

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020



Bay City Gas Company

**"Coming together is the beginning,
Staying together is progress,
Working together is success" - Henry Ford**



CITY OF BAY CITY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended September 30, 2020

Scotty Jones
Finance Director

Shawna Burkhart
City Manager

Issued By:
Finance Department

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INTRODUCTORY SECTION



CITY OF BAY CITY

1901 5TH Street, Bay City, Texas 77414, Phone: 979-245-2137 Fax: 979-323-1626, 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

May 5, 2021

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, 2020. 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, 2020, 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, 2020, 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, 2020, 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'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.

In 2019, the City 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 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 1.78% 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 \$869 million for fiscal year 2020, which is an 2% increase from fiscal year 2019.

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 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 exceed the targeted reserves excluding transfers and will likely continue to exceed the target in FY 2021. Excess reserves may be used for one-time or non-recurring expenditures such as capital.

Long-Term Financial Planning

In fiscal year 2020, 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 \$8,965,000 in Certificates of Obligation during fiscal year 2020. The funds will be used for reconstruction of Nile Valley Road, acquisition of road equipment, acquisition of a fire truck, and construction of a Hanger at the Bay City Regional Airport. The Bay City Community Development Corporation and the Bay City Gas Company equally support the cost associated with the Nile Valley debt. In addition, the City was recently approved for funding for approximately \$57 million for critical water and sewer infrastructure improvements through the Texas Water Development Board revolving loan program.

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 for its comprehensive annual financial report for the fiscal year ended September 30, 2019. 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.

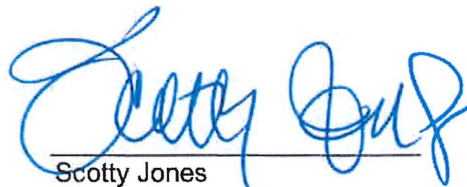
We would like to express our sincere appreciation to the City's employees for their dedication and commitment to the City. The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Appreciation is expressed to the City employees 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

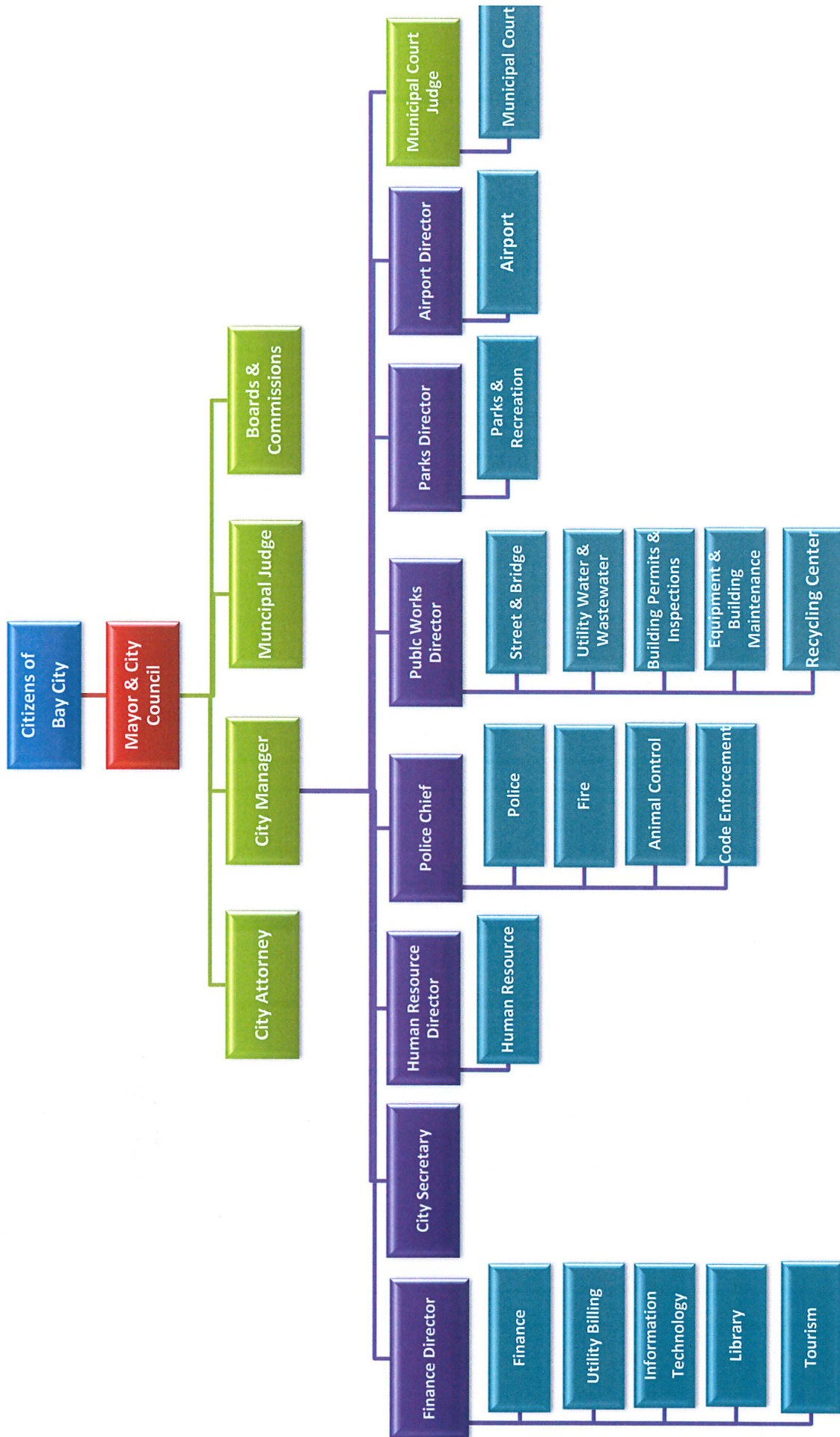
**City of Bay City
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morrill

Executive Director/CEO



CITY OF BAY CITY, TEXAS**DIRECTORY OF PRINCIPAL OFFICIALS***September 30, 2020*

City Officials	Elective Position	Term Expires
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

Key Staff	Position
Shawna Burkhart	City Manager
Anne Marie Odefey	City Attorney
Barry Calhoun	Public Works Director
Scotty Jones	Finance Director
Robert Lister	Police Chief
Jeanna Thompson	City Secretary
Suzan Thompson	Municipal Court Judge
James Mason	Airport Manager
Shawn Blackburn	Parks and Recreation Director
Rhonda Clegg	Human Resources Director

FINANCIAL SECTION



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, 2020, 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 24 percent, 54 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, 2020, 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 May 5, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

May 5, 2021

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, 2020.

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 \$44,532,556 (*net position*). Of this amount, \$6,217,805 (*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 \$9,897,952 and \$1,049,619, respectively. The net position of the Water and Sewer Fund decreased by \$1,405,300 and the Airport Fund increased by \$2,454,919.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,683,766, an increase of \$6,737,340 from the prior year. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,568,759, or 35% of total General Fund expenditures.
- The City's outstanding bonded debt for governmental and business-type activities had a net increase of \$7,425,000 or 43% from the prior year. The City also had \$1,065,000 of tax notes and \$116,468 in capital leases payable outstanding as of September 30, 2020.

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 81

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 sixteen individual governmental funds during the 2019-2020 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Hazard Mitigation Fund, and the 2020 Capital Project Fund, which are considered major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation.

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 82-91 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 92-110 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 \$44,532,556 at the close of the fiscal year 2020.

By far, the largest portion of the City's net position (83%) 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 15,602,604	\$ 6,318,462	\$ 6,505,214	\$ 6,372,674	\$ 22,107,818	\$ 12,691,136
Capital assets (net)	26,583,419	24,165,011	23,136,325	22,845,618	49,719,744	47,010,629
Other noncurrent assets	6,660,318	-	-	-	6,660,318	-
Total assets	48,846,341	30,483,473	29,641,539	29,218,292	78,487,880	59,701,765
Total deferred outflow of resources	722,419	1,849,737	159,484	430,709	881,903	2,280,446
Current liabilities	2,616,619	2,208,439	2,343,493	2,240,686	4,960,112	4,449,125
Noncurrent liabilities	21,297,110	15,400,562	7,259,988	8,432,558	28,557,098	23,833,120
Total liabilities	23,913,729	17,609,001	9,603,481	10,673,244	33,517,210	28,282,245
Total deferred inflow of resources	1,098,711	65,841	221,306	49,140	1,320,017	114,981
Net investment in capital assets	21,205,583	13,287,618	15,909,542	14,858,787	37,115,125	28,146,405
Restricted	1,199,626	857,834	-	-	1,199,626	857,834
Unrestricted	2,151,111	512,916	4,066,694	4,067,830	6,217,805	4,580,746
Total net position	\$ 24,556,320	\$ 14,658,368	\$ 19,976,236	\$ 18,926,617	\$ 44,532,556	\$ 33,584,985

The balance of unrestricted net position, \$6,217,805 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all increase in net position is \$10,947,571, which consists of an increase of \$9,897,952 in governmental activities and an increase of \$1,049,619 in business-type activities.

The increase in the governmental activities is mainly due to a \$7,468,581 increase in capital grants and contributions. The increase in capital grants and contributions mainly relates to the recognition of the interlocal commitment revenue from the Bay City Community Development Corporation and the Bay City Gas Company in fiscal year 2020. The total commitments equaled \$7,181,114 in which actual payments received in fiscal year 2020 were \$42,564. Payments will be received through fiscal year 2035.

The increase in the business-type activities is mainly due to an increase in capital grants and contributions in the amount of \$510,381 of which \$704,159 relates to the Airport Fund. This amount is contributions of capital assets from TxDOT in fiscal year 2020.

City of Bay City, Texas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues:						
Charges for services	\$ 3,269,277	\$ 3,213,169	\$ 7,984,229	\$ 8,163,162	\$ 11,253,506	\$ 11,376,331
Operating grants and contributions	3,441,951	2,207,235	50,000	84,130	3,491,951	2,291,365
Capital grants and contributions	7,844,725	376,144	730,209	219,828	8,574,934	595,972
General revenues:						
Property taxes	5,677,751	5,603,015	-	-	5,677,751	5,603,015
Sales taxes	4,966,859	4,447,508	-	-	4,966,859	4,447,508
Franchise taxes	1,258,458	1,266,666	-	-	1,258,458	1,266,666
Other taxes	698,939	779,523	-	-	698,939	779,523
Unrestricted investment earnings	107,377	134,570	30,887	86,208	138,264	220,778
Miscellaneous	501,621	483,211	26,900	5,800	528,521	489,011
Total revenues	27,766,958	18,511,041	8,822,225	8,559,128	36,589,183	27,070,169
EXPENSES						
General government	2,543,235	2,525,947	-	-	2,543,235	2,525,947
Public safety	5,434,064	5,329,122	-	-	5,434,064	5,329,122
Public works	5,630,596	6,347,218	-	-	5,630,596	6,347,218
Cultural and recreation	2,962,822	2,720,126	-	-	2,962,822	2,720,126
Interest on long-term debt	636,430	329,979	-	-	636,430	329,979
Water and sewer	-	-	7,655,910	6,993,425	7,655,910	6,993,425
Airport	-	-	778,555	644,192	778,555	644,192
Total expenses	17,207,147	17,252,392	8,434,465	7,637,617	25,641,612	24,890,009
Change in net position before transfers	10,559,811	1,258,649	387,760	921,511	10,947,571	2,180,160
Transfers	(661,859)	768,787	661,859	(768,787)	-	-
Change in net position	9,897,952	2,027,436	1,049,619	152,724	10,947,571	2,180,160
Net position - October 1	14,658,368	12,630,932	18,926,617	18,773,893	33,584,985	31,404,825
Net position - September 30	<u>\$ 24,556,320</u>	<u>\$ 14,658,368</u>	<u>\$ 19,976,236</u>	<u>\$ 18,926,617</u>	<u>\$ 44,532,556</u>	<u>\$ 33,584,985</u>

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 \$10,683,766, an increase of \$6,737,340 from the prior year.

Approximately 24% of this total amount or \$2,554,543 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$8,129,223 or 76% 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 \$4,568,759. Unassigned fund balance represents 35% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$1,422,740 during the current fiscal year. The increase in fund balance for the City's General Fund is attributable to an increase in revenues of \$486,502 and a decrease in transfers to other funds of \$221,110. The fund balance of the Hazard Mitigation Fund, a major special revenue fund, decreased by \$1,351,408 due to incurrence of additional disaster related expenditures resulting in a deficit fund balance at year-end of \$1,993,029. The 2020 Capital Project Fund, a major capital project fund, increased by \$5,703,508 due to the issuance of \$8,965,000 in new debt and the incurrence of \$1.5 million in capital expenditures during fiscal year 2020.

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 \$2,250,906, which is a decrease of \$1,427,216 from the prior year. Unrestricted net position of the Airport Fund amounted to \$1,815,788 at the end of the current fiscal year, which is an increase of \$1,426,080 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues earned were greater than budgetary expectations by \$513,679. The positive variance in actual revenues compared to the budget is primarily due to sales tax. Sales tax revenue exceeded amended budget by \$616,859. Actual expenditures were \$454,513 less than budget. This was greatly due to reduced costs associated with legal, utilities, and length of personnel vacancies. In addition, the City did budget to build the reserves by \$34,000. Total operating revenues were \$15,135,361 while total operating expenditures were \$12,970,669. This resulted in an excess of revenues over expenditures of \$2,164,692 which was \$968,192 greater than budgetary expectations. This is before any transfers to other funds. Net other financing sources (uses) of (\$741,952) resulted in a net increase in the General Fund of \$1,422,740.

GENERAL FUND BUDGETARY HIGHLIGHTS - (Continued)

All departments had positive variances, except for Public Works, Police, Administration, Human Resources, and Finance. Administration was over by \$3,559 due to overlap in City Manager and Interim City Manager pay. Human Resource department exceeded budget by \$3,368 due to increased cost related to City Manager recruitment. The Finance Department had increased costs of \$6,885 due to personnel costs related to COVID-19 grants management. The Police Department exceeded budget by \$27,002 due to funding of a police unit that was approved in prior years but paid out of this year's budget. Lastly, the Public Works department slightly exceeded budget by \$246 due to a Regional Drainage Project that is reimbursable by outside entities that has not yet been received by the City.

Differences between the General Fund's original budget and final amended budget were a net increase of \$96,182 to expenditures. This was primarily due to capital expenditures approved during the fiscal year funded by grants and not by current General Fund revenues. This capital expenditure was for a universal playground at LeTulle Park (Dreamscape).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$49,719,744 (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 \$2,709,115.

City of Bay City, Texas						
Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,603,907	\$ 1,603,907	\$ 391,117	\$ 381,117	\$ 1,995,024	\$ 1,985,024
Construction in progress	4,195,076	2,487,320	1,303,113	297,319	5,498,189	2,784,639
Buildings and improvements	1,328,374	1,540,719	385,555	404,143	1,713,929	1,944,862
Machinery and equipment	4,091,053	2,896,196	5,159,967	5,603,909	9,251,020	8,500,105
Infrastructure	15,365,009	15,636,869	15,896,573	16,159,130	31,261,582	31,795,999
Total	<u>\$26,583,419</u>	<u>\$24,165,011</u>	<u>\$23,136,325</u>	<u>\$22,845,618</u>	<u>\$49,719,744</u>	<u>\$47,010,629</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 \$24,705,009. Of this amount, \$1,560,000 represents general obligation bonds and certificates of obligation totaled \$23,145,009. The City's bonded debt had a net increase of \$7,425,000 or 43% during the fiscal year ended September 30, 2020. This was due to the issuance of the 2020 Certificates of Obligation in the amount of \$8,965,000. The City also had \$1,065,000 of tax notes and \$116,468 of capital leases payable outstanding as of September 30, 2020.

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 2021 fiscal year.

Although property values and consumer spending appear strong, the City continues to budget conservatively due to some recent volatile activity in sales tax. The total sales tax payments received by the City from the State Comptroller in fiscal year 2020 equaled \$4,966,859. This amount is a significant increase as compared to the previous year (\$519,351 or 12%). For fiscal year 2021, the City anticipates sales tax to increase 2% over fiscal year 2020 due to the recently opened Starbucks, Fashion Connection, and several new eateries. In addition, the South Texas Project (STP) is hiring approximately 50-100 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 2021 fiscal year (2020 tax roll) total \$897,701,778 with a tax rate of \$0.48212 per \$100 valuation for maintenance and operations and \$0.17288 per \$100 valuation for the interest and sinking fund. The total tax rate of \$0.65500 remained flat from the 2019 tax roll. The certified assessed taxable property valuations increased from the 2019 tax roll by \$30,590,814 or 3.53%.

The City refinanced Certificates of Obligations in the January 2021. The refunding of these obligations resulted in a total savings of \$671,827. In addition, the City was awarded funding through the Texas Water Development Revolving Loan Program of approximately \$56 million to address the City's aging water and sewer infrastructure. The projects will span over the next five to seven years with loan funding aligned by project timeline. This will aid in evaluating timing of utility rate increases.

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, 2020

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,729,418	\$ 5,458,164	\$ 16,187,582	\$ 2,082,450
Investments	-	-	-	2,454,634
Receivables (net)	1,154,047	977,166	2,131,213	245,772
Due from other governments	3,146,031	9,606	3,155,637	132,500
Due from component unit	10,675	-	10,675	-
Prepaid items	84,201	32,691	116,892	5,000
Inventory	-	27,587	27,587	72,654
Interlocal receivable - current portion	478,232	-	478,232	-
Restricted assets				
Cash and cash equivalents	-	-	-	126,154
Investments	-	-	-	304,625
Total current assets	15,602,604	6,505,214	22,107,818	5,423,789
Noncurrent assets				
Interlocal receivable - noncurrent portion	6,660,318	-	6,660,318	-
Capital assets				
Land and other assets not being depreciated	5,798,983	1,694,230	7,493,213	456,676
Buildings, improvements, and equipment (net)	20,784,436	21,442,095	42,226,531	18,419,546
Total noncurrent assets	33,243,737	23,136,325	56,380,062	18,876,222
Total assets	48,846,341	29,641,539	78,487,880	24,300,011
DEFERRED OUTFLOW OF RESOURCES				
Deferred amounts related to pension	598,692	133,119	731,811	-
Deferred amounts related to OPEB	123,727	26,365	150,092	-
Total deferred outflow of resources	722,419	159,484	881,903	-

The accompanying notes are an integral part of this statement.

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current liabilities				
Accounts payable	\$ 662,515	\$ 502,928	\$ 1,165,443	\$ 262,360
Accrued expenses	295,683	70,211	365,894	60,451
Accrued interest payable	42,602	17,456	60,058	-
Due to primary government	-	-	-	10,675
Due to other governments	35,474	-	35,474	-
Deposits	12,708	967,058	979,766	480,779
Unearned revenue	10,269	8,690	18,959	20,174
Accrued compensated absences	35,043	6,741	41,784	-
Current portion of long-term obligations	1,522,325	770,409	2,292,734	642,396
Total current liabilities	2,616,619	2,343,493	4,960,112	1,476,835
Noncurrent liabilities				
Noncurrent portion of long-term obligations	21,297,110	7,259,988	28,557,098	13,054,569
Total noncurrent liabilities	21,297,110	7,259,988	28,557,098	13,054,569
Total liabilities	23,913,729	9,603,481	33,517,210	14,531,404
DEFERRED INFLOW OF RESOURCES				
Deferred amounts related to pension	1,019,309	205,008	1,224,317	-
Deferred amounts related to OPEB	79,402	16,298	95,700	-
Total deferred inflow of resources	1,098,711	221,306	1,320,017	-
NET POSITION				
Net investment in capital assets	21,205,583	15,909,542	37,115,125	8,748,532
Restricted for:				
Debt service	261,187	-	261,187	-
Development	230,274	-	230,274	-
Public safety	48,307	-	48,307	-
Municipal court	47,902	-	47,902	-
Cultural and recreation	611,956	-	611,956	-
Unrestricted	2,151,111	4,066,694	6,217,805	993,663
Total net position	\$ 24,556,320	\$ 19,976,236	\$ 44,532,556	\$ 9,742,195

CITY OF BAY CITY, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2020

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 2,543,235	\$ 546,080	\$ 10,925	\$ -
Public safety	5,434,064	42,283	2,500,184	-
Public works	5,630,596	2,528,436	449,752	7,569,725
Cultural and recreation	2,962,822	152,478	481,090	275,000
Interest on long-term debt	636,430	-	-	-
Total governmental activities	<u>17,207,147</u>	<u>3,269,277</u>	<u>3,441,951</u>	<u>7,844,725</u>
Business-type activities				
Water and sewer	7,655,910	7,700,198	-	26,050
Airport	778,555	284,031	50,000	704,159
Total business-type activities	<u>8,434,465</u>	<u>7,984,229</u>	<u>50,000</u>	<u>730,209</u>
Total primary government	<u>\$ 25,641,612</u>	<u>\$ 11,253,506</u>	<u>\$ 3,491,951</u>	<u>\$ 8,574,934</u>
Component Units	<u>\$ 8,230,519</u>	<u>\$ 3,133,371</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

Net position - ending

The accompanying notes are an integral part of this statement.

<u>Net (Expense) Revenue and</u> <u>Changes in Net Position</u> <u>Primary Government</u>			
<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Units</u>
\$ (1,986,230)	\$ -	\$ (1,986,230)	\$ -
(2,891,597)	-	(2,891,597)	-
4,917,317	-	4,917,317	-
(2,054,254)	-	(2,054,254)	-
(636,430)	-	(636,430)	-
<u>(2,651,194)</u>	<u>-</u>	<u>(2,651,194)</u>	<u>-</u>
-	70,338	70,338	-
<u>-</u>	<u>259,635</u>	<u>259,635</u>	<u>-</u>
-	329,973	329,973	-
<u>(2,651,194)</u>	<u>329,973</u>	<u>(2,321,221)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,097,148)</u>
4,351,914	-	4,351,914	-
1,325,837	-	1,325,837	-
4,966,859	-	4,966,859	1,655,620
1,258,458	-	1,258,458	-
698,939	-	698,939	-
107,377	30,887	138,264	94,156
501,621	26,900	528,521	16,675
(661,859)	661,859	-	-
<u>12,549,146</u>	<u>719,646</u>	<u>13,268,792</u>	<u>1,766,451</u>
9,897,952	1,049,619	10,947,571	(3,330,697)
<u>14,658,368</u>	<u>18,926,617</u>	<u>33,584,985</u>	<u>13,072,892</u>
<u>\$ 24,556,320</u>	<u>\$ 19,976,236</u>	<u>\$ 44,532,556</u>	<u>\$ 9,742,195</u>

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

September 30, 2020

	General	Hazard Mitigation Fund	2020 Capital Project Fund	Other Governmental Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,540,009	\$ -	\$ 5,769,508	\$ 2,269,032
Receivables (net)	960,340	-	-	193,707
Due from other governments	1,020,796	2,091,970	-	33,265
Due from other funds	1,966,087	-	-	4,555
Due from component unit	10,675	-	-	-
Prepaid items	64,211	-	-	19,990
Total assets	\$ 6,562,118	\$ 2,091,970	\$ 5,769,508	\$ 2,520,549
LIABILITIES				
Accounts payable	\$ 465,973	\$ 50,879	\$ 66,000	\$ 42,976
Accrued expenditures	270,822	-	-	2,513
Deposits	1,200	-	-	11,508
Due to other funds	4,555	1,942,150	-	23,937
Due to other governments	35,474	-	-	-
Unearned revenue	-	-	-	10,269
Total liabilities	778,024	1,993,029	66,000	91,203
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	1,151,124	2,091,970	-	89,029
Total deferred inflows of resources	1,151,124	2,091,970	-	89,029
FUND BALANCES				
Nonspendable	64,211	-	-	19,990
Restricted	-	-	5,703,508	2,341,514
Unassigned	4,568,759	(1,993,029)	-	(21,187)
Total fund balances	4,632,970	(1,993,029)	5,703,508	2,340,317
Total liabilities, deferred inflows and fund balances	\$ 6,562,118	\$ 2,091,970	\$ 5,769,508	\$ 2,520,549

The accompanying notes are an integral part of this statement.

Total
Governmental
Funds

\$ 10,578,549
1,154,047
3,146,031
1,970,642
10,675
84,201

\$ 16,944,145

\$ 625,828
273,335
12,708
1,970,642
35,474
10,269

2,928,256

3,332,123

3,332,123

84,201
8,045,022
2,554,543

10,683,766

\$ 16,944,145

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

September 30, 2020

Total governmental fund balances		\$ 10,683,766
<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.		182,865
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.		445,914
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.		2,886,209
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	\$ 57,914,355	
Accumulated depreciation of governmental capital assets	<u>(31,445,338)</u>	26,469,017
Interlocal receivable on repayment of debt is not a current financial resource and, therefore, is not reported on the fund financial statements.		7,138,550
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on pension	598,692	
Deferred amount on OPEB	<u>123,727</u>	722,419
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	(17,511,829)	
Premiums on bonds payable	(713,715)	
Tax notes payable	(1,065,000)	
Capital lease payable	(116,468)	
Accrued interest payable	(42,602)	
Compensated absences	(327,057)	
Net pension liability	(2,362,996)	
OPEB liability	<u>(734,042)</u>	(22,873,709)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on pension	(1,019,309)	
Deferred amount on OPEB	<u>(79,402)</u>	<u>(1,098,711)</u>
Net position of governmental activities		<u>\$ 24,556,320</u>

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, 2020*

	General	Hazard Mitigation Fund	2020 Capital Project Fund	Other Governmental Funds
REVENUES				
Taxes	\$ 10,652,036	\$ -	\$ -	\$ 2,001,095
Licenses and permits	205,985	-	-	-
Fines and forfeitures	215,930	-	-	37,634
Fees and charges for services	2,727,736	-	-	71,909
Intergovernmental	580,596	385,578	-	66,917
Investment income	65,460	-	17,698	23,796
Miscellaneous	687,618	66,076	-	175,309
Total revenues	<u>15,135,361</u>	<u>451,654</u>	<u>17,698</u>	<u>2,376,660</u>
EXPENDITURES				
Current				
General government	2,213,334	-	1,365	44,895
Public safety	4,981,814	139,328	-	25,984
Public works	3,430,356	30,000	-	15,911
Cultural and recreation	2,345,165	253,509	-	575,420
Debt service				
Principal	-	-	-	986,258
Interest and fiscal charges	-	-	-	387,190
Paying agents' fees and issue costs	-	-	259,370	4,225
Capital outlay	-	1,810,831	1,489,748	33,876
Total expenditures	<u>12,970,669</u>	<u>2,233,668</u>	<u>1,750,483</u>	<u>2,073,759</u>
Excess (deficiency) of revenues over expenditures	2,164,692	(1,782,014)	(1,732,785)	302,901
OTHER FINANCING SOURCES (USES)				
Debt issued	157,532	-	8,965,000	-
Premium on debt issuance	-	-	419,757	-
Transfers in	696,414	483,162	-	767,063
Transfers out	(1,595,898)	(52,556)	(1,948,464)	(107,464)
Total other financing sources (uses)	<u>(741,952)</u>	<u>430,606</u>	<u>7,436,293</u>	<u>659,599</u>
Net change in fund balances	1,422,740	(1,351,408)	5,703,508	962,500
Fund balances at beginning of year	<u>3,210,230</u>	<u>(641,621)</u>	<u>-</u>	<u>1,377,817</u>
Fund balances at end of year	<u>\$ 4,632,970</u>	<u>\$ (1,993,029)</u>	<u>\$ 5,703,508</u>	<u>\$ 2,340,317</u>

The accompanying notes are an integral part of this statement.

Total
Governmental
Funds

\$ 12,653,131
205,985
253,564
2,799,645
1,033,091
106,954
929,003

17,981,373

2,259,594
5,147,126
3,476,267
3,174,094

986,258
387,190
263,595
3,334,455

19,028,579

(1,047,206)

9,122,532
419,757
1,946,639

(3,704,382)

7,784,546

6,737,340

3,946,426

\$ 10,683,766

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, 2020*

Total net change in fund balances - governmental funds	\$ 6,737,340
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Amounts reported for governmental activities in the statement of activities are different because:

Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The net activity of the internal service funds are reported with governmental activities.	(77,449)
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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	\$ 4,064,832	
Depreciation expense	<u>(1,934,256)</u>	2,130,576

The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.	364,258
--	---------

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

Certificates at par value	(8,965,000)	
Capital lease	(157,532)	
(Premium) discount	<u>(419,757)</u>	(9,542,289)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	7,138,550
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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	1,027,322
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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	12,497	
Other revenues	<u>2,269,859</u>	2,282,356

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	(43,346)	
Increase in accrued interest	(16,963)	
Decrease in bond premium	31,318	
Net pension cost	(82,719)	
Net OPEB cost	<u>(51,002)</u>	<u>(162,712)</u>

Change in net position of governmental activities	<u>\$ 9,897,952</u>
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The accompanying notes are an integral part of this statement.

CITY OF BAY CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

	Business-type Activities			Governmental Activities
	Water and Sewer	Airport	Total	Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,670,189	\$ 1,787,975	\$ 5,458,164	\$ 150,869
Receivables (net)	963,291	13,875	977,166	-
Due from other governments	-	9,606	9,606	-
Prepaid items	23,896	8,795	32,691	-
Inventory	-	27,587	27,587	-
Total current assets	4,657,376	1,847,838	6,505,214	150,869
Noncurrent assets				
Land and other assets not being depreciated	1,512,710	181,520	1,694,230	-
Buildings, improvements, and equipment (net)	18,335,893	3,106,202	21,442,095	114,402
Total noncurrent assets	19,848,603	3,287,722	23,136,325	114,402
Total assets	24,505,979	5,135,560	29,641,539	265,271
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to pension	133,119	-	133,119	-
Deferred outflow related to OPEB	26,365	-	26,365	-
Total deferred outflows of resources	159,484	-	159,484	-
LIABILITIES				
Current liabilities				
Accounts payable	493,877	9,051	502,928	36,687
Accrued expenses	60,651	9,560	70,211	22,348
Accrued interest payable	17,456	-	17,456	-
Deposits	961,248	5,810	967,058	-
Unearned revenue	8,690	-	8,690	-
Accrued compensated absences	5,978	763	6,741	2,337
Current portion of certificates payable	770,409	-	770,409	-
Total current liabilities	2,318,309	25,184	2,343,493	61,372
Noncurrent liabilities				
Accrued compensated absences	53,802	6,866	60,668	21,034
Net pension liability	485,016	-	485,016	-
OPEB liability	150,666	-	150,666	-
Certificates payable (net of unamortized deferred amounts)	6,563,638	-	6,563,638	-
Total noncurrent liabilities	7,253,122	6,866	7,259,988	21,034
Total liabilities	9,571,431	32,050	9,603,481	82,406
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pension	205,008	-	205,008	-
Deferred inflow related to OPEB	16,298	-	16,298	-
Total deferred inflows of resources	221,306	-	221,306	-
NET POSITION				
Net investment in capital assets	12,621,820	3,287,722	15,909,542	114,402
Unrestricted net position	2,250,906	1,815,788	4,066,694	68,463
Total net position	\$ 14,872,726	\$ 5,103,510	\$ 19,976,236	\$ 182,865

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, 2020

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>	<u>Internal Service Funds</u>
OPERATING REVENUES				
Charges for services	\$ 7,634,685	\$ 276,884	\$ 7,911,569	\$ -
Other	65,513	7,147	72,660	380
Total operating revenues	<u>7,700,198</u>	<u>284,031</u>	<u>7,984,229</u>	<u>380</u>
OPERATING EXPENSES				
Water and sewer system	5,571,555	-	5,571,555	-
Airport	-	554,451	554,451	-
Maintenance	-	-	-	522,425
Information technology	-	-	-	575,284
Depreciation	1,856,244	155,641	2,011,885	76,427
Total operating expenses	<u>7,427,799</u>	<u>710,092</u>	<u>8,137,891</u>	<u>1,174,136</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	272,399	(426,061)	(153,662)	(1,173,756)
NONOPERATING REVENUES (EXPENSES)				
Investment income	27,766	3,121	30,887	423
Noncapital grants and contributions	-	50,000	50,000	-
Gain on disposition of capital assets	26,900	-	26,900	-
Interest and fiscal charges	(228,111)	(68,463)	(296,574)	-
Total nonoperating revenues (expenses)	<u>(173,445)</u>	<u>(15,342)</u>	<u>(188,787)</u>	<u>423</u>
Income (loss) before contributions and transfers	98,954	(441,403)	(342,449)	(1,173,333)
Contributions and transfers				
Capital contributions	26,050	704,159	730,209	-
Transfers in	-	2,278,464	2,278,464	1,095,884
Transfers out	(1,530,304)	(86,301)	(1,616,605)	-
Total contributions and transfers	<u>(1,504,254)</u>	<u>2,896,322</u>	<u>1,392,068</u>	<u>1,095,884</u>
Change in net position	(1,405,300)	2,454,919	1,049,619	(77,449)
Total net position at beginning of year	<u>16,278,026</u>	<u>2,648,591</u>	<u>18,926,617</u>	<u>260,314</u>
Total net position at end of year	<u>\$ 14,872,726</u>	<u>\$ 5,103,510</u>	<u>\$ 19,976,236</u>	<u>\$ 182,865</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, 2020

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 7,734,294	\$ 276,039	\$ 8,010,333	\$ 380
Cash paid to suppliers for goods and services	(3,792,581)	(289,937)	(4,082,518)	(480,359)
Cash paid to employees for services	(1,626,125)	(198,012)	(1,824,137)	(588,013)
Net cash provided (used) by operating activities	<u>2,315,588</u>	<u>(211,910)</u>	<u>2,103,678</u>	<u>(1,067,992)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	(1,530,304)	2,192,163	661,859	1,095,884
Noncapital grants and contributions	-	40,394	40,394	-
Increase (decrease) in customer deposits	<u>10,739</u>	<u>815</u>	<u>11,554</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(1,519,565)</u>	<u>2,233,372</u>	<u>713,807</u>	<u>1,095,884</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,158,748)	(480,321)	(1,639,069)	-
Proceeds from capital grants and contributions	26,050	-	26,050	-
Proceeds from sale of capital assets	26,900	-	26,900	-
Principal paid on long-term debt	(748,742)	-	(748,742)	-
Interest and debt costs paid	<u>(239,886)</u>	<u>(68,463)</u>	<u>(308,349)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(2,094,426)</u>	<u>(548,784)</u>	<u>(2,643,210)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u>27,766</u>	<u>3,121</u>	<u>30,887</u>	<u>423</u>
Net cash provided (used) by investing activities	<u>27,766</u>	<u>3,121</u>	<u>30,887</u>	<u>423</u>
Net increase (decrease) in cash and cash equivalents	(1,270,637)	1,475,799	205,162	28,315
Cash and cash equivalents at beginning of year	<u>4,940,826</u>	<u>312,176</u>	<u>5,253,002</u>	<u>122,554</u>
Cash and cash equivalents at end of year	<u>\$ 3,670,189</u>	<u>\$ 1,787,975</u>	<u>\$ 5,458,164</u>	<u>\$ 150,869</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, 2020

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>	<u>Internal Service Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 272,399	\$ (426,061)	\$ (153,662)	\$ (1,173,756)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,856,244	155,641	2,011,885	76,427
Changes in assets and liabilities				
(Increase) decrease in accounts receivable	35,568	(5,757)	29,811	-
(Increase) decrease in inventory	-	(3,312)	(3,312)	-
(Increase) decrease in prepaid items	(7,531)	63,260	55,729	-
(Increase) decrease in deferred outflows	271,225	-	271,225	-
Increase (decrease) in accounts payable	95,247	(679)	94,568	17,411
Increase (decrease) in accrued expenses	12,848	5,470	18,318	5,902
Increase (decrease) in unearned revenue	(1,472)	(2,235)	(3,707)	-
Increase (decrease) in net pension liability	(434,182)	-	(434,182)	-
Increase (decrease) in OPEB liability	18,239	-	18,239	-
Increase (decrease) in deferred inflows	172,165	-	172,165	-
Increase (decrease) in compensated absences	24,838	1,763	26,601	6,024
Total adjustments	<u>2,043,189</u>	<u>214,151</u>	<u>2,257,340</u>	<u>105,764</u>
Net cash provided (used) by operating activities	<u>\$ 2,315,588</u>	<u>\$ (211,910)</u>	<u>\$ 2,103,678</u>	<u>\$ (1,067,992)</u>
Noncash capital and related financing activities				
Assets acquired from contributions	<u>\$ -</u>	<u>\$ 704,159</u>	<u>\$ 704,159</u>	<u>\$ -</u>

(concluded)

CITY OF BAY CITY, TEXAS
STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2020

	Bay City Community Development Corporation	Bay City Gas Company	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,067,362	\$ 1,015,088	\$ 2,082,450
Investments	-	2,454,634	2,454,634
Receivables (net)	8,533	237,239	245,772
Due from other governments	132,500	-	132,500
Prepaid items	5,000	-	5,000
Inventory	-	72,654	72,654
Restricted assets			
Cash and cash equivalents	-	126,154	126,154
Investments	-	304,625	304,625
Total current assets	1,213,395	4,210,394	5,423,789
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	456,676	-	456,676
Buildings, improvements, and equipment (net)	16,816,885	1,602,661	18,419,546
Net capital assets	17,273,561	1,602,661	18,876,222
Total noncurrent assets	17,273,561	1,602,661	18,876,222
Total assets	18,486,956	5,813,055	24,300,011
LIABILITIES			
Accounts payable	220,793	41,567	262,360
Accrued expenditures	8,541	51,910	60,451
Accrued interest payable	26,412	-	26,412
Due to primary government	10,675	-	10,675
Deposits	50,000	430,779	480,779
Unearned revenue	20,174	-	20,174
Long-term liabilities			
Due within one year	642,396	-	642,396
Due in more than one year	13,054,569	-	13,054,569
Total liabilities	14,033,560	524,256	14,557,816
NET POSITION			
Net investment in capital assets	7,145,871	1,602,661	8,748,532
Unrestricted	(2,692,475)	3,686,138	993,663
Total net position	\$ 4,453,396	\$ 5,288,799	\$ 9,742,195

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, 2020

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Component Units				
Bay City Community Development Corporation	\$ 5,674,046	\$ 470,774	\$ -	\$ -
Bay City Gas Company	<u>2,556,473</u>	<u>2,662,597</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 8,230,519</u>	<u>\$ 3,133,371</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Taxes:
Sales taxes
Unrestricted investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position - beginning
Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Component Units		
Bay City Community Dev. Corporation	Bay City Gas Company	Total
\$ (5,203,272)	\$ -	\$ (5,203,272)
-	106,124	106,124
(5,203,272)	106,124	(5,097,148)
1,655,620	-	1,655,620
20,966	73,190	94,156
13,500	3,175	16,675
1,690,086	76,365	1,766,451
(3,513,186)	182,489	(3,330,697)
7,966,582	5,106,310	13,072,892
<u>\$ 4,453,396</u>	<u>\$ 5,288,799</u>	<u>\$ 9,742,195</u>

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Discretely Presented Component Units

Bay City Community Development Corporation

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

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. 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, 2020 these contributions totaled \$416,000. 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.

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 projects that respond to or mitigate future disasters.

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 2020 Capital Project Fund, a major capital project fund, accounts for the proceeds and the spending of the 2020 Certificates of Obligation.

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.

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 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.

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, 2020, the City has adopted a formal investment policy.

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 \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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.

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.

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 several situations of expenditures exceeding the amounts appropriated during the fiscal year 2019-2020.

<u>Fund / Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Administration and council	\$ 318,192	\$ 321,751	\$ 3,559
Human resources	287,112	290,480	3,368
Finance	337,281	344,166	6,885
Police	4,618,763	4,645,765	27,002
Streets and sanitation	3,430,110	3,430,356	246
Debt Service Fund	1,311,000	1,377,673	66,673

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

B. Deficit Fund Equity

As of September 30, 2020, the Hazard Mitigation Fund (major special revenue fund), the HOME Program Fund, and the Texas Capital Fund (nonmajor special revenue fund) had deficit fund equity balances of \$1,993,029, \$10,925, and \$10,262, respectively. These deficits will be eliminated in the 2021 fiscal year.

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, 2020, 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	\$ 3,155,251	1.1	AAAm	30%
Texas CLASS	3,309,060	0.5	AAAm	32%
Certificates of Deposit	3,996,439	5.6	N/A	38%
	<u>\$ 10,460,750</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 and the certificates of deposit 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.

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.

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, 2020, consist of the following:

	<u>General</u>	<u>Water and Sewer</u>	<u>Airport</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:					
Accounts	\$ 340,683	\$ 1,063,053	\$ 13,875	\$ -	\$ 1,417,611
Ad valorem taxes	613,853	-	-	100,918	714,771
Franchise taxes	99,578	-	-	-	99,578
Occupancy taxes	-	-	-	125,865	125,865
Municipal court fines	246,948	-	-	-	246,948
Other	<u>771,314</u>	<u>33,597</u>	<u>-</u>	<u>-</u>	<u>804,911</u>
Total gross receivables	2,072,376	1,096,650	13,875	226,783	3,409,684
Less: Allowances	<u>1,112,036</u>	<u>133,359</u>	<u>-</u>	<u>33,076</u>	<u>1,278,471</u>
Total net receivables	<u>\$ 960,340</u>	<u>\$ 963,291</u>	<u>\$ 13,875</u>	<u>\$ 193,707</u>	<u>\$ 2,131,213</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	\$ 378,072	\$ -	\$ 378,072
Fines	34,573	-	34,573
Grant	584,946	-	584,946
Other	153,533	-	153,533
Hazard Mitigation Fund			
Grant	2,091,970	-	2,091,970
Nonmajor Funds			
Ad valorem taxes	67,842	-	67,842
Grant	21,187	-	21,187
Fines and forfeitures	<u>-</u>	<u>10,269</u>	<u>10,269</u>
	<u>\$ 3,332,123</u>	<u>\$ 10,269</u>	<u>\$ 3,342,392</u>

The City's property taxes are levied annually on October 1st on the basis of the Appraisal District's assessed values as of January 1st 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 31st. 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 1st 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, \$0.50176 and interest and sinking, \$0.15324. The resulting adjusted total tax levy was \$5,683,596 on the total adjusted taxable valuation of \$868,960,974 for the 2019 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, 2020:

	<u>General</u>	<u>Hazard Mitigation</u>	<u>Airport</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 12,807	\$ -	\$ -	\$ 2,517	\$ 12,807
Sales taxes	397,501	-	-	-	397,501
Federal and state grants	591,735	2,091,970	9,606	30,748	622,483
Contract payments	18,753	-	-	-	18,753
	<u>\$ 1,020,796</u>	<u>\$ 2,091,970</u>	<u>\$ 9,606</u>	<u>\$ 33,265</u>	<u>\$ 3,155,637</u>

NOTE 6: CAPITAL ASSETS

The City's capital assets activity for the year ended September 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,603,907	\$ -	\$ -	\$ 1,603,907
Construction in progress	2,487,320	1,787,098	79,342	4,195,076
Total capital assets not being depreciated	<u>4,091,227</u>	<u>1,787,098</u>	<u>79,342</u>	<u>5,798,983</u>
Capital assets, being depreciated				
Machinery and equipment	10,608,898	1,706,077	275,682	12,039,293
Buildings	6,589,094	146,328	141,813	6,593,609
Infrastructure	33,433,817	868,930	-	34,302,747
Total capital assets being depreciated	<u>50,631,809</u>	<u>2,721,335</u>	<u>417,495</u>	<u>52,935,649</u>
Less accumulated depreciation for				
Machinery and equipment	7,712,702	511,220	275,682	7,948,240
Buildings	5,048,375	358,673	141,813	5,265,235
Infrastructure	17,796,948	1,140,790	-	18,937,738
Total accumulated depreciation	<u>30,558,025</u>	<u>2,010,683</u>	<u>417,495</u>	<u>32,151,213</u>
Total capital assets being depreciated, net	<u>20,073,784</u>	<u>710,652</u>	<u>-</u>	<u>20,784,436</u>
Governmental activities capital assets, net	<u>\$ 24,165,011</u>	<u>\$ 2,497,750</u>	<u>\$ 79,342</u>	<u>\$ 26,583,419</u>

NOTE 6: CAPITAL ASSETS - (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 381,117	\$ 10,000	\$ -	\$ 391,117
Construction in progress	297,319	1,172,479	166,685	1,303,113
Total capital assets not being depreciated	678,436	1,182,479	166,685	1,694,230
Capital assets, being depreciated				
Machinery and equipment	13,318,089	488,700	147,199	13,659,590
Buildings and improvements	1,109,191	-	-	1,109,191
Infrastructure	35,323,578	798,098	127,350	35,994,326
Total capital assets being depreciated	49,750,858	1,286,798	274,549	50,763,107
Less accumulated depreciation for				
Machinery and equipment	7,714,180	932,642	147,199	8,499,623
Buildings and improvements	705,048	18,588	-	723,636
Infrastructure	19,164,448	1,060,655	127,350	20,097,753
Total accumulated depreciation	27,583,676	2,011,885	274,549	29,321,012
Total capital assets being depreciated, net	22,167,182	(725,087)	-	21,442,095
Business-type activities capital assets, net	<u>\$ 22,845,618</u>	<u>\$ 457,392</u>	<u>\$ 166,685</u>	<u>\$23,136,325</u>

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

Governmental activities

General government	\$ 188,443
Public safety	162,144
Public works	1,272,397
Cultural and recreation	311,272
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>76,427</u>

Total depreciation expense - governmental activities \$ 2,010,683

Business-type activities

Water and sewer	\$ 1,856,244
Airport	<u>155,641</u>

Total depreciation expense - business-type activities \$ 2,011,885

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

The City participates as one of 888 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.

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 2020 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100.0% - transfers; 1992 - Auto Readoption
COLA (for retirees)	70.0%; 1992 - Auto Readoption
Military service credit	Yes, adopted 1-1984
Restricted prior service credit	Yes, adopted 12-2005
Buy back last adopted	Not elected

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	121
Inactive employees entitled to but not yet receiving benefits	97
Active employees	<u>157</u>
	<u>375</u>

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

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.51% and 9.62% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 were \$749,247, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)**Net Pension Liability** - (Continued)*Actuarial Assumptions* - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	<u>10.00%</u>	7.75%
Total	<u>100.00%</u>	

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)**Net Pension Liability - (Continued)***Discount Rate*

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 35,992,824	\$ 30,595,303	\$ 5,397,521
Changes for the year:			
Service cost	795,737	-	795,737
Interest	2,397,048	-	2,397,048
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(201,953)	-	(201,953)
Change of assumptions	237,059	-	237,059
Contributions - Employer	-	708,559	(708,559)
Contributions - Employee	-	372,536	(372,536)
Net investment income	-	4,723,834	(4,723,834)
Benefit payments, including refunds of employee contributions	(1,757,729)	(1,757,729)	-
Administrative expense	-	(26,727)	26,727
Other changes	-	(802)	802
Net changes	1,470,162	4,019,671	(2,549,509)
Balance at 12/31/2019	<u>\$ 37,462,986</u>	<u>\$ 34,614,974</u>	<u>\$ 2,848,012</u>

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	\$7,910,249	\$2,848,012	\$(1,301,472)

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.

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2020 the City recognized pension expense of \$836,656.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,941	\$ 171,226
Changes in actuarial assumptions	166,922	-
Difference between projected and actual investment earnings	-	1,053,091
Contributions subsequent to the measurement date	553,948	-
Total	\$ 731,811	\$ 1,224,317

\$553,948 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 measurement year ending December 31, 2019 (i.e. recognized in the City's financial statements for the year ending September 30, 2020). 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
2020	\$ (307,207)
2021	(309,436)
2022	101,920
2023	(531,731)
2024	-
Thereafter	-
Total	\$ (1,046,454)

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, 2019 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	93
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>157</u>
Total	<u>265</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%
2020	0.22%	0.08%

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, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Inflation	2.5%
Salary increases	3.5% to 11.5 % including inflation
Discount rate	2.75%*
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

- The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

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:

Balance at 12/31/18	\$ 556,587
Changes for the year:	
Service cost	15,647
Interest	20,829
Change of benefit terms	-
Difference between expected and actual experience	(43,682)
Change of assumptions	94,755
Benefit payments	(5,961)
Net changes	<u>81,588</u>
Balance at 12/31/19	<u>\$ 638,175</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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1.0% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1.0% Increase in Discount Rate (3.75%)
City's Total OPEB Liability:	\$758,433	\$638,175	\$542,707

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$49,383.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,459	\$ 34,675
Changes in actuarial assumptions	90,961	20,757
Contributions subsequent to the measurement date	4,607	-
Total	\$ 100,027	\$ 55,432

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
2020	\$ 12,907
2021	12,907
2022	5,386
2023	8,789
2024	-
Thereafter	-
Total	\$ 39,989

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, 2020:

Plan	Employee Only	Employee & Spouse	Employee & Child(ren)	Employee & Family
Base Medical Plan	\$ 616.37	\$ 1,294.35	\$1,109.44	\$1,849.09
Buy-Up Medical Plan	822.22	1,726.62	1,479.95	2,466.64
Dental	24.20	48.39	65.50	99.20
Vision	5.34	10.31	10.81	16.17

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

At the December 31, 2019 valuation and December 31, 2019 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>133</u>
Total plan members	<u>134</u>

Total OPEB Liability

The most recent actuarial valuation was performed as of December 31, 2019.

Funded Status

As of December 31, 2019, the measurement date, the Total OPEB Liability for benefits was \$246,532, 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, 2019 valuation are as follows:

Actuarial method	Individual entry age normal cost method
Discount rate	2.75% as of December 31, 2019
Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the TMRS
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health care trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% 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:

Balance at 12/31/18	\$ 221,022
Changes for the year:	
Service cost	11,851
Interest	8,323
Change of benefit terms	-
Difference between expected and actual experience	(36,701)
Change of assumptions	47,273
Benefit payments	(5,236)
Net changes	25,510
Balance at 12/31/19	\$ 246,532

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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1.0% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1.0% Increase in Discount Rate (3.75%)
City's Total OPEB Liability:	\$275,887	\$246,532	\$220,469

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

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

	1.0% Decrease in Trend Rate	Trend Rate	1.0% Increase in Trend Rate
City's Net OPEB Liability:	\$215,353	\$246,532	\$284,156

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$21,505.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 33,348
Changes in actuarial assumptions	48,223	6,920
Differences between projected and actual investments	1,842	-
Total	\$ 50,065	\$ 40,268

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
2021	\$ 1,331
2022	1,331
2023	1,331
2024	1,331
2025	1,331
Thereafter	1,300
Total	\$ 7,955

Summary of OPEB Accounts

Plan	OPEB Liability (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense (Reduction)
TMRS Supplemental Death Benefit	\$ 638,175	\$ 100,027	\$ 55,432	\$ 49,383
Retiree Health Benefit	246,532	50,065	40,268	21,505
Totals	<u>\$ 884,707</u>	<u>\$ 150,092</u>	<u>\$ 95,700</u>	<u>\$ 70,888</u>

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.

NOTE 11: LONG-TERM DEBTChanges in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and certificates payable					
General obligation bonds	\$ 1,930,000	\$ -	\$ 370,000	\$ 1,560,000	\$ 375,000
Certificates of obligation	7,408,087	8,965,000	421,258	15,951,829	909,592
Plus deferred amounts:					
Bond premium	<u>325,276</u>	<u>419,757</u>	<u>31,318</u>	<u>713,715</u>	<u>-</u>
Total bonds and certificates payable	<u>9,663,363</u>	<u>9,384,757</u>	<u>822,576</u>	<u>18,225,544</u>	<u>1,284,592</u>
Tax notes	1,260,000	-	195,000	1,065,000	200,000
Direct borrowing					
Capital lease payable	-	157,532	41,064	116,468	37,733
Net pension liability	4,478,323	-	2,115,327	2,362,996	-
OPEB liability	645,182	88,860	-	734,042	-
Compensated absences	<u>301,058</u>	<u>321,526</u>	<u>272,156</u>	<u>350,428</u>	<u>35,043</u>
Total governmental activity long-term liabilities	<u>\$ 16,347,926</u>	<u>\$ 9,952,675</u>	<u>\$ 3,446,123</u>	<u>\$ 22,854,478</u>	<u>\$ 1,557,368</u>
Business-type activities					
Certificates payable					
Certificates of obligation	\$ 7,941,922	\$ -	\$ 748,742	\$ 7,193,180	\$ 770,409
Plus deferred amounts:					
Bond premium	<u>151,026</u>	<u>-</u>	<u>10,159</u>	<u>140,867</u>	<u>-</u>
Total certificates payable	<u>8,092,948</u>	<u>-</u>	<u>758,901</u>	<u>7,334,047</u>	<u>770,409</u>
Net pension liability	919,198	-	434,182	485,016	-
OPEB liability	132,427	18,238	-	150,665	-
Compensated absences	<u>40,808</u>	<u>79,258</u>	<u>52,656</u>	<u>67,410</u>	<u>6,741</u>
Total business-type activity long-term liabilities	<u>\$ 9,185,381</u>	<u>\$ 97,496</u>	<u>\$ 1,245,739</u>	<u>\$ 8,037,138</u>	<u>\$ 777,150</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>	
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>\$ 1,560,000</u>	<u>\$ 79,000</u>	<u>\$ 1,639,000</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 2010 Series	2010-2030	4.50%	\$ 3,300,000
Certificates of Obligation 2012 Series	2013-2027	0.7% - 3.3%	9,530,000
Certificates of Obligation 2014 Series	2014-2034	2.0% - 4.0%	3,995,000
Certificates of Obligation 2016 Series	2016-2036	2.0% - 3.0%	5,665,000
Certificates of Obligation 2020 Series	2020-2045	2.11%	8,965,000

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	
2021	\$ 909,592	\$ 468,530	\$ 770,409	\$ 217,893	\$ 2,366,424
2022	931,675	441,732	793,325	195,766	2,362,498
2023	963,759	413,699	816,242	172,799	2,366,499
2024	1,000,842	384,686	839,158	149,162	2,373,848
2025	1,022,926	354,213	862,075	124,760	2,363,974
2026-2030	5,651,716	1,259,145	2,233,287	285,611	9,429,759
2031-2035	4,327,973	486,870	757,029	89,693	5,661,565
2036-2040	663,346	105,425	121,655	3,650	894,076
2041-2045	480,000	40,288	-	-	520,288
	<u>\$ 15,951,829</u>	<u>\$ 3,954,588</u>	<u>\$ 7,193,180</u>	<u>\$ 1,239,334</u>	<u>\$ 28,338,931</u>

Interlocal Receivable

In 2020, the City entered into interlocal cooperation agreements with the Bay City Community Development Corporation ("CDC") and the Bay City Gas Company ("Company"). Each entity agreed to pay funds in the amount of \$3,590,557 to the City to assist with the financing of the Nile Valley road construction project ("Project"). According to the agreements, the City is responsible to oversee the construction of the Project and to finance the costs of the Project with indebtedness to be issued by the City. In May 2020, the City issued Series 2020 Tax and Revenue Certificates of Obligation ("C.O.s") in the amount of \$8,965,000 for the purpose of fulfilling their obligation arising under the agreement. The amount of the C.O.s includes \$3,030,000 for projects not associated with the said Project. The payments by CDC and the Company to the City will be paid annually over fifteen years, beginning in 2020 and continuing through 2035. The payments are to be made on or before August 1 of each year. If the costs for the Project accumulate to less than the estimated amount of \$6,000,000, the City and the two entities will identify additional roads in need of construction or improvement. If all funds designated for the Project are expended, the entities will not be liable for the completion of the Project or any additional projects.

In fiscal year 2020, CDC and the Company paid a total of \$42,564 to the City relating to the interlocal commitment. The remaining amount of \$7,138,550 is reported as an interlocal receivable on the government-wide financial statements at September 30, 2020.

Annual payments on this long-term interlocal receivable are as follows:

	Principal and Interest
2021	\$ 478,232
2022	473,482
2023	473,582
2024	478,382
2025	477,732
2026-2030	2,378,260
2031-2035	2,378,880
	<u>\$ 7,138,550</u>

NOTE 11: LONG-TERM DEBT - (Continued)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:

	<u>Term</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Tax Notes - 2018 Series	2019-2025	3.01%	\$ 1,285,000

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 200,000	\$ 32,057	\$ 232,057
2022	205,000	26,037	231,037
2023	210,000	19,866	229,866
2024	220,000	13,545	233,545
2025	<u>230,000</u>	<u>3,461</u>	<u>233,461</u>
	<u>\$ 1,065,000</u>	<u>\$ 94,966</u>	<u>\$ 1,159,966</u>

Capital Lease Payable

The City has entered into a lease agreement (direct borrowing) to purchase four vehicles for the City's police department. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. There is \$108,924 of cash held in escrow at September 30, 2020 to be spent in the 2021 fiscal year.

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	
Vehicles	\$ 48,608
	<u>48,608</u>
Less: Accumulated depreciation	<u>4,861</u>
	<u>\$ 43,747</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

<u>Year</u>	<u>Governmental Activities</u>
2021	\$ 41,064
2022	41,064
2023	<u>41,064</u>
Total minimum lease payments	123,192
Less: Amount representing interest	<u>(6,724)</u>
Present value of minimum lease payments	<u>\$ 116,468</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, 2020, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Hazard Mitigation Fund	\$ 1,942,150
	Nonmajor Governmental	23,937
Nonmajor Governmental	General	<u>4,555</u>
		<u>\$ 1,970,642</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 Out</u>	<u>Transfers In</u>					<u>Total</u>
	<u>General Fund</u>	<u>Hazard Mitigation Fund</u>	<u>Airport Fund</u>	<u>Internal Service Funds</u>	<u>Nonmajor Govt. Funds</u>	
General	\$ -	\$ -	\$ 330,000	\$ 547,942	\$ 717,956	\$ 1,595,898
Hazard Mitigation Fund	52,556	-	-	-	-	52,556
2020 Capital Proj. Fund	-	-	1,948,464	-	-	1,948,464
Nonmajor Govt. Funds	58,357	-	-	-	49,107	107,464
Water and Sewer	585,501	396,861	-	547,942	-	1,530,304
Airport	-	86,301	-	-	-	86,301
	<u>\$ 696,414</u>	<u>\$ 483,162</u>	<u>\$ 2,278,464</u>	<u>\$ 1,095,884</u>	<u>\$ 767,063</u>	<u>\$ 5,320,987</u>

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, 2020, 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

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

Construction Commitments

As of September 30, 2020, the following construction projects were in progress:

<u>Project Description</u>	<u>Costs Incurred To Date</u>	<u>Estimated Remaining Costs</u>	<u>Source of Funds</u>
Governmental activities:			
Nile Valley	\$ 2,039,093	\$ 2,652,590	City
Theatre Arts Center	514,446	1,985,554	City
2nd round City generators	1,612,909	-	City/Grant
Cottonwood Creek diversion	24,073	124,738	City/Grant
GLO-MIT drainage	4,555	10,445	City/Grant
	<u>4,195,076</u>	<u>4,773,327</u>	
Business-type activities:			
Cottonwood lift station rehab	93,863	34,350	City
Water system evaluation	355,903	32,120	City
WWTP improvements	218,167	-	City
Katy Water Plant electrical	451,572	225,602	City
NW Quadrant waterline rehab	26,050	12,450	City/Grant
T-Hangar A row remodel	67,336	-	City
T-Hangar E row	83,962	1,068,061	City
Taxiway relocation	6,260	1,145,763	City/State
	<u>1,303,113</u>	<u>2,518,346</u>	
	<u>\$ 5,498,189</u>	<u>\$ 7,291,673</u>	

NOTE 14: FUND BALANCES

The following is a detail of the governmental fund balances at September 30, 2020.

	<u>Governmental Fund Balances</u>			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>	<u>Total</u>
General				
Prepaid items	\$ 64,211	\$ -	\$ -	\$ 64,211
Unassigned	-	-	4,568,759	4,568,759
Hazard Mitigation				
Unassigned	-	-	(1,993,029)	(1,993,029)
2020 Capital Project Fund				
Various capital projects	-	5,703,508	-	5,703,508
Nonmajor Governmental				
Prepaid items	19,990	-	-	19,990
Retirement of long-term debt	-	235,947	-	235,947
Tourism	-	591,966	-	591,966
Municipal court	-	47,902	-	47,902
Public safety: Police	-	48,307	-	48,307
Public works: Various	-	230,274	-	230,274
Various capital projects	-	1,187,118	-	1,187,118
Unassigned	-	-	(21,187)	(21,187)
	<u>\$ 84,201</u>	<u>\$ 8,045,022</u>	<u>\$ 2,554,543</u>	<u>\$ 10,683,766</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, 2020 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, 2020.

NOTE 16: SUBSEQUENT EVENT

In January 2021 the City issued General Obligation Refunding Bonds, Series 2021 (the "Bonds") in the amount of \$6,205,000, due in annual installments ranging from \$160,000 to \$920,000 through 2030, and interest at 5.00%. The Bonds were issued to refund a total of \$7,405,000 in outstanding City obligations, including \$2,020,000 Tax and Revenue Certificates of Obligation, Series 2010 with interest rates ranging from 4.00% to 4.20% and \$5,015,000 Tax and Revenue Certificates of Obligation, Series 2012 with interest rates ranging from 3.00% to 3.25%. The refunding proceeds also provided funding for costs of issuance. As a result, the bonds are considered defeased and the refunded portion of the liability has been removed from the governmental-type activities column of the statement of net position. The net proceeds available for refunding bonds in the amount of \$7,132,008 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issues. The refunding of the debt resulted in a total savings of \$671,827 and an increase in cash flow of approximately \$67,183 annually.

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION**A. Organization**

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 ("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 ("City Council") for one-year terms.

CDC is organized exclusively for the purpose of benefiting and accomplishing public purposes of the City of Bay City, Texas ("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 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 GASB to be a component unit of the City, due to the fact that the City Council appoints each member of its Board of Directors. CDC is included in the City's annual financial statements as a discretely presented component unit.

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION**B. Summary of Significant Accounting Policies - (Continued)****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 Funds 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.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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.

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

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. In submitting the budget to the City Council, the Board of Directors shall submit the budget on forms prescribed by the City Council and in accordance with the annual budget preparation schedule as set forth by the City Council. The budget shall be submitted to the City Council 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.

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. There were several amendments made to the original budget.

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 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, are reported in the applicable governmental activities columns in the government-wide statement of net position. CDC defines capital assets, as assets with an estimated useful life in excess of one year, regardless of cost.

As CDC constructs or acquires capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original amount. In the case of donations, CDC values these capital assets at acquisition value at the date of donation.

These assets are depreciated using the straight-line method of 39 years for buildings and five to seven years for equipment.

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

7. Compensated Absences

CDC offers vacation, sick, and emergency leave to full-time employees. 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, 2020.

8. 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. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," ("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. The District did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2020. This Statement did not have an impact on the District's functions, financial position or results of operations.

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

10. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires management 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 the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

The preparation of financial statements in conformity with GAAP requires the use of the management's estimates.

NOTE 17: 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. For the fiscal year ended September 30, 2020, CDC complied with budgetary restrictions at all function levels except as detailed in the following table:

	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
Business	\$ 2,500	\$ 2,719	\$ 219
Office	41,911	48,295	6,384
Professional services	25,000	27,275	2,275
Airport generator match	-	75,000	75,000
Camofest	-	39,314	39,314
Detention pond project	6,800	7,825	1,025
Grant writer	49,970	50,000	30
McCoy's land	11,379	11,380	1
Training center operations	1,207,263	1,324,607	117,344
Travel	5,795	5,810	15

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

D. Deposits

CDC'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 CDC'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.

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 36 months.

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. As of September 30, 2020, and for the year then ended, 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.

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**D. Deposits - (Continued)****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. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore CDC was not exposed to custodial credit risk.

E. Investments

As of September 30, 2020, CDC had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>	<u>Portfolio %age</u>
Public Fund Investment Pool				
TexPool	\$ 11,340	38	AAAm	2%
Certificates of Deposit	<u>543,914</u>	226	N/A	98%
	<u>\$ 555,254</u>			

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost 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 pool and certificates of deposit are classified as cash and cash equivalents for reporting purposes.

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's investment policy requires that securities be held in the name of CDC or held on behalf of CDC and that all securities are purchased using the delivery versus payment method. As of September 30, 2020, and for the year then ended, CDC was not exposed to any custodial credit risk.

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**F. Receivables**

Receivables at September 30, 2020, including the applicable allowances for uncollectible accounts, consisted of the following:

	<u>General Fund</u>	<u>Total</u>
Gross receivables:		
Accounts	\$ 7,733	\$ 7,733
Rent	<u>800</u>	<u>800</u>
Total gross receivables	8,533	8,533
Less: Allowances	<u>-</u>	<u>-</u>
Total net receivables	<u>\$ 8,533</u>	<u>\$ 8,533</u>

The District's General Fund reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The General Fund also defers 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 and unearned revenue reported in the General Fund were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Rental Income	\$ -	\$ 20,174	\$ 20,174
	<u>\$ -</u>	<u>\$ 20,174</u>	<u>\$ 20,174</u>

G. Due From Other Governments

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, 2020, was \$132,500. The City collects the sales tax from the State of Texas and then pays CDC's portion monthly when collected.

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)

H. Capital Assets

CDC's capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 456,676	\$ -	\$ -	\$ 456,676
Total capital assets not being depreciated	<u>456,676</u>	<u>-</u>	<u>-</u>	<u>456,676</u>
Capital assets, being depreciated				
Machinery and equipment	157,116	47,431	(45,293)	249,840
Buildings	<u>18,731,082</u>	<u>1,134,900</u>	<u>-</u>	<u>19,865,982</u>
Total capital assets being depreciated	<u>18,888,198</u>	<u>1,182,331</u>	<u>(45,293)</u>	<u>20,115,822</u>
Less accumulated depreciation for				
Machinery and equipment	(150,276)	(9,458)	45,293	(205,027)
Buildings	<u>(2,605,925)</u>	<u>(487,985)</u>	<u>-</u>	<u>(3,093,910)</u>
Total accumulated depreciation	<u>(2,756,201)</u>	<u>(497,443)</u>	<u>45,293</u>	<u>(3,298,937)</u>
Total capital assets being depreciated, net	<u>16,131,997</u>	<u>684,888</u>	<u>-</u>	<u>16,816,885</u>
Bay City City Development Corporation capital assets, net	<u>\$ 16,588,673</u>	<u>\$ 1,867,219</u>	<u>\$ -</u>	<u>\$ 17,273,561</u>

Depreciation expense of \$497,443 was charged to the general government function/program.

I. Due to City of Bay City, Texas

The Due to City of Bay City, Texas of \$10,675, reported on the fund financial statements, primarily relates to amounts owed for utility payments made by the City on behalf of CDC.

J. Long-term Debt

Long-term liability activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable - direct borrowings					
Series 2016	\$ 1,686,762	\$ -	\$ 82,991	\$ 1,603,771	\$ 84,985
Series 2016 A	1,765,175	-	86,848	1,678,327	88,936
TDECU	<u>7,087,505</u>	<u>-</u>	<u>241,913</u>	<u>6,845,592</u>	<u>229,359</u>
Total notes payable - direct borrowings	<u>10,539,442</u>	<u>-</u>	<u>411,752</u>	<u>10,127,690</u>	<u>403,280</u>
Interlocal commitment	<u>-</u>	<u>3,590,557</u>	<u>21,282</u>	<u>3,569,275</u>	<u>239,116</u>
	<u>\$ 10,539,442</u>	<u>\$ 3,590,557</u>	<u>\$ 433,034</u>	<u>\$ 13,696,965</u>	<u>\$ 642,396</u>

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**J. Long-term Debt - (Continued)****Notes Payable**

Series 2016 note payable was a direct borrowing in April 2016 to refinance the 2013 note payable with Government Capital Corporation Series 2016 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 is payable on a quarterly basis of \$30,600 through April 2036. The note is secured by all sales and use taxes levied and collected.

Series 2016 A note payable was a direct borrowing in July 2016 to finance a portion of the Family Entertainment Center in the amount of \$2,033,621. Interest is fixed at an initial rate of 2.38% and is adjustable at the 5, 10, and 15 year anniversary. Principal and interest is payable on a quarterly basis of \$32,023 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 is payable on a monthly basis of \$47,200 through December 2022, at which time the remaining balance of unpaid principal and interest will be due subject to renewal. The note is secured by the Family Entertainment Center.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 403,280	\$ 413,604	\$ 816,884
2022	419,191	397,694	816,885
2023	6,557,515	147,328	6,704,843
2024	186,754	63,736	250,490
2025	191,238	59,252	250,490
2026-2030	1,027,321	225,132	1,252,453
2031-2035	1,156,735	95,717	1,252,452
2036	<u>185,656</u>	<u>2,213</u>	<u>187,869</u>
	<u>\$ 10,127,690</u>	<u>\$ 1,404,676</u>	<u>\$ 11,532,366</u>

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**J. Long-term Debt - (Continued)****Interlocal Commitment**

In April 2020, CDC agreed to pay funds in the amount of \$3,590,557 to the City to assist with the financing of the Nile Valley road construction project ("Project"), with matching funding provided by the Bay City Gas Company. According to the agreement, the City is responsible to oversee the construction of the Project and to finance the costs of the Project with indebtedness to be issued by the City. In May 2020, the City issued Series 2020 Tax and Revenue Certificates of Obligation ("C.O.s") in the amount of \$8,965,000 for the purpose of fulfilling their obligation arising under the agreement. The amount of the C.O.s includes \$3,030,000 for projects not associated with the said Project. The payments by CDC to the City will be paid annually over fifteen years, beginning in 2020 and continuing through 2035. The payments are to be made on or before August 1 of each year. If the costs for the Project accumulate to less than the estimated amount of \$6,000,000, the City and CDC will identify additional roads in need of construction or improvement. If all funds designated for the Project are expended, CDC will not be liable for the completion of the Project or any additional projects.

In fiscal year 2020, CDC paid \$21,282 to the City relating to the interlocal commitment. The remaining payable of \$3,569,275 is reported as a long-term obligation on the government-wide financial statements at and as of September 30, 2020.

Annual requirements on this long-term interlocal commitment are as follows:

	Principal and Interest
2021	\$ 239,116
2022	236,741
2023	236,791
2024	239,191
2025	238,866
2026-2030	1,189,130
2031-2035	1,189,440
	<u>\$ 3,569,275</u>

K. Lessor Agreements**Commercial Building**

CDC leases commercial building office space to three unrelated 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.

The most significant of these leases is with STP Nuclear Operating Company. The previous agreement expired in December 2019 and was renegotiated. The new term of the lease began on January 1, 2020 and will end on December 31, 2024. The lease will automatically renew for an additional five years unless terminated. The rental rate of the space is \$0.325 per square foot per month, with a \$0.01 increase per square foot each year. CDC received \$80,695 in rental fees from STP in the current fiscal year, \$20,174 of which has been recorded as unearned revenue.

NOTE 17: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)

K. Lessor Agreements - (Continued)

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 donated the land to CDC for the development. CDC contracted with a developer to oversee the design and construction of the facility at a cost of 3% of construction costs. CDC borrowed \$7.5 million in order to construct the facility. SMBG is responsible for the installation of all furniture, fixtures, and equipment inside the facility. The construction of the facility was completed during 2017. As of September 30, 2020, a total of \$12,049,495 of expenditures had been incurred on this project. This amount is reflected as buildings in Note 5.

SMBG leased the facility from CDC for an amount equal to the debt service, \$47,200 monthly. 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. Beginning January 2018, SMBG made monthly payments in the amount of \$50,000 each.

During fiscal year 2020, the operations at the facility were substantially affected by COVID-19 closures and regulations. The facility closed on March 17, 2020 and did not reopen again until May 7, 2020 (restaurant/bar) and May 21, 2020 (movie theatre) with limited hours reduced to five days a week. SMBG was unable to make its monthly lease payments beginning in April 2020. Total fiscal year 2020 payments received by CDC was \$300,000. The amount of rent unpaid in fiscal year 2020 calculated using the amount of debt service totaled \$283,197, which has been deferred to the end of the lease. The terms of the lease have been temporarily revised in an effort to continue a working relationship with SMBG and keep the facility open. The new rental amount is \$25,000 per month from November 2020 through December 2021. As part of the revisions, the \$50,000 deposit was applied as lease payments for November and December 2020, subsequent to the current fiscal year end. SMBG has agreed to provide financial information on a monthly basis so that CDC can monitor the financial health of the facility and determine if further revisions to the lease are necessary.

L. Employees' Retirement Plan

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

M. Fund Balances

As of September 30, 2020, nonspendable fund balance represents \$5,000 related to prepaid items. Committed fund balance of \$52,830 relates to various grants approved by the Board. The remaining balance of \$845,382 is unassigned.

NOTE 18: 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 (the "Company") was donated to the City of Bay City, Texas (the "City") in 1938 by a local resident businessman, to aid, operate and benefit the citizens of the City. The goal of the gift was to provide affordable and reliable natural gas service to all residents.

Based on criteria prescribed by generally accepted accounting principles, the Company is considered a discretely presented component unit of the City. The primary criteria for inclusion of the Company in the City's financial reporting entity is that of financial accountability. The Board of Trustees of the Company consists of the current Mayor of the City 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 of the Company. The Board of Trustees are responsible and accountable for all fiscal matters.

2. Measurement Focus and Basis of Accounting

The accompanying basic financials are 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 the related cash flows. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations of these activities are included in the statement of net position.

Grants are considered earned to the extent of the expenditures are made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

3. Budgetary Data

Although proprietary funds are not required to adopt an annual budget, the Company has chosen to prepare and adopt annual budget to aid in planning and monitoring of its activities of the Company. This schedule can be found in the supplementary information.

NOTE 18: BAY CITY GAS COMPANY - (Continued)

A. Summary of Significant Accounting Policies - (Continued)

4. Assets, Liabilities and Net Position

a. Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Company. For purposed of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

b. Inventories

The Company utilizes the consumption method to account for inventory. Under this method, inventory is considered an expense when used rather than when purchased. Significant inventories are reported on the balance sheet at cost, using first-in, first-out. Inventories are comprised of meters, regulators, and transponders.

c. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than purchased.

d. 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 160 hours which is payable upon termination. As of March 31, 2020, the Company reported compensated absences of \$19,406.

e. Capital Assets

Capital assets, which include utility plant, plant additions, regulators, office building, vehicles, machinery & equipment and furniture & fixtures, are used in the Company's operations. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Utility plant	20-40
Plant additions	20-40
Regulators	20-40
Office building	40
Vehicles	5-10
Machinery & equipment	3-10
Furniture & fixtures	7-10

NOTE 18: BAY CITY GAS COMPANY - (Continued)

A. Summary of Significant Accounting Policies - (Continued)

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

f. Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows or resources (revenues).

g. Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on the use either through enabling legislation or regulations of those governments. As of March 31, 2020, the Company did not report any restricted net position.

5. Estimates

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

NOTE 18: BAY CITY GAS COMPANY - (Continued)**B. Deposits and Investments and Derivatives**

The Company classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and temporary investments as reported on the financial statements at March 31, 2020 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and temporary investments			
Cash (petty cash accounts)	\$ 1,900	\$ -	\$ 1,900
Financial institution deposits			
Demand deposits	1,012,284	126,154	1,138,438
Local government investment pools			
TexPool	<u>904</u>	<u>-</u>	<u>904</u>
Total cash and temporary investments	<u>1,015,088</u>	<u>126,154</u>	<u>1,141,242</u>
Investments			
Certificates of deposit	2,453,509	304,625	2,758,134
Government agency securities	<u>1,125</u>	<u>-</u>	<u>1,125</u>
Total investments	<u>2,454,634</u>	<u>304,625</u>	<u>2,759,259</u>
Total cash and temporary investments and investments	<u>\$ 3,469,722</u>	<u>\$ 430,779</u>	<u>\$ 3,900,501</u>

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a financial institution failure, the Company's deposits may not be returned to them. The Company requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

As of March 31, 2020, the carrying amount, of the Company's deposits, were \$3,896,572, while the financial institution balances totaled \$3,915,530. Of the financial institution balances, \$3,483,271 was covered by federal depository insurance coverage, \$52,657 was covered by the Securities Investor Protection Corporation and \$379,602 was covered by collateral held by the Company's agent in the Company's name.

NOTE 18: BAY CITY GAS COMPANY - (Continued)**B. Deposits and Investments and Derivatives - (Continued)****Investments**

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the Company to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The Company invests in Texpool to provide its liquidity needs. Texpool is a local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool and Texas Class are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. Texpool is rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At March 31, 2020, Texpool had a weighted average maturity of 32 days. Although Texpool had a weighting average maturity of 32 days, the Company considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

As of March 31, 2020, The Company had the following investments:

<u>Investment Type</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Weighted Avg. Maturity (Days)</u>
TexPool	Varies	\$ 904	32
Certificates of deposit	Varies	2,758,134	248
Government agency securities	Varies	1,125	2,790
		<u>\$ 2,760,163</u>	

Credit Risk – As of March 31, 2020, Texpool (which represent approximately 0.03% of the investment portfolio) is rated AAAM by Standard and Poor's or AAA by Finch. The certificates of deposit (which represent approximately 99.93% of the investment portfolio) are fully covered by the FDIC. The government agency securities (which represent approximately 0.04% of the investment portfolio) are backed by the full faith and credit of the U.S. government.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the Company's cash flow requirements.

NOTE 18: BAY CITY GAS COMPANY - (Continued)

B. Deposits and Investments and Derivatives - (Continued)

Fair Value Measures

Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Variation techniques used need to maximize the use of the observable inputs and minimize the use of the unobservable inputs.

The Company had no investments that were required to be measured at fair value as of March 31, 2020.

Derivatives

Interest in the derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The Company made no direct investments in derivatives during the year ended March 31, 2020, and holds no direct investments in derivatives at March 31, 2020.

NOTE 18: BAY CITY GAS COMPANY - (Continued)**C. Accounts Receivable**

Receivables as of March 31, 2020 for the Company, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	
Accounts	\$ 255,985
Accrued interest	<u>11,565</u>
Gross receivables	267,550
Less allowance for uncollectibles	
Accounts	<u>30,311</u>
Net receivables	<u>\$ 237,239</u>

D. Capital Assets

A summary of changes in capital assets for the year ended March 31, 2020, is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:	\$ -	\$ -	\$ -	\$ -
Capital assets, being depreciated:				
Utility plant	1,614,822	-	-	1,614,822
Plant additions	1,390,680	-	-	1,390,680
Regulators	8,129	-	-	8,129
Office building	569,526	-	-	569,526
Vehicles	263,600	50,438	36,470	277,568
Machinery and equipment	381,429	24,889	30,450	375,868
Furniture and fixtures	<u>25,767</u>	<u>-</u>	<u>-</u>	<u>25,767</u>
Total capital assets being depreciated	<u>4,253,953</u>	<u>75,327</u>	<u>66,920</u>	<u>4,262,360</u>
Less accumulated depreciation for:				
Utility plant	(1,423,062)	(40,370)	-	(1,463,432)
Plant additions	(322,128)	(45,846)	-	(367,974)
Regulators	(410)	(453)	-	(863)
Office building	(394,421)	(14,573)	-	(408,994)
Vehicles	(174,532)	(21,511)	36,470	(159,573)
Machinery and equipment	(239,563)	(23,983)	30,450	(233,096)
Furniture and fixtures	<u>(25,388)</u>	<u>(379)</u>	<u>-</u>	<u>(25,767)</u>
Total accumulated depreciation	<u>(2,579,504)</u>	<u>(147,115)</u>	<u>66,920</u>	<u>(2,659,699)</u>
Total capital assets being depreciated, net	<u>1,674,449</u>	<u>(71,788)</u>	<u>-</u>	<u>1,602,661</u>
Bay City Gas Company capital assets, net	<u>\$ 1,674,449</u>	<u>\$ (71,788)</u>	<u>\$ -</u>	<u>\$ 1,602,661</u>

There were no contract commitments as of March 31, 2020.

NOTE 18: BAY CITY GAS COMPANY - (Continued)**E. Pension Plan****1. Plan Description**

The Gas Company participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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.

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% of their annual gross earnings during the fiscal year. The contribution rates for the Gas Company were 9.74% and 9.84% in calendar years 2019 and 2020, respectively. The Gas Company's contributions to TMRS for the fiscal year ended March 31, 2020 were \$67,596, 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 5th Street, Bay City, Texas 77414.

NOTE 18: BAY CITY GAS COMPANY - (Continued)

F. Contingencies and Commitments

The Company is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the Company as of March 31, 2020.

G. Evaluation of Subsequent Events

The Company has evaluated subsequent events through June 25, 2020, the date which the financial statements were available to be issued.

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, 2020

With comparative totals for the year ended September 30, 2019

	2020				2019
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES					
Taxes					
Ad valorem taxes	\$ 4,434,737	\$ 4,434,737	\$ 4,394,429	\$ (40,308)	\$ 4,429,486
Other taxes	5,671,000	5,671,000	6,257,607	586,607	5,756,788
Licenses and permits	196,000	208,000	205,985	(2,015)	281,795
Fines and forfeitures	203,000	203,000	215,930	12,930	203,526
Fees and charges for services	2,766,500	2,777,500	2,727,736	(49,764)	2,600,632
Intergovernmental	331,451	592,451	580,596	(11,855)	620,211
Investment income	45,000	85,000	65,460	(19,540)	58,415
Miscellaneous	527,812	649,994	687,618	37,624	698,006
Total revenues	<u>14,175,500</u>	<u>14,621,682</u>	<u>15,135,361</u>	<u>513,679</u>	<u>14,648,859</u>
EXPENDITURES					
Current					
General government	3,019,415	2,525,269	2,213,334	311,935	2,282,378
Public safety	4,874,017	4,985,974	4,981,814	4,160	4,837,335
Public works	3,596,843	3,430,110	3,430,356	(246)	3,727,131
Cultural and recreation	1,838,725	2,483,829	2,345,165	138,664	1,762,157
Total expenditures	<u>13,329,000</u>	<u>13,425,182</u>	<u>12,970,669</u>	<u>454,513</u>	<u>12,609,001</u>
Excess (deficiency) of revenues over expenditures	846,500	1,196,500	2,164,692	968,192	2,039,858
OTHER FINANCING SOURCES (USES)					
Capital lease	-	-	157,532	157,532	-
Transfers in	643,500	643,500	696,414	52,914	769,013
Transfers out	(1,490,000)	(1,690,000)	(1,595,898)	94,102	(1,817,008)
Total other financing sources (uses)	<u>(846,500)</u>	<u>(1,046,500)</u>	<u>(741,952)</u>	<u>304,548</u>	<u>(1,047,995)</u>
Net change in fund balance	-	150,000	1,422,740	1,272,740	991,863
Fund balance at beginning of year	<u>3,210,230</u>	<u>3,210,230</u>	<u>3,210,230</u>	<u>-</u>	<u>2,218,367</u>
Fund balance at end of year	<u>\$ 3,210,230</u>	<u>\$ 3,360,230</u>	<u>\$ 4,632,970</u>	<u>\$ 1,272,740</u>	<u>\$ 3,210,230</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
Total Pension Liability			
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>
Net Change in Total Pension Liability	724,573	1,525,430	1,078,902
Total Pension Liability - Beginning	<u>29,820,207</u>	<u>30,544,780</u>	<u>32,070,210</u>
Total Pension Liability - Ending (a)	<u>\$ 30,544,780</u>	<u>\$ 32,070,210</u>	<u>\$ 33,149,112</u>
Plan Fiduciary Net Position			
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>
Net Change in Plan Fiduciary Net Position	1,109,348	(477,148)	1,300,108
Plan Fiduciary Net Position - Beginning	<u>26,768,742</u>	<u>27,878,090</u>	<u>27,400,942</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 27,878,090</u>	<u>\$ 27,400,942</u>	<u>\$ 28,701,050</u>
Net Pension Liability - Ending (a) - (b)	\$ 2,666,690	\$ 4,669,268	\$ 4,448,062
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.27%	85.44%	86.58%
Covered Payroll	\$ 6,521,784	\$ 7,282,870	\$ 7,403,837
Net Pension Liability as a Percentage of Covered Payroll	40.89%	64.11%	60.08%

NOTE: Information for the prior four years was not readily available. The City will compile the respective information over the next four 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	2019
\$ 822,110	\$ 817,388	\$ 795,737
2,215,411	2,312,765	2,397,048
-	-	-
71,726	(66,470)	(201,953)
-	-	237,059
<u>(1,478,531)</u>	<u>(1,850,687)</u>	<u>(1,757,729)</u>
1,630,716	1,212,996	1,470,162
<u>33,149,112</u>	<u>34,779,828</u>	<u>35,992,824</u>
<u>\$ 34,779,828</u>	<u>\$ 35,992,824</u>	<u>\$ 37,462,986</u>
\$ 760,275	\$ 733,521	\$ 708,559
381,667	381,633	372,536
3,974,802	(967,079)	4,723,834
(1,478,531)	(1,850,687)	(1,757,729)
(20,615)	(18,709)	(26,727)
<u>(1,045)</u>	<u>(979)</u>	<u>(802)</u>
3,616,553	(1,722,300)	4,019,671
<u>28,701,050</u>	<u>32,317,603</u>	<u>30,595,303</u>
<u>\$ 32,317,603</u>	<u>\$ 30,595,303</u>	<u>\$ 34,614,974</u>
\$ 2,462,225	\$ 5,397,521	\$ 2,848,012
92.92%	85.00%	92.40%
\$ 7,633,333	\$ 7,617,786	\$ 7,450,724
32.26%	70.85%	38.22%

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

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

Fiscal Year		
<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 729,678	\$ 729,035	\$ 749,247
<u>(747,195)</u>	<u>(773,967)</u>	<u>(766,441)</u>
<u>\$ (17,517)</u>	<u>\$ (44,932)</u>	<u>\$ (17,194)</u>
\$ 7,519,621	\$ 7,465,829	\$ 7,811,908
9.94%	10.37%	9.81%

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	2019
Total OPEB Liability			
Service cost	\$ 16,793	\$ 19,806	\$ 15,647
Interest (on the total OPEB liability)	18,443	18,468	20,829
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	7,403	(43,682)
Change of assumptions	39,009	(34,457)	94,755
Benefit payments	(6,107)	(5,332)	(5,961)
Net Change in Total OPEB Liability	68,138	5,888	81,588
Total OPEB Liability - Beginning	482,561	550,699	556,587
Total OPEB Liability - Ending	<u>\$ 550,699</u>	<u>\$ 556,587</u>	<u>\$ 638,175</u>
Covered Payroll	\$ 7,633,333	\$ 7,617,786	\$ 7,450,724
Total OPEB Liability as a Percentage of Covered Payroll	7.21%	7.31%	8.57%

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

	Fiscal Year		
	2018	2019	2020
Actuarially Determined Contribution	\$ 5,465	\$ 5,766	\$ 6,250
Contribution in relation to the actuarially determined contribution	(5,465)	(5,766)	(6,250)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 7,519,621	\$ 7,465,829	\$ 7,811,908
Contributions as a percentage of covered payroll	0.0727%	0.0772%	0.0800%

NOTE: Information for the prior seven years was not readily available. The City will compile the respective information over the next seven 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	2020
Total OPEB Liability			
Service cost	\$ 11,720	\$ 13,282	\$ 11,851
Interest (on the total OPEB liability)	7,406	7,294	8,323
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	(1,646)	(36,701)
Change of assumptions	10,949	(9,216)	47,273
Benefit payments	(4,923)	(4,832)	(5,236)
Net Change in Total OPEB Liability	25,152	4,882	25,510
Total OPEB Liability - Beginning	190,988	216,140	221,022
Total OPEB Liability - Ending	<u>\$ 216,140</u>	<u>\$ 221,022</u>	<u>\$ 246,532</u>
Covered Payroll	\$ 6,759,060	\$ 6,973,473	\$ 6,575,716
Total OPEB Liability as a Percentage of Covered Payroll	3.20%	3.17%	3.75%

NOTE: Information for the prior seven years was not readily available. The City will compile the respective information over the next seven 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, 2020

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, 2020 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			
Administration and council	\$ 318,192	\$ 321,751	\$ 3,559
Human resources	287,112	290,480	3,368
Finance	337,281	344,166	6,885
Police	4,618,763	4,645,765	27,002
Streets and sanitation	3,430,110	3,430,356	246

These over expenditures were 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	26 years
Asset Valuation Method	10 year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018

CITY OF BAY CITY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2020

NOTE 3: DEFINED BENEFIT PENSION PLAN - (Continued)

Methods and Assumptions Used to Determine Contribution Rates - (Continued)

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Pre-retirement: PUB(10) mortality tables, with the Public Safety tables used for males and the General employee tables used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

There were no benefit changes during the year.

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 during the year.

Changes in Assumptions

- Salary increases changed to 3.5% to 11.5% including inflation from 3.5% to 10.5% including inflation.
- Discount rate decreased to 2.75% from 3.71%.
- Changed to using the 2019 Municipal Retirees of Texas Mortality Tables from the RP2000 Combined Mortality Table along with a change in projected rates.

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.

For fiscal year 2020, the demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were updated.

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

2020	2.75%
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.

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.

HOME Program Fund - Accounts for grant funds received from the Texas Department of Housing and Community Affairs to provide funds for the reconstruction of substandard homes within the City.

GLO Grant Fund - Accounts for grant funds received from the Texas General Land Office for projects designed to mitigate against future natural disasters.

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 Funds - 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 expected to facilitate the construction of both residential and commercial development. TIRZ #3 was approved for a large subdivision development but is currently unimproved land.

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, 2020

	Special Revenue Funds				
	Civic and Cultural Arts Fund	Forfeiture Fund	Court Building Security Fund	Court Technology Fund	HOME Program Fund
ASSETS					
Cash and cash equivalents	\$ 511,610	\$ 58,576	\$ 26,547	\$ 21,477	\$ -
Receivables (net)					
Taxes	125,865	-	-	-	-
Due from other governments	-	-	-	-	10,925
Due from other funds	-	-	-	-	-
Prepaid items	19,990	-	-	-	-
Total assets	<u>\$ 657,465</u>	<u>\$ 58,576</u>	<u>\$ 26,547</u>	<u>\$ 21,477</u>	<u>\$ 10,925</u>
LIABILITIES					
Accounts payable	\$ 31,488	\$ -	\$ 122	\$ -	\$ -
Accrued expenditures	2,513	-	-	-	-
Deposits	11,508	-	-	-	-
Due to other funds	-	-	-	-	10,925
Unearned revenue	-	10,269	-	-	-
Total liabilities	<u>45,509</u>	<u>10,269</u>	<u>122</u>	<u>-</u>	<u>10,925</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	10,925
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,925</u>
FUND BALANCES					
Nonspendable	19,990	-	-	-	-
Restricted	591,966	48,307	26,425	21,477	-
Unassigned	-	-	-	-	(10,925)
Total fund balances	<u>611,956</u>	<u>48,307</u>	<u>26,425</u>	<u>21,477</u>	<u>(10,925)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 657,465</u>	<u>\$ 58,576</u>	<u>\$ 26,547</u>	<u>\$ 21,477</u>	<u>\$ 10,925</u>

Special Revenue Funds				Capital Project Funds	
GLO Grant Fund	Texas Capital Fund	TIRZ 1 Fund	TIRZ 2 Fund	Street Maintenance Fund	2018 Capital Project Fund
\$ -	\$ -	\$ 70,260	\$ 160,014	\$ 1,161,179	\$ 25,939
-	-	-	-	-	-
17,073	2,750	-	-	-	-
4,555	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 21,628</u>	<u>\$ 2,750</u>	<u>\$ 70,260</u>	<u>\$ 160,014</u>	<u>\$ 1,161,179</u>	<u>\$ 25,939</u>
\$ 11,366	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
10,262	2,750	-	-	-	-
-	-	-	-	-	-
<u>21,628</u>	<u>2,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,262	-	-	-	-	-
<u>10,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	70,260	160,014	1,161,179	25,939
<u>(10,262)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(10,262)</u>	<u>-</u>	<u>70,260</u>	<u>160,014</u>	<u>1,161,179</u>	<u>25,939</u>
<u>\$ 21,628</u>	<u>\$ 2,750</u>	<u>\$ 70,260</u>	<u>\$ 160,014</u>	<u>\$ 1,161,179</u>	<u>\$ 25,939</u>

CITY OF BAY CITY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2020

	<u>Debt Service</u>	
	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 233,430	\$ 2,269,032
Receivables (net)		
Taxes	67,842	193,707
Due from other governments	2,517	33,265
Due from other funds	-	4,555
Prepaid items	-	19,990
Total assets	<u>\$ 303,789</u>	<u>\$ 2,520,549</u>
LIABILITIES		
Accounts payable	\$ -	\$ 42,976
Accrued expenditures	-	2,513
Deposits	-	11,508
Due to other funds	-	23,937
Unearned revenue	-	10,269
Total liabilities	<u>-</u>	<u>91,203</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	67,842	89,029
Total deferred inflows of resources	<u>67,842</u>	<u>89,029</u>
FUND BALANCES		
Nonspendable	-	19,990
Restricted	235,947	2,341,514
Unassigned	-	(21,187)
Total fund balances	<u>235,947</u>	<u>2,340,317</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 303,789</u>	<u>\$ 2,520,549</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, 2020

	Special Revenue Funds				
	Civic and Cultural Arts Fund	Forfeiture Fund	Court Building Security Fund	Court Technology Fund	HOME Program Fund
REVENUES					
Taxes					
Ad valorem tax	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel - motel tax	666,649	-	-	-	-
Fines and forfeitures	-	27,885	4,653	5,096	-
Fees and charges for services	71,909	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income					
Interest	1,205	289	86	73	-
Miscellaneous	8,195	-	-	-	-
Total revenues	<u>747,958</u>	<u>28,174</u>	<u>4,739</u>	<u>5,169</u>	<u>-</u>
EXPENDITURES					
Current					
General government	-	-	-	-	10,925
Public safety	-	4,387	10,617	10,980	-
Public works	-	-	-	-	-
Cultural and recreation	575,420	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Paying agents' fees and issue costs	-	-	-	-	-
Capital outlay	-	19,760	-	-	-
Total expenditures	<u>575,420</u>	<u>24,147</u>	<u>10,617</u>	<u>10,980</u>	<u>10,925</u>
Excess (deficiency) of revenues over expenditures	172,538	4,027	(5,878)	(5,811)	(10,925)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(48,000)	-	-	-	-
Total other financing sources (uses)	<u>(48,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	124,538	4,027	(5,878)	(5,811)	(10,925)
Fund balances at beginning of year	<u>487,418</u>	<u>44,280</u>	<u>32,303</u>	<u>27,288</u>	<u>-</u>
Fund balances at end of year	<u>\$ 611,956</u>	<u>\$ 48,307</u>	<u>\$ 26,425</u>	<u>\$ 21,477</u>	<u>\$ (10,925)</u>

Special Revenue Funds				Capital Project Funds			
GLO Grant Fund	Texas Capital Fund	TIRZ 1 Fund	TIRZ 2 Fund	Street Maintenance Fund	2014 Capital Project Fund	2016 Capital Project Fund	2018 Capital Project Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,811	60,106	-	-	-	-	-	-
-	-	-	-	6,360	-	-	3,818
-	-	35,975	88,575	-	-	-	-
<u>6,811</u>	<u>60,106</u>	<u>35,975</u>	<u>88,575</u>	<u>6,360</u>	<u>-</u>	<u>-</u>	<u>3,818</u>
-	-	-	-	1,202	-	-	32,768
-	-	-	-	-	-	-	-
10,262	-	1,627	4,022	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,366	2,750	-	-	-	-	-	-
<u>21,628</u>	<u>2,750</u>	<u>1,627</u>	<u>4,022</u>	<u>1,202</u>	<u>-</u>	<u>-</u>	<u>32,768</u>
(14,817)	57,356	34,348	84,553	5,158	-	-	(28,950)
4,555	11,996	29,081	75,461	645,970	-	-	-
-	-	(3,137)	-	-	(10,357)	(45,970)	-
<u>4,555</u>	<u>11,996</u>	<u>25,944</u>	<u>75,461</u>	<u>645,970</u>	<u>(10,357)</u>	<u>(45,970)</u>	<u>-</u>
(10,262)	69,352	60,292	160,014	651,128	(10,357)	(45,970)	(28,950)
-	(69,352)	9,968	-	510,051	10,357	45,970	54,889
<u>\$(10,262)</u>	<u>\$ -</u>	<u>\$ 70,260</u>	<u>\$ 160,014</u>	<u>\$ 1,161,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,939</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, 2020*

	<u>Debt Service</u>	
	Debt Service Fund	Total
REVENUES		
Taxes		
Ad valorem tax	\$ 1,334,446	1,334,446
Hotel - motel tax	-	666,649
Fines and forfeitures	-	37,634
Fees and charges for services	-	71,909
Intergovernmental	-	66,917
Investment income		
Interest	11,965	23,796
Miscellaneous	42,564	175,309
Total revenues	<u>1,388,975</u>	<u>2,376,660</u>
EXPENDITURES		
Current		
General government	-	44,895
Public safety	-	25,984
Public works	-	15,911
Cultural and recreation	-	575,420
Debt service		
Principal	986,258	986,258
Interest and fiscal charges	387,190	387,190
Paying agents' fees and issue costs	4,225	4,225
Capital outlay	-	33,876
Total expenditures	<u>1,377,673</u>	<u>2,073,759</u>
Excess (deficiency) of revenues over expenditures	11,302	302,901
OTHER FINANCING SOURCES (USES)		
Transfers in	-	767,063
Transfers out	-	(107,464)
Total other financing sources (uses)	<u>-</u>	<u>659,599</u>
Net change in fund balances	11,302	962,500
Fund balances at beginning of year	<u>224,645</u>	<u>1,377,817</u>
Fund balances at end of year	<u>\$ 235,947</u>	<u>\$ 2,340,317</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, 2020

With comparative totals for September 30, 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,540,009	\$ 1,180,986
Investments	-	995,000
Receivables (net)		
Accounts	441,887	413,380
Taxes	483,880	473,705
Fines	34,573	49,057
Due from other governments	1,020,796	426,104
Due from other funds	1,966,087	1,029,987
Due from component unit	10,675	31,529
Prepaid items	64,211	44,540
Total assets	\$ 6,562,118	\$ 4,644,288
LIABILITIES		
Accounts payable	\$ 465,973	\$ 622,573
Accrued expenditures	270,822	212,393
Due to other funds	4,555	-
Due to other governments	35,474	40,181
Deposits	1,200	5,040
Total liabilities	778,024	880,187
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	1,151,124	553,871
Total deferred inflows of resources	1,151,124	553,871
FUND BALANCES		
Nonspendable	64,211	44,540
Unassigned	4,568,759	3,165,690
Total fund balances	4,632,970	3,210,230
Total liabilities, deferred inflows and fund balances	\$ 6,562,118	\$ 4,644,288

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, 2020

With comparative totals for the year ended September 30, 2019

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem tax	\$ 4,434,737	\$ 4,394,429	\$ (40,308)	\$ 4,429,486
Sales tax	4,350,000	4,966,859	616,859	4,447,508
Mixed beverage tax	40,000	32,290	(7,710)	42,614
Franchise tax	1,281,000	1,258,458	(22,542)	1,266,666
Total taxes	10,105,737	10,652,036	546,299	10,186,274
Other revenues				
Licenses and permits	208,000	205,985	(2,015)	281,795
Fines and forfeitures	203,000	215,930	12,930	203,526
Fees and charges for services	2,777,500	2,727,736	(49,764)	2,600,632
Intergovernmental	592,451	580,596	(11,855)	620,211
Investment income	85,000	65,460	(19,540)	58,415
Miscellaneous	649,994	687,618	37,624	698,006
Total other revenues	4,515,945	4,483,325	(32,620)	4,462,585
Total revenues	14,621,682	15,135,361	513,679	14,648,859
EXPENDITURES				
Current				
General government				
City secretary				
Personnel services	130,169	66,137	64,032	125,206
Supplies	13,000	11,756	1,244	26,354
Other services and charges	10,100	13,320	(3,220)	13,055
Total city secretary	153,269	91,213	62,056	164,615
City general services				
Personnel services	4,000	7,856	(3,856)	5,562
Supplies	28,000	25,360	2,640	28,156
Repairs and maintenance	35,000	12,435	22,565	43,866
Other services and charges	975,742	779,099	196,643	894,943
Total city general services	1,042,742	824,750	217,992	972,527
Administration and council				
Personnel services	223,842	227,796	(3,954)	184,831
Supplies	4,650	2,762	1,888	9,185
Other services and charges	89,700	91,193	(1,493)	25,293
Total administration and council	318,192	321,751	(3,559)	219,309
				(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, 2020**With comparative totals for the year ended September 30, 2019*

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
General government - (Continued)				
Main Street				
Other services and charges	\$ 58,000	\$ 51,375	\$ 6,625	\$ 49,581
Total Main Street	58,000	51,375	6,625	49,581
Human resources				
Personnel services	181,480	178,902	2,578	170,842
Supplies	5,400	6,674	(1,274)	8,015
Other services and charges	100,232	104,904	(4,672)	71,260
Total human resources	287,112	290,480	(3,368)	250,117
Municipal court				
Personnel services	205,348	211,399	(6,051)	193,601
Supplies	7,075	5,591	1,484	6,924
Repairs and maintenance	3,000	1,790	1,210	4,161
Other services and charges	113,250	70,819	42,431	93,090
Total municipal court	328,673	289,599	39,074	297,776
Finance				
Personnel services	319,281	326,130	(6,849)	310,621
Supplies	7,500	8,144	(644)	6,928
Other services and charges	10,500	9,892	608	10,904
Total finance	337,281	344,166	(6,885)	328,453
Total general government	2,525,269	2,213,334	311,935	2,282,378
Public safety				
Police				
Personnel services	4,138,153	4,132,136	6,017	3,999,693
Supplies	111,000	93,122	17,878	94,370
Repairs and maintenance	46,000	42,221	3,779	45,954
Other services and charges	280,610	288,614	(8,004)	273,339
Capital outlay	43,000	48,608	(5,608)	84,939
Debt service	-	41,064	(41,064)	-
Total police	4,618,763	4,645,765	(27,002)	4,498,295

(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, 2020**With comparative totals for the year ended September 30, 2019*

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
Public safety - (Continued)				
Fire				
Personnel services	\$ 66,569	\$ 53,701	\$ 12,868	\$ 53,608
Supplies	13,150	11,506	1,644	10,716
Repairs and maintenance	45,000	36,835	8,165	49,664
Other services and charges	74,600	77,104	(2,504)	72,135
Total fire	199,319	179,146	20,173	186,123
Animal impoundment				
Personnel services	147,742	144,125	3,617	140,784
Supplies	3,750	3,897	(147)	4,213
Repairs and maintenance	5,500	2,259	3,241	716
Other services and charges	10,900	6,622	4,278	7,204
Total animal impoundment	167,892	156,903	10,989	152,917
Total public safety	4,985,974	4,981,814	4,160	4,837,335
Public works				
Streets and sanitation				
Personnel services	1,058,091	813,189	244,902	858,784
Supplies	78,900	70,450	8,450	63,175
Repairs and maintenance	225,000	185,639	39,361	149,140
Other services and charges	2,068,119	2,361,078	(292,959)	2,051,764
Capital outlay	-	-	-	604,268
Total streets and sanitation	3,430,110	3,430,356	(246)	3,727,131
Total public works	3,430,110	3,430,356	(246)	3,727,131
Cultural and recreation				
Parks and recreation				
Personnel services	727,367	666,158	61,209	623,063
Supplies	81,300	82,808	(1,508)	81,610
Repairs and maintenance	128,000	133,061	(5,061)	155,909
Other services and charges	229,500	188,016	41,484	204,527
Capital outlay	614,805	618,523	(3,718)	19,851
Total parks and recreation	1,780,972	1,688,566	92,406	1,084,960

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, 2020

With comparative totals for the year ended September 30, 2019

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Current - (Continued)				
Cultural and recreation - (Continued)				
Riverside park				
Personnel services	\$ 116,203	\$ 114,398	\$ 1,805	\$ 114,554
Supplies	15,200	13,578	1,622	7,357
Repairs and maintenance	16,200	12,755	3,445	47,421
Other services and charges	36,500	36,042	458	22,976
Capital outlay	-	-	-	40,300
Total riverside park	184,103	176,773	7,330	232,608
Library				
Personnel services	294,804	281,718	13,086	290,767
Supplies	78,200	64,721	13,479	57,803
Repairs and maintenance	10,500	9,072	1,428	7,894
Other services and charges	135,250	124,315	10,935	88,125
Total library	518,754	479,826	38,928	444,589
Total cultural and recreation	2,483,829	2,345,165	138,664	1,762,157
Total expenditures	13,425,182	12,970,669	454,513	12,609,001
Excess (deficiency) of revenues over expenditures	1,196,500	2,164,692	968,192	2,039,858
OTHER FINANCING SOURCES (USES)				
Capital lease	-	157,532	157,532	-
Transfers in	643,500	696,414	52,914	769,013
Transfers out	(1,690,000)	(1,595,898)	94,102	(1,817,008)
Total other financing sources (uses)	(1,046,500)	(741,952)	304,548	(1,047,995)
Net change in fund balance	150,000	1,422,740	1,272,740	991,863
Fund balance at beginning of year	3,210,230	3,210,230	-	2,218,367
Fund balance at end of year	\$ 3,360,230	\$ 4,632,970	\$ 1,272,740	\$ 3,210,230

(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, 2020

With comparative totals for the year ended September 30, 2019

	2020			2019
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current taxes	\$ 1,308,070	\$ 1,299,533	\$ (8,537)	\$ 1,212,135
Delinquent taxes	1,000	17,342	16,342	19,239
Penalty and interest	1,000	17,571	16,571	15,188
Investment income	930	11,965	11,035	25,195
Miscellaneous income	-	42,564	42,564	-
Total revenues	<u>1,311,000</u>	<u>1,388,975</u>	<u>77,975</u>	<u>1,271,757</u>
EXPENDITURES				
Debt service				
Principal retirement	986,258	986,258	-	1,465,175
Interest and fiscal charges	321,812	387,190	(65,378)	364,072
Paying agents' fees and issue costs	2,930	4,225	(1,295)	4,341
Total expenditures	<u>1,311,000</u>	<u>1,377,673</u>	<u>(66,673)</u>	<u>1,833,588</u>
Excess (deficiency) of revenues over expenditures	-	11,302	11,302	(561,831)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	595,125
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>595,125</u>
Net change in fund balances	-	11,302	11,302	33,294
Fund balances at beginning of year	<u>224,645</u>	<u>224,645</u>	<u>-</u>	<u>191,351</u>
Fund balances at end of year	<u>\$ 224,645</u>	<u>\$ 235,947</u>	<u>\$ 11,302</u>	<u>\$ 224,645</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, 2020

	<u>Maintenance</u>	<u>Information Technology</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	<u>\$ 90,525</u>	<u>\$ 60,344</u>	<u>\$ 150,869</u>
Total current assets	<u>90,525</u>	<u>60,344</u>	<u>150,869</u>
Noncurrent assets			
Capital assets			
Buildings, improvements, and equipment (net)	<u>7,830</u>	<u>106,572</u>	<u>114,402</u>
Total noncurrent assets	<u>7,830</u>	<u>106,572</u>	<u>114,402</u>
Total assets	<u>98,355</u>	<u>166,916</u>	<u>265,271</u>
LIABILITIES			
Current liabilities			
Accounts payable	9,063	27,624	36,687
Accrued expenses	18,198	4,150	22,348
Accrued compensated absences	<u>1,571</u>	<u>766</u>	<u>2,337</u>
Total current liabilities	<u>28,832</u>	<u>32,540</u>	<u>61,372</u>
Noncurrent liabilities			
Accrued compensated absences	<u>14,139</u>	<u>6,895</u>	<u>21,034</u>
Total noncurrent liabilities	<u>14,139</u>	<u>6,895</u>	<u>21,034</u>
Total liabilities	<u>42,971</u>	<u>39,435</u>	<u>82,406</u>
NET POSITION			
Net investment in capital assets	7,830	106,572	114,402
Unrestricted	<u>47,554</u>	<u>20,909</u>	<u>68,463</u>
Total net position	<u>\$ 55,384</u>	<u>\$ 127,481</u>	<u>\$ 182,865</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, 2020*

	<u>Maintenance</u>	<u>Information Technology</u>	<u>Total</u>
OPERATING REVENUES			
Other	\$ 25	\$ 355	\$ 380
Total operating revenues	<u>25</u>	<u>355</u>	<u>380</u>
OPERATING EXPENSES			
Maintenance	522,425	-	522,425
Information technology	-	575,284	575,284
Depreciation	<u>52,367</u>	<u>24,060</u>	<u>76,427</u>
Total operating expenses	<u>574,792</u>	<u>599,344</u>	<u>1,174,136</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(574,767)	(598,989)	(1,173,756)
NONOPERATING REVENUES (EXPENSES)			
Investment income	<u>365</u>	<u>58</u>	<u>423</u>
Total nonoperating revenues (expenses)	<u>365</u>	<u>58</u>	<u>423</u>
Income (loss) before transfers	(574,402)	(598,931)	(1,173,333)
Transfers			
Transfers in	<u>506,308</u>	<u>589,576</u>	<u>1,095,884</u>
Total transfers	<u>506,308</u>	<u>589,576</u>	<u>1,095,884</u>
Change in net position	(68,094)	(9,355)	(77,449)
Total net position at beginning of year	<u>123,478</u>	<u>136,836</u>	<u>260,314</u>
Total net position at end of year	<u>\$ 55,384</u>	<u>\$ 127,481</u>	<u>\$ 182,865</u>

CITY OF BAY CITY, TEXAS**INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF CASH FLOWS***For the year ended September 30, 2020*

	Maintenance	Information Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 25	\$ 355	\$ 380
Cash paid to suppliers for goods and services	(34,099)	(446,260)	(480,359)
Cash paid to employees for services	(473,835)	(114,178)	(588,013)
Net cash provided (used) by operating activities	<u>(507,909)</u>	<u>(560,083)</u>	<u>(1,067,992)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (to) from other funds	506,308	589,576	1,095,884
Net cash provided (used) by noncapital financing activities	<u>506,308</u>	<u>589,576</u>	<u>1,095,884</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	365	58	423
Net cash provided (used) by investing activities	<u>365</u>	<u>58</u>	<u>423</u>
Net increase (decrease) in cash and cash equivalents	(1,236)	29,551	28,315
Cash and cash equivalents at beginning of year	91,761	30,793	122,554
Cash and cash equivalents at end of year	<u>\$ 90,525</u>	<u>\$ 60,344</u>	<u>\$ 150,869</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (574,767)	\$ (598,989)	\$ (1,173,756)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	52,367	24,060	76,427
Changes in assets and liabilities			
Increase (decrease) in accounts payable	7,093	10,318	17,411
Increase (decrease) in accrued expenses	4,965	937	5,902
Increase (decrease) in accrued compensated absences	2,433	3,591	6,024
Total adjustments	<u>66,858</u>	<u>38,906</u>	<u>105,764</u>
Net cash provided (used) by operating activities	<u>\$ (507,909)</u>	<u>\$ (560,083)</u>	<u>\$ (1,067,992)</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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Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	112
Revenue Capacity	
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.....	123
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	129
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.....	134
Operating Information	
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.....	136

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 7,541,744	\$ 7,904,146	\$ 8,444,943	\$ 7,050,325
Restricted	407,739	410,945	132,143	1,073,579
Unrestricted	<u>4,373,229</u>	<u>5,054,417</u>	<u>3,865,608</u>	<u>2,807,480</u>
Total governmental activities net position	<u>\$ 12,322,712</u>	<u>\$ 13,369,508</u>	<u>\$ 12,442,694</u>	<u>\$ 10,931,384</u>
Business-type activities				
Net investment in capital assets	\$ 10,543,619	\$ 10,948,774	\$ 12,245,026	\$ 9,681,894
Restricted	339,292	-	-	-
Unrestricted	<u>2,359,186</u>	<u>2,952,528</u>	<u>2,668,278</u>	<u>6,217,963</u>
Total business-type activities net position	<u>\$ 13,242,097</u>	<u>\$ 13,901,302</u>	<u>\$ 14,913,304</u>	<u>\$ 15,899,857</u>
Primary government				
Invested in capital assets, net of related debt	\$ 18,085,363	\$ 18,852,920	\$ 20,689,969	\$ 16,732,219
Restricted	747,031	410,945	132,143	1,073,579
Unrestricted	<u>6,732,415</u>	<u>8,006,945</u>	<u>6,533,886</u>	<u>9,025,443</u>
Total primary government activities net position	<u>\$ 25,564,809</u>	<u>\$ 27,270,810</u>	<u>\$ 27,355,998</u>	<u>\$ 26,831,241</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					
2015	2016	2017	2018	2019	2020
\$ 6,540,844	\$ 9,638,245	\$ 10,607,667	\$ 11,656,559	\$ 13,287,618	\$ 21,205,583
646,117	994,641	1,034,228	813,690	857,834	1,199,626
<u>3,391,400</u>	<u>783,252</u>	<u>(93,799)</u>	<u>160,683</u>	<u>512,916</u>	<u>2,151,111</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>	<u>\$ 24,556,320</u>
\$ 13,826,216	\$ 15,011,700	\$ 14,799,364	\$ 14,675,677	\$ 14,858,787	\$ 15,909,542
-	-	-	-	-	-
<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>4,066,694</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>	<u>\$ 19,976,236</u>
\$ 20,367,060	\$ 24,649,945	\$ 25,407,031	\$ 26,332,236	\$ 28,146,405	\$ 37,115,125
646,117	994,641	1,034,228	813,690	857,834	1,199,626
<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>6,217,805</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>	<u>\$ 44,532,556</u>

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities				
Expenses				
General government	\$ 2,592,172	\$ 1,992,271	\$ 2,321,123	\$ 2,295,602
Public safety	4,248,889	4,073,513	4,303,562	4,662,949
Public works	3,571,109	2,377,316	2,656,096	5,854,434
Cultural and recreation	2,028,142	1,920,640	2,100,338	2,137,429
Interest on long-term debt	576,214	331,816	495,527	305,880
Total expenses	<u>13,016,526</u>	<u>10,695,556</u>	<u>11,876,646</u>	<u>15,256,294</u>
Program revenues				
Charges for services				
General government	210,778	94,793	81,818	999,059
Public safety	1,139,693	620,749	538,848	149,354
Public works	-	-	59,130	1,832,671
Cultural and recreation	199,657	161,334	154,573	260,195
Operating grants and contributions	334,370	111,982	281,587	280,889
Capital grants and contributions	-	-	-	-
Total program revenues	<u>1,884,498</u>	<u>988,858</u>	<u>1,115,956</u>	<u>3,522,168</u>
Total governmental activities net program (expense) revenue	(11,132,028)	(9,706,698)	(10,760,690)	(11,734,126)
General revenues and other changes in net position				
Taxes				
Property taxes	3,724,754	3,728,127	3,769,351	3,749,040
Sales taxes	4,423,374	3,385,962	3,440,988	3,469,272
Franchise taxes	794,918	1,099,039	1,087,598	984,607
Other taxes	478,484	474,242	497,136	614,073
Unrestricted investment earnings	14,914	6,163	5,779	3,653
Miscellaneous	1,100,694	924,999	685,286	709,694
Special item - discontinued operations	-	-	-	-
Transfers	98,338	1,134,962	501,909	692,477
Total general revenues and other changes in net position	<u>10,635,476</u>	<u>10,753,494</u>	<u>9,988,047</u>	<u>10,222,816</u>
Total governmental activities change in net position	<u>\$ (496,552)</u>	<u>\$ 1,046,796</u>	<u>\$ (772,643)</u>	<u>\$ (1,511,310)</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 2,147,396	\$ 2,534,500	\$ 2,489,768	\$ 2,570,638	\$ 2,525,947	\$ 2,543,235
4,661,538	5,383,527	5,633,913	5,129,141	5,329,122	5,434,064
5,595,487	5,216,175	5,500,397	5,513,362	6,347,218	5,630,596
2,220,915	2,483,518	2,576,955	2,534,887	2,720,126	2,962,822
340,100	450,012	376,732	391,428	329,979	636,430
14,965,436	16,067,732	16,577,765	16,139,456	17,252,392	17,207,147
235,881	429,269	421,190	610,361	602,332	546,080
326,125	276,229	16,762	18,332	18,705	42,283
2,657,519	2,779,000	2,413,138	2,394,073	2,467,600	2,528,436
154,741	239,908	237,775	128,710	124,532	152,478
200,000	317,050	571,157	807,058	2,207,235	3,441,951
386,329	828,794	911,963	798,666	376,144	7,844,725
3,960,595	4,870,250	4,571,985	4,757,200	5,796,548	14,555,953
(11,004,841)	(11,197,482)	(12,005,780)	(11,382,256)	(11,455,844)	(2,651,194)
4,098,134	4,462,235	4,618,958	5,268,946	5,603,015	5,677,751
4,077,195	4,060,320	4,295,598	4,277,863	4,447,508	4,966,859
1,047,005	1,040,631	1,127,475	1,253,205	1,266,666	1,258,458
668,601	694,611	845,778	801,926	779,523	698,939
2,660	16,254	37,960	110,943	134,570	107,377
1,077,904	756,915	213,350	289,684	483,211	501,621
(1,208,541)	-	-	-	-	-
2,903,367	1,004,293	998,619	1,007,784	768,787	(661,859)
12,666,325	12,035,259	12,137,738	13,010,351	13,483,280	12,549,146
\$ 1,661,484	\$ 837,777	\$ 131,958	\$ 1,628,095	\$ 2,027,436	\$ 9,897,952

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

	Fiscal Year			
	2011	2012	2013	2014
Business-type activities				
Expenses				
Water and sewer	\$ 5,027,229	\$ 5,026,141	\$ 5,134,720	\$ 5,775,681
Sanitation	1,890,468	2,482,660	2,446,553	503,196
Airport	401,842	389,402	459,418	540,255
Total expenses	<u>7,319,539</u>	<u>7,898,203</u>	<u>8,040,691</u>	<u>6,819,132</u>
Program revenues				
Charges for services				
Water and sewer	6,326,946	6,521,880	6,367,177	6,582,946
Sanitation	2,204,210	2,632,229	2,768,743	449,082
Airport	227,920	239,173	250,113	327,899
Operating grants and contributions	-	220,997	27,468	10,914
Capital grants and contributions	123,325	-	584,651	975,226
Total program revenues	<u>8,882,401</u>	<u>9,614,279</u>	<u>9,998,152</u>	<u>8,346,067</u>
Total business-type activities net program (expense) revenue	1,562,862	1,716,076	1,957,461	1,526,935
General revenues and other changes in net position				
Unrestricted investment earnings	3,677	5,422	3,507	3,680
Miscellaneous	22,977	3,608	3,487	148,415
Special item - discontinued operations	-	-	-	-
Transfers	(98,338)	(1,134,962)	(501,909)	(692,477)
Total general revenues and other changes in net position	<u>(71,684)</u>	<u>(1,125,932)</u>	<u>(494,915)</u>	<u>(540,382)</u>
Total business-type activities change in net position	<u>\$ 1,491,178</u>	<u>\$ 590,144</u>	<u>\$ 1,462,546</u>	<u>\$ 986,553</u>
Total primary government change in net position	<u>\$ 994,626</u>	<u>\$ 1,636,940</u>	<u>\$ 689,903</u>	<u>\$ (524,757)</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					
2015	2016	2017	2018	2019	2020
\$ 6,063,713	\$ 6,681,343	\$ 6,121,251	\$ 6,431,453	\$ 6,993,425	\$ 7,655,910
-	-	-	-	-	-
<u>550,555</u>	<u>588,537</u>	<u>707,869</u>	<u>584,476</u>	<u>644,192</u>	<u>778,555</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>	<u>8,434,465</u>
6,873,149	7,108,017	7,438,810	7,779,321	7,849,327	7,700,198
-	-	-	-	-	-
340,572	276,533	305,074	304,191	313,835	284,031
-	68,197	48,351	15,870	84,130	50,000
<u>1,115,799</u>	<u>3,384,479</u>	<u>406,561</u>	<u>417,799</u>	<u>219,828</u>	<u>730,209</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>	<u>8,764,438</u>
1,715,252	3,567,346	1,369,676	1,501,252	829,503	329,973
1,729	5,966	23,244	51,731	86,208	30,887
-	24,552	8,200	-	5,800	26,900
(2,903,367)	-	-	-	-	-
<u>1,134,457</u>	<u>(1,004,293)</u>	<u>(998,619)</u>	<u>(1,007,784)</u>	<u>(768,787)</u>	<u>661,859</u>
<u>(1,767,181)</u>	<u>(973,775)</u>	<u>(967,175)</u>	<u>(956,053)</u>	<u>(676,779)</u>	<u>719,646</u>
\$ <u>(51,929)</u>	\$ <u>2,593,571</u>	\$ <u>402,501</u>	\$ <u>545,199</u>	\$ <u>152,724</u>	\$ <u>1,049,619</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>	\$ <u>10,947,571</u>

(concluded)

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

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable				
Prepaid items	\$ 53,128	\$ 108,116	\$ 16,879	\$ 55,374
Assigned	7,201	7,201	-	-
Unassigned	<u>2,013,578</u>	<u>2,821,025</u>	<u>2,719,997</u>	<u>1,727,220</u>
Total general fund	<u>\$ 2,073,907</u>	<u>\$ 2,936,342</u>	<u>\$ 2,736,876</u>	<u>\$ 1,782,594</u>
All Other Governmental Funds				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted				
Retirement of long-term debt	10,285	11,275	30,568	550,221
Capital project funds	1,365,723	1,337,295	1,191,190	2,022,383
Community development	1,806,794	-	-	-
Special revenue funds	884,510	823,579	-	-
Tourism	-	-	221,561	302,436
Municipal court	-	-	101,575	96,262
Culture and recreation	-	-	42,270	71,538
Public safety	-	-	610,912	615,582
Public works	-	-	-	-
Unassigned	-	-	-	(40,379)
Total all other governmental funds	<u>\$ 4,067,312</u>	<u>\$ 2,172,149</u>	<u>\$ 2,198,076</u>	<u>\$ 3,618,043</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					
2015	2016	2017	2018	2019	2020
\$ 120,664	\$ 44,589	\$ 31,665	\$ 49,261	\$ 44,540	\$ 64,211
-	-	-	-	-	-
2,945,445	1,930,425	1,331,488	2,169,106	3,165,690	4,568,759
<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>	<u>\$ 4,632,970</u>
\$ -	\$ -	\$ -	\$ 14,849	\$ 13,799	\$ 19,990
31,305	233,825	199,330	191,351	224,645	235,947
2,877,230	3,899,359	3,183,380	2,583,241	621,267	6,890,626
-	-	-	-	-	-
-	-	-	-	-	-
372,746	449,295	568,200	404,406	473,619	591,966
102,994	83,196	71,500	65,170	59,591	47,902
60,336	92,576	118,928	52,213	-	-
631,515	94,804	54,276	40,023	44,280	48,307
-	-	-	15,851	9,968	230,274
(98,700)	-	-	-	(710,973)	(2,014,216)
<u>\$ 3,977,426</u>	<u>\$ 4,853,055</u>	<u>\$ 4,195,614</u>	<u>\$ 3,367,104</u>	<u>\$ 736,196</u>	<u>\$ 6,050,796</u>

CITY OF BAY CITY, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Taxes	\$ 9,398,598	\$ 8,764,173	\$ 8,845,091	\$ 8,894,495
Licenses and permits	9,335	8,947	5,706	205,321
Fines and forfeitures	736,614	466,970	378,455	339,905
Fees and charges for services	751,218	408,908	444,908	2,585,325
Intergovernmental	334,370	111,982	281,587	342,057
Investment income	14,914	6,159	5,773	3,647
Miscellaneous	1,102,026	954,226	713,618	805,993
Total revenues	12,347,075	10,721,365	10,675,138	13,176,743
Expenditures				
Current				
General government	2,553,230	1,862,353	2,031,233	2,343,485
Public safety	4,074,012	3,840,767	4,118,972	4,472,587
Public works	1,617,989	981,178	1,142,463	2,895,565
Cultural and recreation	1,658,183	1,764,783	1,869,035	2,022,110
Capital outlay	2,351,256	467,801	1,005,219	1,072,074
Debt service				
Principal retirement	883,784	653,759	775,707	847,110
Interest and fiscal charges	622,147	398,754	348,511	257,997
Paying agents' fees and issue costs	-	-	154,249	71,973
Total expenditures	13,760,601	9,969,395	11,445,389	13,982,901
Excess (deficiency) of revenues over expenditures	(1,413,526)	751,970	(770,251)	(806,158)
Other financing sources (uses)				
Debt issued	-	-	4,672,000	1,598,000
Premium on debt issuance	-	-	65,470	67,893
Payment to escrow	-	-	(3,960,250)	-
Transfers in	1,271,561	568,493	874,319	1,684,648
Transfers out	(1,173,223)	(576,872)	(1,054,827)	(2,078,698)
Total other financing sources (uses)	98,338	(8,379)	596,712	1,271,843
Changes in fund balances	\$ (1,315,188)	\$ 743,591	\$ (173,539)	\$ 465,685
Debt service as a percentage of noncapital expenditures	13.20%	11.09%	11.23%	8.84%

(1) Modified accrual basis of accounting

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 9,988,557	\$ 10,375,097	\$ 10,972,108	\$ 11,692,838	\$ 12,169,745	\$ 12,653,131
235,881	255,511	154,409	396,638	281,795	205,985
326,125	322,166	268,378	215,278	218,133	253,564
2,809,761	2,898,210	2,675,326	2,553,631	2,690,027	2,799,645
420,857	264,635	1,141,371	437,982	1,528,833	1,033,091
2,660	16,240	37,941	110,753	134,381	106,954
998,560	892,115	490,118	685,503	1,020,763	929,003
14,782,401	15,023,974	15,739,651	16,092,623	18,043,677	17,981,373
2,083,129	2,335,155	2,263,841	2,444,796	2,284,868	2,259,594
4,581,482	4,986,001	5,140,028	4,819,143	4,853,722	5,147,126
3,163,745	3,425,770	3,241,311	3,429,104	3,950,358	3,476,267
2,102,214	2,396,240	2,350,942	2,350,388	2,381,035	3,174,094
2,245,491	3,704,716	2,024,539	2,384,427	3,957,938	3,334,455
1,496,153	1,553,752	1,432,357	1,419,841	1,465,175	986,258
368,026	344,650	402,072	362,729	364,072	387,190
-	123,195	5,495	59,101	4,341	263,595
16,040,240	18,869,479	16,860,585	17,269,529	19,261,509	19,028,579
(1,257,839)	(3,845,505)	(1,120,934)	(1,176,906)	(1,217,832)	(1,047,206)
1,398,250	3,776,667	-	1,285,000	-	9,122,532
-	235,643	-	-	-	419,757
-	-	-	-	-	-
3,058,627	2,920,044	2,162,044	1,841,923	1,822,325	1,946,639
(1,556,140)	(3,302,315)	(2,310,412)	(1,923,313)	(2,243,538)	(3,704,382)
2,900,737	3,630,039	(148,368)	1,203,610	(421,213)	7,784,546
\$ 1,642,898	\$ (215,466)	\$ (1,269,302)	\$ 26,704	\$ (1,639,045)	\$ 6,737,340
13.64%	13.88%	12.61%	12.72%	11.89%	9.18%

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Other</u>	<u>Total</u>
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
2020	5,644,455	84,420	1,258,458	4,966,859	698,939	12,653,131

(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*

<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>
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
2020	2019	372,695,204	549,611,757	78,508,945	131,854,932	868,960,974	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*

Fiscal Year	City Direct Rates			Overlapping Rates		
	Debt Service	General Fund	Total	Bay City ISD	Matagorda County	Port of Bay City
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
2020	0.14460	0.51040	0.65500	1.43140	0.42223	0.05628

SOURCE: Tax department records of the various taxing authorities

Overlapping Rates			
Matagorda Co. Hospital District	Matagorda Co. Drainage District #1	Matagorda Co. Conservation & Reclaim. Distr.	Total
\$ 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
0.31815	0.04201	0.00831	2.93338

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

2020		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nichols Square Partners LTD	\$ 15,500,786	1.78%
AEP Texas Central Company	10,405,070	1.20%
Oak Manor Bay City LLC	10,255,308	1.18%
Cypressbrook Palm Village LP	9,053,150	1.04%
Bay City Community Development Corp.	8,974,480	1.03%
Wal Mart Real Estate Business Trust	8,615,910	0.99%
IMFI CB Apartments LP	6,882,500	0.79%
Fortress Lodgin	6,289,436	0.72%
Interurban Riverway LLP	5,883,260	0.68%
HE Butt Grocery Company	5,876,680	0.68%
	<u>\$ 87,736,580</u>	<u>10.09%</u>

2011		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Wal-Mart Stores	\$ 11,601,344	2.52%
Key Energy Services, Inc.	7,832,340	1.70%
Davis Net Lease No 1 LP	5,043,276	1.09%
AEP Texas Central Co.	4,990,140	1.08%
Kansas City Southern Railway	4,300,860	0.93%
Farmers Coop of El Campo	4,265,160	0.93%
Winfield Solutions LLC	3,989,351	0.87%
Sutherland Lumber Southwest, Inc.	3,248,950	0.71%
Davis Don Motor Co Inc.	2,885,392	0.63%
Crop Protection Services	2,468,658	0.54%
	<u>\$ 50,625,471</u>	<u>11.00%</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
2011	\$ 3,716,207	\$ 3,575,427	96.21%	\$ 127,850	\$ 3,703,277	99.65%
2012	3,726,103	3,608,960	96.86%	103,144	3,712,104	99.62%
2013	3,749,131	3,629,326	96.80%	106,876	3,736,202	99.66%
2014	3,756,041	3,625,489	96.52%	115,230	3,740,719	99.59%
2015	4,088,577	3,980,062	97.35%	89,763	4,069,825	99.54%
2016	4,474,600	4,356,460	97.36%	97,004	4,453,464	99.53%
2017	4,625,198	4,508,161	97.47%	90,399	4,598,560	99.42%
2018	5,305,799	5,189,424	97.81%	76,116	5,265,540	99.24%
2019	5,611,415	5,497,009	97.96%	50,474	5,547,483	98.86%
2020	5,683,596	5,558,188	97.79%	-	5,558,188	97.79%

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*

<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>
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
2020	850,124,700	549,790,300	300,334,400	35.33%	536,280,000

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

Fiscal Year	Governmental Activities				
	Certificates of Obligation	General Obligation Bonds	Tax Notes	Direct Borrowing: Capital Leases	Plus: Issuance Premiums
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
2020	15,951,829	1,560,000	1,065,000	116,468	713,715

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

N/A denotes information not available.

Business-type Activities

<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Plus: Issuance Premiums</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 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
7,193,180	-	140,867	26,741,059	N/A	1,531

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

Fiscal Year	General Bonded Debt Outstanding			Total
	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premiums	
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
2020	23,145,009	1,560,000	854,582	25,559,591

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

<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 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
235,947	25,323,644	100.00%	1,449

CITY OF BAY CITY, TEXAS**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)****September 30, 2020**

	<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)	9/30/2020	<u>\$ 19,407,012</u>	100.00%	<u>\$ 19,407,012</u>
Overlapping Debt:				
Matagorda County	9/30/2020	2,847,480	19.12%	544,434
Bay City Independent School District	9/30/2020	<u>132,549,720</u>	63.30%	<u>83,904,200</u>
Total Overlapping Debt		<u>135,397,200</u>		<u>84,448,634</u>
Total		<u>\$ 154,804,212</u>		<u>\$ 103,855,646</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*

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(4) Personal Income</u>	<u>(1) Per Capita Personal Income</u>	<u>(1) Median Age</u>	<u>(2) School Enrollment</u>	<u>(3) Unemployment Rate</u>
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%
2020	17,471	N/A	50,182	34	3,536	11.40%

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 Nine Years Ago*

2020		
Employer	Employees	Percentage of Area Employment
South Texas Project (STP)	1,109	8.94%
Tenaris	524	4.22%
Bay City Independent School District	578	4.66%
Matagorda County Regional Medical Center	420	3.38%
Matagorda County	229	1.85%
OXEА	185	1.49%
Lyondell	163	1.31%
City of Bay City	157	1.27%
Walmart	147	1.18%
H.E.B.	114	0.92%
	<u>3,789</u>	<u>29.22%</u>

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
OXEА	140	N/A
Henerson	26	N/A
	<u>3,624</u>	

NOTES: 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/I	Fiscal Year			
	2011	2012	2013	2014
General government	25.29	25.29	23.00	18.00
Public safety				
Police				
Officers	35.00	35.00	37.00	39.00
Civilians	20.19	20.19	18.00	21.00
Fire				
Firefighters (Volunteer)	34.00	34.00	35.00	36.00
Civilians	1.00	1.00	1.00	1.00
Public works				
Streets/maintenance	19.00	16.00	18.00	14.00
Recycling	-	-	-	-
Public activities and recreation	11.76	11.76	10.00	10.00
Library	-	-	8.00	6.00
Tourism	-	-	-	-
Water and sewer	44.00	39.00	21.00	25.00
Airport	2.00	1.00	2.00	2.00
Equipment and building maintenance	-	4.00	9.00	9.00
Information technology	-	-	-	3.00
Sanitation	11.00	16.28	13.00	-
Total	<u>203.24</u>	<u>203.52</u>	<u>195.00</u>	<u>184.00</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					
2015	2016	2017	2018	2019	2020
15.00	16.00	16.00	13.00	15.00	15.00
41.00	41.00	41.00	40.00	39.00	38.00
19.00	21.00	21.00	21.00	22.00	22.00
35.00	35.00	35.00	30.00	30.00	30.00
1.00	1.00	1.00	1.00	1.00	1.00
19.76	17.00	17.00	16.00	16.00	16.00
-	-	-	3.50	3.50	3.50
10.00	13.00	15.00	12.00	12.00	16.00
7.00	6.00	6.00	8.50	8.50	8.50
-	-	-	1.00	1.00	1.00
28.00	26.00	27.00	30.00	30.00	30.00
2.00	2.00	2.00	2.00	2.50	4.00
8.00	7.00	5.00	7.00	7.00	7.00
3.00	3.00	3.00	2.00	2.00	2.00
-	-	-	-	-	-
<u>188.76</u>	<u>188.00</u>	<u>189.00</u>	<u>187.00</u>	<u>189.50</u>	<u>194.00</u>

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

Function/Program	Fiscal Year			
	2011	2012	2013	2014
Public safety				
Police				
Stations	1	1	1	1
Patrol units	31	31	35	33
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	115
Fire hydrants	600	600	600	600
Maximum daily capacity (thousands of gallons)	4	4	4	4
Wastewater				
Sanitary sewers (miles)	88	88	88	88
Storm sewers (miles)	80	80	80	80
Maximum daily treatment capacity (thousands of gallons)	4.3	4.3	4.3	4.3
Sanitation				
Collection trucks	8	8	8	-

Fiscal Year					
2015	2016	2017	2018	2019	2020
1	1	1	1	1	1
37	34	34	34	32	32
1	1	1	1	1	1
109	109	109	109	109	110
348	348	348	299	314	326
22	23	23	23	26	26
2	2	2	2	2	2
115	115	113	113	113	113
650	650	650	650	650	650
4	4	3	3	3	3
88	88	108	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			
	2011	2012	2013	2014
General government				
Building permits issued	310	231	459	1,227
Building inspections conducted	691	431	1,222	1,735
Fire inspection conducted	5	6	22	8
Public safety				
Police				
Arrests	1,730	893	1,722	1,520
Accident Reports	416	199	304	325
Citations	3,223	1,196	1,621	1,862
Offense reports	2,734	1,327	2,669	2,231
Calls for service	33,453	19,333	32,155	31,544
Fire				
Emergency responses	220	175	233	178
Fire incidents	132	95	101	66
Service calls and other calls	88	80	132	112
Automatic aid, mutual aid given	27	39	21	19
Streets and highways				
Street resurfacing (lane miles)	-	-	-	-
Water and wastewater				
Water				
Average daily consumption (millions)	2.248	2.217	2.187	1.707
Total consumption (millions)	820.538	809.245	798.353	623.508
Peak daily consumption (millions)	4.395	3.799	3.485	2.001
Wastewater				
Average daily sewage treatment (millions)	1.575	1.570	1.566	N/A
Total consumption (millions)	574.870	573.170	571.850	545.020
Peak daily consumption (millions)	9.758	11.916	11.755	N/A

NOTE: N/A denotes information not available

Fiscal Year					
2015	2016	2017	2018	2019	2020
1,039	1,012	1,246	1,373	1,224	1,037
2,238	2,256	2,366	2,040	1,696	1,631
13	16	23	14	18	10
1,364	1,405	1,356	1,234	1,280	959
471	521	505	476	515	434
1,784	1,736	1,707	956	1,863	1,539
3,427	2,820	2,892	2,744	3,071	2,861
32,864	29,618	31,320	28,448	31,842	31,645
170	167	204	254	181	165
64	74	111	130	79	70
106	93	93	124	102	86
23	32	44	31	14	9
5.20	3.49	9.52	1.00	0.50	-
2.251	1.692	1.563	2.024	1.470	1.502
824.901	635.604	609.958	743.714	537.300	549.790
3.338	2.569	2.445	2.418	2.050	2.030
1.774	1.954	1.634	1.634	1.938	1.469
691.614	717.629	581.611	657.579	707.134	536.280
6.287	6.532	3.520	3.526	5.264	4.060

SINGLE AUDIT SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bay City, Texas (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 5, 2021. 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.

A handwritten signature in black ink that reads "Harrison, Waldrop & Uherek, LLP". The script is cursive and fluid.

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

May 5, 2021



**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, 2020. 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, 2020.

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, L.L.P.
Certified Public Accountants

May 5, 2021

CITY OF BAY CITY, TEXAS**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***For the year ended September 30, 2020*

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Award Number</u>
FEDERAL EXPENDITURES		
U. S. Department of Housing and Urban Development		
<i>Passed Through the Texas Department of Agriculture - Office of Rural Affairs</i>		
Community Development Block Grant	14.228	7217222
Community Development Block Grant	14.228	7219029
<i>Passed Through the Texas Department of Housing and Community Affairs</i>		
Home Investment Partnerships Program	14.239	1002702
<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		
U. S. Department of Transportation		
<i>Passed Through the Texas Department of Transportation</i>		
<i>Division of Aviation</i>		
Airport Improvement Program	20.106	20CRBAYCY
Airport Improvement Program	20.106	M2013BAYC
Total U.S. Department of Transportation		
U. S. Department of Justice		
<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		
U. S. Department of Treasury		
<i>Passed Through the Texas Division of Emergency Management</i>		
Coronavirus Relief Fund	21.019	4485-DR-TX
Total U.S. Department of Treasury		
U. S. Department of Homeland Security		
<i>Passed Through the Texas Division of Emergency Management</i>		
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	4332-DR-TX
Hazard Mitigation Program	97.039	4332-006-TX
Total U.S. Department of Homeland Security		

TOTAL FEDERAL EXPENDITURES

See accompanying notes to schedule of expenditures of federal awards.

Expenditures			Passed through to Subrecipients	Name of Cluster (if applicable)	Note
From Pass-Through Awards	From Direct Awards	Total			
\$ 2,750	\$ -	\$ 2,750	\$ -		
26,050	-	26,050	-		
28,800	-	28,800	-		
10,925	-	10,925	-		
17,073	-	17,073	-	CDBG-Entitlement Grants Cluster	
56,798	-	56,798	-		
30,000	-	30,000	-		
50,000	-	50,000	-		
80,000	-	80,000	-		
40,852	-	40,852	-		
4,455	-	4,455	-		
45,307	-	45,307	-		
776,830	-	776,830	-		
776,830	-	776,830	-		
702,137	-	702,137	-		
1,107,235	-	1,107,235	-		
1,809,372	-	1,809,372	-		
\$ 2,768,307	\$ -	\$ 2,768,307	\$ -		

CITY OF BAY CITY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2020

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, 2020 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.

CITY OF BAY CITY, TEXAS**SCHEDULE OF FINDINGS AND QUESTIONED COSTS***For the year ended September 30, 2020*

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>
97.039	Hazard Mitigation Program
21.019	Coronavirus Relief Fund

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, 2020

None were reported.