

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED SEPTEMBER 30, 2019



**CITY OF BAY CITY, TEXAS**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*For the fiscal year ended September 30, 2019*

Scotty Jones  
*Finance Director*

Richard Morton  
*Interim City Manager*

Issued By:  
Finance Department

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## **INTRODUCTORY SECTION**



# CITY OF **BAY CITY**

1901 5<sup>TH</sup> Street, Bay City, Texas 77414, Phone: 979-245-2137 Fax: 979-323-1626, [www.cityofbaycity.org](http://www.cityofbaycity.org)

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 19, 2020

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, 2019. 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, 2019, 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, 2019, 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, 2019, 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 recently in 2019 adopted a Mayor/Council-City Manager form of government as opposed to the 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 three-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 Manager is hired by the City Council to serve as the chief administrative officer of the City who is responsible to the City Council for efficient and economical administration of the city government.

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 taxpayer represents more than 1.74% 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 \$857 million for fiscal year 2019, which is an 6% increase from fiscal year 2018.



## **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 appropriated budgets for the General and Debt 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**

### **Budgetary and Financial Policies**

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%. In response to the Fund Balance dropping significantly two years in a row-- City Council adopted a stronger budgetary and financial policy document in 2017 that not only increased the fund balance requirement but what steps should be taken in the event it falls below the minimum unassigned balance (General Fund of 90 days). In addition, this document encompasses a Revenue Policy, Debt Policy, Expenditure Control Policy, and General Budgetary Policies. This policy is reviewed and re-adopted each year. Today, the City's reserves meet the targeted reserves excluding transfers and will likely exceed the target by FY 2020.

### **Long-Term Financial Planning**

In fiscal year 2019, the City adopted a five-year Capital Improvements Plan that aligns with the City's long-term Vision 2040 plan. The Capital Plan gives the City a five-year outlook on possible capital projects to maintain the City's infrastructure and operations. Each Department develops business plans to meet the City Council's overall Vision. These plans are reviewed and updated annually during the budget development process.

## **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 in fiscal year 2016. Phase III was completed in fiscal year 2019. The City is also improving the buildings and infrastructure at the Bay City Airport through grants and local match. This year the City constructed a new Recycling Center through a grant 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, 2018. 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,



Robert K. Nelson  
Mayor



Scotty Jones  
Director of Finance



Government Finance Officers Association

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

Presented to

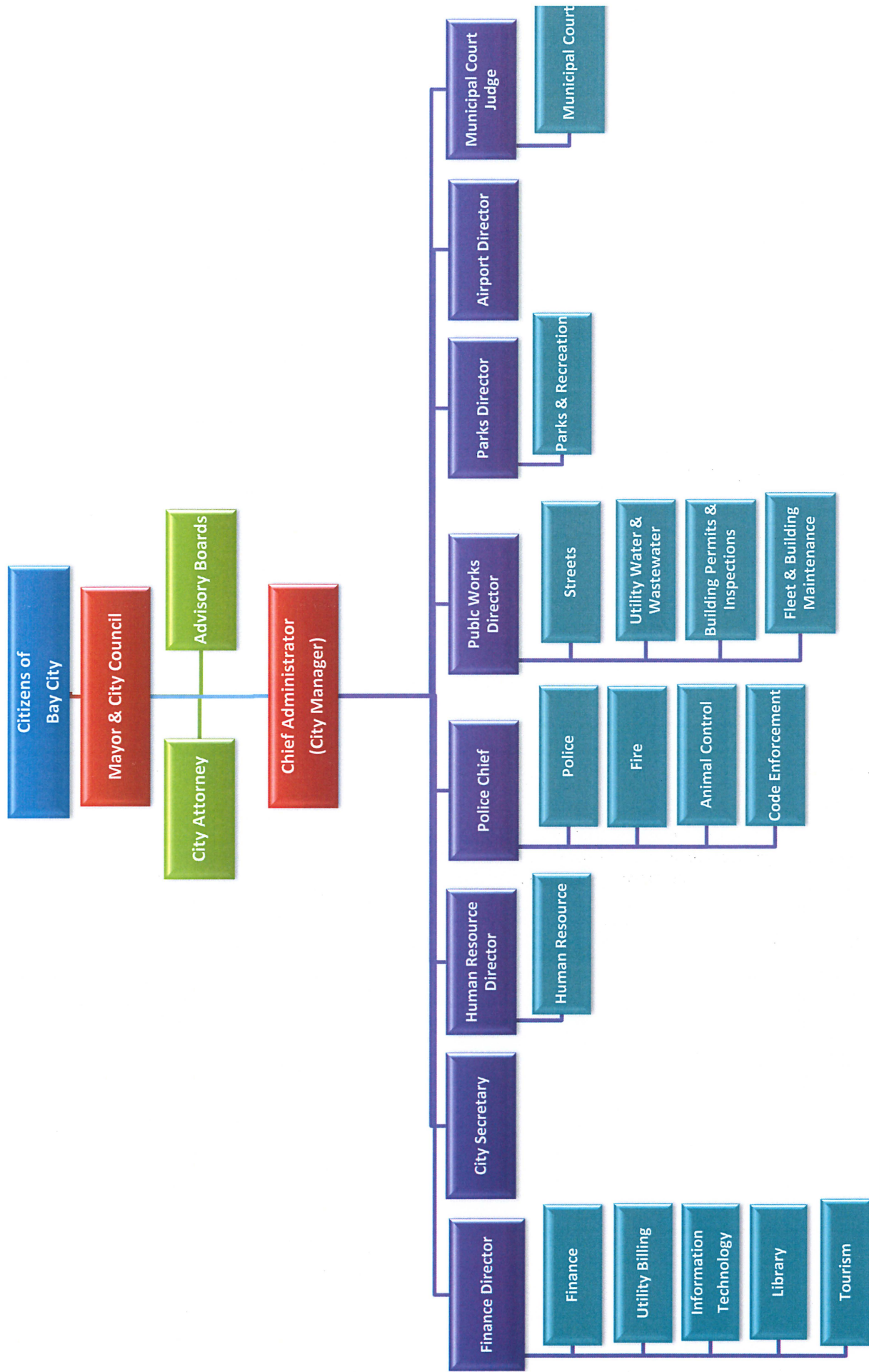
**City of Bay City  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



**CITY OF BAY CITY, TEXAS**  
*DIRECTORY OF PRINICIPAL OFFICIALS*  
*September 30, 2019*

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| <b>City Officials</b> | <b>Elective Position</b>     | <b>Term Expires</b> |
|-----------------------|------------------------------|---------------------|
| Robert K. Nelson      | Mayor                        | 2022                |
| Julie Estlinbaum      | Council Member - Position #1 | 2020                |
| William Cornman       | Council Member - Position #2 | 2020                |
| Brent Marceaux        | Council Member - Position #3 | 2022                |
| Becca Sitz            | Council Member - Position #4 | 2022                |
| Jason Childers        | Council Member - Position #5 | 2022                |

| <b>Key Staff</b>  | <b>Position</b>               |
|-------------------|-------------------------------|
| Anne Marie Odefey | 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

STEPHEN W. VAN MANEN, CPA  
DENNIS C. CIHAL, CPA  
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ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

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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, 2019, 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 23 percent, 39 percent, and 56 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, 2019, 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.

### 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards 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 19, 2020, 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.



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

March 19, 2020

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, 2019.

**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 \$33,584,985 (*net position*). Of this amount, \$4,580,746 (*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 \$2,027,436 and \$152,724, respectively. The net position of the Water and Sewer Fund decreased by \$228,319 and the Airport Fund increased by \$381,043.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,946,426 a decrease of \$1,639,045 from the prior year. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,165,690, or 25% of total General Fund expenditures.
- The City's outstanding bonded debt for governmental and business-type activities had a net decrease of \$2,065,001 or 12% from the prior year. The City also had \$1,260,000 of tax notes outstanding as of September 30, 2019.

**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 76

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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 2018-2019 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 and the Hazard Mitigation 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 77-86 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 87-105 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 \$33,584,985 at the close of the fiscal year 2019.

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<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|  | 2019                       | 2018                 | 2019                        | 2018                 | 2019                 | 2018                 |
| Current and other assets                       | \$ 6,318,462               | \$ 7,992,951         | \$ 6,372,674                | \$ 5,968,875         | \$ 12,691,136        | \$ 13,961,826        |
| Capital assets (net)                           | 24,165,011                 | 22,068,251           | 22,845,618                  | 23,504,510           | 47,010,629           | 45,572,761           |
| <b>Total assets</b>                            | <b>30,483,473</b>          | <b>30,061,202</b>    | <b>29,218,292</b>           | <b>29,473,385</b>    | <b>59,701,765</b>    | <b>59,534,587</b>    |
| <b>Total deferred outflow<br/>of resources</b> | <b>1,849,737</b>           | <b>490,158</b>       | <b>430,709</b>              | <b>183,543</b>       | <b>2,280,446</b>     | <b>673,701</b>       |
| Current liabilities                            | 2,208,439                  | 3,371,510            | 2,240,686                   | 1,932,311            | 4,449,125            | 5,303,821            |
| Noncurrent liabilities                         | 15,400,562                 | 13,847,453           | 8,432,558                   | 8,752,165            | 23,833,120           | 22,599,618           |
| <b>Total liabilities</b>                       | <b>17,609,001</b>          | <b>17,218,963</b>    | <b>10,673,244</b>           | <b>10,684,476</b>    | <b>28,282,245</b>    | <b>27,903,439</b>    |
| <b>Total deferred inflow<br/>of resources</b>  | <b>65,841</b>              | <b>701,465</b>       | <b>49,140</b>               | <b>198,559</b>       | <b>114,981</b>       | <b>900,024</b>       |
| Net investment in<br>capital assets            | 13,287,618                 | 11,656,559           | 14,858,787                  | 14,675,577           | 28,146,405           | 26,332,136           |
| Restricted                                     | 857,834                    | 813,690              | -                           | -                    | 857,834              | 813,690              |
| Unrestricted                                   | 512,916                    | 160,683              | 4,067,830                   | 4,098,316            | 4,580,746            | 4,258,999            |
| <b>Total net position</b>                      | <b>\$ 14,658,368</b>       | <b>\$ 12,630,932</b> | <b>\$ 18,926,617</b>        | <b>\$ 18,773,893</b> | <b>\$ 33,584,985</b> | <b>\$ 31,404,825</b> |

The balance of unrestricted net position, \$4,580,746 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 \$2,180,160, which consists of an increase of \$2,027,436 in governmental activities and an increase of \$152,724 in business-type activities.

The increase in the governmental activities is mainly due to a \$1,400,177 increase in operating grants and contributions and a \$334,069 increase in ad valorem taxes. The increase in taxes is due to an increase in valuations and the tax rate for the 2018 tax roll. The increase in operating grants and contributions mainly relates to the Hazard Mitigation grants.

The increase in the business-type activities is mainly due to an increase in charges for services in the amount of \$79,650 of which approximately \$70,006 relates to the Water and Sewer Fund. This increase is due to an increase in utility rates in fiscal year 2019.

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

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|   | Governmental<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|   | 2019                       | 2018                 | 2019                        | 2018                 | 2019                 | 2018                 |
| <b>REVENUES</b>                         |                            |                      |                             |                      |                      |                      |
| Program revenues:                       |                            |                      |                             |                      |                      |                      |
| Charges for services                    | \$ 3,213,169               | \$ 3,151,476         | \$ 8,163,162                | \$ 8,083,512         | \$ 11,376,331        | \$ 11,234,988        |
| Operating grants and contributions      | 2,207,235                  | 807,058              | 84,130                      | 15,870               | 2,291,365            | 822,928              |
| Capital grants and contributions        | 376,144                    | 798,666              | 219,828                     | 417,799              | 595,972              | 1,216,465            |
| General revenues:                       |                            |                      |                             |                      |                      |                      |
| Property taxes                          | 5,603,015                  | 5,268,946            | -                           | -                    | 5,603,015            | 5,268,946            |
| Sales taxes                             | 4,447,508                  | 4,277,863            | -                           | -                    | 4,447,508            | 4,277,863            |
| Franchise taxes                         | 1,266,666                  | 1,253,205            | -                           | -                    | 1,266,666            | 1,253,205            |
| Other taxes                             | 779,523                    | 801,926              | -                           | -                    | 779,523              | 801,926              |
| Unrestricted investment earnings        | 134,570                    | 110,943              | 86,208                      | 51,731               | 220,778              | 162,674              |
| Miscellaneous                           | 483,211                    | 289,684              | 5,800                       | -                    | 489,011              | 289,684              |
| <b>Total revenues</b>                   | <u>18,511,041</u>          | <u>16,759,767</u>    | <u>8,559,128</u>            | <u>8,568,912</u>     | <u>27,070,169</u>    | <u>25,328,679</u>    |
| <b>EXPENSES</b>                         |                            |                      |                             |                      |                      |                      |
| General government                      | 2,525,947                  | 2,570,638            | -                           | -                    | 2,525,947            | 2,570,638            |
| Public safety                           | 5,329,122                  | 5,129,141            | -                           | -                    | 5,329,122            | 5,129,141            |
| Public works                            | 6,347,218                  | 5,513,362            | -                           | -                    | 6,347,218            | 5,513,362            |
| Cultural and recreation                 | 2,720,126                  | 2,534,887            | -                           | -                    | 2,720,126            | 2,534,887            |
| Interest on long-term debt              | 329,979                    | 391,428              | -                           | -                    | 329,979              | 391,428              |
| Water and sewer                         | -                          | -                    | 6,993,425                   | 6,431,453            | 6,993,425            | 6,431,453            |
| Airport                                 | -                          | -                    | 644,192                     | 584,476              | 644,192              | 584,476              |
| <b>Total expenses</b>                   | <u>17,252,392</u>          | <u>16,139,456</u>    | <u>7,637,617</u>            | <u>7,015,929</u>     | <u>24,890,009</u>    | <u>23,155,385</u>    |
| Change in net position before transfers | 1,258,649                  | 620,311              | 921,511                     | 1,552,983            | 2,180,160            | 2,173,294            |
| Transfers                               | 768,787                    | 1,007,784            | (768,787)                   | (1,007,784)          | -                    | -                    |
| Change in net position                  | 2,027,436                  | 1,628,095            | 152,724                     | 545,199              | 2,180,160            | 2,173,294            |
| Net position - October 1                | <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>    |
| Net position - September 30             | <u>\$ 14,658,368</u>       | <u>\$ 12,630,932</u> | <u>\$ 18,926,617</u>        | <u>\$ 18,773,893</u> | <u>\$ 33,584,985</u> | <u>\$ 31,404,825</u> |

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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 \$3,946,426, a decrease of \$1,639,045 from the prior year.

Approximately 62% of this total amount or \$2,454,717 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$1,491,709 or 38% 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 \$3,165,690. Unassigned fund balance represents 25% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$991,863 during the current fiscal year. The increase in fund balance for the City's General Fund is attributable to an increase in revenues of \$903,026. The fund balance of the Hazard Mitigation Fund, a major special revenue fund, decreased by \$657,472 due to incurrence of disaster related expenditures resulting in a deficit fund balance at year-end of \$641,621.

### **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 \$3,678,122, which is a decrease of \$290,734 from the prior year. Unrestricted net position of the Airport Fund amounted to \$389,708 at the end of the current fiscal year, which is an increase of \$260,248 from the prior year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Total revenues earned were less than budgetary expectations by \$109,017. The negative variance in actual revenues compared to the budget is primarily due to the timing of a grant payments from Texas Parks and Wildlife related to the Parks Dreamscape "special needs playground" project (\$75,000). In addition, Riverside Park remained closed most of the year resulting in \$20,000 less than budget expectations. Finally, delinquent taxes were \$40,000 less than budget. Sales tax revenue exceeded amended budget by \$22,507, however exceeded original budget by \$172,508. Actual expenditures were \$1,014,550 less than budget. This was greatly due to the timing of capital projects (i.e. fire truck, Dreamscape Project) that will carry over to next fiscal year. In addition, the City did budget to build the reserves by \$400,000. Total operating revenues were \$14,648,859 while total operating expenditures were \$12,609,001. This resulted in an excess of revenues over expenditures of \$2,039,858 which was \$905,533 greater than budgetary expectations. This is before any transfers to other funds. Net other financing sources (uses) of (\$1,047,995) resulted in a net increase in the General Fund of \$991,863. All departments had positive variances, except for Library exceeding budget expectations by \$3,121 due to increased personnel costs related to increased time staff had to work during Library renovations.

Differences between the General Fund's original budget and final amended budget were a net increase of \$247,176 to expenditures. This was primarily due to capital expenditures approved during the fiscal year funded by grants 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 \$47,010,629 (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 \$1,437,868.

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| <b>City of Bay City, Texas</b>              |                            |                     |                             |                     |                     |                     |
|---|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| <b>Capital Assets (Net of Depreciation)</b> |                            |                     |                             |                     |                     |                     |
|   | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total               |                     |
|   | 2019                       | 2018                | 2019                        | 2018                | 2019                | 2018                |
| Land  | \$ 1,603,907               | \$ 1,603,907        | \$ 381,117                  | \$ 381,117          | \$ 1,985,024        | \$ 1,985,024        |
| Construction in progress                    | 2,487,320                  | 4,588,958           | 297,319                     | 784,896             | 2,784,639           | 5,373,854           |
| Buildings and improvements                  | 1,540,719                  | 758,978             | 404,143                     | 411,641             | 1,944,862           | 1,170,619           |
| Machinery and equipment                     | 2,896,196                  | 1,871,667           | 5,603,909                   | 5,803,678           | 8,500,105           | 7,675,345           |
| Infrastructure                              | <u>15,636,869</u>          | <u>13,244,741</u>   | <u>16,159,130</u>           | <u>16,123,178</u>   | <u>31,795,999</u>   | <u>29,367,919</u>   |
| Total                                       | <u>\$24,165,011</u>        | <u>\$22,068,251</u> | <u>\$22,845,618</u>         | <u>\$23,504,510</u> | <u>\$47,010,629</u> | <u>\$45,572,761</u> |

Additional information on the City's capital assets can be found in Note 6 of this report.

### Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$17,280,009. Of this amount, \$1,930,000 represents general obligation debt and certificates of obligation totaled \$15,350,009. The City's bonded debt had a net decrease of \$2,065,001 or 12% during the fiscal year ended September 30, 2019. The City also had \$1,260,000 of tax notes outstanding as of September 30, 2019.

Additional information on the City's long-term debt can be found in Note 11.

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

The following factors were considered in preparing the City's budget for the 2020 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 2019 equaled \$4,447,508. This amount is a significant increase as compared to the previous year (\$169,645 or 4%). For fiscal year 2020, the City anticipates sales tax to increase 2% over fiscal year 2019 due to the recently opened McCoy's Building Supply, Ace Hardware, and several new gas station convenient stores. In addition, 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 2020 fiscal year (2019 tax roll) total \$868,960,974 with a tax rate of \$0.50176 per \$100 valuation for maintenance and operations and \$0.15324 per \$100 valuation for the interest and sinking fund. The total tax rate of \$0.65500 remained flat from the fiscal 2019 tax rate. The certified assessed taxable property valuations increased from the 2018 tax roll by \$12,816,177 or 1.50%.



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

The City plans to issue Certificates of Obligation in the spring of 2020. The proceeds from these Certificates will be used for the acquisition of a fire truck, road equipment, street improvements, specifically the Nile Valley Road, and airport improvements throughout the City. Phase III of the Street Rehabilitation project, funded by the 2016 Certificates of Obligation, was completed in fiscal year 2019.

The City, in conjunction with the Bay City Community Development Corporation, approved the creation of three Tax Increment Reinvestment Zones (TIRZ#1, TIRZ#2, TIRZ#3) 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 apart from a new cinema/family entertainment center approximately 48,860 square feet. TIRZ #3 was approved for an estimated 68 lot sub-division estimated to be completed by 2024. 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, 2019

|   | Primary Government         |                             |                   | Component<br>Units |
|---|----------------------------|-----------------------------|-------------------|--------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total             |                    |
| <b>ASSETS</b>                                   |                            |                             |                   |                    |
| Current assets                                  |                            |                             |                   |                    |
| Cash and cash equivalents                       | \$ 2,817,036               | \$ 5,253,002                | \$ 8,070,038      | \$ 2,456,796       |
| Investments                                     | 995,000                    | -                           | 995,000           | 2,559,271          |
| Receivables (net)                               | 1,157,903                  | 1,006,977                   | 2,164,880         | 320,207            |
| Due from other governments                      | 1,258,655                  | -                           | 1,258,655         | 125,244            |
| Due from component unit                         | 31,529                     | -                           | 31,529            | -                  |
| Prepaid items                                   | 58,339                     | 88,420                      | 146,759           | 10,263             |
| Inventory                                       | -                          | 24,275                      | 24,275            | 72,654             |
| Restricted assets                               |                            |                             |                   |                    |
| Cash and cash equivalents                       | -                          | -                           | -                 | 165,228            |
| Investments                                     | -                          | -                           | -                 | 302,391            |
| Total current assets                            | <u>6,318,462</u>           | <u>6,372,674</u>            | <u>12,691,136</u> | <u>6,012,054</u>   |
| Noncurrent assets                               |                            |                             |                   |                    |
| Due from employees                              | -                          | -                           | -                 | 6,171              |
| Capital assets                                  |                            |                             |                   |                    |
| Land and other assets not being<br>depreciated  | 4,091,227                  | 678,436                     | 4,769,663         | 456,676            |
| Buildings, improvements, and<br>equipment (net) | <u>20,073,784</u>          | <u>22,167,182</u>           | <u>42,240,966</u> | <u>17,806,446</u>  |
| Total noncurrent assets                         | <u>24,165,011</u>          | <u>22,845,618</u>           | <u>47,010,629</u> | <u>18,269,293</u>  |
| <b>Total assets</b>                             | <u>30,483,473</u>          | <u>29,218,292</u>           | <u>59,701,765</u> | <u>24,281,347</u>  |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>            |                            |                             |                   |                    |
| Deferred amounts related to pension             | 1,812,474                  | 422,091                     | 2,234,565         | -                  |
| Deferred amounts related to OPEB                | <u>37,263</u>              | <u>8,618</u>                | <u>45,881</u>     | -                  |
| <b>Total deferred outflow of resources</b>      | <u>1,849,737</u>           | <u>430,709</u>              | <u>2,280,446</u>  | -                  |

The accompanying notes are an integral part of this statement.

Primary Government

|   | Governmental<br>Activities | Business-type<br>Activities | Total                | Component<br>Units   |
|---|----------------------------|-----------------------------|----------------------|----------------------|
| <b>LIABILITIES</b>                          |                            |                             |                      |                      |
| Current liabilities                         |                            |                             |                      |                      |
| Accounts payable                            | \$ 933,055                 | \$ 448,997                  | \$ 1,382,052         | \$ 113,828           |
| Accrued expenses                            | 230,899                    | 51,893                      | 282,792              | 10,341               |
| Accrued interest payable                    | 25,639                     | 19,072                      | 44,711               | 27,579               |
| Due to primary government                   | -                          | -                           | -                    | 31,529               |
| Due to other governments                    | 40,181                     |                             | 40,181               | -                    |
| Deposits                                    | 21,636                     | 955,504                     | 977,140              | 485,736              |
| Unearned revenue                            | 9,665                      | 12,397                      | 22,062               | -                    |
| Accrued compensated absences                | 30,106                     | 4,081                       | 34,187               | -                    |
| Current portion of long-term obligations    | <u>917,258</u>             | <u>748,742</u>              | <u>1,666,000</u>     | <u>385,842</u>       |
| Total current liabilities                   | <u>2,208,439</u>           | <u>2,240,686</u>            | <u>4,449,125</u>     | <u>1,054,855</u>     |
| Noncurrent liabilities                      |                            |                             |                      |                      |
| Noncurrent portion of long-term obligations | <u>15,400,562</u>          | <u>8,432,558</u>            | <u>23,833,120</u>    | <u>10,153,600</u>    |
| Total noncurrent liabilities                | <u>15,400,562</u>          | <u>8,432,558</u>            | <u>23,833,120</u>    | <u>10,153,600</u>    |
| <b>Total liabilities</b>                    | <u>17,609,001</u>          | <u>10,673,244</u>           | <u>28,282,245</u>    | <u>11,208,455</u>    |
| <b>DEFERRED INFLOW OF RESOURCES</b>         |                            |                             |                      |                      |
| Deferred amounts related to pension         | 35,045                     | 42,820                      | 77,865               | -                    |
| Deferred amounts related to OPEB            | <u>30,796</u>              | <u>6,320</u>                | <u>37,116</u>        | -                    |
| <b>Total deferred inflow of resources</b>   | <u>65,841</u>              | <u>49,140</u>               | <u>114,981</u>       | -                    |
| <b>NET POSITION</b>                         |                            |                             |                      |                      |
| Net investment in capital assets            | 13,287,618                 | 14,858,787                  | 28,146,405           | 7,723,680            |
| Restricted for:                             |                            |                             |                      |                      |
| Debt service                                | 256,577                    | -                           | 256,577              | -                    |
| Development                                 | 9,968                      | -                           | 9,968                | -                    |
| Public safety                               | 44,280                     | -                           | 44,280               | -                    |
| Municipal court                             | 59,591                     | -                           | 59,591               | -                    |
| Cultural and recreation                     | 487,418                    | -                           | 487,418              | -                    |
| Unrestricted                                | <u>512,916</u>             | <u>4,067,830</u>            | <u>4,580,746</u>     | <u>5,349,212</u>     |
| <b>Total net position</b>                   | <u>\$ 14,658,368</u>       | <u>\$ 18,926,617</u>        | <u>\$ 33,584,985</u> | <u>\$ 13,072,892</u> |

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the year ended September 30, 2019*

| Function/Programs              | Expenses             | Program Revenues     |                                    |                                  |
|--------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>      |                      |                      |                                    |                                  |
| Governmental activities        |                      |                      |                                    |                                  |
| General government             | \$ 2,525,947         | \$ 602,332           | \$ 416,000                         | \$ -                             |
| Public safety                  | 5,329,122            | 18,705               | 1,533,879                          | -                                |
| Public works                   | 6,347,218            | 2,467,600            | 57,356                             | 226,144                          |
| Cultural and recreation        | 2,720,126            | 124,532              | 200,000                            | 150,000                          |
| Interest on long-term debt     | 329,979              | -                    | -                                  | -                                |
| Total governmental activities  | <u>17,252,392</u>    | <u>3,213,169</u>     | <u>2,207,235</u>                   | <u>376,144</u>                   |
| Business-type activities       |                      |                      |                                    |                                  |
| Water and sewer                | 6,993,425            | 7,849,327            | -                                  | 219,828                          |
| Airport                        | 644,192              | 313,835              | 84,130                             | -                                |
| Total business-type activities | <u>7,637,617</u>     | <u>8,163,162</u>     | <u>84,130</u>                      | <u>219,828</u>                   |
| Total primary government       | <u>\$ 24,890,009</u> | <u>\$ 11,376,331</u> | <u>\$ 2,291,365</u>                | <u>\$ 595,972</u>                |
| <b>Component Units</b>         | <u>\$ 4,561,375</u>  | <u>\$ 3,828,489</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<br>Activities | Business-<br>type<br>Activities | Total                | Component<br>Units   |
|----------------------------|---------------------------------|----------------------|----------------------|
| \$ (1,507,615)             | \$ -                            | \$ (1,507,615)       | \$ -                 |
| (3,776,538)                | -                               | (3,776,538)          | -                    |
| (3,596,118)                | -                               | (3,596,118)          | -                    |
| (2,245,594)                | -                               | (2,245,594)          | -                    |
| (329,979)                  | -                               | (329,979)            | -                    |
| <u>(11,455,844)</u>        | <u>-</u>                        | <u>(11,455,844)</u>  | <u>-</u>             |
| -                          | 1,075,730                       | 1,075,730            | -                    |
| -                          | (246,227)                       | (246,227)            | -                    |
| -                          | 829,503                         | 829,503              | -                    |
| <u>(11,455,844)</u>        | <u>829,503</u>                  | <u>(10,626,341)</u>  | <u>-</u>             |
| -                          | -                               | -                    | (732,886)            |
| 4,367,823                  | -                               | 4,367,823            | -                    |
| 1,235,192                  | -                               | 1,235,192            | -                    |
| 4,447,508                  | -                               | 4,447,508            | 1,482,503            |
| 1,266,666                  | -                               | 1,266,666            | -                    |
| 779,523                    | -                               | 779,523              | -                    |
| 134,570                    | 86,208                          | 220,778              | 75,116               |
| 483,211                    | 5,800                           | 489,011              | 156,020              |
| 768,787                    | (768,787)                       | -                    | -                    |
| <u>13,483,280</u>          | <u>(676,779)</u>                | <u>12,806,501</u>    | <u>1,713,639</u>     |
| 2,027,436                  | 152,724                         | 2,180,160            | 980,753              |
| <u>12,630,932</u>          | <u>18,773,893</u>               | <u>31,404,825</u>    | <u>12,092,139</u>    |
| <u>\$ 14,658,368</u>       | <u>\$ 18,926,617</u>            | <u>\$ 33,584,985</u> | <u>\$ 13,072,892</u> |

**CITY OF BAY CITY, TEXAS**

*BALANCE SHEET*

*GOVERNMENTAL FUNDS*

*September 30, 2019*

|  | <u>General</u>      | <u>Hazard<br/>Mitigation<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> |
|--|---------------------|---------------------------------------|---|
| <b>ASSETS</b>  |                     |                                       |   |
| Current assets   |                     |                                       |   |
| Cash and cash equivalents  | \$ 1,180,986        | \$ -                                  | \$ 1,513,496                            |
| Investments  | 995,000             | -                                     | -                                       |
| Receivables (net)  | 936,142             | -                                     | 221,761                                 |
| Due from other governments                                       | 426,104             | 762,286                               | 70,265                                  |
| Due from other funds   | 1,029,987           | -                                     | -                                       |
| Due from component unit  | 31,529              | -                                     | -                                       |
| Prepaid items  | 44,540              | -                                     | 13,799                                  |
| <b>Total assets</b>  | <u>\$ 4,644,288</u> | <u>\$ 762,286</u>                     | <u>\$ 1,819,321</u>                     |
| <b>LIABILITIES</b>   |                     |                                       |   |
| Accounts payable   | \$ 622,573          | \$ 65,936                             | \$ 225,270                              |
| Accrued expenditures   | 212,393             | -                                     | 2,060                                   |
| Deposits   | 5,040               | -                                     | 16,596                                  |
| Due to other funds   | -                   | 957,001                               | 72,986                                  |
| Due to other governments   | 40,181              | -                                     | -                                       |
| Unearned revenue   | -                   | -                                     | 9,665                                   |
| <b>Total liabilities</b>   | <u>880,187</u>      | <u>1,022,937</u>                      | <u>326,577</u>                          |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES</b>                         |                     |                                       |   |
| Unavailable revenue  | 553,871             | 380,970                               | 114,927                                 |
| <b>Total deferred inflows of resources</b>                       | <u>553,871</u>      | <u>380,970</u>                        | <u>114,927</u>                          |
| <b>FUND BALANCES</b>   |                     |                                       |   |
| Nonspendable   | 44,540              | -                                     | 13,799                                  |
| Restricted   | -                   | -                                     | 1,433,370                               |
| Unassigned   | 3,165,690           | (641,621)                             | (69,352)                                |
| <b>Total fund balances</b>                                       | <u>3,210,230</u>    | <u>(641,621)</u>                      | <u>1,377,817</u>                        |
| <b>Total liabilities, deferred inflows<br/>and fund balances</b> | <u>\$ 4,644,288</u> | <u>\$ 762,286</u>                     | <u>\$ 1,819,321</u>                     |

The accompanying notes are an integral part of this statement.

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Total  
Governmental  
Funds

\$ 2,694,482  
995,000  
1,157,903  
1,258,655  
1,029,987  
31,529  
58,339  
\$ 7,225,895

\$ 913,779  
214,453  
21,636  
1,029,987  
40,181  
9,665  
2,229,701

1,049,768  
1,049,768

58,339  
1,433,370  
2,454,717  
3,946,426

\$ 7,225,895



**CITY OF BAY CITY, TEXAS**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION  
OF GOVERNMENTAL ACTIVITIES**

September 30, 2019

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|  |                     |                             |
|--|---------------------|-----------------------------|
| <b>Total governmental fund balances</b>  |                     | <b>\$ 3,946,426</b>         |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i>  |                     |                             |
| 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. |                     | 260,314                     |
| 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.   |                     | 433,418                     |
| 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.        |                     | 616,350                     |
| 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  | \$ 53,902,746       |                             |
| Accumulated depreciation of governmental capital assets  | <u>(29,928,564)</u> | 23,974,182                  |
| Deferred outflows of resources are not reported in the governmental funds:   |                     |                             |
| Deferred amount on pension   | 1,812,474           |                             |
| Deferred amount on OPEB  | <u>37,263</u>       | 1,849,737                   |
| 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   | (9,338,087)         |                             |
| Premiums on bonds payable  | (325,276)           |                             |
| Tax notes payable  | (1,260,000)         |                             |
| Accrued interest on the bonds  | (25,639)            |                             |
| Compensated absences   | (283,711)           |                             |
| Net pension liability  | (4,478,323)         |                             |
| OPEB liability   | <u>(645,182)</u>    | (16,356,218)                |
| Deferred inflows of resources are not reported in the governmental funds:  |                     |                             |
| Deferred amount on pension   | (35,045)            |                             |
| Deferred amount on OPEB  | <u>(30,796)</u>     | <u>(65,841)</u>             |
| <b>Net position of governmental activities</b>   |                     | <b>\$ <u>14,658,368</u></b> |

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, 2019*

|  | <u>General</u>      | <u>Hazard<br/>Mitigation<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> |
|--|---------------------|---------------------------------------|---|
| <b>REVENUES</b>                                      |                     |                                       |   |
| Taxes  | \$ 10,186,274       | \$ -                                  | \$ 1,983,471                            |
| Licenses and permits                                 | 281,795             | -                                     | -                                       |
| Fines and forfeitures                                | 203,526             | -                                     | 14,607                                  |
| Fees and charges for services                        | 2,600,632           | -                                     | 89,395                                  |
| Intergovernmental                                    | 620,211             | 732,478                               | 176,144                                 |
| Investment income                                    | 58,415              | -                                     | 75,966                                  |
| Miscellaneous  | 698,006             | 135,977                               | 186,780                                 |
| <b>Total revenues</b>                                | <u>14,648,859</u>   | <u>868,455</u>                        | <u>2,526,363</u>                        |
| <b>EXPENDITURES</b>                                  |                     |                                       |   |
| Current  |                     |                                       |   |
| General government                                   | 2,282,378           | -                                     | 2,490                                   |
| Public safety  | 4,837,335           | -                                     | 16,387                                  |
| Public works   | 3,727,131           | -                                     | 223,227                                 |
| Cultural and recreation                              | 1,762,157           | -                                     | 618,878                                 |
| Debt service   |                     |                                       |   |
| Principal  | -                   | -                                     | 1,465,175                               |
| Interest and fiscal charges                          | -                   | -                                     | 364,072                                 |
| Paying agents' fees and issue costs                  | -                   | -                                     | 4,341                                   |
| Capital outlay                                       | -                   | 1,575,936                             | 2,382,002                               |
| <b>Total expenditures</b>                            | <u>12,609,001</u>   | <u>1,575,936</u>                      | <u>5,076,572</u>                        |
| Excess (deficiency) of revenues<br>over expenditures | 2,039,858           | (707,481)                             | (2,550,209)                             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                                       |   |
| Transfers in   | 769,013             | 50,009                                | 1,003,303                               |
| Transfers out  | (1,817,008)         | -                                     | (426,530)                               |
| <b>Total other financing sources (uses)</b>          | <u>(1,047,995)</u>  | <u>50,009</u>                         | <u>576,773</u>                          |
| Net change in fund balances                          | 991,863             | (657,472)                             | (1,973,436)                             |
| Fund balances at beginning of year                   | 2,218,367           | 15,851                                | 3,351,253                               |
| <b>Fund balances at end of year</b>                  | <u>\$ 3,210,230</u> | <u>\$ (641,621)</u>                   | <u>\$ 1,377,817</u>                     |

The accompanying notes are an integral part of this statement.

---

Total  
Governmental  
Funds

\$ 12,169,745  
281,795  
218,133  
2,690,027  
1,528,833  
134,381  
1,020,763  
18,043,677

2,284,868  
4,853,722  
3,950,358  
2,381,035

1,465,175  
364,072  
4,341  
3,957,938  
19,261,509

(1,217,832)

1,822,325  
(2,243,538)  
(421,213)

(1,639,045)

5,585,471  
\$ 3,946,426

**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, 2019*

|   |                    |                            |
|---|--------------------|----------------------------|
| <b>Total net change in fund balances - governmental funds</b>   |                    | <b>\$ (1,639,045)</b>      |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |                    |                            |
| 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.   |                    | 26,527                     |
| 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  | \$ 3,881,755       |                            |
| Depreciation expense  | <u>(1,698,592)</u> | 2,183,163                  |
| 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   |                    | 1,465,175                  |
| 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  | 5,639              |                            |
| Other revenues  | <u>461,539</u>     | 467,178                    |
| 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  | (1,235)            |                            |
| Decrease in accrued interest  | 5,250              |                            |
| Decrease in bond premium  | 33,183             |                            |
| Net pension cost  | (449,317)          |                            |
| Net OPEB cost   | <u>(63,443)</u>    | <u>(475,562)</u>           |
| <b>Change in net position of governmental activities</b>  |                    | <b><u>\$ 2,027,436</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, 2019

|   | Business-type Activities |                     |                      | Governmental              |
|---|--------------------------|---------------------|----------------------|---------------------------|
|   | Water<br>and Sewer       | Airport             | Total                | Internal Service<br>Funds |
| <b>ASSETS</b>   |                          |                     |                      |                           |
| Current assets  |                          |                     |                      |                           |
| Cash and cash equivalents                                     | \$ 4,940,826             | \$ 312,176          | \$ 5,253,002         | \$ 122,554                |
| Receivables (net)   | 998,859                  | 8,118               | 1,006,977            | -                         |
| Prepaid items   | 16,365                   | 72,055              | 88,420               | -                         |
| Inventory   | -                        | 24,275              | 24,275               | -                         |
| Total current assets  | <u>5,956,050</u>         | <u>416,624</u>      | <u>6,372,674</u>     | <u>122,554</u>            |
| Noncurrent assets   |                          |                     |                      |                           |
| Land and other assets not<br>being depreciated                | 550,573                  | 127,863             | 678,436              | -                         |
| Buildings, improvements, and<br>equipment (net)               | <u>20,036,162</u>        | <u>2,131,020</u>    | <u>22,167,182</u>    | <u>190,829</u>            |
| Total noncurrent assets                                       | <u>20,586,735</u>        | <u>2,258,883</u>    | <u>22,845,618</u>    | <u>190,829</u>            |
| <b>Total assets</b>   | <u>26,542,785</u>        | <u>2,675,507</u>    | <u>29,218,292</u>    | <u>313,383</u>            |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                         |                          |                     |                      |                           |
| Deferred outflow related to pension                           | 422,091                  | -                   | 422,091              | -                         |
| Deferred outflow related to OPEB                              | 8,618                    | -                   | 8,618                | -                         |
| <b>Total deferred outflows of resources</b>                   | <u>430,709</u>           | <u>-</u>            | <u>430,709</u>       | <u>-</u>                  |
| <b>LIABILITIES</b>  |                          |                     |                      |                           |
| Current liabilities   |                          |                     |                      |                           |
| Accounts payable  | 439,267                  | 9,730               | 448,997              | 19,276                    |
| Accrued expenses  | 47,803                   | 4,090               | 51,893               | 16,446                    |
| Accrued interest payable                                      | 19,072                   | -                   | 19,072               | -                         |
| Deposits  | 950,509                  | 4,995               | 955,504              | -                         |
| Unearned revenue  | 10,162                   | 2,235               | 12,397               | -                         |
| Accrued compensated absences                                  | 3,494                    | 587                 | 4,081                | 1,735                     |
| Current portion of certificates payable                       | 748,742                  | -                   | 748,742              | -                         |
| Total current liabilities                                     | <u>2,219,049</u>         | <u>21,637</u>       | <u>2,240,686</u>     | <u>37,457</u>             |
| Noncurrent liabilities  |                          |                     |                      |                           |
| Accrued compensated absences                                  | 31,448                   | 5,279               | 36,727               | 15,612                    |
| Net pension liability   | 919,198                  | -                   | 919,198              | -                         |
| OPEB liability  | 132,427                  | -                   | 132,427              | -                         |
| Certificates payable (net of<br>unamortized deferred amounts) | <u>7,344,206</u>         | <u>-</u>            | <u>7,344,206</u>     | <u>-</u>                  |
| Total noncurrent liabilities                                  | <u>8,427,279</u>         | <u>5,279</u>        | <u>8,432,558</u>     | <u>15,612</u>             |
| <b>Total liabilities</b>                                      | <u>10,646,328</u>        | <u>26,916</u>       | <u>10,673,244</u>    | <u>53,069</u>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                          |                          |                     |                      |                           |
| Deferred inflow related to pension                            | 42,820                   | -                   | 42,820               | -                         |
| Deferred inflow related to OPEB                               | 6,320                    | -                   | 6,320                | -                         |
| <b>Total deferred inflows of resources</b>                    | <u>49,140</u>            | <u>-</u>            | <u>49,140</u>        | <u>-</u>                  |
| <b>NET POSITION</b>   |                          |                     |                      |                           |
| Net investment in capital assets                              | 12,599,904               | 2,258,883           | 14,858,787           | 190,829                   |
| Unrestricted net position                                     | <u>3,678,122</u>         | <u>389,708</u>      | <u>4,067,830</u>     | <u>69,485</u>             |
| <b>Total net position</b>                                     | <u>\$ 16,278,026</u>     | <u>\$ 2,648,591</u> | <u>\$ 18,926,617</u> | <u>\$ 260,314</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, 2019*

|   | Business-type Activities |                     |                      | Governmental Activities |
|---|--------------------------|---------------------|----------------------|-------------------------|
|   | Water and Sewer          | Airport             | Total                | Internal Service Funds  |
| <b>OPERATING REVENUES</b>   |                          |                     |                      |                         |
| Charges for services  | \$ 7,796,394             | 305,776             | \$ 8,102,170         | \$ 7,443                |
| Other   | 52,933                   | 8,059               | 60,992               | 1,071                   |
| <b>Total operating revenues</b>   | <u>7,849,327</u>         | <u>313,835</u>      | <u>8,163,162</u>     | <u>8,514</u>            |
| <b>OPERATING EXPENSES</b>   |                          |                     |                      |                         |
| Water and sewer system  | 4,890,826                | -                   | 4,890,826            | -                       |
| Airport   | -                        | 502,582             | 502,582              | -                       |
| Maintenance   | -                        | -                   | -                    | 508,867                 |
| Information technology  | -                        | -                   | -                    | 576,906                 |
| Depreciation  | 1,853,965                | 141,610             | 1,995,575            | 86,403                  |
| <b>Total operating expenses</b>   | <u>6,744,791</u>         | <u>644,192</u>      | <u>7,388,983</u>     | <u>1,172,176</u>        |
| Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers | 1,104,536                | (330,357)           | 774,179              | (1,163,662)             |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                          |                     |                      |                         |
| Investment income   | 86,063                   | 145                 | 86,208               | 189                     |
| Noncapital grants and contributions   | -                        | 84,130              | 84,130               | -                       |
| Gain on disposition of capital assets   | 3,175                    | 2,625               | 5,800                | -                       |
| Interest and fiscal charges   | (248,634)                | -                   | (248,634)            | -                       |
| <b>Total nonoperating revenues (expenses)</b>   | <u>(159,396)</u>         | <u>86,900</u>       | <u>(72,496)</u>      | <u>189</u>              |
| Income (loss) before contributions and transfers  | 945,140                  | (243,457)           | 701,683              | (1,163,473)             |
| Contributions and transfers   |                          |                     |                      |                         |
| Capital contributions   | 219,828                  | -                   | 219,828              | -                       |
| Transfers in  | -                        | 624,500             | 624,500              | 1,190,000               |
| Transfers out   | (1,393,287)              | -                   | (1,393,287)          | -                       |
| <b>Total contributions and transfers</b>  | <u>(1,173,459)</u>       | <u>624,500</u>      | <u>(548,959)</u>     | <u>1,190,000</u>        |
| Change in net position  | (228,319)                | 381,043             | 152,724              | 26,527                  |
| Total net position at beginning of year   | <u>16,506,345</u>        | <u>2,267,548</u>    | <u>18,773,893</u>    | <u>233,787</u>          |
| <b>Total net position at end of year</b>  | <u>\$ 16,278,026</u>     | <u>\$ 2,648,591</u> | <u>\$ 18,926,617</u> | <u>\$ 260,314</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, 2019

|   | Business-type Activities |                   |                     | Governmental              |
|---|--------------------------|-------------------|---------------------|---------------------------|
|   | Water<br>and Sewer       | Airport           | Total               | Internal Service<br>Funds |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                          |                   |                     |                           |
| Cash received from customers  | \$ 7,848,476             | \$ 310,640        | \$ 8,159,116        | \$ 8,514                  |
| Cash paid to suppliers for goods and services                               | (2,981,568)              | (374,784)         | (3,356,352)         | (486,165)                 |
| Cash paid to employees for services   | (1,548,263)              | (151,381)         | (1,699,644)         | (608,685)                 |
| <b>Net cash provided (used) by operating activities</b>                     | <u>3,318,645</u>         | <u>(215,525)</u>  | <u>3,103,120</u>    | <u>(1,086,336)</u>        |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                      |                          |                   |                     |                           |
| Transfers (to) from other funds   | (1,393,287)              | 624,500           | (768,787)           | 1,190,000                 |
| Noncapital grants and contributions   | -                        | 93,611            | 93,611              | -                         |
| Increase (decrease) in customer deposits                                    | 28,548                   | 135               | 28,683              | -                         |
| <b>Net cash provided (used) by noncapital financing activities</b>          | <u>(1,364,739)</u>       | <u>718,246</u>    | <u>(646,493)</u>    | <u>1,190,000</u>          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>             |                          |                   |                     |                           |
| Acquisition and construction of capital assets                              | (921,674)                | (262,405)         | (1,184,079)         | -                         |
| Proceeds from sale of capital assets  | 3,175                    | 2,625             | 5,800               | -                         |
| Principal paid on long-term debt  | (725,826)                | -                 | (725,826)           | -                         |
| Interest paid   | (260,554)                | -                 | (260,554)           | -                         |
| <b>Net cash provided (used) by capital and related financing activities</b> | <u>(1,904,879)</u>       | <u>(259,780)</u>  | <u>(2,164,659)</u>  | <u>-</u>                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                          |                   |                     |                           |
| Investment income   | 86,063                   | 145               | 86,208              | 189                       |
| <b>Net cash provided (used) by investing activities</b>                     | <u>86,063</u>            | <u>145</u>        | <u>86,208</u>       | <u>189</u>                |
| Net increase (decrease) in cash and cash equivalents                        | 135,090                  | 243,086           | 378,176             | 103,853                   |
| Cash and cash equivalents at beginning of year                              | 4,805,736                | 69,090            | 4,874,826           | 18,701                    |
| <b>Cash and cash equivalents at end of year</b>                             | <u>\$ 4,940,826</u>      | <u>\$ 312,176</u> | <u>\$ 5,253,002</u> | <u>\$ 122,554</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, 2019

|   | <u>Business-type Activities</u> |                     |                     | <u>Governmental</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)   | \$ 1,104,536                    | \$ (330,357)        | \$ 774,179          | \$ (1,163,662)                |
| Adjustments to reconcile operating income to net cash provided by operating activities        |                                 |                     |                     |                               |
| Depreciation  | 1,853,965                       | 141,610             | 1,995,575           | 86,403                        |
| Changes in assets and liabilities   |                                 |                     |                     |                               |
| (Increase) decrease in accounts receivable  | (900)                           | 3,205               | 2,305               | -                             |
| (Increase) decrease in inventory  | -                               | 38,639              | 38,639              | -                             |
| (Increase) decrease in prepaid items  | 183                             | (66,118)            | (65,935)            | -                             |
| (Increase) decrease in deferred outflows  | (247,166)                       | -                   | (247,166)           | -                             |
| Increase (decrease) in accounts payable   | 316,769                         | 1,617               | 318,386             | (331)                         |
| Increase (decrease) in accrued expenses   | 2,789                           | 691                 | 3,480               | (784)                         |
| Increase (decrease) in due to other funds   | -                               | -                   | -                   | (1,822)                       |
| Increase (decrease) in unearned revenue   | 49                              | (6,400)             | (6,351)             | -                             |
| Increase (decrease) in net pension liability  | 451,375                         | -                   | 451,375             | -                             |
| Increase (decrease) in OPEB liability   | (13,273)                        | -                   | (13,273)            | -                             |
| Increase (decrease) in deferred inflows   | (149,418)                       | -                   | (149,418)           | -                             |
| Increase (decrease) in compensated absences   | (264)                           | 1,588               | 1,324               | (6,140)                       |
| Total adjustments   | <u>2,214,109</u>                | <u>114,832</u>      | <u>2,328,941</u>    | <u>77,326</u>                 |
| <b>Net cash provided (used) by operating activities</b>                                       | <u>\$ 3,318,645</u>             | <u>\$ (215,525)</u> | <u>\$ 3,103,120</u> | <u>\$ (1,086,336)</u>         |
| <b>Noncash capital and related financing activities</b>                                       |                                 |                     |                     |                               |
| Assets acquired from contributions  | <u>\$ 219,828</u>               | <u>\$ -</u>         | <u>\$ 219,828</u>   | <u>\$ -</u>                   |

(concluded)



**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**September 30, 2019**

|  | Bay City<br>Community<br>Development<br>Corporation | Bay City<br>Gas<br>Company | Total                |
|--|---|----------------------------|----------------------|
| <b>ASSETS</b>                                |   |                            |                      |
| Current assets                               |   |                            |                      |
| Cash and cash equivalents                    | \$ 1,901,047  | \$ 555,749                 | \$ 2,456,796         |
| Investments                                  | -   | 2,559,271                  | 2,559,271            |
| Receivables (net)                            | 26,391  | 293,816                    | 320,207              |
| Due from other governments                   | 125,244   | -                          | 125,244              |
| Prepaid items                                | -   | 10,263                     | 10,263               |
| Inventory                                    | -   | 72,654                     | 72,654               |
| Restricted assets                            |   |                            |                      |
| Cash and cash equivalents                    | -   | 165,228                    | 165,228              |
| Investments                                  | -   | 302,391                    | 302,391              |
| <b>Total current assets</b>                  | <b>2,052,682</b>                                    | <b>3,959,372</b>           | <b>6,012,054</b>     |
| Noncurrent assets                            |   |                            |                      |
| Due from employee                            | -   | 6,171                      | 6,171                |
| Capital assets                               |   |                            |                      |
| Land and other assets not being depreciated  | 456,676   | -                          | 456,676              |
| Buildings, improvements, and equipment (net) | 16,131,997  | 1,674,449                  | 17,806,446           |
| Net capital assets                           | 16,588,673  | 1,674,449                  | 18,263,122           |
| <b>Total noncurrent assets</b>               | <b>16,588,673</b>                                   | <b>1,680,620</b>           | <b>18,269,293</b>    |
| <b>Total assets</b>                          | <b>18,641,355</b>                                   | <b>5,639,992</b>           | <b>24,281,347</b>    |
| <b>LIABILITIES</b>                           |   |                            |                      |
| Accounts payable                             | 19,515  | 94,313                     | 113,828              |
| Accrued expenditures                         | 6,708   | 3,633                      | 10,341               |
| Accrued interest payable                     | 27,579  | -                          | 27,579               |
| Due to primary government                    | 31,529  | -                          | 31,529               |
| Deposits                                     | 50,000  | 435,736                    | 485,736              |
| Long-term liabilities                        |   |                            |                      |
| Due within one year                          | 385,842   | -                          | 385,842              |
| Due in more than one year                    | 10,153,600  | -                          | 10,153,600           |
| <b>Total liabilities</b>                     | <b>10,674,773</b>                                   | <b>533,682</b>             | <b>11,208,455</b>    |
| <b>NET POSITION</b>                          |   |                            |                      |
| Net investment in capital assets             | 6,049,231   | 1,674,449                  | 7,723,680            |
| Unrestricted                                 | 1,917,351   | 3,431,861                  | 5,349,212            |
| <b>Total net position</b>                    | <b>\$ 7,966,582</b>                                 | <b>\$ 5,106,310</b>        | <b>\$ 13,072,892</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, 2019*

| Function/Programs                          | Expenses           | Program Revenues        |  |  |
|--|--------------------|-------------------------|--|--|
|  |                    | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Component Units</b>                     |                    |                         |  |  |
| Bay City Community Development Corporation | \$1,798,188        | \$ 772,345              | \$ -                                     | \$ -                                   |
| Bay City Gas Company                       | <u>2,763,187</u>   | <u>3,056,144</u>        | <u>-</u>                                 | <u>-</u>                               |
| Total component units                      | <u>\$4,561,375</u> | <u>\$ 3,828,489</u>     | <u>\$ -</u>                              | <u>\$ -</u>                            |

General revenues:  
 Taxes:  
     Sales taxes  
     Unrestricted investment earnings  
     Miscellaneous  
 Total general revenues  
     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

| Component Units                           |                            |                |
|---|----------------------------|----------------|
| Bay City<br>Community Dev.<br>Corporation | Bay City<br>Gas<br>Company | Total          |
| \$ (1,025,843)                            | \$ -                       | \$ (1,025,843) |
| -   | 292,957                    | 292,957        |
| (1,025,843)                               | 292,957                    | (732,886)      |
| 1,482,503                                 | -                          | 1,482,503      |
| 21,093                                    | 54,023                     | 75,116         |
| 156,020                                   | -                          | 156,020        |
| 1,659,616                                 | 54,023                     | 1,713,639      |
| 633,773                                   | 346,980                    | 980,753        |
| 7,332,809                                 | 4,759,330                  | 12,092,139     |
| \$ 7,966,582                              | \$ 5,106,310               | \$ 13,072,892  |

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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 Gas Company is owned by the City and operates under the direction of the board. 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.

The City financially benefits from the Gas Company annually with appropriations being used primarily for capital improvements. Also included as part of these annual contributions are gas services to City facilities and volunteer firemen, which are not billed by the Gas Company. For the year ended March 31, 2019 these contributions totaled \$350,000. 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 Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Hazard Mitigation Fund, a major special revenue fund, accounts for local and federal funds received to fund mitigation type projects to be better prepared for natural disasters and accounts for restoration projects as a result of Hurricane Harvey.

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 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 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 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, 2019, 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. Supplemental Death Benefit (OPEB)**

For purposes of measuring the total OPEB liability for the supplemental death benefit plan, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 OPEB 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. 75.

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

N. 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.

O. 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.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Compliance

Budgetary compliance is monitored at departmental level for the General Fund and at the fund level in the Debt Service Fund. There were two situations of expenditures exceeding the amounts appropriated during the fiscal year 2018-2019.

| <u>Fund / Department</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Negative Variance</u> |
|--------------------------|---------------------|---------------|--------------------------|
| General Fund             |                     |               |                          |
| Library                  | \$ 441,468          | \$ 444,589    | \$ 3,121                 |
| Debt Service Fund        | 1,832,000           | 1,833,588     | 1,588                    |

These expenditures were funded by available fund balance in the respective fund.

B. Deficit Fund Equity

As of September 30, 2019, the Hazard Mitigation Fund (major special revenue fund) and the Texas Capital Fund (nonmajor special revenue fund) had deficit fund equity balances of \$641,621 and \$69,352, respectively. These deficits will be eliminated in the 2020 fiscal year.

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**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, 2019, the City had the following investments:

| <u>Investment Type</u>       | <u>Fair Value</u>   | <u>Weighted Average Maturity (Months)</u> | <u>Credit Risk</u> | <u>Portfolio %age</u> |
|------------------------------|---------------------|---|--------------------|-----------------------|
| Public Funds Investment Pool |                     |   |                    |                       |
| TexPool                      | \$ 4,371,734        | 1.2                                       | AAAm               | 53%                   |
| Texas CLASS                  | 2,870,373           | 1.67                                      | AAAm               | 35%                   |
| Certificates of Deposit      | 495,000             | 24  | N/A                | 6%                    |
| Government Agency Bonds      | 500,000             | 6   | AA+                | 6%                    |
|                              | <u>\$ 8,237,107</u> |   |                    |                       |

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost and Texas CLASS uses the fair value method to value portfolio assets. 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. Investments in the pools are classified as cash and cash equivalents for reporting purposes.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2019, the City has government agency bonds of \$500,000 valued using quoted prices for similar assets in active markets (Level 2 inputs).

#### Interest Rate Risk

In compliance with the City's investment policy, the City minimized 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. The weighted average maturities of the investment pools did not exceed 60 days. Also, investments in obligations of the US government, its agencies and instrumentalities, and government sponsoring enterprises did not exceed five years to stated maturity as well as investments in brokered certificates of deposits from banks within any US state did not exceed two years to maturity.

#### 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.

**NOTE 4: RECEIVABLES**

Receivables at September 30, 2019, consist of the following:

|                         | <u>General</u>    | <u>Water<br/>and Sewer</u> | <u>Airport<br/>Fund</u> | <u>Nonmajor<br/>Funds</u> | <u>Total</u>        |
|-------------------------|-------------------|----------------------------|-------------------------|---------------------------|---------------------|
| Gross receivables:      |                   |                            |                         |                           |                     |
| Accounts                | \$ 284,639        | \$ 1,110,886               | \$ 8,118                | \$ -                      | \$ 1,403,643        |
| Ad valorem taxes        | 574,747           | -                          | -                       | 78,369                    | 653,116             |
| Franchise taxes         | 97,857            | -                          | -                       | -                         | 97,857              |
| Occupancy taxes         | -                 | -                          | -                       | 164,190                   | 164,190             |
| Municipal court fines   | 181,692           | -                          | -                       | -                         | 181,692             |
| Other                   | <u>808,148</u>    | <u>21,332</u>              | <u>-</u>                | <u>-</u>                  | <u>829,480</u>      |
| Total gross receivables | 1,947,083         | 1,132,218                  | 8,118                   | 242,559                   | 3,329,978           |
| Less: Allowances        | <u>1,010,941</u>  | <u>133,359</u>             | <u>-</u>                | <u>20,798</u>             | <u>1,165,098</u>    |
| Total net receivables   | <u>\$ 936,142</u> | <u>\$ 998,859</u>          | <u>\$ 8,118</u>         | <u>\$ 221,761</u>         | <u>\$ 2,164,880</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       | \$ 375,847          | \$ -            | \$ 375,847          |
| Fines                  | 49,057              | -               | 49,057              |
| Other                  | 128,967             | -               | 128,967             |
| Hazard Mitigation Fund |                     |                 |                     |
| Grant                  | 380,970             | -               | 380,970             |
| Nonmajor Funds         |                     |                 |                     |
| Ad valorem taxes       | 57,571              | -               | 57,571              |
| Grant                  | 57,356              | -               | 57,356              |
| Fines and forfeitures  | <u>-</u>            | <u>9,665</u>    | <u>9,665</u>        |
|                        | <u>\$ 1,049,768</u> | <u>\$ 9,665</u> | <u>\$ 1,059,433</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 \$0.6550 per \$100 of assessed valuation, for maintenance and operations, \$0.5104 and interest and sinking, \$0.1446. The resulting adjusted total tax levy was \$5,604,999 on the total adjusted taxable valuation of \$855,725,036 for the 2018 tax roll.

**NOTE 5: DUE FROM OTHER GOVERNMENTS**

The City reported amounts due from other governments as of the end of the current fiscal year. These amounts are comprised of the following at September 30, 2019:

|                          | <u>General</u>    | <u>Hazard<br/>Mitigation</u> | <u>Nonmajor<br/>Funds</u> | <u>Total</u>        |
|--------------------------|-------------------|------------------------------|---------------------------|---------------------|
| Property taxes           | \$ 11,401         | \$ -                         | \$ 2,899                  | \$ 11,401           |
| Sales taxes              | 375,731           | -                            | -                         | 375,731             |
| Other taxes              | 10,684            | -                            | -                         | 10,684              |
| Federal and state grants | 9,957             | 762,286                      | 67,366                    | 77,323              |
| Contract payments        | 18,331            | -                            | -                         | 18,331              |
|                          | <u>\$ 426,104</u> | <u>\$ 762,286</u>            | <u>\$ 70,265</u>          | <u>\$ 1,258,655</u> |



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**NOTE 6: CAPITAL ASSETS**

The City's capital assets activity for the year ended September 30, 2019, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|---------------------|---------------------------|
| <b>Governmental activities</b>              |                              |                     |                     |                           |
| Capital assets, not being depreciated       |                              |                     |                     |                           |
| Land  | \$ 1,603,907                 | \$ -                | \$ -                | \$ 1,603,907              |
| Construction in progress                    | <u>4,588,958</u>             | <u>391,548</u>      | <u>2,493,186</u>    | <u>2,487,320</u>          |
| Total capital assets not being depreciated  | <u>6,192,865</u>             | <u>391,548</u>      | <u>2,493,186</u>    | <u>4,091,227</u>          |
| Capital assets, being depreciated           |                              |                     |                     |                           |
| Machinery and equipment                     | 9,635,332                    | 1,448,944           | 475,378             | 10,608,898                |
| Buildings                                   | 5,526,584                    | 1,062,510           | -                   | 6,589,094                 |
| Infrastructure                              | <u>29,961,878</u>            | <u>3,471,939</u>    | <u>-</u>            | <u>33,433,817</u>         |
| Total capital assets being depreciated      | <u>45,123,794</u>            | <u>5,983,393</u>    | <u>475,378</u>      | <u>50,631,809</u>         |
| Less accumulated depreciation for           |                              |                     |                     |                           |
| Machinery and equipment                     | 7,763,665                    | 424,415             | 475,378             | 7,712,702                 |
| Buildings                                   | 4,767,606                    | 280,769             | -                   | 5,048,375                 |
| Infrastructure                              | <u>16,717,137</u>            | <u>1,079,811</u>    | <u>-</u>            | <u>17,796,948</u>         |
| Total accumulated depreciation              | <u>29,248,408</u>            | <u>1,784,995</u>    | <u>475,378</u>      | <u>30,558,025</u>         |
| Total capital assets being depreciated, net | <u>15,875,386</u>            | <u>4,198,398</u>    | <u>-</u>            | <u>20,073,784</u>         |
| Governmental activities capital assets, net | <u>\$ 22,068,251</u>         | <u>\$ 4,589,946</u> | <u>\$ 2,493,186</u> | <u>\$ 24,165,011</u>      |

**NOTE 6: CAPITAL ASSETS - (Continued)**

|  | Beginning<br>Balance | Increases        | Decreases         | Ending<br>Balance    |
|--|----------------------|------------------|-------------------|----------------------|
| <b>Business-type activities</b>              |                      |                  |                   |                      |
| Capital assets, not being depreciated        |                      |                  |                   |                      |
| Land   | \$ 381,117           | \$ -             | \$ -              | \$ 381,117           |
| Construction in progress                     | 784,896              | 209,795          | 697,372           | 297,319              |
| Total capital assets not being depreciated   | <u>1,166,013</u>     | <u>209,795</u>   | <u>697,372</u>    | <u>678,436</u>       |
| Capital assets, being depreciated            |                      |                  |                   |                      |
| Machinery and equipment                      | 12,645,667           | 744,164          | 71,742            | 13,318,089           |
| Buildings and improvements                   | 1,109,191            | -                | -                 | 1,109,191            |
| Infrastructure                               | 34,243,482           | 1,080,096        | -                 | 35,323,578           |
| Total capital assets being depreciated       | <u>47,998,340</u>    | <u>1,824,260</u> | <u>71,742</u>     | <u>49,750,858</u>    |
| Less accumulated depreciation for            |                      |                  |                   |                      |
| Machinery and equipment                      | 6,841,989            | 943,933          | 71,742            | 7,714,180            |
| Buildings and improvements                   | 697,550              | 7,498            | -                 | 705,048              |
| Infrastructure                               | 18,120,304           | 1,044,144        | -                 | 19,164,448           |
| Total accumulated depreciation               | <u>25,659,843</u>    | <u>1,995,575</u> | <u>71,742</u>     | <u>27,583,676</u>    |
| Total capital assets being depreciated, net  | <u>22,338,497</u>    | <u>(171,315)</u> | <u>-</u>          | <u>22,167,182</u>    |
| Business-type activities capital assets, net | <u>\$ 23,504,510</u> | <u>\$ 38,480</u> | <u>\$ 697,372</u> | <u>\$ 22,845,618</u> |

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

**Governmental activities**

|  |                     |
|--|---------------------|
| General government   | \$ 104,931          |
| Public safety  | 118,741             |
| Public works   | 1,226,168           |
| Cultural and recreation  | 248,752             |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>86,403</u>       |
| Total depreciation expense - governmental activities   | <u>\$ 1,784,995</u> |

**Business-type activities**

|   |                     |
|---|---------------------|
| Water and sewer                                       | \$ 1,853,965        |
| Airport   | <u>141,610</u>      |
| Total depreciation expense - business-type activities | <u>\$ 1,995,575</u> |

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**NOTE 7: DEFINED BENEFIT PENSION PLAN**Plan Description

The City participates as one of 887 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.tMrs.com](http://www.tMrs.com).

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

Benefits Provided

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

At retirement, the 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 payment 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 2019 were as follows:

|   |                 |
|---|-----------------|
| Employee deposit rate   | 6.0%            |
| Matching ratio (City to employee)                                     | 2 to 1          |
| Years required for vesting  | 5               |
| Service retirement eligibility<br>(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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 115        |
| Inactive employees entitled to but not yet receiving benefits    | 100        |
| Active employees   | <u>159</u> |
|  | <u>374</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 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.83% and 9.74% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$729,035, and were equal to the required contributions.

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**NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)**

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.5%  |
| Overall Payroll Growth    | 2.4%  |
| Investment Rate of Return | 6.75%, net of pension plan investment expense,<br>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%. Based on the size of the City, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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).

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**NOTE 7: 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 2019 are summarized in the following table:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|-----------------------|--------------------------|--|
| Domestic Equity       | 17.50%                   | 4.30%  |
| International Equity  | 17.50%                   | 6.10%  |
| Core Fixed Income     | 10.00%                   | 1.00%  |
| Non-Core Fixed Income | 20.00%                   | 3.39%  |
| Real Return           | 10.00%                   | 3.78%  |
| Real Estate           | 10.00%                   | 4.44%  |
| Absolute Return       | 10.00%                   | 3.56%  |
| Private Equity        | <u>5.00%</u>             | 7.75%  |
| <b>Total</b>          | <u>100.00%</u>           |  |

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

|   | <b>Increase (Decrease)</b>     |                                    |                              |
|---|--------------------------------|------------------------------------|------------------------------|
|   | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
|   | (a)                            | (b)                                | (a) - (b)                    |
| <b>Balance at 12/31/2017</b>                                  | \$ 34,779,828                  | \$ 32,317,603                      | \$ 2,462,225                 |
| Changes for the year:   |                                |                                    |                              |
| Service cost  | 817,388                        | -                                  | 817,388                      |
| Interest  | 2,312,765                      | -                                  | 2,312,765                    |
| Changes of benefit terms                                      | -                              | -                                  | -                            |
| Difference between expected and actual experience             | (66,470)                       | -                                  | (66,470)                     |
| Change of assumptions   | -                              | -                                  | -                            |
| Contributions - Employer                                      | -                              | 733,521                            | (733,521)                    |
| Contributions - Employee                                      | -                              | 381,633                            | (381,633)                    |
| Net investment income   | -                              | (967,079)                          | 967,079                      |
| Benefit payments, including refunds of employee contributions | (1,850,687)                    | (1,850,687)                        | -                            |
| Administrative expense  | -                              | (18,709)                           | 18,709                       |
| Other changes   | -                              | (979)                              | 979                          |
| Net changes   | <u>1,212,996</u>               | <u>(1,722,300)</u>                 | <u>2,935,296</u>             |
| <b>Balance at 12/31/2018</b>                                  | <u>\$ 35,992,824</u>           | <u>\$ 30,595,303</u>               | <u>\$ 5,397,521</u>          |

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**NOTE 7: 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<br>Discount Rate<br>(5.75%) | Discount Rate<br>(6.75%) | 1.0% Increase in<br>Discount Rate<br>(7.75%) |
|-------------------------------|--|--------------------------|--|
| City's Net Pension Liability: | \$10,323,370                                 | \$5,397,521              | \$1,363,534                                  |

*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, 2019 the City recognized pension expense of \$1,225,449.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 31,203                         | \$ 77,865                        |
| Changes in actuarial assumptions                            | -                                 | -                                |
| Difference between projected and actual investment earnings | 1,677,813                         | -                                |
| Contributions subsequent to the measurement date            | 525,549                           | -                                |
| Total   | \$ 2,234,565                      | \$ 77,865                        |

\$525,549 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 |
|-------------------------|------------------------|
| 2019                    | \$ 575,403             |
| 2020                    | 214,136                |
| 2021                    | 211,907                |
| 2022                    | 629,705                |
| 2023                    | -                      |
| Thereafter              | -                      |
| Total                   | \$ 1,631,151           |

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**NOTE 8: 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, 2018 valuation and measurement date, the following is the number of members in the plan:

|   |            |
|---|------------|
| Inactive employees currently receiving benefits               | 89         |
| Inactive employees entitled to but not yet receiving benefits | 13         |
| Active employees  | <u>159</u> |
| Total   | <u>261</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%                                      |
| 2019               | 0.23%                         | 0.08%                                      |

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**NOTE 8: 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, 2018 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                            | 3.71%  |
| 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. |



**NOTE 8: 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 12/31/17</b>                        | \$ 550,699        |
| Changes for the year:                             |                   |
| Service cost                                      | 19,806            |
| Interest  | 18,468            |
| Change of benefit terms                           | -                 |
| Difference between expected and actual experience | 7,403             |
| Change of assumptions                             | (34,457)          |
| Benefit payments                                  | (5,332)           |
| Net changes                                       | <u>5,888</u>      |
| <b>Balance at 12/31/18</b>                        | <u>\$ 556,587</u> |

*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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

|                              | 1.0% Decrease in<br>Discount Rate<br>(2.71%) | Discount Rate<br>(3.71%) | 1.0% Increase in<br>Discount Rate<br>(4.71%) |
|------------------------------|--|--------------------------|--|
| City's Total OPEB Liability: | \$648,925                                    | \$556,587                | \$482,949                                    |

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$40,651.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 5,931                          | \$ -                             |
| Changes in actuarial assumptions                   | 23,498                            | 27,607                           |
| Contributions subsequent to the measurement date   | 4,317                             | -                                |
| Total  | \$ 33,746                         | \$ 27,607                        |

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**NOTE 8: 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 |
|-------------------------|---------------------|
| 2019                    | \$ 2,377            |
| 2020                    | 2,377               |
| 2021                    | 2,377               |
| 2022                    | (5,144)             |
| 2023                    | (164)               |
| Thereafter              | -                   |
| Total                   | \$ 1,823            |

**NOTE 9: 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 | 1,184.04      | 1,595.74          |
| Dental              | 19.26         | 71.30             |

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**NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)**Plan Description - (Continued)

At the December 31, 2017 valuation and December 31, 2018 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

The most recent actuarial valuation was performed as of December 31, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date of December 31, 2018.

*Funded Status*

As of December 31, 2018, the measurement date, the Total OPEB Liability for benefits was \$221,022, 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           | 3.71% as of December 31, 2018  |
| 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  |

**NOTE 9: 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 12/31/17</b>                        | \$ 216,140        |
| Changes for the year:                             |                   |
| Service cost                                      | 13,282            |
| Interest  | 7,294             |
| Change of benefit terms                           | -                 |
| Difference between expected and actual experience | (1,646)           |
| Change of assumptions                             | (9,216)           |
| Benefit payments                                  | (4,832)           |
| Net changes                                       | <u>4,882</u>      |
| <b>Balance at 12/31/18</b>                        | <u>\$ 221,022</u> |

*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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

|                              | 1.0% Decrease in<br>Discount Rate<br>(2.71%) | Discount Rate<br>(3.71%) | 1.0% Increase in<br>Discount Rate<br>(4.71%) |
|------------------------------|--|--------------------------|--|
| City's Total OPEB Liability: | \$244,940                                    | \$221,022                | \$199,724                                    |

*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<br>Trend Rate | Trend Rate | 1.0% Increase in<br>Trend Rate |
|----------------------------|--------------------------------|------------|--------------------------------|
| City's Net OPEB Liability: | \$193,901                      | \$221,022  | \$253,833                      |

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$20,586.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ -                              | \$ 1,441                         |
| Changes in actuarial assumptions                     | 8,223                             | 8,068                            |
| Differences between projected and actual investments | 3,911                             | -                                |
| <b>Total</b>   | <b>\$ 12,134</b>                  | <b>\$ 9,509</b>                  |

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**NOTE 9: 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 |
|--------------------------|---------------------|
| 2020                     | \$ 10               |
| 2021                     | 10                  |
| 2022                     | 10                  |
| 2023                     | 10                  |
| 2024                     | 10                  |
| Thereafter               | (1,336)             |
| Total                    | \$ (1,286)          |

**NOTE 10: 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 11: LONG-TERM DEBT**Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| <b>Governmental activities</b>                     |                              |                     |                     |                           |                                |
| Bonds and certificates payable                     |                              |                     |                     |                           |                                |
| General obligation bonds                           | \$ 2,290,000                 | \$ -                | \$ 360,000          | \$ 1,930,000              | \$ 370,000                     |
| Certificates of obligation                         | 8,387,262                    | -                   | 979,175             | 7,408,087                 | 421,258                        |
| Plus deferred amounts:                             |                              |                     |                     |                           |                                |
| Bond premium                                       | <u>358,459</u>               | <u>-</u>            | <u>33,183</u>       | <u>325,276</u>            | <u>-</u>                       |
| Total bonds and certificates payable               | <u>11,035,721</u>            | <u>-</u>            | <u>1,372,358</u>    | <u>9,663,363</u>          | <u>791,258</u>                 |
| Tax notes  | 1,386,000                    | -                   | 126,000             | 1,260,000                 | 126,000                        |
| Net pension liability                              | 1,994,402                    | 2,483,921           | -                   | 4,478,323                 | -                              |
| OPEB liability                                     | 621,139                      | 24,043              | -                   | 645,182                   | -                              |
| Compensated absences                               | <u>305,962</u>               | <u>370,301</u>      | <u>375,205</u>      | <u>301,058</u>            | <u>30,106</u>                  |
| Total governmental activity long-term liabilities  | <u>\$ 15,343,224</u>         | <u>\$ 2,878,265</u> | <u>\$ 1,873,563</u> | <u>\$ 16,347,926</u>      | <u>\$ 947,364</u>              |
| <b>Business-type activities</b>                    |                              |                     |                     |                           |                                |
| Certificates payable                               |                              |                     |                     |                           |                                |
| Certificates of obligation                         | \$ 8,667,748                 | \$ -                | \$ 725,826          | \$ 7,941,922              | \$ 748,742                     |
| Plus deferred amounts:                             |                              |                     |                     |                           |                                |
| Bond premium                                       | <u>161,185</u>               | <u>-</u>            | <u>10,159</u>       | <u>151,026</u>            | <u>-</u>                       |
| Total certificates payable                         | <u>8,828,933</u>             | <u>-</u>            | <u>735,985</u>      | <u>8,092,948</u>          | <u>748,742</u>                 |
| Net pension liability                              | 467,823                      | 451,375             | -                   | 919,198                   | -                              |
| OPEB liability                                     | 145,700                      | -                   | 13,273              | 132,427                   | -                              |
| Compensated absences                               | <u>39,484</u>                | <u>60,082</u>       | <u>58,758</u>       | <u>40,808</u>             | <u>4,081</u>                   |
| Total business-type activity long-term liabilities | <u>\$ 9,336,240</u>          | <u>\$ 511,457</u>   | <u>\$ 794,743</u>   | <u>\$ 9,052,954</u>       | <u>\$ 752,823</u>              |

**NOTE 11: 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>   |                     |
| 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>\$ 1,930,000</u>            | <u>\$ 117,600</u> | <u>\$ 2,047,600</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<br>2010 Series | 2010-2030   | 4.50%                | \$ 3,300,000           |
| Certificates of Obligation<br>2012 Series | 2013-2027   | 0.7% - 3.3%          | 9,530,000              |
| Certificates of Obligation<br>2014 Series | 2014-2034   | 2.0% - 4.0%          | 3,995,000              |
| Certificates of Obligation<br>2016 Series | 2016-2036   | 2.0% - 3.0%          | 5,665,000              |

**NOTE 11: 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            |                      |
| 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      | 475,842                 | 193,411             | 839,158                  | 149,162             | 1,657,573            |
| 2025-2029 | 2,627,548               | 723,966             | 2,947,455                | 377,073             | 6,676,042            |
| 2030-2034 | 2,071,722               | 272,798             | 788,281                  | 115,842             | 3,248,643            |
| 2035-2036 | 476,691                 | 21,601              | 238,310                  | 10,799              | 747,401              |
|           | <u>\$ 7,408,087</u>     | <u>\$ 2,118,248</u> | <u>\$ 7,941,922</u>      | <u>\$ 1,478,721</u> | <u>\$ 18,946,978</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 - 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          |                     |
| 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 | 220,000                 | 13,545            | 233,545             |
| 2025 | 230,000                 | 3,462             | 233,462             |
|      | <u>\$ 1,260,000</u>     | <u>\$ 132,892</u> | <u>\$ 1,392,892</u> |



**NOTE 12: 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, 2019, were as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>    | <u>Amount</u>       |
|------------------------|------------------------|---------------------|
| General                | Hazard Mitigation Fund | \$ 957,001          |
|                        | Nonmajor Governmental  | <u>72,986</u>       |
|                        |                        | <u>\$ 1,029,987</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>Hazard Mitigation Fund</u> | <u>Airport Fund</u> | <u>Internal Service Funds</u> | <u>Nonmajor Govt. Funds</u> | <u>Total</u>        |
| General              | \$ -                | \$ 26,705                     | \$ 304,500          | \$ 595,000                    | \$ 890,803                  | \$ 1,817,008        |
| Nonmajor Govt. Funds | 100,213             | 6,317                         | 320,000             | -                             | -                           | 426,530             |
| Water and Sewer      | <u>668,800</u>      | <u>16,987</u>                 | <u>-</u>            | <u>595,000</u>                | <u>112,500</u>              | <u>1,393,287</u>    |
|                      | <u>\$ 769,013</u>   | <u>\$ 50,009</u>              | <u>\$ 624,500</u>   | <u>\$ 1,190,000</u>           | <u>\$ 1,003,303</u>         | <u>\$ 3,636,825</u> |

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**NOTE 13: 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, 2019, 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, 2019, and management was not aware of any threatened litigation or unasserted claims as of that date.

Construction Commitments

As of September 30, 2019, the following construction projects were in progress:

| <u>Project Description</u>       | <u>Costs<br/>Incurred<br/>To Date</u> | <u>Estimated<br/>Remaining<br/>Costs</u> | <u>Source of Funds</u> |
|----------------------------------|---------------------------------------|--|------------------------|
| <b>Governmental activities:</b>  |                                       |  |                        |
| Nile Valley                      | \$ 1,714,683                          | \$ 2,500,000                             | City                   |
| SH 60 sidewalk project           | 79,168                                | 357,258                                  | City/State             |
| Theatre Arts Center              | 461,462                               | 2,038,538                                | City                   |
| 2nd round City generators        | 231,832                               | -  | City/Grant             |
| Dreamscape project               | <u>175</u>                            | <u>421,875</u>                           | City/Grant             |
|                                  | <u>2,487,320</u>                      | <u>5,317,671</u>                         |                        |
| <b>Business-type activities:</b> |                                       |  |                        |
| Cottonwood lift station rehab    | 93,863                                | 34,350                                   | City                   |
| Cottonwood Creek diversion       | 7,000                                 | -  | City/Grant             |
| Water system evaluation          | 48,895                                | 339,128                                  | City                   |
| WWTP improvements                | 43,660                                | 174,507                                  | City                   |
| Airport lighting project         | 93,940                                | 1,057,060                                | City/State             |
| T-Hangar A row remodel           | <u>9,961</u>                          | <u>-</u>                                 | City                   |
|                                  | <u>297,319</u>                        | <u>1,605,045</u>                         |                        |
|                                  | <u>\$ 2,784,639</u>                   | <u>\$ 6,922,716</u>                      |                        |

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**NOTE 14: FUND BALANCES**

The following is a detail of the governmental fund balances at September 30, 2019.

|                              | <u>Governmental Fund Balances</u> |                     |                     |                     |
|------------------------------|-----------------------------------|---------------------|---------------------|---------------------|
|                              | <u>Nonspendable</u>               | <u>Restricted</u>   | <u>Unassigned</u>   | <u>Total</u>        |
| General                      |                                   |                     |                     |                     |
| Prepaid items                | \$ 44,540                         | \$ -                | \$ -                | \$ 44,540           |
| Unassigned                   | -                                 | -                   | 3,165,690           | 3,165,690           |
| Hazard Mitigation            |                                   |                     |                     |                     |
| Unassigned                   | -                                 | -                   | (641,621)           | (641,621)           |
| Nonmajor Governmental        |                                   |                     |                     |                     |
| Prepaid items                | 13,799                            | -                   | -                   | 13,799              |
| Retirement of long-term debt | -                                 | 224,645             | -                   | 224,645             |
| Tourism                      | -                                 | 473,619             | -                   | 473,619             |
| Municipal court              | -                                 | 59,591              | -                   | 59,591              |
| Public safety: Police        | -                                 | 44,280              | -                   | 44,280              |
| Public works: Various        | -                                 | 9,968               | -                   | 9,968               |
| Various capital projects     | -                                 | 621,267             | -                   | 621,267             |
| Unassigned                   | -                                 | -                   | (69,352)            | (69,352)            |
|                              | <u>\$ 58,339</u>                  | <u>\$ 1,433,370</u> | <u>\$ 2,454,717</u> | <u>\$ 3,946,426</u> |

**NOTE 15: 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, 2019 the City incurred costs of \$0 related to the mixed beverage tax reimbursement agreement related to Chapter 380 economic incentive agreements due to restaurant closure. 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, 2019.

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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.

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, 2019.

**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 2018-2019.

|                            | Final<br>Budget | Actual    | Negative<br>Variance |
|----------------------------|-----------------|-----------|----------------------|
| Advertising                | \$ 13,300       | \$ 13,707 | \$ 407               |
| Aquatic center feasibility | -               | 5,619     | 5,619                |
| Camofest                   | -               | 45,864    | 45,864               |
| Downtown parking lot       | -               | 255       | 255                  |
| Training classes           | -               | 3,636     | 3,636                |
| Telephone                  | 5,000           | 5,979     | 979                  |
| Travel                     | 8,680           | 12,744    | 4,064                |
| Capital outlay             | -               | 43,808    | 43,808               |
| Principal                  | 400,978         | 404,996   | 4,018                |

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

D. Deposits and Investments

As of September 30, 2019, CDC had the following investments:

| Investment Type             | Fair Value | Weighted Average<br>Maturity (Months) | Credit<br>Risk |
|-----------------------------|------------|---------------------------------------|----------------|
| Public Fund Investment Pool |            |                                       |                |
| TexPool                     | \$ 11,237  | 1.2                                   | AAAm           |
| Certificates of Deposit     | 813,777    | 21.0                                  | N/A            |

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost to value portfolio assets. 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.

Investments in the pools and certificates of deposits are classified as cash and cash equivalents for reporting purposes.

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, 2019, CDC had deposits in three local financial institutions and the deposits were FDIC insured at each institution up to \$250,000. At September 30, 2019, \$- 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, 2019, was \$125,244. The City collects the sales tax from the State of Texas and then pays CDC's portion monthly when collected.



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

F. Capital Assets

CDC's capital asset activity for the year ended September 30, 2019, was as follows:

|  | Beginning<br>Balance | Increases           | Decreases   | Ending<br>Balance    |
|--|----------------------|---------------------|-------------|----------------------|
| Capital assets, not being depreciated                        |                      |                     |             |                      |
| Land   | \$ 453,763           | \$ 2,913            | \$ -        | \$ 456,676           |
| Total capital assets not being depreciated                   | <u>453,763</u>       | <u>2,913</u>        | <u>-</u>    | <u>456,676</u>       |
| Capital assets, being depreciated                            |                      |                     |             |                      |
| Machinery and equipment                                      | 150,250              | 6,866               | -           | 157,116              |
| Buildings  | 18,697,053           | 34,029              | -           | 18,731,082           |
| Total capital assets being depreciated                       | <u>18,847,303</u>    | <u>40,895</u>       | <u>-</u>    | <u>18,888,198</u>    |
| Less accumulated depreciation for                            |                      |                     |             |                      |
| Machinery and equipment                                      | (145,781)            | (4,495)             | -           | (150,276)            |
| Buildings  | (2,124,546)          | (481,379)           | -           | (2,605,925)          |
| Total accumulated depreciation                               | <u>(2,270,327)</u>   | <u>(485,874)</u>    | <u>-</u>    | <u>(2,756,201)</u>   |
| Total capital assets being depreciated, net                  | <u>16,576,976</u>    | <u>(444,979)</u>    | <u>-</u>    | <u>16,131,997</u>    |
| Bay City City Development Corporation<br>capital assets, net | <u>\$ 17,030,739</u> | <u>\$ (401,171)</u> | <u>\$ -</u> | <u>\$ 16,588,673</u> |

Depreciation expense of \$485,874 was charged to the general government function/program.

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

G. Long-term Debt

Long-term liability activity for the year ended September 30, 2019 was as follows:

|                            | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|----------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Note payable Series 2016   | \$ 1,767,808                 | \$ -             | \$ 81,046         | \$ 1,686,762              | \$ 82,993                      |
| Note payable Series 2016 A | 1,849,989                    | -                | 84,814            | 1,765,175                 | 86,850                         |
| Note payable TDECU         | <u>7,326,641</u>             | <u>-</u>         | <u>239,136</u>    | <u>7,087,505</u>          | <u>215,999</u>                 |
|                            | <u>\$ 10,944,438</u>         | <u>\$ -</u>      | <u>\$ 404,996</u> | <u>\$ 10,539,442</u>      | <u>\$ 385,842</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>         |
|-------------|----------------------|---------------------|----------------------|
| 2020        | \$ 385,842           | \$ 431,043          | \$ 816,885           |
| 2021        | 401,954              | 414,930             | 816,884              |
| 2022        | 417,797              | 399,087             | 816,884              |
| 2023        | 6,586,147            | 147,687             | 6,733,834            |
| 2024        | 186,754              | 63,737              | 250,491              |
| 2025-2029   | 1,003,230            | 249,222             | 1,252,452            |
| 2030-2034   | 1,129,609            | 122,843             | 1,252,452            |
| 2035-2036   | <u>428,109</u>       | <u>10,249</u>       | <u>438,358</u>       |
|             | <u>\$ 10,539,442</u> | <u>\$ 1,838,798</u> | <u>\$ 12,378,240</u> |

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

H. 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. 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.

I. 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 2019. This Statement did not have an impact on CDC's functions, financial position or results of operations.

J. 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 for the balance outstanding on the \$7.5 million note. The construction of the facility was completed during 2017. As of September 30, 2019 a total of \$12,049,495 of expenditures have been incurred on this project and is reported as buildings on the statement of net position.

K. 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.

L. Restatement of Previously Issued Financial Statements

An asset purchase, included in program expenses and considered payable as of September 30, 2018, was not presented as a capital asset addition in the presentation of the government-wide financial statements for the year then ended. The result of reclassifying the asset purchase is an increase to the beginning net position and an increase to capital assets in the amount of \$49,150.

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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 \$5,000 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, 2019 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.

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, 2019 the Company's bank balance was \$855,825. The Company's carrying balance was \$720,977. 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, 2019 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          | \$ 2,588,589        | 90.46%                |
| Money Market Account                 | < 3 years       | FDIC          | 271,824             | 9.50%                 |
| GNMA Pool                            | < 5 years       | Not Rated     | 1,249               | 0.04%                 |
| Total Investments                    |                 |               | <u>\$ 2,861,662</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, 2019, 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, 2019, 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, 2019, was as follows:

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases</u>  | <u>Ending<br/>Balances</u> |
|---|-------------------------------|-------------------|-------------------|----------------------------|
| Capital assets not being depreciated:       |                               |                   |                   |                            |
| Construction in progress                    | \$ 340,427                    | \$ -              | \$ 340,427        | \$ -                       |
| Capital assets, being depreciated:          |                               |                   |                   |                            |
| Utility plant                               | 1,014,323                     | 600,499           | -                 | 1,614,822                  |
| Plant additions                             | 1,614,822                     | 35,930            | 260,072           | 1,390,680                  |
| Regulators                                  | 2,784                         | 5,345             | -                 | 8,129                      |
| Office building                             | 558,056                       | 11,470            | -                 | 569,526                    |
| Vehicles                                    | 310,157                       | 23,800            | 70,357            | 263,600                    |
| Machinery and equipment                     | 438,553                       | 74,760            | 131,884           | 381,429                    |
| Furniture and fixtures                      | 25,767                        | -                 | -                 | 25,767                     |
| Total capital assets being depreciated      | <u>3,964,462</u>              | <u>751,804</u>    | <u>462,313</u>    | <u>4,253,953</u>           |
| Less accumulated depreciation for:          |                               |                   |                   |                            |
| Utility plant                               | (1,382,691)                   | (40,371)          | -                 | (1,423,062)                |
| Plant additions                             | (276,766)                     | (45,362)          | -                 | (322,128)                  |
| Regulators                                  | (46)                          | (364)             | -                 | (410)                      |
| Office building                             | (379,991)                     | (14,430)          | -                 | (394,421)                  |
| Vehicles                                    | (222,029)                     | (22,860)          | 70,357            | (174,532)                  |
| Machinery and equipment                     | (322,737)                     | (25,988)          | 109,162           | (239,563)                  |
| Furniture and fixtures                      | (24,631)                      | (757)             | -                 | (25,388)                   |
| Total accumulated depreciation              | <u>(2,608,891)</u>            | <u>(150,132)</u>  | <u>179,519</u>    | <u>(2,579,504)</u>         |
| Total capital assets being depreciated, net | <u>1,355,571</u>              | <u>601,672</u>    | <u>282,794</u>    | <u>1,674,449</u>           |
| Bay City Gas Company capital assets, net    | <u>\$ 1,695,998</u>           | <u>\$ 601,672</u> | <u>\$ 623,221</u> | <u>\$ 1,674,449</u>        |

**D. Accounts Receivable**

Accounts receivable of \$276,312 represent billed and uncollected service fees of \$300,765 less an 8% allowance for uncollectible service fees of \$24,453.

**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 2019, 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 2018 were as follows:

|   |                  |
|---|------------------|
| Employee deposit rate   | 6.0%             |
| Matching ratio (City to employee)                                     | 2 to 1           |
| Years required for vesting  | 5                |
| Service retirement eligibility<br>(expressed as age/years of service) | 60/5, 0/20       |
| 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 9.61% and 9.51% in calendar years 2018 and 2019, respectively. The Gas Company's contributions to TMRS for the fiscal year ended March 31, 2019 were \$66,786, 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 \$165,228 and investments of \$302,391 totaling \$467,619 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, 2019, the amount of gas at retail prices consumed by City property was \$25,735.

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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, 2019 were \$1,908.

Future minimum lease payments for the lease are as follows:

| <u>Year</u> |                 |
|-------------|-----------------|
| 2020        | \$ 1,908        |
| 2021        | <u>1,908</u>    |
|             | <u>\$ 3,816</u> |

K. Subsequent Events

The Company has evaluated events through June 21, 2019, 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, 2019

With comparative totals for the year ended September 30, 2018

|   | 2019                |                     |                     | Variance<br>Positive<br>(Negative) | 2018                |
|---|---------------------|---------------------|---------------------|------------------------------------|---------------------|
|   | Original<br>Budget  | Final<br>Budget     | Actual              |                                    | Actual              |
| <b>REVENUES</b>                                   |                     |                     |                     |                                    |                     |
| Taxes   |                     |                     |                     |                                    |                     |
| Ad valorem taxes                                  | \$ 4,459,684        | \$ 4,459,684        | \$ 4,429,486        | \$ (30,198)                        | \$ 4,187,436        |
| Other taxes                                       | 5,587,500           | 5,739,177           | 5,756,788           | 17,611                             | 5,571,409           |
| Licenses and permits                              | 180,500             | 276,000             | 281,795             | 5,795                              | 396,638             |
| Fines and forfeitures                             | 203,000             | 203,000             | 203,526             | 526                                | 201,602             |
| Fees and charges for services                     | 2,593,500           | 2,625,500           | 2,600,632           | (24,868)                           | 2,467,896           |
| Intergovernmental                                 | 646,592             | 696,591             | 620,211             | (76,380)                           | 330,037             |
| Investment income                                 | 15,000              | 55,000              | 58,415              | 3,415                              | 31,474              |
| Miscellaneous                                     | 603,424             | 702,924             | 698,006             | (4,918)                            | 559,341             |
| <b>Total revenues</b>                             | <u>14,289,200</u>   | <u>14,757,876</u>   | <u>14,648,859</u>   | <u>(109,017)</u>                   | <u>13,745,833</u>   |
| <b>EXPENDITURES</b>                               |                     |                     |                     |                                    |                     |
| Current   |                     |                     |                     |                                    |                     |
| General government                                | 2,853,880           | 2,733,356           | 2,282,378           | 450,978                            | 2,218,852           |
| Public safety                                     | 4,823,850           | 4,870,850           | 4,837,335           | 33,515                             | 4,784,440           |
| Public works                                      | 3,624,832           | 3,882,532           | 3,727,131           | 155,401                            | 3,429,104           |
| Cultural and recreation                           | 2,073,813           | 2,136,813           | 1,762,157           | 374,656                            | 1,829,775           |
| <b>Total expenditures</b>                         | <u>13,376,375</u>   | <u>13,623,551</u>   | <u>12,609,001</u>   | <u>1,014,550</u>                   | <u>12,262,171</u>   |
| Excess (deficiency) of revenues over expenditures | 912,825             | 1,134,325           | 2,039,858           | 905,533                            | 1,483,662           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                     |                                    |                     |
| Transfers in                                      | 741,800             | 741,800             | 769,013             | 27,213                             | 852,560             |
| Transfers out                                     | (1,654,625)         | (1,876,125)         | (1,817,008)         | 59,117                             | (1,481,008)         |
| <b>Total other financing sources (uses)</b>       | <u>(912,825)</u>    | <u>(1,134,325)</u>  | <u>(1,047,995)</u>  | <u>86,330</u>                      | <u>(628,448)</u>    |
| Net change in fund balance                        | -                   | -                   | 991,863             | 991,863                            | 855,214             |
| Fund balance at beginning of year                 | <u>2,218,367</u>    | <u>2,218,367</u>    | <u>2,218,367</u>    | -                                  | <u>1,363,153</u>    |
| <b>Fund balance at end of year</b>                | <u>\$ 2,218,367</u> | <u>\$ 2,218,367</u> | <u>\$ 3,210,230</u> | <u>\$ 991,863</u>                  | <u>\$ 2,218,367</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                 | <u>(1,440,240)</u>   | <u>(1,620,823)</u>   | <u>(1,612,009)</u>   |
| <b>Net Change in Total Pension Liability</b>                                  | 724,573              | 1,525,430            | 1,078,902            |
| <b>Total Pension Liability - Beginning</b>                                    | <u>29,820,207</u>    | <u>30,544,780</u>    | <u>32,070,210</u>    |
| <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   | <u>(1,314)</u>       | <u>(1,237)</u>       | <u>(1,127)</u>       |
| <b>Net Change in Plan Fiduciary Net Position</b>                              | 1,109,348            | (477,148)            | 1,300,108            |
| <b>Plan Fiduciary Net Position - Beginning</b>                                | <u>26,768,742</u>    | <u>27,878,090</u>    | <u>27,400,942</u>    |
| <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 five years was not readily available. The City will compile the respective information over the next five years as provided by TMRS on a "measurement date" basis.

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

| Measurement Year     |                      |
|----------------------|----------------------|
| 2017                 | 2018                 |
| \$ 822,110           | \$ 817,388           |
| 2,215,411            | 2,312,765            |
| -                    | -                    |
| 71,726               | (66,470)             |
| -                    | -                    |
| <u>(1,478,531)</u>   | <u>(1,850,687)</u>   |
| 1,630,716            | 1,212,996            |
| <u>33,149,112</u>    | <u>34,779,828</u>    |
| <u>\$ 34,779,828</u> | <u>\$ 35,992,824</u> |
| <br>                 |                      |
| \$ 760,275           | \$ 733,521           |
| 381,667              | 381,633              |
| 3,974,802            | (967,079)            |
| (1,478,531)          | (1,850,687)          |
| (20,615)             | (18,709)             |
| <u>(1,045)</u>       | <u>(979)</u>         |
| 3,616,553            | (1,722,300)          |
| <u>28,701,050</u>    | <u>32,317,603</u>    |
| <u>\$ 32,317,603</u> | <u>\$ 30,595,303</u> |
| <br>                 |                      |
| \$ 2,462,225         | \$ 5,397,521         |
| 92.92%               | 85.00%               |
| <br>                 |                      |
| \$ 7,633,333         | \$ 7,617,786         |
| 32.26%               | 70.85%               |

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

|   | 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 five fiscal years was not readily available. The City will compile the respective information over the next five fiscal years.

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



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| Fiscal Year        |                    |
|--------------------|--------------------|
| <u>2018</u>        | <u>2019</u>        |
| \$ 729,678         | \$ 729,035         |
| <u>(747,195)</u>   | <u>(773,967)</u>   |
| \$ <u>(17,517)</u> | \$ <u>(44,932)</u> |
| \$ 7,519,621       | \$ 7,465,829       |
| 9.94%              | 10.37%             |

**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**

|  | Measurement Year  |                   |
|--|-------------------|-------------------|
|  | 2017              | 2018              |
| <b>Total OPEB Liability</b>  |                   |                   |
| Service cost   | \$ 16,793         | \$ 19,806         |
| Interest (on the total OPEB liability)                             | 18,443            | 18,468            |
| Change of benefit terms  | -                 | -                 |
| Difference between expected and actual experience                  | -                 | 7,403             |
| Change of assumptions  | 39,009            | (34,457)          |
| Benefit payments   | <u>(6,107)</u>    | <u>(5,332)</u>    |
| <b>Net Change in Total OPEB Liability</b>                          | 68,138            | 5,888             |
| <b>Total OPEB Liability - Beginning</b>                            | <u>482,561</u>    | <u>550,699</u>    |
| <b>Total OPEB Liability - Ending</b>                               | <u>\$ 550,699</u> | <u>\$ 556,587</u> |
| <br>   |                   |                   |
| <b>Covered Payroll</b>   | \$ 7,633,333      | \$ 7,617,786      |
| <br>   |                   |                   |
| <b>Total OPEB Liability as a Percentage<br/>of Covered Payroll</b> | 7.21%             | 7.31%             |

NOTE: Information for the prior eight years was not readily available. The City will compile the respective information over the next eight 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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|   | Fiscal Year    |                |
|---|----------------|----------------|
|   | 2018           | 2019           |
| Actuarially Determined Contribution                                 | \$ 5,465       | \$ 5,766       |
| Contribution in relation to the actuarially determined contribution | <u>(5,465)</u> | <u>(5,766)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered payroll   | \$ 7,519,621   | \$ 7,465,829   |
| Contributions as a percentage of covered payroll                    | 0.0727%        | 0.0772%        |

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

|  | Measurement Year  |                   |
|--|-------------------|-------------------|
|  | 2018              | 2019              |
| <b>Total OPEB Liability</b>                                    |                   |                   |
| Service cost   | \$ 11,720         | \$ 13,282         |
| Interest (on the total OPEB liability)                         | 7,406             | 7,294             |
| Change of benefit terms  | -                 | -                 |
| Difference between expected and actual experience              | -                 | (1,646)           |
| Change of assumptions  | 10,949            | (9,216)           |
| Benefit payments   | <u>(4,923)</u>    | <u>(4,832)</u>    |
| <b>Net Change in Total OPEB Liability</b>                      | 25,152            | 4,882             |
| <b>Total OPEB Liability - Beginning</b>                        | <u>190,988</u>    | <u>216,140</u>    |
| <b>Total OPEB Liability - Ending</b>                           | <u>\$ 216,140</u> | <u>\$ 221,022</u> |
| <br>   |                   |                   |
| <b>Covered Payroll</b>   | \$ 6,759,060      | \$ 6,973,473      |
| <br>   |                   |                   |
| <b>Total OPEB Liability as a Percentage of Covered Payroll</b> | 3.20%             | 3.17%             |

NOTE: Information for the prior eight years was not readily available. The City will compile the respective information over the next eight 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, 2019

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**NOTE 1: BUDGETARY INFORMATION**

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

The Required Supplementary Information does not include a budgetary comparison schedule for the Major Special Revenue Fund, Hazard Mitigation Fund. The activity for the fund is funded by the federal government, thereby no local control over appropriating funds is possible. Therefore, there is no requirement of presenting a budgetary comparison schedule.

**NOTE 2: BUDGETARY LEGAL COMPLIANCE**

For the year ended September 30, 2019 the City complied with budgetary restrictions at all departmental levels except the following:

| <u>Fund / Department</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Negative Variance</u> |
|--------------------------|---------------------|---------------|--------------------------|
| General Fund             |                     |               |                          |
| Library                  | \$ 441,468          | \$ 444,589    | \$ 3,121                 |

This over expenditure was funded by available fund balance in the General Fund.

**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 | 27 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.

**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.

Changes of assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

|      |       |
|------|-------|
| 2019 | 3.71% |
| 2018 | 3.31% |
| 2017 | 3.81% |

**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. 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 a large subdivision development.

**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.

**2016 Capital Project Fund** - Accounts for the proceeds and expenditures of the 2016 debt issue.

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

**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**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
September 30, 2019

Special Revenue Funds

|  | Civic and<br>Cultural Arts<br>Fund | Donation<br>Fund | Forfeiture<br>Fund | Court<br>Building<br>Security<br>Fund | Court<br>Technology<br>Fund |
|--|------------------------------------|------------------|--------------------|---------------------------------------|-----------------------------|
| <b>ASSETS</b>  |                                    |                  |                    |                                       |                             |
| Cash and cash equivalents  | \$ 383,378                         | \$ -             | \$ 53,945          | \$ 32,327                             | \$ 27,500                   |
| Receivables (net)  |                                    |                  |                    |                                       |                             |
| Taxes  | 164,190                            | -                | -                  | -                                     | -                           |
| Due from other governments                                       | -                                  | -                | -                  | -                                     | -                           |
| Prepaid items  | 13,799                             | -                | -                  | -                                     | -                           |
| <b>Total assets</b>  | <u>\$ 561,367</u>                  | <u>\$ -</u>      | <u>\$ 53,945</u>   | <u>\$ 32,327</u>                      | <u>\$ 27,500</u>            |
| <b>LIABILITIES</b>   |                                    |                  |                    |                                       |                             |
| Accounts payable   | \$ 55,293                          | \$ -             | \$ -               | \$ 24                                 | \$ 212                      |
| Accrued expenditures   | 2,060                              | -                | -                  | -                                     | -                           |
| Deposits   | 16,596                             | -                | -                  | -                                     | -                           |
| Due to other funds   | -                                  | -                | -                  | -                                     | -                           |
| Unearned revenue   | -                                  | -                | 9,665              | -                                     | -                           |
| <b>Total liabilities</b>   | <u>73,949</u>                      | <u>-</u>         | <u>9,665</u>       | <u>24</u>                             | <u>212</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |                                    |                  |                    |                                       |                             |
| Unavailable revenue  | -                                  | -                | -                  | -                                     | -                           |
| <b>Total deferred inflows of resources</b>                       | <u>-</u>                           | <u>-</u>         | <u>-</u>           | <u>-</u>                              | <u>-</u>                    |
| <b>FUND BALANCES</b>   |                                    |                  |                    |                                       |                             |
| Nonspendable   | 13,799                             | -                | -                  | -                                     | -                           |
| Restricted   | 473,619                            | -                | 44,280             | 32,303                                | 27,288                      |
| Unassigned   | -                                  | -                | -                  | -                                     | -                           |
| <b>Total fund balances</b>                                       | <u>487,418</u>                     | <u>-</u>         | <u>44,280</u>      | <u>32,303</u>                         | <u>27,288</u>               |
| <b>Total liabilities, deferred inflows<br/>and fund balances</b> | <u>\$ 561,367</u>                  | <u>\$ -</u>      | <u>\$ 53,945</u>   | <u>\$ 32,327</u>                      | <u>\$ 27,500</u>            |

| Special Revenue Funds |                 | Capital Project Funds   |                           |                           |                           |
|-----------------------|-----------------|-------------------------|---------------------------|---------------------------|---------------------------|
| Texas Capital Fund    | TIRZ Fund       | Street Maintenance Fund | 2014 Capital Project Fund | 2016 Capital Project Fund | 2018 Capital Project Fund |
| \$ -                  | \$ 9,968        | \$ 510,051              | \$ 10,357                 | \$ 209,335                | \$ 54,889                 |
| -                     | -               | -                       | -                         | -                         | -                         |
| 67,366                | -               | -                       | -                         | -                         | -                         |
| -                     | -               | -                       | -                         | -                         | -                         |
| <u>\$ 67,366</u>      | <u>\$ 9,968</u> | <u>\$ 510,051</u>       | <u>\$ 10,357</u>          | <u>\$ 209,335</u>         | <u>\$ 54,889</u>          |
| \$ 6,376              | \$ -            | \$ -                    | \$ -                      | \$ 163,365                | \$ -                      |
| -                     | -               | -                       | -                         | -                         | -                         |
| -                     | -               | -                       | -                         | -                         | -                         |
| 72,986                | -               | -                       | -                         | -                         | -                         |
| -                     | -               | -                       | -                         | -                         | -                         |
| <u>79,362</u>         | <u>-</u>        | <u>-</u>                | <u>-</u>                  | <u>163,365</u>            | <u>-</u>                  |
| <u>57,356</u>         | <u>-</u>        | <u>-</u>                | <u>-</u>                  | <u>-</u>                  | <u>-</u>                  |
| <u>57,356</u>         | <u>-</u>        | <u>-</u>                | <u>-</u>                  | <u>-</u>                  | <u>-</u>                  |
| -                     | -               | -                       | -                         | -                         | -                         |
| -                     | 9,968           | 510,051                 | 10,357                    | 45,970                    | 54,889                    |
| <u>(69,352)</u>       | <u>-</u>        | <u>-</u>                | <u>-</u>                  | <u>-</u>                  | <u>-</u>                  |
| <u>(69,352)</u>       | <u>9,968</u>    | <u>510,051</u>          | <u>10,357</u>             | <u>45,970</u>             | <u>54,889</u>             |
| <u>\$ 67,366</u>      | <u>\$ 9,968</u> | <u>\$ 510,051</u>       | <u>\$ 10,357</u>          | <u>\$ 209,335</u>         | <u>\$ 54,889</u>          |

(continued)

**CITY OF BAY CITY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
*September 30, 2019*

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|  | <u>Debt Service</u>              |                     |
|--|----------------------------------|---------------------|
|  | <u>Debt<br/>Service<br/>Fund</u> | <u>Total</u>        |
| <b>ASSETS</b>  |                                  |                     |
| Cash and cash equivalents  | \$ 221,746                       | \$ 1,513,496        |
| Receivables (net)  |                                  |                     |
| Taxes  | 57,571                           | 221,761             |
| Due from other governments                                       | 2,899                            | 70,265              |
| Prepaid items  | -                                | 13,799              |
| <b>Total assets</b>  | <u>\$ 282,216</u>                | <u>\$ 1,819,321</u> |
| <b>LIABILITIES</b>   |                                  |                     |
| Accounts payable   | \$ -                             | \$ 225,270          |
| Accrued expenditures   | -                                | 2,060               |
| Deposits   | -                                | 16,596              |
| Due to other funds   | -                                | 72,986              |
| Unearned revenue   | -                                | 9,665               |
| <b>Total liabilities</b>   | <u>-</u>                         | <u>326,577</u>      |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES</b>                         |                                  |                     |
| Unavailable revenue  | <u>57,571</u>                    | <u>114,927</u>      |
| <b>Total deferred inflows of resources</b>                       | <u>57,571</u>                    | <u>114,927</u>      |
| <b>FUND BALANCES</b>   |                                  |                     |
| Nonspendable   | -                                | 13,799              |
| Restricted   | 224,645                          | 1,433,370           |
| Unassigned   | -                                | (69,352)            |
| <b>Total fund balances</b>                                       | <u>224,645</u>                   | <u>1,377,817</u>    |
| <b>Total liabilities, deferred inflows<br/>and fund balances</b> | <u>\$ 282,216</u>                | <u>\$ 1,819,321</u> |

(concluded)

**CITY OF BAY CITY, TEXAS**

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the year ended September 30, 2019

Special Revenue Funds

|  | Civic and<br>Cultural Arts<br>Fund | Donation<br>Fund | Forfeiture<br>Fund | Court<br>Building<br>Security<br>Fund | Court<br>Technology<br>Fund |
|--|------------------------------------|------------------|--------------------|---------------------------------------|-----------------------------|
| <b>REVENUES</b>                                      |                                    |                  |                    |                                       |                             |
| Taxes  |                                    |                  |                    |                                       |                             |
| Ad valorem tax                                       | \$ -                               | \$ -             | \$ -               | \$ -                                  | \$ -                        |
| Hotel - motel tax                                    | 736,909                            | -                | -                  | -                                     | -                           |
| Fines and forfeitures                                | -                                  | -                | 6,140              | 3,632                                 | 4,835                       |
| Fees and charges for services                        | 89,395                             | -                | -                  | -                                     | -                           |
| Intergovernmental                                    | -                                  | -                | -                  | -                                     | -                           |
| Investment income                                    |                                    |                  |                    |                                       |                             |
| Interest   | 1,273                              | -                | 262                | 105                                   | 91                          |
| Miscellaneous  | 15,155                             | -                | -                  | -                                     | -                           |
| <b>Total revenues</b>                                | <u>842,732</u>                     | <u>-</u>         | <u>6,402</u>       | <u>3,737</u>                          | <u>4,926</u>                |
| <b>EXPENDITURES</b>                                  |                                    |                  |                    |                                       |                             |
| Current  |                                    |                  |                    |                                       |                             |
| General government                                   | -                                  | -                | -                  | -                                     | -                           |
| Public safety  | -                                  | -                | 2,145              | 4,428                                 | 9,814                       |
| Public works   | -                                  | -                | -                  | -                                     | -                           |
| Cultural and recreation                              | 618,878                            | -                | -                  | -                                     | -                           |
| Debt service   |                                    |                  |                    |                                       |                             |
| Principal  | -                                  | -                | -                  | -                                     | -                           |
| Interest and fiscal charges                          | -                                  | -                | -                  | -                                     | -                           |
| Paying agents' fees and issue costs                  | -                                  | -                | -                  | -                                     | -                           |
| Capital outlay                                       | 101,374                            | -                | -                  | -                                     | -                           |
| <b>Total expenditures</b>                            | <u>720,252</u>                     | <u>-</u>         | <u>2,145</u>       | <u>4,428</u>                          | <u>9,814</u>                |
| Excess (deficiency) of revenues<br>over expenditures | 122,480                            | -                | 4,257              | (691)                                 | (4,888)                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                                    |                  |                    |                                       |                             |
| Transfers in   | -                                  | -                | -                  | -                                     | -                           |
| Transfers out  | (54,317)                           | (52,213)         | -                  | -                                     | -                           |
| <b>Total other financing sources (uses)</b>          | <u>(54,317)</u>                    | <u>(52,213)</u>  | <u>-</u>           | <u>-</u>                              | <u>-</u>                    |
| Net change in fund balances                          | 68,163                             | (52,213)         | 4,257              | (691)                                 | (4,888)                     |
| Fund balances at beginning of year                   | 419,255                            | 52,213           | 40,023             | 32,994                                | 32,176                      |
| <b>Fund balances at end of year</b>                  | <u>\$ 487,418</u>                  | <u>\$ -</u>      | <u>\$ 44,280</u>   | <u>\$ 32,303</u>                      | <u>\$ 27,288</u>            |

| Special Revenue Funds    |                 | Capital Project Funds         |                                 |                                 |                                 |
|--------------------------|-----------------|-------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Texas<br>Capital<br>Fund | TIRZ<br>Fund    | Street<br>Maintenance<br>Fund | 2014<br>Capital Project<br>Fund | 2016<br>Capital Project<br>Fund | 2018<br>Capital Project<br>Fund |
| \$ -                     | \$ -            | \$ -                          | \$ -                            | \$ -                            | \$ -                            |
| -                        | -               | -                             | -                               | -                               | -                               |
| -                        | -               | -                             | -                               | -                               | -                               |
| -                        | -               | -                             | -                               | -                               | -                               |
| 176,144                  | -               | -                             | -                               | -                               | -                               |
| -                        | -               | 6,201                         | 5,370                           | 28,034                          | 9,435                           |
| 50,000                   | 121,625         | -                             | -                               | -                               | -                               |
| <u>226,144</u>           | <u>121,625</u>  | <u>6,201</u>                  | <u>5,370</u>                    | <u>28,034</u>                   | <u>9,435</u>                    |
| -                        | -               | 571                           | 13                              | 568                             | 1,338                           |
| -                        | -               | -                             | -                               | -                               | -                               |
| -                        | 223,227         | -                             | -                               | -                               | -                               |
| -                        | -               | -                             | -                               | -                               | -                               |
| -                        | -               | -                             | -                               | -                               | -                               |
| -                        | -               | -                             | -                               | -                               | -                               |
| 320,496                  | -               | -                             | 58,167                          | 1,072,702                       | 829,263                         |
| <u>320,496</u>           | <u>223,227</u>  | <u>571</u>                    | <u>58,180</u>                   | <u>1,073,270</u>                | <u>830,601</u>                  |
| (94,352)                 | (101,602)       | 5,630                         | (52,810)                        | (1,045,236)                     | (821,166)                       |
| 25,000                   | 101,178         | 225,000                       | 57,000                          | -                               | -                               |
| -                        | -               | -                             | -                               | -                               | (320,000)                       |
| <u>25,000</u>            | <u>101,178</u>  | <u>225,000</u>                | <u>57,000</u>                   | <u>-</u>                        | <u>(320,000)</u>                |
| (69,352)                 | (424)           | 230,630                       | 4,190                           | (1,045,236)                     | (1,141,166)                     |
| -                        | 10,392          | 279,421                       | 6,167                           | 1,091,206                       | 1,196,055                       |
| <u>\$ (69,352)</u>       | <u>\$ 9,968</u> | <u>\$ 510,051</u>             | <u>\$ 10,357</u>                | <u>\$ 45,970</u>                | <u>\$ 54,889</u>                |

(continued)

**CITY OF BAY CITY, TEXAS**

*NONMAJOR GOVERNMENTAL FUNDS*

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES*

*For the year ended September 30, 2019*

|  | <u>Debt Service</u>     |                     |
|--|-------------------------|---------------------|
|  | Debt<br>Service<br>Fund | <u>Total</u>        |
| <b>REVENUES</b>                                      |                         |                     |
| Taxes  |                         |                     |
| Ad valorem tax                                       | \$ 1,246,562            | 1,246,562           |
| Hotel - motel tax                                    | -                       | 736,909             |
| Fines and forfeitures                                | -                       | 14,607              |
| Fees and charges for services                        | -                       | 89,395              |
| Intergovernmental                                    | -                       | 176,144             |
| Investment income                                    |                         |                     |
| Interest   | 25,195                  | 75,966              |
| Miscellaneous  | -                       | 186,780             |
| <b>Total revenues</b>                                | <u>1,271,757</u>        | <u>2,526,363</u>    |
| <b>EXPENDITURES</b>                                  |                         |                     |
| Current  |                         |                     |
| General government                                   | -                       | 2,490               |
| Public safety  | -                       | 16,387              |
| Public works   | -                       | 223,227             |
| Cultural and recreation                              | -                       | 618,878             |
| Debt service   |                         |                     |
| Principal  | 1,465,175               | 1,465,175           |
| Interest and fiscal charges                          | 364,072                 | 364,072             |
| Paying agents' fees and issue costs                  | 4,341                   | 4,341               |
| Capital outlay                                       | -                       | 2,382,002           |
| <b>Total expenditures</b>                            | <u>1,833,588</u>        | <u>5,076,572</u>    |
| Excess (deficiency) of revenues<br>over expenditures | (561,831)               | (2,550,209)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                         |                     |
| Transfers in   | 595,125                 | 1,003,303           |
| Transfers out  | -                       | (426,530)           |
| <b>Total other financing sources (uses)</b>          | <u>595,125</u>          | <u>576,773</u>      |
| Net change in fund balances                          | 33,294                  | (1,973,436)         |
| Fund balances at beginning of year                   | <u>191,351</u>          | <u>3,351,253</u>    |
| <b>Fund balances at end of year</b>                  | <u>\$ 224,645</u>       | <u>\$ 1,377,817</u> |

(concluded)

## **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, 2019

With comparative totals for September 30, 2018

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Cash and cash equivalents                                    | \$ 1,180,986        | \$ 2,499,444        |
| Investments  | 995,000             | -                   |
| Receivables (net)  |                     |                     |
| Accounts   | 413,380             | 400,721             |
| Taxes  | 473,705             | 479,184             |
| Fines  | 49,057              | 29,268              |
| Due from other governments                                   | 426,104             | 358,866             |
| Due from other funds   | 1,029,987           | 11,832              |
| Due from component unit                                      | 31,529              | 14,783              |
| Prepaid items  | 44,540              | 49,261              |
| <b>Total assets</b>  | <u>\$ 4,644,288</u> | <u>\$ 3,843,359</u> |
| <b>LIABILITIES</b>   |                     |                     |
| Accounts payable   | \$ 622,573          | \$ 855,637          |
| Accrued expenditures   | 212,393             | 201,545             |
| Due to other governments                                     | 40,181              | 31,266              |
| Deposits   | 5,040               | 4,280               |
| <b>Total liabilities</b>                                     | <u>880,187</u>      | <u>1,092,728</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |                     |                     |
| Unavailable revenue  | 553,871             | 532,264             |
| <b>Total deferred inflows of resources</b>                   | <u>553,871</u>      | <u>532,264</u>      |
| <b>FUND BALANCES</b>   |                     |                     |
| Nonspendable   | 44,540              | 49,261              |
| Unassigned   | 3,165,690           | 2,169,106           |
| <b>Total fund balances</b>                                   | <u>3,210,230</u>    | <u>2,218,367</u>    |
| <b>Total liabilities, deferred inflows and fund balances</b> | <u>\$ 4,644,288</u> | <u>\$ 3,843,359</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, 2019

With comparative totals for the year ended September 30, 2018

|                                  | 2019              |                   | Variance            | 2018              |
|----------------------------------|-------------------|-------------------|---------------------|-------------------|
|                                  | Final Budget      | Actual            | Positive (Negative) | Actual            |
| <b>REVENUES</b>                  |                   |                   |                     |                   |
| Taxes                            |                   |                   |                     |                   |
| Ad valorem tax                   | \$ 4,459,684      | \$ 4,429,486      | \$ (30,198)         | \$ 4,187,436      |
| Sales tax                        | 4,425,000         | 4,447,508         | 22,508              | 4,277,863         |
| Mixed beverage tax               | 39,677            | 42,614            | 2,937               | 40,341            |
| Franchise tax                    | 1,274,500         | 1,266,666         | (7,834)             | 1,253,205         |
| Total taxes                      | 10,198,861        | 10,186,274        | (12,587)            | 9,758,845         |
| Other revenues                   |                   |                   |                     |                   |
| Licenses and permits             | 276,000           | 281,795           | 5,795               | 396,638           |
| Fines and forfeitures            | 203,000           | 203,526           | 526                 | 201,602           |
| Fees and charges for services    | 2,625,500         | 2,600,632         | (24,868)            | 2,467,896         |
| Intergovernmental                | 696,591           | 620,211           | (76,380)            | 330,037           |
| Investment income                | 55,000            | 58,415            | 3,415               | 31,474            |
| Miscellaneous                    | 702,924           | 698,006           | (4,918)             | 559,341           |
| Total other revenues             | 4,559,015         | 4,462,585         | (96,430)            | 3,986,988         |
| <b>Total revenues</b>            | <b>14,757,876</b> | <b>14,648,859</b> | <b>(109,017)</b>    | <b>13,745,833</b> |
| <b>EXPENDITURES</b>              |                   |                   |                     |                   |
| Current                          |                   |                   |                     |                   |
| General government               |                   |                   |                     |                   |
| City secretary                   |                   |                   |                     |                   |
| Personnel services               | 124,899           | 125,206           | (307)               | 127,368           |
| Supplies                         | 27,000            | 26,354            | 646                 | 12,950            |
| Other services and charges       | 13,050            | 13,055            | (5)                 | 9,987             |
| Total city secretary             | 164,949           | 164,615           | 334                 | 150,305           |
| City general services            |                   |                   |                     |                   |
| Personnel services               | 3,000             | 5,562             | (2,562)             | 1,486             |
| Supplies                         | 25,000            | 28,156            | (3,156)             | 28,371            |
| Repairs and maintenance          | 45,000            | 43,866            | 1,134               | 9,075             |
| Other services and charges       | 1,321,000         | 894,943           | 426,057             | 913,099           |
| Total city general services      | 1,394,000         | 972,527           | 421,473             | 952,031           |
| Administration and council       |                   |                   |                     |                   |
| Personnel services               | 196,230           | 184,831           | 11,399              | 199,645           |
| Supplies                         | 4,150             | 9,185             | (5,035)             | 5,029             |
| Other services and charges       | 19,200            | 25,293            | (6,093)             | 10,244            |
| Total administration and council | 219,580           | 219,309           | 271                 | 214,918           |

(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, 2019

With comparative totals for the year ended September 30, 2018

|                                   | 2019            |           | Variance<br>Positive<br>(Negative) | 2018      |
|-----------------------------------|-----------------|-----------|------------------------------------|-----------|
|                                   | Final<br>Budget | Actual    |                                    | Actual    |
| <b>EXPENDITURES - (Continued)</b> |                 |           |                                    |           |
| Current - (Continued)             |                 |           |                                    |           |
| General government - (Continued)  |                 |           |                                    |           |
| Main Street                       |                 |           |                                    |           |
| Other services and charges        | \$ 55,800       | \$ 49,581 | \$ 6,219                           | \$ 68,621 |
| Total Main Street                 | 55,800          | 49,581    | 6,219                              | 68,621    |
| Human resources                   |                 |           |                                    |           |
| Personnel services                | 177,923         | 170,842   | 7,081                              | 171,341   |
| Supplies                          | 5,800           | 8,015     | (2,215)                            | 5,161     |
| Other services and charges        | 67,900          | 71,260    | (3,360)                            | 71,142    |
| Total human resources             | 251,623         | 250,117   | 1,506                              | 247,644   |
| Municipal court                   |                 |           |                                    |           |
| Personnel services                | 196,472         | 193,601   | 2,871                              | 177,765   |
| Supplies                          | 7,200           | 6,924     | 276                                | 7,535     |
| Repairs and maintenance           | 3,000           | 4,161     | (1,161)                            | 1,085     |
| Other services and charges        | 111,850         | 93,090    | 18,760                             | 90,738    |
| Total municipal court             | 318,522         | 297,776   | 20,746                             | 277,123   |
| Finance                           |                 |           |                                    |           |
| Personnel services                | 310,982         | 310,621   | 361                                | 289,649   |
| Supplies                          | 7,500           | 6,928     | 572                                | 7,876     |
| Other services and charges        | 10,400          | 10,904    | (504)                              | 10,685    |
| Total finance                     | 328,882         | 328,453   | 429                                | 308,210   |
| Total general government          | 2,733,356       | 2,282,378 | 450,978                            | 2,218,852 |
| Public safety                     |                 |           |                                    |           |
| Police                            |                 |           |                                    |           |
| Personnel services                | 3,990,867       | 3,999,693 | (8,826)                            | 3,991,587 |
| Supplies                          | 110,900         | 94,370    | 16,530                             | 101,064   |
| Repairs and maintenance           | 46,000          | 45,954    | 46                                 | 61,481    |
| Other services and charges        | 278,210         | 273,339   | 4,871                              | 250,199   |
| Capital outlay                    | 85,000          | 84,939    | 61                                 | 36,755    |
| Total police                      | 4,510,977       | 4,498,295 | 12,682                             | 4,441,086 |

(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, 2019

With comparative totals for the year ended September 30, 2018

|                                   | 2019         |           | Variance            | 2018      |
|-----------------------------------|--------------|-----------|---------------------|-----------|
|                                   | Final Budget | Actual    | Positive (Negative) | Actual    |
| <b>EXPENDITURES - (Continued)</b> |              |           |                     |           |
| Current - (Continued)             |              |           |                     |           |
| Public safety - (Continued)       |              |           |                     |           |
| Fire                              |              |           |                     |           |
| Personnel services                | \$ 61,641    | \$ 53,608 | \$ 8,033            | \$ 57,888 |
| Supplies                          | 13,150       | 10,716    | 2,434               | 14,910    |
| Repairs and maintenance           | 45,000       | 49,664    | (4,664)             | 42,351    |
| Other services and charges        | 74,600       | 72,135    | 2,465               | 70,792    |
| Total fire                        | 194,391      | 186,123   | 8,268               | 185,941   |
| Animal impoundment                |              |           |                     |           |
| Personnel services                | 145,232      | 140,784   | 4,448               | 144,956   |
| Supplies                          | 3,750        | 4,213     | (463)               | 3,797     |
| Repairs and maintenance           | 5,500        | 716       | 4,784               | 1,210     |
| Other services and charges        | 11,000       | 7,204     | 3,796               | 7,450     |
| Total animal impoundment          | 165,482      | 152,917   | 12,565              | 157,413   |
| Total public safety               | 4,870,850    | 4,837,335 | 33,515              | 4,784,440 |
| Public works                      |              |           |                     |           |
| Streets and sanitation            |              |           |                     |           |
| Personnel services                | 943,452      | 858,784   | 84,668              | 961,547   |
| Supplies                          | 77,000       | 63,175    | 13,825              | 73,230    |
| Repairs and maintenance           | 284,500      | 149,140   | 135,360             | 222,505   |
| Other services and charges        | 1,957,800    | 2,051,764 | (93,964)            | 2,130,880 |
| Capital outlay                    | 619,780      | 604,268   | 15,512              | 40,942    |
| Total streets and sanitation      | 3,882,532    | 3,727,131 | 155,401             | 3,429,104 |
| Total public works                | 3,882,532    | 3,727,131 | 155,401             | 3,429,104 |
| Cultural and recreation           |              |           |                     |           |
| Parks and recreation              |              |           |                     |           |
| Personnel services                | 685,028      | 623,063   | 61,965              | 669,777   |
| Supplies                          | 78,300       | 81,610    | (3,310)             | 85,346    |
| Repairs and maintenance           | 151,500      | 155,909   | (4,409)             | 172,246   |
| Other services and charges        | 208,000      | 204,527   | 3,473               | 232,494   |
| Capital outlay                    | 299,000      | 19,851    | 279,149             | 94,750    |
| Total parks and recreation        | 1,421,828    | 1,084,960 | 336,868             | 1,254,613 |

(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, 2019

With comparative totals for the year ended September 30, 2018

|   | 2019                |                     | Variance            | 2018                |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Final Budget        | Actual              | Positive (Negative) | Actual              |
| <b>EXPENDITURES - (Continued)</b>                 |                     |                     |                     |                     |
| Current - (Continued)                             |                     |                     |                     |                     |
| Cultural and recreation - (Continued)             |                     |                     |                     |                     |
| Riverside park                                    |                     |                     |                     |                     |
| Personnel services                                | \$ 108,817          | \$ 114,554          | \$ (5,737)          | \$ 93,778           |
| Supplies  | 15,000              | 7,357               | 7,643               | 10,989              |
| Repairs and maintenance                           | 75,200              | 47,421              | 27,779              | 6,702               |
| Other services and charges                        | 33,500              | 22,976              | 10,524              | 15,540              |
| Capital outlay                                    | 41,000              | 40,300              | 700                 | 17,550              |
| Total riverside park                              | 273,517             | 232,608             | 40,909              | 144,559             |
| Library   |                     |                     |                     |                     |
| Personnel services                                | 285,618             | 290,767             | (5,149)             | 245,139             |
| Supplies  | 65,400              | 57,803              | 7,597               | 58,817              |
| Repairs and maintenance                           | 10,500              | 7,894               | 2,606               | 7,574               |
| Other services and charges                        | 79,950              | 88,125              | (8,175)             | 84,567              |
| Capital outlay                                    | -                   | -                   | -                   | 34,506              |
| Total library                                     | 441,468             | 444,589             | (3,121)             | 430,603             |
| Total cultural and recreation                     | 2,136,813           | 1,762,157           | 374,656             | 1,829,775           |
| <b>Total expenditures</b>                         | <b>13,623,551</b>   | <b>12,609,001</b>   | <b>1,014,550</b>    | <b>12,262,171</b>   |
| Excess (deficiency) of revenues over expenditures | 1,134,325           | 2,039,858           | 905,533             | 1,483,662           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                     |                     |
| Transfers in                                      | 741,800             | 769,013             | 27,213              | 852,560             |
| Transfers out                                     | (1,876,125)         | (1,817,008)         | 59,117              | (1,481,008)         |
| <b>Total other financing sources (uses)</b>       | <b>(1,134,325)</b>  | <b>(1,047,995)</b>  | <b>86,330</b>       | <b>(628,448)</b>    |
| Net change in fund balance                        | -                   | 991,863             | 991,863             | 855,214             |
| Fund balance at beginning of year                 | 2,218,367           | 2,218,367           | -                   | 1,363,153           |
| <b>Fund balance at end of year</b>                | <b>\$ 2,218,367</b> | <b>\$ 3,210,230</b> | <b>\$ 991,863</b>   | <b>\$ 2,218,367</b> |

(concluded)

**DEBT SERVICE FUND**

**CITY OF BAY CITY, TEXAS**

NONMAJOR 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, 2019

With comparative totals for the year ended September 30, 2018

|  | 2019              |                   | Variance<br>Positive<br>(Negative) | 2018              |
|--|-------------------|-------------------|------------------------------------|-------------------|
|  | Final<br>Budget   | Actual            |                                    | Actual            |
| <b>REVENUES</b>                                      |                   |                   |                                    |                   |
| Ad valorem taxes                                     |                   |                   |                                    |                   |
| Current taxes  | \$ 1,234,126      | \$ 1,212,135      | \$ (21,991)                        | \$ 1,140,170      |
| Delinquent taxes                                     | 1,000             | 19,239            | 18,239                             | 17,898            |
| Penalty and interest                                 | 1,000             | 15,188            | 14,188                             | 14,340            |
| Investment income                                    | 749               | 25,195            | 24,446                             | 11,643            |
| <b>Total revenues</b>                                | <u>1,236,875</u>  | <u>1,271,757</u>  | <u>34,882</u>                      | <u>1,184,051</u>  |
| <b>EXPENDITURES</b>                                  |                   |                   |                                    |                   |
| Debt service   |                   |                   |                                    |                   |
| Principal retirement                                 | 1,465,175         | 1,465,175         | -                                  | 1,419,841         |
| Interest and fiscal charges                          | 364,076           | 364,072           | 4                                  | 361,967           |
| Paying agents' fees and issue costs                  | 2,749             | 4,341             | (1,592)                            | 4,772             |
| <b>Total expenditures</b>                            | <u>1,832,000</u>  | <u>1,833,588</u>  | <u>(1,588)</u>                     | <u>1,786,580</u>  |
| Excess (deficiency) of revenues<br>over expenditures | (595,125)         | (561,831)         | 33,294                             | (602,529)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                   |                   |                                    |                   |
| Transfers in   | 595,125           | 595,125           | -                                  | 594,550           |
| <b>Total other financing sources (uses)</b>          | <u>595,125</u>    | <u>595,125</u>    | <u>-</u>                           | <u>594,550</u>    |
| Net change in fund balances                          | -                 | 33,294            | 33,294                             | (7,979)           |
| Fund balances at beginning of year                   | 191,351           | 191,351           | -                                  | 199,330           |
| <b>Fund balances at end of year</b>                  | <u>\$ 191,351</u> | <u>\$ 224,645</u> | <u>\$ 33,294</u>                   | <u>\$ 191,351</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, 2019*

|  | <u>Maintenance</u> | <u>Information<br/>Technology</u> | <u>Total</u>      |
|--|--------------------|-----------------------------------|-------------------|
| <b>ASSETS</b>                                |                    |                                   |                   |
| Current assets                               |                    |                                   |                   |
| Cash and cash equivalents                    | \$ 91,761          | \$ 30,793                         | \$ 122,554        |
| Total current assets                         | <u>91,761</u>      | <u>30,793</u>                     | <u>122,554</u>    |
| Noncurrent assets                            |                    |                                   |                   |
| Capital assets                               |                    |                                   |                   |
| Buildings, improvements, and equipment (net) | 60,197             | 130,632                           | 190,829           |
| Total noncurrent assets                      | <u>60,197</u>      | <u>130,632</u>                    | <u>190,829</u>    |
| <b>Total assets</b>                          | <u>151,958</u>     | <u>161,425</u>                    | <u>313,383</u>    |
| <b>LIABILITIES</b>                           |                    |                                   |                   |
| Current liabilities                          |                    |                                   |                   |
| Accounts payable                             | 1,970              | 17,306                            | 19,276            |
| Accrued expenses                             | 13,233             | 3,213                             | 16,446            |
| Accrued compensated absences                 | 1,328              | 407                               | 1,735             |
| Total current liabilities                    | <u>16,531</u>      | <u>20,926</u>                     | <u>37,457</u>     |
| Noncurrent liabilities                       |                    |                                   |                   |
| Accrued compensated absences                 | 11,949             | 3,663                             | 15,612            |
| Total noncurrent liabilities                 | <u>11,949</u>      | <u>3,663</u>                      | <u>15,612</u>     |
| <b>Total liabilities</b>                     | <u>28,480</u>      | <u>24,589</u>                     | <u>53,069</u>     |
| <b>NET POSITION</b>                          |                    |                                   |                   |
| Net investment in capital assets             | 60,197             | 130,632                           | 190,829           |
| Unrestricted                                 | 63,281             | 6,204                             | 69,485            |
| <b>Total net position</b>                    | <u>\$ 123,478</u>  | <u>\$ 136,836</u>                 | <u>\$ 260,314</u> |



**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, 2019*

---

|   | <u>Maintenance</u> | <u>Information<br/>Technology</u> | <u>Total</u>      |
|---|--------------------|-----------------------------------|-------------------|
| <b>OPERATING REVENUES</b>   |                    |                                   |                   |
| Charges for services  | \$ -               | \$ 7,443                          | \$ 7,443          |
| Other   | 1,071              | -                                 | 1,071             |
| <b>Total operating revenues</b>   | <u>1,071</u>       | <u>7,443</u>                      | <u>8,514</u>      |
| <b>OPERATING EXPENSES</b>   |                    |                                   |                   |
| Maintenance   | 508,867            | -                                 | 508,867           |
| Information technology  | -                  | 576,906                           | 576,906           |
| Depreciation  | 52,367             | 34,036                            | 86,403            |
| <b>Total operating expenses</b>   | <u>561,234</u>     | <u>610,942</u>                    | <u>1,172,176</u>  |
| Operating income (loss) before<br>nonoperating revenues (expenses)<br>and transfers | (560,163)          | (603,499)                         | (1,163,662)       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                    |                                   |                   |
| Investment income   | 153                | 36                                | 189               |
| <b>Total nonoperating revenues (expenses)</b>                                       | <u>153</u>         | <u>36</u>                         | <u>189</u>        |
| Income (loss) before transfers  | (560,010)          | (603,463)                         | (1,163,473)       |
| Transfers   |                    |                                   |                   |
| Transfers in  | 600,000            | 590,000                           | 1,190,000         |
| <b>Total transfers</b>  | <u>600,000</u>     | <u>590,000</u>                    | <u>1,190,000</u>  |
| Change in net position  | 39,990             | (13,463)                          | 26,527            |
| Total net position at beginning of year   | 83,488             | 150,299                           | 233,787           |
| <b>Total net position at end of year</b>  | <u>\$ 123,478</u>  | <u>\$ 136,836</u>                 | <u>\$ 260,314</u> |

**CITY OF BAY CITY, TEXAS**

*INTERNAL SERVICE FUNDS*

*COMBINING STATEMENT OF CASH FLOWS*

*For the year ended September 30, 2019*

|   | Maintenance         | Information<br>Technology | Total                 |
|---|---------------------|---------------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                           |                       |
| Cash received from customers  | \$ 1,071            | \$ 7,443                  | \$ 8,514              |
| Cash paid to suppliers for goods and services   | (71,883)            | (414,282)                 | (486,165)             |
| Cash paid to employees for services   | (437,580)           | (171,105)                 | (608,685)             |
| <b>Net cash provided (used) by operating activities</b>   | <u>(508,392)</u>    | <u>(577,944)</u>          | <u>(1,086,336)</u>    |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>  |                     |                           |                       |
| Transfers (to) from other funds   | 600,000             | 590,000                   | 1,190,000             |
| <b>Net cash provided (used) by noncapital<br/>financing activities</b>                            | <u>600,000</u>      | <u>590,000</u>            | <u>1,190,000</u>      |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>                               |                     |                           |                       |
|   | -                   | -                         | -                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                           |                       |
| Investment income   | 153                 | 36                        | 189                   |
| <b>Net cash provided (used) by<br/>investing activities</b>                                       | <u>153</u>          | <u>36</u>                 | <u>189</u>            |
| Net increase (decrease) in cash and cash equivalents  | 91,761              | 12,092                    | 103,853               |
| Cash and cash equivalents at beginning of year  | -                   | 18,701                    | 18,701                |
| <b>Cash and cash equivalents at end of year</b>   | <u>\$ 91,761</u>    | <u>\$ 30,793</u>          | <u>\$ 122,554</u>     |
| <b>RECONCILIATION OF OPERATING INCOME TO<br/>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                     |                           |                       |
| Operating income (loss)   | \$ (560,163)        | \$ (603,499)              | \$ (1,163,662)        |
| Adjustments to reconcile operating income to<br>net cash provided by operating activities         |                     |                           |                       |
| Depreciation  | 52,367              | 34,036                    | 86,403                |
| Changes in assets and liabilities   |                     |                           |                       |
| Increase (decrease) in accounts payable   | 1,815               | (2,146)                   | (331)                 |
| Increase (decrease) in accrued expenses   | 1,314               | (2,098)                   | (784)                 |
| Increase (decrease) in due to other funds   | (1,822)             | -                         | (1,822)               |
| Increase (decrease) in accrued compensated absences   | (1,903)             | (4,237)                   | (6,140)               |
| Total adjustments   | <u>51,771</u>       | <u>25,555</u>             | <u>77,326</u>         |
| <b>Net cash provided (used) by operating activities</b>   | <u>\$ (508,392)</u> | <u>\$ (577,944)</u>       | <u>\$ (1,086,336)</u> |

## **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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| <b>Revenue Capacity</b><br>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues.....  | 118         |
| <b>Debt Capacity</b><br>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future .....  | 124         |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments..... | 129         |
| <b>Operating Information</b><br>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.....                        | 131         |

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

|  | Fiscal Year          |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2010                 | 2011                 | 2012                 | 2013                 |
| Governmental activities                            |                      |                      |                      |                      |
| Net investment in capital assets                   | \$ 12,166,490        | \$ 7,541,744         | \$ 7,904,146         | \$ 8,444,943         |
| Restricted   | -                    | 407,739              | 410,945              | 132,143              |
| Unrestricted                                       | <u>4,195,081</u>     | <u>4,373,229</u>     | <u>5,054,417</u>     | <u>3,865,608</u>     |
| Total governmental activities net position         | <u>\$ 16,361,571</u> | <u>\$ 12,322,712</u> | <u>\$ 13,369,508</u> | <u>\$ 12,442,694</u> |
| Business-type activities                           |                      |                      |                      |                      |
| Net investment in capital assets                   | \$ 9,836,242         | \$ 10,543,619        | \$ 10,948,774        | \$ 12,245,026        |
| Restricted   | 548,261              | 339,292              | -                    | -                    |
| Unrestricted                                       | <u>1,366,416</u>     | <u>2,359,186</u>     | <u>2,952,528</u>     | <u>2,668,278</u>     |
| Total business-type activities net position        | <u>\$ 11,750,919</u> | <u>\$ 13,242,097</u> | <u>\$ 13,901,302</u> | <u>\$ 14,913,304</u> |
| Primary government                                 |                      |                      |                      |                      |
| Invested in capital assets,<br>net of related debt | \$ 22,002,732        | \$ 18,085,363        | \$ 18,852,920        | \$ 20,689,969        |
| Restricted   | 548,261              | 747,031              | 410,945              | 132,143              |
| Unrestricted                                       | <u>5,561,497</u>     | <u>6,732,415</u>     | <u>8,006,945</u>     | <u>6,533,886</u>     |
| Total primary government activities net position   | <u>\$ 28,112,490</u> | <u>\$ 25,564,809</u> | <u>\$ 27,270,810</u> | <u>\$ 27,355,998</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          |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 |
| \$ 7,050,325         | \$ 6,540,844         | \$ 9,638,245         | \$ 10,607,667        | \$ 11,656,559        | \$ 13,287,618        |
| 1,073,579            | 646,117              | 994,641              | 1,034,228            | 813,690              | 857,834              |
| <u>2,807,480</u>     | <u>3,391,400</u>     | <u>783,252</u>       | <u>(93,799)</u>      | <u>160,683</u>       | <u>512,916</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> | <u>\$ 14,658,368</u> |
| <br>                 |                      |                      |                      |                      |                      |
| \$ 9,681,894         | \$ 13,826,216        | \$ 15,011,700        | \$ 14,799,364        | \$ 14,675,677        | \$ 14,858,787        |
| -                    | -                    | -                    | -                    | -                    | -                    |
| <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>4,067,830</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> | <u>\$ 18,926,617</u> |
| <br>                 |                      |                      |                      |                      |                      |
| \$ 16,732,219        | \$ 20,367,060        | \$ 24,649,945        | \$ 25,407,031        | \$ 26,332,236        | \$ 28,146,405        |
| 1,073,579            | 646,117              | 994,641              | 1,034,228            | 813,690              | 857,834              |
| <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>4,580,746</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> | <u>\$ 33,584,985</u> |

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

|  | Fiscal Year         |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 2010                | 2011                | 2012                | 2013                |
| <b>Governmental activities</b>                                     |                     |                     |                     |                     |
| Expenses   |                     |                     |                     |                     |
| General government   | \$ 2,012,790        | \$ 2,592,172        | \$ 1,992,271        | \$ 2,321,123        |
| Public safety  | 3,771,477           | 4,248,889           | 4,073,513           | 4,303,562           |
| Public works   | 2,340,844           | 3,571,109           | 2,377,316           | 2,656,096           |
| Construction for outside parties                                   | 2,320,411           | -                   | -                   | -                   |
| Cultural and recreation  | 2,573,635           | 2,028,142           | 1,920,640           | 2,100,338           |
| Interest on long-term debt   | 583,214             | 576,214             | 331,816             | 495,527             |
| <b>Total expenses</b>  | <b>13,602,371</b>   | <b>13,016,526</b>   | <b>10,695,556</b>   | <b>11,876,646</b>   |
| Program revenues   |                     |                     |                     |                     |
| Charges for services   |                     |                     |                     |                     |
| General government   | 240,650             | 210,778             | 94,793              | 81,818              |
| Public safety  | 406,931             | 1,139,693           | 620,749             | 538,848             |
| Public works   | -                   | -                   | -                   | 59,130              |
| Construction for outside parties                                   | 1,847,562           | -                   | -                   | -                   |
| Cultural and recreation  | 203,546             | 199,657             | 161,334             | 154,573             |
| Operating grants and contributions                                 | 439,912             | 334,370             | 111,982             | 281,587             |
| Capital grants and contributions                                   | -                   | -                   | -                   | -                   |
| <b>Total program revenues</b>                                      | <b>3,138,601</b>    | <b>1,884,498</b>    | <b>988,858</b>      | <b>1,115,956</b>    |
| <b>Total governmental activities net program (expense) revenue</b> | <b>(10,463,770)</b> | <b>(11,132,028)</b> | <b>(9,706,698)</b>  | <b>(10,760,690)</b> |
| General revenues and other changes in net position                 |                     |                     |                     |                     |
| Taxes  |                     |                     |                     |                     |
| Property taxes   | 3,414,585           | 3,724,754           | 3,728,127           | 3,769,351           |
| Sales taxes  | 3,986,482           | 4,423,374           | 3,385,962           | 3,440,988           |
| Franchise taxes  | 860,750             | 794,918             | 1,099,039           | 1,087,598           |
| Other taxes  | 432,144             | 478,484             | 474,242             | 497,136             |
| Investment earnings  | 14,401              | 14,914              | 6,163               | 5,779               |
| Miscellaneous  | 1,014,427           | 1,100,694           | 924,999             | 685,286             |
| Special item - discontinued operations                             | -                   | -                   | -                   | -                   |
| Transfers  | 74,131              | 98,338              | 1,134,962           | 501,909             |
| <b>Total general revenues and other changes in net position</b>    | <b>9,796,920</b>    | <b>10,635,476</b>   | <b>10,753,494</b>   | <b>9,988,047</b>    |
| <b>Total governmental activities change in net position</b>        | <b>\$ (666,850)</b> | <b>\$ (496,552)</b> | <b>\$ 1,046,796</b> | <b>\$ (772,643)</b> |

| Fiscal Year           |                     |                   |                   |                     |                     |
|-----------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| 2014                  | 2015                | 2016              | 2017              | 2018                | 2019                |
| \$ 2,295,602          | \$ 2,147,396        | \$ 2,534,500      | \$ 2,489,768      | \$ 2,570,638        | \$ 2,525,947        |
| 4,662,949             | 4,661,538           | 5,383,527         | 5,633,913         | 5,129,141           | 5,329,122           |
| 5,854,434             | 5,595,487           | 5,216,175         | 5,500,397         | 5,513,362           | 6,347,218           |
| -                     | -                   | -                 | -                 | -                   | -                   |
| 2,137,429             | 2,220,915           | 2,483,518         | 2,576,955         | 2,534,887           | 2,720,126           |
| 305,880               | 340,100             | 450,012           | 376,732           | 391,428             | 329,979             |
| <u>15,256,294</u>     | <u>14,965,436</u>   | <u>16,067,732</u> | <u>16,577,765</u> | <u>16,139,456</u>   | <u>17,252,392</u>   |
| 999,059               | 235,881             | 429,269           | 421,190           | 610,361             | 602,332             |
| 149,354               | 326,125             | 276,229           | 16,762            | 18,332              | 18,705              |
| 1,832,671             | 2,657,519           | 2,779,000         | 2,413,138         | 2,394,073           | 2,467,600           |
| -                     | -                   | -                 | -                 | -                   | -                   |
| 260,195               | 154,741             | 239,908           | 237,775           | 128,710             | 124,532             |
| 280,889               | 200,000             | 317,050           | 571,157           | 807,058             | 2,207,235           |
| -                     | 386,329             | 828,794           | 911,963           | 798,666             | 376,144             |
| <u>3,522,168</u>      | <u>3,960,595</u>    | <u>4,870,250</u>  | <u>4,571,985</u>  | <u>4,757,200</u>    | <u>5,796,548</u>    |
| (11,734,126)          | (11,004,841)        | (11,197,482)      | (12,005,780)      | (11,382,256)        | (11,455,844)        |
| 3,749,040             | 4,098,134           | 4,462,235         | 4,618,958         | 5,268,946           | 5,603,015           |
| 3,469,272             | 4,077,195           | 4,060,320         | 4,295,598         | 4,277,863           | 4,447,508           |
| 984,607               | 1,047,005           | 1,040,631         | 1,127,475         | 1,253,205           | 1,266,666           |
| 614,073               | 668,601             | 694,611           | 845,778           | 801,926             | 779,523             |
| 3,653                 | 2,660               | 16,254            | 37,960            | 110,943             | 134,570             |
| 709,694               | 1,077,904           | 756,915           | 213,350           | 289,684             | 483,211             |
| -                     | (1,208,541)         | -                 | -                 | -                   | -                   |
| 692,477               | 2,903,367           | 1,004,293         | 998,619           | 1,007,784           | 768,787             |
| <u>10,222,816</u>     | <u>12,666,325</u>   | <u>12,035,259</u> | <u>12,137,738</u> | <u>13,010,351</u>   | <u>13,483,280</u>   |
| \$ <u>(1,511,310)</u> | \$ <u>1,661,484</u> | \$ <u>837,777</u> | \$ <u>131,958</u> | \$ <u>1,628,095</u> | \$ <u>2,027,436</u> |



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

|   | Fiscal Year         |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2010                | 2011                | 2012                | 2013                |
| <b>Business-type activities</b>                                 |                     |                     |                     |                     |
| Expenses  |                     |                     |                     |                     |
| Water and sewer   | \$ 5,258,532        | \$ 5,027,229        | \$ 5,026,141        | \$ 5,134,720        |
| Sanitation  | 1,952,979           | 1,890,468           | 2,482,660           | 2,446,553           |
| Airport   | 411,863             | 401,842             | 389,402             | 459,418             |
| Total expenses  | <u>7,623,374</u>    | <u>7,319,539</u>    | <u>7,898,203</u>    | <u>8,040,691</u>    |
| Program revenues  |                     |                     |                     |                     |
| Charges for services  |                     |                     |                     |                     |
| Water and sewer   | 5,730,656           | 6,326,946           | 6,521,880           | 6,367,177           |
| Sanitation  | 2,176,550           | 2,204,210           | 2,632,229           | 2,768,743           |
| Airport   | 201,474             | 227,920             | 239,173             | 250,113             |
| Operating grants and contributions                              | -                   | -                   | 220,997             | 27,468              |
| Capital grants and contributions                                | 726,097             | 123,325             | -                   | 584,651             |
| Total program revenues  | <u>8,834,777</u>    | <u>8,882,401</u>    | <u>9,614,279</u>    | <u>9,998,152</u>    |
| Total business-type activities net program<br>(expense) revenue | 1,211,403           | 1,562,862           | 1,716,076           | 1,957,461           |
| General revenues and other changes in net position              |                     |                     |                     |                     |
| Unrestricted investment earnings                                | 4,478               | 3,677               | 5,422               | 3,507               |
| Miscellaneous   | 17,225              | 22,977              | 3,608               | 3,487               |
| Special item - discontinued operations                          | -                   | -                   | -                   | -                   |
| Transfers   | (74,131)            | (98,338)            | (1,134,962)         | (501,909)           |
| Total general revenues and other changes in net position        | <u>(52,428)</u>     | <u>(71,684)</u>     | <u>(1,125,932)</u>  | <u>(494,915)</u>    |
| <b>Total business-type activities change in net position</b>    | <u>\$ 1,158,975</u> | <u>\$ 1,491,178</u> | <u>\$ 590,144</u>   | <u>\$ 1,462,546</u> |
| <b>Total primary government change in net position</b>          | <u>\$ 492,125</u>   | <u>\$ 994,626</u>   | <u>\$ 1,636,940</u> | <u>\$ 689,903</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         |                     |                     |                   |                     |                     |
|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| 2014                | 2015                | 2016                | 2017              | 2018                | 2019                |
| \$ 5,775,681        | \$ 6,063,713        | \$ 6,681,343        | \$ 6,121,251      | \$ 6,431,453        | \$ 6,993,425        |
| 503,196             | -                   | -                   | -                 | -                   | -                   |
| 540,255             | 550,555             | 588,537             | 707,869           | 584,476             | 644,192             |
| <u>6,819,132</u>    | <u>6,614,268</u>    | <u>7,269,880</u>    | <u>6,829,120</u>  | <u>7,015,929</u>    | <u>7,637,617</u>    |
| 6,582,946           | 6,873,149           | 7,108,017           | 7,438,810         | 7,779,321           | 7,849,327           |
| 449,082             | -                   | -                   | -                 | -                   | -                   |
| 327,899             | 340,572             | 276,533             | 305,074           | 304,191             | 313,835             |
| 10,914              | -                   | 68,197              | 48,351            | 15,870              | 84,130              |
| 975,226             | 1,115,799           | 3,384,479           | 406,561           | 417,799             | 219,828             |
| <u>8,346,067</u>    | <u>8,329,520</u>    | <u>10,837,226</u>   | <u>8,198,796</u>  | <u>8,517,181</u>    | <u>8,467,120</u>    |
| 1,526,935           | 1,715,252           | 3,567,346           | 1,369,676         | 1,501,252           | 829,503             |
| 3,680               | 1,729               | 5,966               | 23,244            | 51,731              | 86,208              |
| 148,415             | -                   | 24,552              | 8,200             | -                   | 5,800               |
| -                   | (2,903,367)         | -                   | -                 | -                   | -                   |
| <u>(692,477)</u>    | <u>1,134,457</u>    | <u>(1,004,293)</u>  | <u>(998,619)</u>  | <u>(1,007,784)</u>  | <u>(768,787)</u>    |
| <u>(540,382)</u>    | <u>(1,767,181)</u>  | <u>(973,775)</u>    | <u>(967,175)</u>  | <u>(956,053)</u>    | <u>(676,779)</u>    |
| \$ <u>986,553</u>   | \$ <u>(51,929)</u>  | \$ <u>2,593,571</u> | \$ <u>402,501</u> | \$ <u>545,199</u>   | \$ <u>152,724</u>   |
| \$ <u>(524,757)</u> | \$ <u>1,609,555</u> | \$ <u>3,431,348</u> | \$ <u>534,459</u> | \$ <u>2,173,294</u> | \$ <u>2,180,160</u> |

(concluded)

**CITY OF BAY CITY, TEXAS**

*FUND BALANCES, GOVERNMENTAL FUNDS (1)*

*Last ten fiscal years*

|                                    | Fiscal Year         |                     |                     |                     |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | 2010                | 2011                | 2012                | 2013                |
| General Fund                       |                     |                     |                     |                     |
| Nonspendable                       |                     |                     |                     |                     |
| Prepaid items                      | \$ -                | \$ 53,128           | \$ 108,116          | \$ 16,879           |
| Assigned                           | -                   | 7,201               | 7,201               | -                   |
| Unassigned                         | -                   | 2,013,578           | 2,821,025           | 2,719,997           |
| Reserved                           |                     |                     |                     |                     |
| Prepaid items                      | 24,824              | -                   | -                   | -                   |
| Unreserved                         | 1,708,708           | -                   | -                   | -                   |
| Total general fund                 | <u>\$ 1,733,532</u> | <u>\$ 2,073,907</u> | <u>\$ 2,936,342</u> | <u>\$ 2,736,876</u> |
| All Other Governmental Funds       |                     |                     |                     |                     |
| Nonspendable                       |                     |                     |                     |                     |
| Prepaid items                      | \$ -                | \$ -                | \$ -                | \$ -                |
| Restricted                         |                     |                     |                     |                     |
| Retirement of long-term debt       | 5,431               | 10,285              | 11,275              | 30,568              |
| Capital project funds              | 3,663,379           | 1,365,723           | 1,337,295           | 1,191,190           |
| Community development              | 1,810,198           | 1,806,794           | -                   | -                   |
| Special revenue funds              | -                   | 884,510             | 823,579             | -                   |
| Tourism                            | -                   | -                   | -                   | 221,561             |
| Municipal court                    | -                   | -                   | -                   | 101,575             |
| Culture and recreation             | -                   | -                   | -                   | 42,270              |
| Public safety                      | -                   | -                   | -                   | 610,912             |
| Public works                       | -                   | -                   | -                   | -                   |
| Unassigned                         | -                   | -                   | -                   | -                   |
| Total all other governmental funds | <u>\$ 5,479,008</u> | <u>\$ 4,067,312</u> | <u>\$ 2,172,149</u> | <u>\$ 2,198,076</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         |                     |                     |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2014                | 2015                | 2016                | 2017                | 2018                | 2019                |
| \$ 55,374           | \$ 120,664          | \$ 44,589           | \$ 31,665           | \$ 49,261           | \$ 44,540           |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 1,727,220           | 2,945,445           | 1,930,425           | 1,331,488           | 2,169,106           | 3,165,690           |
| -                   | -                   | -                   | -                   | -                   | -                   |
| -                   | -                   | -                   | -                   | -                   | -                   |
| <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> | <u>\$ 3,210,230</u> |
| \$ -                | \$ -                | \$ -                | \$ -                | \$ 14,849           | \$ 13,799           |
| 550,221             | 31,305              | 233,825             | 199,330             | 191,351             | 224,645             |
| 2,022,383           | 2,877,230           | 3,899,359           | 3,183,380           | 2,583,241           | 621,267             |
| -                   | -                   | -                   | -                   | -                   | -                   |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 302,436             | 372,746             | 449,295             | 568,200             | 404,406             | 473,619             |
| 96,262              | 102,994             | 83,196              | 71,500              | 65,170              | 59,591              |
| 71,538              | 60,336              | 92,576              | 118,928             | 52,213              | -                   |
| 615,582             | 631,515             | 94,804              | 54,276              | 40,023              | 44,280              |
| -                   | -                   | -                   | -                   | 15,851              | 9,968               |
| (40,379)            | (98,700)            | -                   | -                   | -                   | (710,973)           |
| <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> | <u>\$ 736,196</u>   |

**CITY OF BAY CITY, TEXAS**

*CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)*

*Last ten fiscal years*

|  | Fiscal Year         |                       |                   |                     |
|--|---------------------|-----------------------|-------------------|---------------------|
|  | 2010                | 2011                  | 2012              | 2013                |
| <b>Revenues</b>  |                     |                       |                   |                     |
| Taxes  | \$ 8,646,929        | \$ 9,398,598          | \$ 8,764,173      | \$ 8,845,091        |
| Licenses and permits   | 9,813               | 9,335                 | 8,947             | 5,706               |
| Fines and forfeitures  | 402,318             | 736,614               | 466,970           | 378,455             |
| Fees and charges for services                                  | 2,286,558           | 751,218               | 408,908           | 444,908             |
| Intergovernmental  | 156,826             | 334,370               | 111,982           | 281,587             |
| Investment income  | 14,401              | 14,914                | 6,159             | 5,773               |
| Miscellaneous  | <u>1,174,532</u>    | <u>1,102,026</u>      | <u>954,226</u>    | <u>713,618</u>      |
| <b>Total revenues</b>  | <u>12,691,377</u>   | <u>12,347,075</u>     | <u>10,721,365</u> | <u>10,675,138</u>   |
| <b>Expenditures</b>  |                     |                       |                   |                     |
| <b>Current</b>   |                     |                       |                   |                     |
| General government   | 2,114,190           | 2,553,230             | 1,862,353         | 2,031,233           |
| Public safety  | 3,692,061           | 4,074,012             | 3,840,767         | 4,118,972           |
| Public works   | 1,050,523           | 1,617,989             | 981,178           | 1,142,463           |
| Cultural and recreation  | 2,238,469           | 1,658,183             | 1,764,783         | 1,869,035           |
| Capital outlay   | 3,569,151           | 2,351,256             | 467,801           | 1,005,219           |
| <b>Debt service</b>  |                     |                       |                   |                     |
| Principal retirement   | 771,731             | 883,784               | 653,759           | 775,707             |
| Interest and fiscal charges                                    | 484,390             | 622,147               | 398,754           | 348,511             |
| Paying agents' fees and issue costs                            | <u>90,183</u>       | <u>-</u>              | <u>-</u>          | <u>154,249</u>      |
| <b>Total expenditures</b>                                      | <u>14,010,698</u>   | <u>13,760,601</u>     | <u>9,969,395</u>  | <u>11,445,389</u>   |
| <b>Excess (deficiency) of revenues over expenditures</b>       | (1,319,321)         | (1,413,526)           | 751,970           | (770,251)           |
| <b>Other financing sources (uses)</b>                          |                     |                       |                   |                     |
| Debt issuance  | 3,300,000           | -                     | -                 | 4,672,000           |
| Premium on bonds   | -                   | -                     | -                 | 65,470              |
| Payment to escrow  | -                   | -                     | -                 | (3,960,250)         |
| Transfers in   | 510,232             | 1,271,561             | 568,493           | 874,319             |
| Transfers out  | <u>(436,101)</u>    | <u>(1,173,223)</u>    | <u>(576,872)</u>  | <u>(1,054,827)</u>  |
| <b>Total other financing sources (uses)</b>                    | <u>3,374,131</u>    | <u>98,338</u>         | <u>(8,379)</u>    | <u>596,712</u>      |
| <b>Changes in fund balances</b>                                | <u>\$ 2,054,810</u> | <u>\$ (1,315,188)</u> | <u>\$ 743,591</u> | <u>\$ (173,539)</u> |
| <b>Debt service as a percentage of noncapital expenditures</b> | <u>12.03%</u>       | <u>13.20%</u>         | <u>11.09%</u>     | <u>11.23%</u>       |

(1) Modified accrual basis of accounting

| Fiscal Year        |                     |                     |                       |                    |                       |
|--------------------|---------------------|---------------------|-----------------------|--------------------|-----------------------|
| 2014               | 2015                | 2016                | 2017                  | 2018               | 2019                  |
| \$ 8,894,495       | \$ 9,988,557        | \$ 10,375,097       | \$ 10,972,108         | \$ 11,692,838      | \$ 12,169,745         |
| 205,321            | 235,881             | 255,511             | 154,409               | 396,638            | 281,795               |
| 339,905            | 326,125             | 322,166             | 268,378               | 215,278            | 218,133               |
| 2,585,325          | 2,809,761           | 2,898,210           | 2,675,326             | 2,553,631          | 2,690,027             |
| 342,057            | 420,857             | 264,635             | 1,141,371             | 437,982            | 1,528,833             |
| 3,647              | 2,660               | 16,240              | 37,941                | 110,753            | 134,381               |
| 805,993            | 998,560             | 892,115             | 490,118               | 685,503            | 1,020,763             |
| <u>13,176,743</u>  | <u>14,782,401</u>   | <u>15,023,974</u>   | <u>15,739,651</u>     | <u>16,092,623</u>  | <u>18,043,677</u>     |
| 2,343,485          | 2,083,129           | 2,335,155           | 2,263,841             | 2,444,796          | 2,284,868             |
| 4,472,587          | 4,581,482           | 4,986,001           | 5,140,028             | 4,819,143          | 4,853,722             |
| 2,895,565          | 3,163,745           | 3,425,770           | 3,241,311             | 3,429,104          | 3,950,358             |
| 2,022,110          | 2,102,214           | 2,396,240           | 2,350,942             | 2,350,388          | 2,381,035             |
| 1,072,074          | 2,245,491           | 3,704,716           | 2,024,539             | 2,384,427          | 3,957,938             |
| 847,110            | 1,496,153           | 1,553,752           | 1,432,357             | 1,419,841          | 1,465,175             |
| 257,997            | 368,026             | 344,650             | 402,072               | 362,729            | 364,072               |
| 71,973             | -                   | 123,195             | 5,495                 | 59,101             | 4,341                 |
| <u>13,982,901</u>  | <u>16,040,240</u>   | <u>18,869,479</u>   | <u>16,860,585</u>     | <u>17,269,529</u>  | <u>19,261,509</u>     |
| (806,158)          | (1,257,839)         | (3,845,505)         | (1,120,934)           | (1,176,906)        | (1,217,832)           |
| 1,598,000          | 1,398,250           | 3,776,667           | -                     | 1,285,000          | -                     |
| 67,893             | -                   | 235,643             | -                     | -                  | -                     |
| -                  | -                   | -                   | -                     | -                  | -                     |
| 1,684,648          | 3,058,627           | 2,920,044           | 2,162,044             | 1,841,923          | 1,822,325             |
| <u>(2,078,698)</u> | <u>(1,556,140)</u>  | <u>(3,302,315)</u>  | <u>(2,310,412)</u>    | <u>(1,923,313)</u> | <u>(2,243,538)</u>    |
| <u>1,271,843</u>   | <u>2,900,737</u>    | <u>3,630,039</u>    | <u>(148,368)</u>      | <u>1,203,610</u>   | <u>(421,213)</u>      |
| \$ <u>465,685</u>  | \$ <u>1,642,898</u> | \$ <u>(215,466)</u> | \$ <u>(1,269,302)</u> | \$ <u>26,704</u>   | \$ <u>(1,639,045)</u> |
| <u>8.84%</u>       | <u>13.64%</u>       | <u>13.88%</u>       | <u>12.61%</u>         | <u>12.72%</u>      | <u>11.89%</u>         |

**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> |
|--------------------|-----------------|-----------------------------|------------------|--------------|--------------|--------------|
| 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   |
| 2019               | 5,597,430       | 78,618                      | 1,266,666        | 4,447,508    | 779,523      | 12,169,745   |

(1) Modified accrual basis of accounting

NOTE: 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> |
|--------------------|-----------------|-----------------------------|---|--------------------------|---------------------------------------|-------------------------------------|------------------------------|
| 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                      |
| 2019               | 2018            | 366,542,154                 | 540,269,770                               | 77,800,324               | 128,887,212                           | 855,725,036                         | 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<br/>Year</u> | <u>City Direct Rates</u> |                         |              | <u>Overlapping Rates</u> |                             |                             |
|------------------------|--------------------------|-------------------------|--------------|--------------------------|-----------------------------|-----------------------------|
|                        | <u>Debt<br/>Service</u>  | <u>General<br/>Fund</u> | <u>Total</u> | <u>Bay City<br/>ISD</u>  | <u>Matagorda<br/>County</u> | <u>Port of<br/>Bay City</u> |
| 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                     |
| 2019                   | 0.14460                  | 0.51040                 | 0.65500      | 1.55220                  | 0.41758                     | 0.05389                     |

SOURCE: Tax department records of the various taxing authorities

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Overlapping Rates

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| <u>Matagorda<br/>Co. Hospital<br/>District</u> | <u>Matagorda<br/>Co. Drainage<br/>District #1</u> | <u>Matagorda Co.<br/>Conservation &amp;<br/>Reclaim. Distr.</u> | <u>Total</u> |
|--|---|---|--------------|
| \$ 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      |
| 0.32159  | 0.04178   | 0.00765   | 3.04969      |

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

| 2019                                 |                                  |   |
|--------------------------------------|----------------------------------|---|
| Taxpayer                             | Taxable<br>Assessed<br>Valuation | Percentage<br>of Total City<br>Taxable<br>Assessed<br>Valuation |
| Nichols Square Partners LTD          | \$ 14,937,230                    | 1.75%   |
| Oak Manor Bay City LLC               | 10,255,308                       | 1.20%   |
| AEP Texas Central Company            | 10,209,360                       | 1.19%   |
| Cypressbrook Palm Village LP         | 9,435,380                        | 1.10%   |
| Wal Mart Real Estate Business Trust  | 8,445,300                        | 0.99%   |
| Bay City Community Development Corp. | 9,046,110                        | 1.06%   |
| IMFI CB Apartments LP                | 6,882,500                        | 0.80%   |
| Hampton Inn                          | 6,154,500                        | 0.72%   |
| Riverway Apartments                  | 5,883,260                        | 0.69%   |
| Lone Star Hotels                     | 5,600,000                        | 0.65%   |
|                                      | <u>\$ 86,848,948</u>             | <u>10.15%</u>   |

| 2010                                |                                  |   |
|-------------------------------------|----------------------------------|---|
| Taxpayer                            | Taxable<br>Assessed<br>Valuation | Percentage<br>of Total City<br>Taxable<br>Assessed<br>Valuation |
| Wal Mart Real Estate Business Trust | \$ 8,859,870                     | 1.39%   |
| Wal Mart Store #01-1405             | 7,402,710                        | 1.16%   |
| Fortress Lodging                    | 5,787,500                        | 0.91%   |
| AEP Texas Central Co.               | 5,213,550                        | 0.82%   |
| Nichols Square Partners LLC         | 4,913,340                        | 0.77%   |
| Pasupatinath LLC                    | 4,377,110                        | 0.69%   |
| W R H Bay City LTD                  | 4,088,890                        | 0.64%   |
| Bay City Accommodations, LTD        | 3,733,030                        | 0.59%   |
| Ultra Communications                | 3,715,130                        | 0.58%   |
| H E Butt Grocery Co.                | 3,596,290                        | 0.56%   |
|                                     | <u>\$ 51,687,420</u>             | <u>8.11%</u>  |

SOURCE: Matagorda Central Appraisal 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 |
| 2010        | \$ 3,354,944                                     | \$ 3,197,976                                   | 95.32%             | \$ 145,602                      | \$ 3,343,578              | 99.66%             |
| 2011        | 3,716,358  | 3,575,427                                      | 96.21%             | 127,609                         | 3,703,036                 | 99.64%             |
| 2012        | 3,726,309  | 3,608,960                                      | 96.85%             | 102,791                         | 3,711,751                 | 99.61%             |
| 2013        | 3,749,205  | 3,629,326                                      | 96.80%             | 106,373                         | 3,735,699                 | 99.64%             |
| 2014        | 3,756,114  | 3,625,489                                      | 96.52%             | 113,570                         | 3,739,059                 | 99.55%             |
| 2015        | 4,088,654  | 3,980,062                                      | 97.34%             | 87,395                          | 4,067,457                 | 99.48%             |
| 2016        | 4,474,615  | 4,356,460                                      | 97.36%             | 93,565                          | 4,450,025                 | 99.45%             |
| 2017        | 4,625,189  | 4,508,161                                      | 97.47%             | 84,309                          | 4,592,470                 | 99.29%             |
| 2018        | 5,306,031  | 5,189,424                                      | 97.80%             | 58,171                          | 5,247,595                 | 98.90%             |
| 2019        | 5,613,561  | 5,497,009                                      | 97.92%             | -                               | 5,497,009                 | 97.92%             |

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> |
|--------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|--------------------------------------|
| 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                          |
| 2019               | 713,562,000                      | 537,363,274                      | 176,198,726                      | 24.69%                          | 707,134,000                          |

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

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| <u>Fiscal Year</u> | <u>Governmental Activities</u>        |   |              |                           |  |
|--------------------|---------------------------------------|---|--------------|---------------------------|--|
|                    | <u>Certificates of<br/>Obligation</u> | <u>General<br/>Obligation<br/>Bonds</u> | <u>Notes</u> | <u>Capital<br/>Leases</u> | <u>Plus:<br/>Issuance<br/>Premiums</u> |
| 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                                |
| 2019               | 7,408,087                             | 1,930,000                               | 1,260,000    | -                         | 325,276                                |

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              |   |  |   |  |                       |
|---------------------------------------|---|--|---|--|-----------------------|
| <u>Certificates of<br/>Obligation</u> | <u>General<br/>Obligation<br/>Bonds</u> | <u>Plus:<br/>Issuance<br/>Premiums</u> | <u>Total<br/>Primary<br/>Government</u> | <u>Percentage<br/>of Personal<br/>Income</u> | <u>Per<br/>Capita</u> |
| \$ 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                 |
| 7,941,922                             | -                                       | 151,026                                | 19,016,311                              | N/A  | 1,085                 |

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

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| <u>Fiscal<br/>Year</u> | <u>General Bonded Debt Outstanding</u> |   |  |               |
|------------------------|--|---|--|---------------|
|                        | <u>Certificates of<br/>Obligation</u>  | <u>General<br/>Obligation<br/>Bonds</u> | <u>Plus:<br/>Issuance<br/>Premiums</u> | <u>Total</u>  |
| 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    |
| 2019                   | 15,350,009                             | 1,930,000                               | 476,302                                | 17,756,311    |

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



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| <u>Debt Service<br/>Monies<br/>Available</u> | <u>Net<br/>Bonded<br/>Debt</u> | <u>Percentage of<br/>Actual Taxable<br/>Value of<br/>Property</u> | <u>Per<br/>Capita</u> |
|--|--------------------------------|---|-----------------------|
| \$ 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                 |
| 224,645                                      | 17,531,666                     | 100.00%   | 1,000                 |

**CITY OF BAY CITY, TEXAS***DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**(UNAUDITED)**September 30, 2019*

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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)                    | 9/30/2019                     | \$ 10,923,363         | 100.00%           | \$ 10,923,363        |
| Overlapping Debt:                       |                               |                       |                   |                      |
| Matagorda County                        | 9/30/2019                     | 2,855,092             | 19.12%            | 545,890              |
| Bay City Independent<br>School District | 9/30/2019                     | <u>112,096,406</u>    | 63.30%            | <u>70,957,218</u>    |
| Total Overlapping Debt                  |                               | <u>114,951,498</u>    |                   | <u>71,503,108</u>    |
| Total                                   |                               | <u>\$ 125,874,861</u> |                   | <u>\$ 82,426,471</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)<br/>Population</u> | <u>(4)<br/>Personal<br/>Income</u> | <u>(1)<br/>Per Capita<br/>Personal Income</u> | <u>(1)<br/>Median<br/>Age</u> | <u>(2)<br/>School<br/>Enrollment</u> | <u>(3)<br/>Unemployment<br/>Rate</u> |
|--------------------|---------------------------|------------------------------------|---|-------------------------------|--------------------------------------|--------------------------------------|
| 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%                                |
| 2019               | 17,534                    | N/A                                | 45,482  | 36                            | 3,712                                | 6.10%                                |

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 Seven Years Ago*

2019

| Employer                                 | Employees | Percentage of Area Employment |
|--|-----------|-------------------------------|
| South Texas Project (STP)                | 1,123     | 7.30%                         |
| Tenaris                                  | 697       | 4.53%                         |
| Bay City ISD                             | 541       | 3.51%                         |
| Matagorda County Regional Medical Center | 241       | 1.57%                         |
| Matagorda County                         | 237       | 1.54%                         |
| OXEA                                     | 185       | 1.20%                         |
| Lyondell                                 | 163       | 1.06%                         |
| City of Bay City                         | 157       | 1.02%                         |
| Walmart                                  | 129       | 0.84%                         |
| H.E.B.                                   | 99        | 0.64%                         |
|  | 3,572     | 23.20%                        |

2012

| Employer                          | Employees | Percentage of Area Employment |
|-----------------------------------|-----------|-------------------------------|
| South Texas Project (STP)         | 1,200     | N/A                           |
| Bay City ISD                      | 820       | N/A                           |
| Wal-Mart                          | 305       | N/A                           |
| Matagorda County General Hospital | 300       | N/A                           |
| H.E.B.                            | 250       | N/A                           |
| Lyondell                          | 220       | N/A                           |
| Valerus                           | 188       | N/A                           |
| City of Bay City                  | 175       | N/A                           |
| OXEA                              | 140       | N/A                           |
| Henerson                          | 26        | N/A                           |
|                                   | 3,624     |                               |

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

N/A denotes information not available

**CITY OF BAY CITY, TEXAS**

*FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM*

*Last ten fiscal years*

| Function/                          | Fiscal Year   |               |               |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2010          | 2011          | 2012          | 2013          |
| General government                 | 24.29         | 25.29         | 25.29         | 23.00         |
| Public safety                      |               |               |               |               |
| Police                             |               |               |               |               |
| Officers                           | 35.00         | 35.00         | 35.00         | 37.00         |
| Civilians                          | 20.19         | 20.19         | 20.19         | 18.00         |
| Fire                               |               |               |               |               |
| Firefighters (Volunteer)           | 34.00         | 34.00         | 34.00         | 35.00         |
| Civilians                          | 1.00          | 1.00          | 1.00          | 1.00          |
| Public works                       |               |               |               |               |
| Streets/maintenance                | 19.00         | 19.00         | 16.00         | 18.00         |
| Recycling                          | -             | -             | -             | -             |
| Public activities and recreation   | 11.76         | 11.76         | 11.76         | 10.00         |
| Library                            | -             | -             | -             | 8.00          |
| Tourism                            | -             | -             | -             | -             |
| Water and sewer                    | 43.00         | 44.00         | 39.00         | 21.00         |
| Airport                            | 2.00          | 2.00          | 1.00          | 2.00          |
| Equipment and building maintenance | -             | -             | 4.00          | 9.00          |
| Information technology             | -             | -             | -             | -             |
| Sanitation                         | 11.00         | 11.00         | 16.28         | 13.00         |
| <b>Total</b>                       | <u>201.24</u> | <u>203.24</u> | <u>203.52</u> | <u>195.00</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.

| Fiscal Year   |               |               |               |               |               |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 2014          | 2015          | 2016          | 2017          | 2018          | 2019          |
| 18.00         | 15.00         | 16.00         | 16.00         | 13.00         | 15.00         |
| 39.00         | 41.00         | 41.00         | 41.00         | 40.00         | 39.00         |
| 21.00         | 19.00         | 21.00         | 21.00         | 21.00         | 22.00         |
| 36.00         | 35.00         | 35.00         | 35.00         | 30.00         | 30.00         |
| 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          |
| 14.00         | 19.76         | 17.00         | 17.00         | 16.00         | 16.00         |
| -             | -             | -             | -             | 3.50          | 3.50          |
| 10.00         | 10.00         | 13.00         | 15.00         | 12.00         | 12.00         |
| 6.00          | 7.00          | 6.00          | 6.00          | 8.50          | 8.50          |
| -             | -             | -             | -             | 1.00          | 1.00          |
| 25.00         | 28.00         | 26.00         | 27.00         | 30.00         | 30.00         |
| 2.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.50          |
| 9.00          | 8.00          | 7.00          | 5.00          | 7.00          | 7.00          |
| 3.00          | 3.00          | 3.00          | 3.00          | 2.00          | 2.00          |
| -             | -             | -             | -             | -             | -             |
| <u>184.00</u> | <u>188.76</u> | <u>188.00</u> | <u>189.00</u> | <u>187.00</u> | <u>189.50</u> |

**CITY OF BAY CITY, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

| Function/Program   | Fiscal Year |      |      |      |
|--|-------------|------|------|------|
|  | 2010        | 2011 | 2012 | 2013 |
| Public safety  |             |      |      |      |
| Police   |             |      |      |      |
| Stations   | 1           | 1    | 1    | 1    |
| Patrol units   | 31          | 31   | 31   | 35   |
| Fire   |             |      |      |      |
| Fire stations  | 1           | 1    | 1    | 1    |
| Public works   |             |      |      |      |
| Streets  |             |      |      |      |
| Streets (lane miles)                                       | 109         | 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<br>(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<br>(thousands of gallons) | 4.3         | 4.3  | 4.3  | 4.3  |
| Sanitation   |             |      |      |      |
| Collection trucks  | 8           | 8    | 8    | 8    |

| Fiscal Year |      |      |      |      |      |
|-------------|------|------|------|------|------|
| 2014        | 2015 | 2016 | 2017 | 2018 | 2019 |
| 1           | 1    | 1    | 1    | 1    | 1    |
| 33          | 37   | 34   | 34   | 34   | 32   |
| 1           | 1    | 1    | 1    | 1    | 1    |
| 109         | 109  | 109  | 109  | 109  | 109  |
| 360         | 348  | 348  | 348  | 299  | 314  |
| 22          | 22   | 23   | 23   | 23   | 26   |
| 2           | 2    | 2    | 2    | 2    | 2    |
| 115         | 115  | 115  | 113  | 113  | 113  |
| 600         | 650  | 650  | 650  | 650  | 650  |
| 4           | 4    | 4    | 3    | 3    | 3    |
| 88          | 88   | 88   | 108  | 108  | 108  |
| 80          | 80   | 80   | 80   | 80   | 80   |
| 4.3         | 4.3  | 4.3  | 4.3  | 4.3  | 4.3  |
| -           | -    | -    | -    | -    | -    |



**CITY OF BAY CITY, TEXAS**

*OPERATING INDICATORS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

| Function/Program                          | Fiscal Year |         |         |         |
|---|-------------|---------|---------|---------|
|   | 2010        | 2011    | 2012    | 2013    |
| General government                        |             |         |         |         |
| Building permits issued                   | 442         | 310     | 231     | 459     |
| Building inspections conducted            | 222         | 691     | 431     | 1,222   |
| Fire inspection conducted                 | 13          | 5       | 6       | 22      |
| Public safety                             |             |         |         |         |
| Police                                    |             |         |         |         |
| Arrests                                   | 1,934       | 1,730   | 893     | 1,722   |
| Accident Reports                          | 452         | 416     | 199     | 304     |
| Citations                                 | 4,484       | 3,223   | 1,196   | 1,621   |
| Offense reports                           | 3,017       | 2,734   | 1,327   | 2,669   |
| Calls for service                         | 32,296      | 33,453  | 19,333  | 32,155  |
| Fire                                      |             |         |         |         |
| Emergency responses                       | 165         | 220     | 175     | 233     |
| Fire incidents                            | 71          | 132     | 95      | 101     |
| Service calls and other calls             | 94          | 88      | 80      | 132     |
| Automatic aid, mutual aid given           | 22          | 27      | 39      | 21      |
| Streets and highways                      |             |         |         |         |
| Street resurfacing (lane miles)           | -           | -       | -       | -       |
| Water and wastewater                      |             |         |         |         |
| Water                                     |             |         |         |         |
| Average daily consumption (millions)      | 1.907       | 2.248   | 2.217   | 2.187   |
| Total consumption (millions)              | 695.911     | 820.538 | 809.245 | 798.353 |
| Peak daily consumption (millions)         | 3.516       | 4.395   | 3.799   | 3.485   |
| Wastewater                                |             |         |         |         |
| Average daily sewage treatment (millions) | 1.963       | 1.575   | 1.570   | 1.566   |
| Total consumption (millions)              | 716.328     | 574.870 | 573.170 | 571.850 |
| Peak daily consumption (millions)         | 13.556      | 9.758   | 11.916  | 11.755  |

NOTE: N/A denotes information not available

| Fiscal Year |         |         |         |         |         |
|-------------|---------|---------|---------|---------|---------|
| 2014        | 2015    | 2016    | 2017    | 2018    | 2019    |
| 1,227       | 1,039   | 1,012   | 1,246   | 1,373   | 1,224   |
| 1,735       | 2,238   | 2,256   | 2,366   | 2,040   | 1,696   |
| 8           | 13      | 16      | 23      | 14      | 18      |
| 1,520       | 1,364   | 1,405   | 1,356   | 1,234   | 1,280   |
| 325         | 471     | 521     | 505     | 476     | 515     |
| 1,862       | 1,784   | 1,736   | 1,707   | 956     | 1,863   |
| 2,231       | 3,427   | 2,820   | 2,892   | 2,744   | 3,071   |
| 31,544      | 32,864  | 29,618  | 31,320  | 28,448  | 31,842  |
| 178         | 170     | 167     | 204     | 254     | 181     |
| 66          | 64      | 74      | 111     | 130     | 79      |
| 112         | 106     | 93      | 93      | 124     | 102     |
| 19          | 23      | 32      | 44      | 31      | 14      |
| -           | 5.20    | 3.49    | 9.52    | 1.00    | 0.50    |
| 1.707       | 2.251   | 1.692   | 1.563   | 2.024   | 1.470   |
| 623.508     | 824.901 | 635.604 | 609.958 | 743.714 | 537.300 |
| 2.001       | 3.338   | 2.569   | 2.445   | 2.418   | 2.050   |
| N/A         | 1.774   | 1.954   | 1.634   | 1.634   | 1.938   |
| 545.020     | 691.614 | 717.629 | 581.611 | 657.579 | 707.134 |
| N/A         | 6.287   | 6.532   | 3.520   | 3.526   | 5.264   |

**SINGLE AUDIT SECTION**



CERTIFIED PUBLIC ACCOUNTANTS  
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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, 2019, 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 19, 2020. 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, L.L.P.  
Certified Public Accountants

March 19, 2020



CERTIFIED PUBLIC ACCOUNTANTS  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Bay City, Texas (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

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

### Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Harrison, Waldrop & Uherek, LLP*

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

March 19, 2020

**CITY OF BAY CITY, TEXAS****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended September 30, 2019

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| Federal Grantor/Pass-Through Grantor/Program Title                                  | Federal<br>CFDA<br>Number | Other Award<br>Number |
|---|---------------------------|-----------------------|
| <b>FEDERAL EXPENDITURES</b>   |                           |                       |
| <b>U. S. Department of Housing and Urban Development</b>                            |                           |                       |
| <i>Passed Through the Texas Department of Agriculture - Office of Rural Affairs</i> |                           |                       |
| Community Development Block Grant   | 14.225                    | 7217222               |
| <i>Passed Through the Texas General Land Office</i>                                 |                           |                       |
| Community Development Block Grant Disaster Recovery                                 | 14.225                    | 20-065-048-C142       |
| Total U.S. Department of Housing and Urban Development                              |                           |                       |
| <b>U. S. Department of Transportation</b>   |                           |                       |
| <i>Passed Through the Texas Department of Transportation</i>                        |                           |                       |
| <i>Division of Aviation</i>   |                           |                       |
| Airport Improvement Program   | 20.106                    | M1613BAYC             |
| Total U.S. Department of Transportation   |                           |                       |
| <b>U. S. Department of Justice</b>  |                           |                       |
| <i>Passed Through the Office of the Attorney General</i>                            |                           |                       |
| Crime Victim Assistance   | 16.575                    | 1662097               |
| <i>Passed Through the Office of the Governor</i>                                    |                           |                       |
| <i>Criminal Justice Division</i>  |                           |                       |
| Bulletproof Vest Partnership Program  | 16.607                    | N/A                   |
| Total U.S. Department of Justice  |                           |                       |
| <b>U. S. Department of Homeland Security</b>  |                           |                       |
| <i>Passed Through the Texas Department of Public Safety's</i>                       |                           |                       |
| <i>Division of Emergency Management</i>   |                           |                       |
| Disaster Grant - Public Assistance (Presidentially Declared Disasters)              | 97.036                    | 4332-DR-TX            |
| Total U.S. Department of Homeland Security  |                           |                       |
| <b>TOTAL FEDERAL EXPENDITURES</b>   |                           |                       |

See accompanying notes to schedule of expenditures of federal awards.



| Expenditures                   |                          |                     | Passed<br>through to<br>Subrecipients | Name of Cluster<br>(if applicable) | Note |
|--------------------------------|--------------------------|---------------------|---------------------------------------|------------------------------------|------|
| From<br>Pass-Through<br>Awards | From<br>Direct<br>Awards | Total               |                                       |                                    |      |
| \$ 233,500                     | \$ -                     | \$ 233,500          | \$ -                                  | CDBG-Entitlement Grants Cluster    |      |
| <u>7,000</u>                   | <u>-</u>                 | <u>7,000</u>        | <u>-</u>                              | CDBG-Entitlement Grants Cluster    |      |
| <u>240,500</u>                 | <u>-</u>                 | <u>240,500</u>      | <u>-</u>                              |                                    |      |
| <u>29,182</u>                  | <u>-</u>                 | <u>29,182</u>       | <u>-</u>                              |                                    |      |
| <u>29,182</u>                  | <u>-</u>                 | <u>29,182</u>       | <u>-</u>                              |                                    |      |
| 42,457                         | -                        | 42,457              | -                                     |                                    |      |
| <u>2,340</u>                   | <u>-</u>                 | <u>2,340</u>        | <u>-</u>                              |                                    |      |
| <u>44,797</u>                  | <u>-</u>                 | <u>44,797</u>       | <u>-</u>                              |                                    |      |
| <u>1,306,651</u>               | <u>-</u>                 | <u>1,306,651</u>    | <u>-</u>                              |                                    | 4    |
| <u>1,306,651</u>               | <u>-</u>                 | <u>1,306,651</u>    | <u>-</u>                              |                                    |      |
| <u>\$ 1,621,130</u>            | <u>\$ -</u>              | <u>\$ 1,621,130</u> | <u>\$ -</u>                           |                                    |      |

**CITY OF BAY CITY, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*For the year ended September 30, 2019*

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City, under programs of the federal government for the year ended September 30, 2019 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable; except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

**NOTE 3: INDIRECT COST RATE**

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 4: FEMA DISASTER ASSISTANCE - CFDA 97.036**

In accordance with the Uniform Guidance, expenditures of federal Disaster Grants (CFDA 97.036) must be recorded as expenditures on the SEFA when: (1) FEMA has approved the entity's Project Worksheet (PW), and (2) the entity has incurred the eligible expenditures. Expenditures reported on the accompanying schedule of expenditures of federal awards that were incurred in a prior fiscal year total \$158,242.

**CITY OF BAY CITY, TEXAS**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*For the year ended September 30, 2019*

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes  no

Identification of major programs:

| <i>CFDA Number(s)</i> | <i>Name of Major Programs or Cluster</i>                                |
|-----------------------|---|
| 97.036                | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |
|                       |   |
|                       |   |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  yes  no

**Section II - Financial Statement Findings**

None noted

**Section III - Federal Award Findings and Questioned Costs**

None noted

**CITY OF BAY CITY, TEXAS**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*For the year ended September 30, 2019*

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None were reported.