changes in net position				
Unrestricted investment earnings	9,639	4,478	3,677	5,422
Miscellaneous	185,058	17,225	22,977	3,608
Special item - discontinued operations	-	-	-	-
Transfers	842,299	(74,131)	(98,338)	(1,134,962)
Total general revenues and other changes in net position	<u>1,036,996</u>	<u>(52,428)</u>	<u>(71,684)</u>	<u>(1,125,932)</u>
<b>Total business-type activities change in net position</b>	<u>\$ 1,900,931</u>	<u>\$ 1,158,975</u>	<u>\$ 1,491,178</u>	<u>\$ 590,144</u>
<b>Total primary government change in net position</b>	<u>\$ 263,111</u>	<u>\$ 492,125</u>	<u>\$ 994,626</u>	<u>\$ 1,636,940</u>

(1) Accrual basis of accounting

NOTES The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 5,134,720	\$ 5,775,681	\$ 6,063,713	\$ 6,681,343	\$ 6,121,251	\$ 6,431,453
2,446,553	503,196	-	-	-	-
459,418	540,255	550,555	588,537	707,869	584,476
8,040,691	6,819,132	6,614,268	7,269,880	6,829,120	7,015,929
6,367,177	6,582,946	6,873,149	7,108,017	7,438,810	7,779,321
2,768,743	449,082	-	-	-	-
250,113	327,899	340,572	276,533	305,074	304,191
27,468	10,914	-	68,197	48,351	15,870
584,651	975,226	1,115,799	3,384,479	406,561	417,799
9,998,152	8,346,067	8,329,520	10,837,226	8,198,796	8,517,181
1,957,461	1,526,935	1,715,252	3,567,346	1,369,676	1,501,252
3,507	3,680	1,729	5,966	23,244	51,731
3,487	148,415	-	24,552	8,200	-
-	-	(2,903,367)	-	-	-
(501,909)	(692,477)	1,134,457	(1,004,293)	(998,619)	(1,007,784)
(494,915)	(540,382)	(1,767,181)	(973,775)	(967,175)	(956,053)
\$ 1,462,546	\$ 986,553	\$ (51,929)	\$ 2,593,571	\$ 402,501	\$ 545,199
\$ 689,903	\$ (524,757)	\$ 1,609,555	\$ 3,431,348	\$ 534,459	\$ 2,173,294

(concluded)

**CITY OF BAY CITY, TEXAS****FUND BALANCES, GOVERNMENTAL FUNDS (1)***Last ten fiscal years*

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ 53,128	\$ 108,116
Assigned	-	-	7,201	7,201
Unassigned	-	-	2,013,578	2,821,025
Reserved				
Prepaid items	-	24,824	-	-
Unreserved	<u>1,622,414</u>	<u>1,708,708</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 1,622,414</u>	<u>\$ 1,733,532</u>	<u>\$ 2,073,907</u>	<u>\$ 2,936,342</u>
All Other Governmental Funds				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted				
Retirement of long-term debt	-	5,431	10,285	11,275
Capital project funds	832,503	3,663,379	1,365,723	1,337,295
Community development	1,356,292	1,810,198	1,806,794	-
Special revenue funds	1,325,206	-	884,510	823,579
Tourism	-	-	-	-
Municipal court	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
General government	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,514,001</u>	<u>\$ 5,479,008</u>	<u>\$ 4,067,312</u>	<u>\$ 2,172,149</u>

(1) Modified accrual basis of accounting

NOTE: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.



Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 16,879	\$ 55,374	\$ 120,664	\$ 44,589	\$ 31,665	\$ 49,261
-	-	-	-	-	-
2,719,997	1,727,220	2,945,445	1,930,425	1,331,488	2,169,106
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,736,876</u>	<u>\$ 1,782,594</u>	<u>\$ 3,066,109</u>	<u>\$ 1,975,014</u>	<u>\$ 1,363,153</u>	<u>\$ 2,218,367</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,849
30,568	550,221	31,305	233,825	199,330	191,351
1,191,190	2,022,383	2,877,230	3,899,359	3,183,380	2,583,241
-	-	-	-	-	-
-	-	-	-	-	-
221,561	302,436	372,746	449,295	568,200	404,406
101,575	96,262	102,994	83,196	71,500	65,170
42,270	71,538	60,336	92,576	118,928	52,213
610,912	615,582	631,515	94,804	54,276	40,023
-	-	-	-	-	15,851
-	(40,379)	(98,700)	-	-	-
<u>\$ 2,198,076</u>	<u>\$ 3,618,043</u>	<u>\$ 3,977,426</u>	<u>\$ 4,853,055</u>	<u>\$ 4,195,614</u>	<u>\$ 3,367,104</u>

**CITY OF BAY CITY, TEXAS****CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)***Last ten fiscal years*

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes	\$ 8,892,810	\$ 8,646,929	\$ 9,398,598	\$ 8,764,173
Licenses and permits	13,033	9,813	9,335	8,947
Fines and forfeitures	254,034	402,318	736,614	466,970
Fees and charges for services	263,473	2,286,558	751,218	408,908
Intergovernmental	399,741	156,826	334,370	111,982
Investment income	26,809	14,401	14,914	6,159
Miscellaneous	2,446,952	1,174,532	1,102,026	954,226
Total revenues	<u>12,296,852</u>	<u>12,691,377</u>	<u>12,347,075</u>	<u>10,721,365</u>
Expenditures				
Current				
General government	2,048,581	2,114,190	2,553,230	1,862,353
Public safety	3,301,382	3,692,061	4,074,012	3,840,767
Public works	1,071,482	1,050,523	1,617,989	981,178
Cultural and recreation	2,214,828	2,238,469	1,658,183	1,764,783
Capital outlay	2,502,372	3,569,151	2,351,256	467,801
Debt service				
Principal retirement	529,847	771,731	883,784	653,759
Interest and fiscal charges	428,781	484,390	622,147	398,754
Paying agents' fees and issue costs	122,550	90,183	-	-
Total expenditures	<u>12,219,823</u>	<u>14,010,698</u>	<u>13,760,601</u>	<u>9,969,395</u>
Excess (deficiency) of revenues over expenditures	77,029	(1,319,321)	(1,413,526)	751,970
Other financing sources (uses)				
Debt issuance	2,500,000	3,300,000	-	-
Premium on bonds	50,974	-	-	-
Payment to escrow	-	-	-	-
Transfers in	439,236	510,232	1,271,561	568,493
Transfers out	(1,281,535)	(436,101)	(1,173,223)	(576,872)
Total other financing sources (uses)	<u>1,708,675</u>	<u>3,374,131</u>	<u>98,338</u>	<u>(8,379)</u>
Changes in fund balances	<u>\$ 1,785,704</u>	<u>\$ 2,054,810</u>	<u>\$ (1,315,188)</u>	<u>\$ 743,591</u>
Debt service as a percentage of noncapital expenditures	<u>9.87%</u>	<u>12.03%</u>	<u>13.20%</u>	<u>11.09%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 8,845,091	\$ 8,894,495	\$ 9,988,557	\$ 10,375,097	\$ 10,972,108	\$ 11,692,838
5,706	205,321	235,881	255,511	154,409	396,638
378,455	339,905	326,125	322,166	268,378	215,278
444,908	2,585,325	2,809,761	2,898,210	2,675,326	2,553,631
281,587	342,057	420,857	264,635	1,141,371	437,982
5,773	3,647	2,660	16,240	37,941	110,753
713,618	805,993	998,560	892,115	490,118	685,503
10,675,138	13,176,743	14,782,401	15,023,974	15,739,651	16,092,623
2,031,233	2,343,485	2,083,129	2,335,155	2,263,841	2,444,796
4,118,972	4,472,587	4,581,482	4,986,001	5,140,028	4,819,143
1,142,463	2,895,565	3,163,745	3,425,770	3,241,311	3,429,104
1,869,035	2,022,110	2,102,214	2,396,240	2,350,942	2,350,388
1,005,219	1,072,074	2,245,491	3,704,716	2,024,539	2,384,427
775,707	847,110	1,496,153	1,553,752	1,432,357	1,419,841
348,511	257,997	368,026	344,650	402,072	362,729
154,249	71,973	-	123,195	5,495	59,101
11,445,389	13,982,901	16,040,240	18,869,479	16,860,585	17,269,529
(770,251)	(806,158)	(1,257,839)	(3,845,505)	(1,120,934)	(1,176,906)
4,672,000	1,598,000	1,398,250	3,776,667	-	1,285,000
65,470	67,893	-	235,643	-	-
(3,960,250)	-	-	-	-	-
874,319	1,684,648	3,058,627	2,920,044	2,162,044	1,841,923
(1,054,827)	(2,078,698)	(1,556,140)	(3,302,315)	(2,310,412)	(1,923,313)
596,712	1,271,843	2,900,737	3,630,039	(148,368)	1,203,610
\$ (173,539)	\$ 465,685	\$ 1,642,898	\$ (215,466)	\$ (1,269,302)	\$ 26,704
11.23%	8.84%	13.64%	13.88%	12.61%	12.72%

**CITY OF BAY CITY, TEXAS****TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (1)***Last ten fiscal years*


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<u>Fiscal Year</u>	<u>Property</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Other</u>	<u>Total</u>
2009	\$ 3,059,879	\$ -	\$ 756,851	\$ 5,058,673	\$ 17,984	\$ 8,893,387
2010	3,414,585	-	860,750	3,986,482	432,144	8,693,961
2011	3,724,754	-	794,918	4,423,374	478,484	9,421,530
2012	3,728,127	76,803	1,099,039	3,385,962	474,242	8,764,173
2013	3,737,358	82,011	1,087,598	3,440,988	497,136	8,845,091
2014	3,750,517	76,026	984,607	3,469,272	614,073	8,894,495
2015	4,108,667	87,089	1,047,005	4,077,195	668,601	9,988,557
2016	4,492,812	86,723	1,040,631	4,060,320	694,611	10,375,097
2017	4,617,391	85,866	1,127,475	4,295,598	845,778	10,972,108
2018	5,279,463	80,381	1,253,205	4,277,863	801,926	11,692,838

(1) Modified accrual basis of accounting

NOTES: Prior to fiscal year 2010, the City reported hotel/motel taxes with sales taxes.

Prior to fiscal year 2012, the City reported penalty and interest with property taxes.

**CITY OF BAY CITY, TEXAS****ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***Last ten fiscal years*


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<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Residential Property</u>	<u>Commercial and Industrial Property</u>	<u>Personal Property</u>	<u>Less: Tax-Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2009	2008	\$ 299,647,821	\$ 331,396,398	\$ 82,412,631	\$ 111,046,253	\$ 602,410,597	\$ 0.50570
2010	2009	300,788,222	366,471,169	79,533,050	110,153,022	636,639,419	0.52934
2011	2010	312,638,392	381,341,753	77,386,950	111,494,200	659,872,895	0.56424
2012	2011	321,373,344	373,573,725	72,696,140	113,301,648	654,341,561	0.56981
2013	2012	317,325,756	375,135,265	69,127,650	106,208,499	655,380,172	0.57191
2014	2013	312,442,879	383,121,147	71,745,470	106,655,617	660,653,879	0.60209
2015	2014	319,956,588	393,514,710	71,784,570	107,744,036	677,511,832	0.60209
2016	2015	330,005,930	440,810,448	88,166,790	115,450,676	743,532,492	0.60209
2017	2016	342,546,022	455,655,624	81,557,591	116,289,064	763,470,173	0.60209
2018	2017	350,930,628	500,023,135	77,641,605	117,627,963	810,967,405	0.65500

NOTE: Property in the City is reassessed annually. The City assesses property at 100% of actual taxable value for all types of real and personal property. Tax rates are per \$100 of assessed value.

SOURCE: Matagorda County Appraisal District

**CITY OF BAY CITY, TEXAS*****DIRECT AND OVERLAPPING PROPERTY TAX RATES******PER \$100 OF ASSESSED VALUE******Last ten fiscal years***


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<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>		
	<u>Debt Service</u>	<u>General Fund</u>	<u>Total</u>	<u>Bay City ISD</u>	<u>Matagorda County</u>	<u>Port of Bay City</u>
2009	\$ -	\$ 0.50570	\$ 0.50570	\$ 1.31380	\$ 0.27518	\$ 0.03420
2010	0.03000	0.49934	0.52934	1.32000	0.27498	0.03245
2011	0.04510	0.51914	0.56424	1.32000	0.27478	0.03116
2012	0.04521	0.52460	0.56981	1.32000	0.28162	0.03175
2013	0.04516	0.52675	0.57191	1.32000	0.29878	0.03284
2014	0.05866	0.54343	0.56794	1.32394	0.32099	0.03645
2015	0.05866	0.54343	0.60209	1.34064	0.35867	0.04044
2016	0.11047	0.49162	0.60209	1.34064	0.39568	0.04539
2017	0.11398	0.48811	0.60209	1.33120	0.41998	0.04856
2018	0.14400	0.51100	0.65500	1.43701	0.41898	0.05072

SOURCE: Tax department records of the various taxing authorities

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Overlapping Rates			
Matagorda Co. Hospital District	Matagorda Co. Drainage District #1	Matagorda Co. Conservation & Reclaim. Distr.	Total
\$ 0.17864	\$ 0.09221	\$ 0.00521	\$ 2.40494
0.18588	0.09329	0.00497	2.44091
0.18851	0.09627	0.00481	2.47977
0.20003	0.09628	0.00456	2.50405
0.23163	0.09524	0.00470	2.55510
0.25600	0.08600	0.00522	2.59654
0.27624	0.07750	0.00577	2.70135
0.30147	0.07158	0.00646	2.76331
0.31270	0.06554	0.00691	2.78698
0.32096	0.05138	0.00721	2.94126

**CITY OF BAY CITY, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**(UNAUDITED)**  
*Current Year and Nine Years Ago*

2018		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nichols Square Partners LTD	\$ 15,736,840	1.94%
Oak Manor Bay City LLC	10,255,308	1.26%
AEP Texas Central Company	9,588,290	1.18%
Cypressbrook Palm Village LP	9,435,380	1.16%
Wal Mart Real Estate Business Trust	8,445,300	1.04%
Bay City Community Development Corp.	9,052,890	1.12%
Shadow Bay Apartments	6,882,500	0.85%
Hampton Inn	6,804,500	0.84%
Holiday Inn Express	6,210,000	0.77%
Riverway Apartments	6,100,220	0.75%
	<u>\$ 88,511,228</u>	<u>10.91%</u>

2009		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Texas Central Co.	\$ 8,158,220	1.35%
Wal-Mart Real Estate Business	8,068,270	1.34%
Wal-Mart Store #01-1405	7,858,060	1.30%
Nichols Square Partners LLC	4,913,340	0.82%
WRH Bay City Ltd.	4,088,890	0.68%
1700 Batwood BC LLC	3,958,700	0.66%
H E Butt Geocery Co.	3,828,490	0.64%
H E Butt Grocery Company	3,596,290	0.60%
Barrets Minerals Inc.	3,498,750	0.58%
Bay City Cable Vision	3,016,480	0.50%
	<u>\$ 50,985,490</u>	<u>8.47%</u>

SOURCE: Matagorda Central Apprasial District



**CITY OF BAY CITY, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last ten fiscal years*

Fiscal Year	Taxes Levied for the Fiscal Year (Adjusted Levy)	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 3,045,182	\$ 2,930,352	96.23%	\$ 106,198	\$ 3,036,550	99.72%
2010	3,355,029	3,197,976	95.32%	145,366	3,343,342	99.65%
2011	3,716,438	3,575,427	96.21%	126,751	3,702,178	99.62%
2012	3,726,391	3,608,960	96.85%	102,101	3,711,061	99.59%
2013	3,749,234	3,629,326	96.80%	105,582	3,734,908	99.62%
2014	3,756,150	3,625,489	96.52%	111,659	3,737,148	99.49%
2015	4,087,685	3,980,062	97.37%	82,093	4,062,155	99.38%
2016	4,473,863	4,356,460	97.38%	83,840	4,440,300	99.25%
2017	4,624,437	4,508,161	97.49%	64,336	4,572,497	98.88%
2018	5,305,771	5,189,424	97.81%	-	5,189,424	97.81%

NOTES: Collections do not include penalty and interest.

The information above is presented to illustrate the City's ability to collect the amount it levies for a fiscal year, rather than provide a detailed breakdown of the revenue recognized in a fiscal year.

SOURCE: Tax assessor/collector's records

**CITY OF BAY CITY, TEXAS****WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED***Last ten fiscal years*

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<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
2009	913,706,000	709,826,800	203,879,200	22.31%	785,700,000
2010	695,911,000	605,383,800	90,527,200	13.01%	716,328,000
2011	820,538,000	732,557,300	87,980,700	10.72%	574,870,000
2012	809,245,000	749,527,000	59,718,000	7.38%	573,170,000
2013	798,353,000	725,058,000	73,295,000	9.18%	571,850,000
2014	780,403,000	623,508,400	156,894,600	20.10%	545,020,000
2015	824,901,000	627,451,200	197,449,800	23.94%	691,614,000
2016	842,451,000	635,604,500	207,846,500	24.67%	717,629,000
2017	812,961,000	609,958,200	203,002,800	24.97%	581,611,000
2018	743,714,000	603,790,221	139,923,779	18.81%	657,579,000

**CITY OF BAY CITY, TEXAS****RATIOS OF OUTSTANDING DEBT BY TYPE***Last ten fiscal years*


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Fiscal Year	Governmental Activities				
	Certificates of Obligation	General Obligation Bonds	Notes	Capital Leases	Plus: Issuance Premiums
2009	\$ 2,500,000	\$ 4,920,000	\$ 4,179,741	\$ 169,897	\$ 119,427
2010	5,582,500	4,675,000	3,913,401	116,052	95,542
2011	5,287,500	4,420,000	3,633,262	59,466	71,667
2012	4,947,500	4,155,000	290,461	-	47,782
2013	4,595,000	3,995,000	819,255	-	92,872
2014	5,828,000	3,665,000	667,185	199,845	149,646
2015	7,566,250	3,330,000	511,101	151,690	212,081
2016	10,290,611	2,990,000	349,849	101,617	424,826
2017	9,353,103	2,645,000	200,000	49,549	391,643
2018	8,387,262	2,290,000	1,386,000	-	358,459

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

N/A denotes information not available.

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Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premiums			
\$ 2,500,000	\$ 5,220,000	\$ 50,974	\$ 19,660,039	3.46%	\$ 1,044
2,282,500	4,025,000	141,418	20,831,413	N/A	1,667
2,057,500	2,795,000	112,436	18,436,831	N/A	1,475
11,357,500	1,530,000	119,508	22,447,751	N/A	1,274
10,675,000	225,000	88,080	20,490,207	N/A	1,163
12,297,000	-	157,645	22,964,321	N/A	1,312
8,883,750	-	68,697	20,723,569	N/A	1,193
10,074,583	-	181,502	24,412,988	N/A	1,387
9,381,907	-	171,344	22,192,546	N/A	1,246
8,667,748	-	161,185	21,250,654	N/A	1,206

**CITY OF BAY CITY, TEXAS****RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING***Last ten fiscal years*

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Fiscal Year	General Bonded Debt Outstanding			Total
	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premiums	
2009	\$ 5,000,000	\$ 10,140,000	\$ 170,401	\$ 15,310,401
2010	7,865,000	8,700,000	236,960	16,801,960
2011	7,345,000	7,215,000	184,103	14,744,103
2012	16,305,000	5,685,000	167,290	22,157,290
2013	15,270,000	4,220,000	180,952	19,670,952
2014	18,125,000	3,665,000	307,291	22,097,291
2015	16,450,000	3,330,000	280,778	20,060,778
2016	20,365,194	2,990,000	606,328	23,961,522
2017	18,735,010	2,645,000	562,987	21,942,997
2018	17,055,010	2,290,000	519,644	19,864,654

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

N/A denotes information not available

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Debt Service Monies Available	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
\$ -	\$ 15,310,401	100.00%	\$ 811
4,854	16,797,106	100.00%	940
10,285	14,733,818	100.00%	824
11,275	22,146,015	100.00%	1,244
30,567	19,640,385	100.00%	1,113
542,496	21,554,795	100.00%	1,214
31,305	20,029,473	100.00%	1,154
233,825	23,727,697	100.00%	1,348
199,330	21,743,667	100.00%	1,221
191,351	19,673,303	100.00%	1,117

**CITY OF BAY CITY, TEXAS****DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)****September 30, 2018**


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	<u>Gross Debt Outstanding</u>		<u>Percentage</u>	<u>Amount</u>
	<u>Date</u>	<u>Amount</u>	<u>Applicable</u>	<u>Applicable</u>
			<u>To City</u>	<u>To City</u>
Direct Debt:				
City of Bay City (1)	9/30/2018	\$ 12,421,721	100.00%	\$ 12,421,721
Overlapping Debt:				
Matagorda County	9/30/2018	2,585,072	15.41%	398,458
Bay City Independent School District	9/30/2018	<u>90,206,924</u>	60.90%	<u>54,937,392</u>
Total Overlapping Debt		<u>92,791,996</u>		<u>55,335,850</u>
Total		<u>\$ 105,213,717</u>		<u>\$ 67,757,571</u>

(1) Figures do not include accrued compensated absences and net pension liability.

NOTES: There is no legal debt limit for the City. Texas municipalities are not bound by any direct constitutional or statutory maximums as to the amount of obligation bonds which may be issued; however, all local bonds must be submitted to and approved by the State Attorney General. It is the established practice of the Attorney General not to approve a prospective bond issue if it will result in a tax levy for general bonded debt of over \$1.00 for cities under 5,000 population, or \$1.50 for cities over 5,000 population.

The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each government's total taxable value.

SOURCES: Bay City Independent School District  
Matagorda County

**CITY OF BAY CITY, TEXAS****DEMOGRAPHIC AND ECONOMIC STATISTICS****(UNAUDITED)***Last ten fiscal years*


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<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(4) Personal Income</u>	<u>(1) Per Capita Personal Income</u>	<u>(1) Median Age</u>	<u>(2) School Enrollment</u>	<u>(3) Unemployment Rate</u>
2009	18,667	\$ 568,335,482	\$ 30,446	32	4,140	11.2%
2010	17,614	N/A	21,773	33	3,797	11.2%
2011	17,663	N/A	21,773	33	3,772	11.6%
2012	17,663	N/A	22,000	33	3,770	10.1%
2013	17,476	N/A	22,000	33	3,860	9.80%
2014	17,509	N/A	35,426	38	3,735	8.30%
2015	17,368	N/A	37,324	38	3,755	6.80%
2016	17,598	N/A	39,111	39	3,725	7.00%
2017	17,809	N/A	39,090	37	3,571	7.40%
2018	17,614	N/A	40,827	37	3,657	7.20%

NOTES: The unemployment rates are a twelve-month average from October through September.

N/A denotes information not available

SOURCES: (1) US Dept of Labor, Bureau of Labor Statistics

(2) Bay City Independent School District

(3) Texas Workforce Commission

(4) County Information Program, Tx Assoc of Counties



**CITY OF BAY CITY, TEXAS****PRINCIPAL EMPLOYERS****(UNAUDITED)***Current Year and Six Years Ago*

2018	
<u>Employer</u>	<u>Employees</u>
South Texas Project (STP)	1,181
Bay City ISD	549
Matagorda County Regional Medical Center	423
Tenaris	641
Matagorda County	239
OXEА	178
Lyondell	158
City of Bay City	157
H.E.B.	250
Walmart	100
	<u>3,876</u>
2012	
<u>Employer</u>	<u>Employees</u>
South Texas Project (STP)	1,200
Bay City ISD	820
Walmart	305
Matagorda County General Hospital	300
H.E.B.	250
Lyondell	220
Valerus	188
City of Bay City	175
OXEА	140
Henderson	26
	<u>3,624</u>

NOTES: Information for nine years ago was not readily available.

**CITY OF BAY CITY, TEXAS****FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM***Last ten fiscal years*

Function/Program	Fiscal Year			
	2009	2010	2011	2012
General government	35.00	24.29	25.29	25.29
Public safety				
Police				
Officers	35.00	35.00	35.00	35.00
Civilians	20.19	20.19	20.19	20.19
Fire				
Firefighters	36.00	34.00	34.00	34.00
Civilians	1.00	1.00	1.00	1.00
Public works				
Streets/maintenance	35.00	19.00	19.00	16.00
Recycling				
Public activities and recreation	11.00	11.76	11.76	11.76
Library	-	-	-	-
Tourism	-	-	-	-
Water and sewer	29.00	43.00	44.00	39.00
Airport	-	2.00	2.00	1.00
Equipment and building maintenance	-	-	-	4.00
Information technology	-	-	-	-
Sanitation	10.00	11.00	11.00	16.28
Total	<u>212.19</u>	<u>201.24</u>	<u>203.24</u>	<u>203.52</u>

NOTES: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).

Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

City took on Library operations during FY 2013.

City took on Tourism 01/01/18.

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Fiscal Year					
2013	2014	2015	2016	2017	2018
23.00	18.00	15.00	16.00	16.00	13.00
37.00	39.00	41.00	41.00	41.00	40.00
18.00	21.00	19.00	21.00	21.00	21.00
35.00	36.00	35.00	35.00	35.00	30.00
1.00	1.00	1.00	1.00	1.00	1.00
18.00	14.00	19.76	17.00	17.00	16.00
					3.50
10.00	10.00	10.00	13.00	15.00	12.00
8.00	6.00	7.00	6.00	6.00	8.50
-	-	-	-	-	1.00
21.00	25.00	28.00	26.00	27.00	30.00
2.00	2.00	2.00	2.00	2.00	2.00
9.00	9.00	8.00	7.00	5.00	7.00
-	3.00	3.00	3.00	3.00	2.00
13.00	-	-	-	-	-
<u>195.00</u>	<u>184.00</u>	<u>188.76</u>	<u>188.00</u>	<u>189.00</u>	<u>187.00</u>

**CITY OF BAY CITY, TEXAS****CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM***Last ten fiscal years*

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Function/Program	Fiscal Year			
	2009	2010	2011	2012
Public safety				
Police				
Stations	1	1	1	1
Patrol units	32	31	31	31
Fire				
Fire stations	1	1	1	1
Public works				
Streets				
Streets (lane miles)	95	109	109	109
Parks				
Acreage	360	360	360	360
Parks	22	22	22	22
Swimming pools	2	2	2	2
Water and wastewater				
Water				
Water mains (miles)	94	94	94	94
Fire hydrants	600	600	600	600
Maximum daily capacity (thousands of gallons)	4	4	4	4
Wastewater				
Sanitary sewers (miles)	88	88	88	88
Storm sewers (miles)	80	80	80	80
Maximum daily treatment capacity (thousands of gallons)	4	4.3	4.3	4.3
Sanitation				
Collection trucks	8	8	8	8

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Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1	1	1	1	1	1
35	33	37	34	34	34
1	1	1	1	1	1
109	109	109	109	109	109
360	360	348	348	348	299
22	22	22	23	23	23
2	2	2	2	2	2
94	115	115	115	113	113
600	600	650	650	650	650
4	4	4	4	3	3
88	88	88	88	108	108
80	80	80	80	80	80
4.3	4.3	4.3	4.3	4.3	4.3
8	-	-	-	-	-

# CITY OF BAY CITY, TEXAS

## OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2009	2010	2011	2012
General government				
Building permits issued	N/A	442	310	231
Building inspections conducted	N/A	222	691	431
Fire inspection conducted	N/A	13	5	6
Public safety				
Police				
Arrests	1,513	1,934	1,730	893
Accident Reports	425	452	416	199
Citations	2,791	4,484	3,223	1,196
Offense reports	7,222	3,017	2,734	1,327
Calls for service	27,968	32,296	33,453	19,333
Fire				
Emergency responses	219	165	220	175
Fire incidents	133	71	132	95
Service calls and other calls	75	94	88	80
Automatic aid, mutual aid given	19	22	27	39
Streets and highways				
Street resurfacing (lane miles)	-	-	-	-
Water and wastewater				
Water				
Average daily consumption (millions)	2.503	1.907	2.248	2.217
Total consumption (millions)	913.706	695.911	820.538	809.245
Peak daily consumption (millions)	4.608	3.516	4.395	3.799
Wastewater				
Average daily sewage treatment (millions)	2.153	1.963	1.575	1.570
Total consumption (millions)	785.700	716.328	574.870	573.170
Peak daily consumption (millions)	5.100	13.556	9.758	11.916

NOTE: N/A denotes information not available

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Fiscal Year					
2013	2014	2015	2016	2017	2018
459	1,227	1,039	1,012	1,246	1,373
1,222	1,735	2,238	2,256	2,366	2,040
22	8	13	16	23	14
1,722	1,520	1,364	1,405	1,356	1,234
304	325	471	521	505	476
1,621	1,862	1,784	1,736	1,707	956
2,669	2,231	3,427	2,820	2,892	2,744
32,155	31,544	32,864	29,618	31,320	28,448
233	178	170	167	204	254
101	66	64	74	111	130
132	112	106	93	93	124
21	19	23	32	44	31
-	-	5.20	3.49	9.52	1.00
2.187	1.707	2.251	1.692	1.563	2.024
798.353	623.508	824.901	635.604	609.958	743.714
3.485	2.001	3.338	2.569	2.445	2.418
1.566	N/A	1.774	1.954	1.634	1.634
571.850	545.020	691.614	717.629	581.611	657.579
11.755	N/A	6.287	6.532	3.520	3.526

**OVERALL COMPLIANCE AND  
INTERNAL CONTROL SECTION**





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

The Honorable Mayor and Members  
of the City Council  
City of Bay City, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bay City, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 22, 2019. The financial statements of the Bay City Community Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

The Honorable Mayor and Members  
of the City Council  
City of Bay City, Texas

Compliance and Other Matters

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

Purpose of this Report

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

*Harrison, Waldrop & Uherek, LLP*

HARRISON, WALDROP & UHEREK, L.L.P.  
Certified Public Accountants

March 25, 2019