

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED  
SEPTEMBER 30, 2023

CITY OF  
BAY CITY, TEXAS

[CITYOFBAYCITY.ORG](http://CITYOFBAYCITY.ORG)

**CITY OF BAY CITY, TEXAS**  
*ANNUAL COMPREHENSIVE FINANCIAL REPORT*  
*For the fiscal year ended September 30, 2023*

Scotty Jones  
*CFO/Assistant City Manager*

Shawna Burkhart  
*City Manager*

Issued By:  
Finance Department

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## **INTRODUCTORY SECTION**



# CITY OF BAY CITY

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

City Manager  
979-245-2137

City Secretary  
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  
979-245-7597

Fire Station  
979-245-8314

Inspections/Permits  
979-323-1659

Municipal Court  
979-245-0003

Parks & Recreation  
979-323-1660

Personnel  
979-245-5311

Public Works  
979-323-1659

Police  
979-245-8500

Utilities Operation  
979-323-1110

Utility Billing  
979-245-7597

June 20, 2024

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

The Finance Department is pleased to submit the Annual Comprehensive Financial Report for the City of Bay City, Texas, for the fiscal ended September 30, 2023. 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, 2023, 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, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. 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, 2023, 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 annual comprehensive 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, the aggregate discretely presented component units, each major fund, 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 18,061. 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 1.81% 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 \$1 billion for fiscal year 2023, which is an 7% increase from fiscal year 2022.

## **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 including transfers and will likely continue to exceed the target in FY 2024. Excess reserves may be used for one-time or non-recurring expenditures such as capital.

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

In fiscal year 2023, the City adopted a five-year Capital Improvements Plan that aligns with the City's long-term 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 Goals (Strategic Plan). These plans are reviewed and updated annually during the budget development process.

### **MAJOR INITIATIVES**

The City was approved for funding for approximately \$60 million for critical water and sewer infrastructure improvements through the Texas Water Development Board revolving loan program. In 2023, the City issued 13.4 million under the Clean Water State Revolving Fund and issued 6.2 million from the Drinking Water State Revolving Fund. Bonds will be issued over the next two years to fund a new Wastewater Treatment Plant and to build new water plants. These projects were planned and designed to support anticipated future growth of Bay City. Housing has been a priority! Through the creation of a Public Improvement District (PID) and two Tax Increment Reinvestment Zone (TIRZ) expansions plus 1 newly created TIRZ – the City now has five master planned subdivisions in various stages of construction.

### **AWARDS AND ACKNOWLEDGEMENTS**

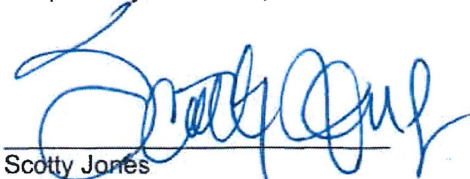
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2022. In order to be awarded a Certificate of 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 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Scotty Jones  
CFO/Assistant City Manager



Government Finance Officers Association

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

Presented to

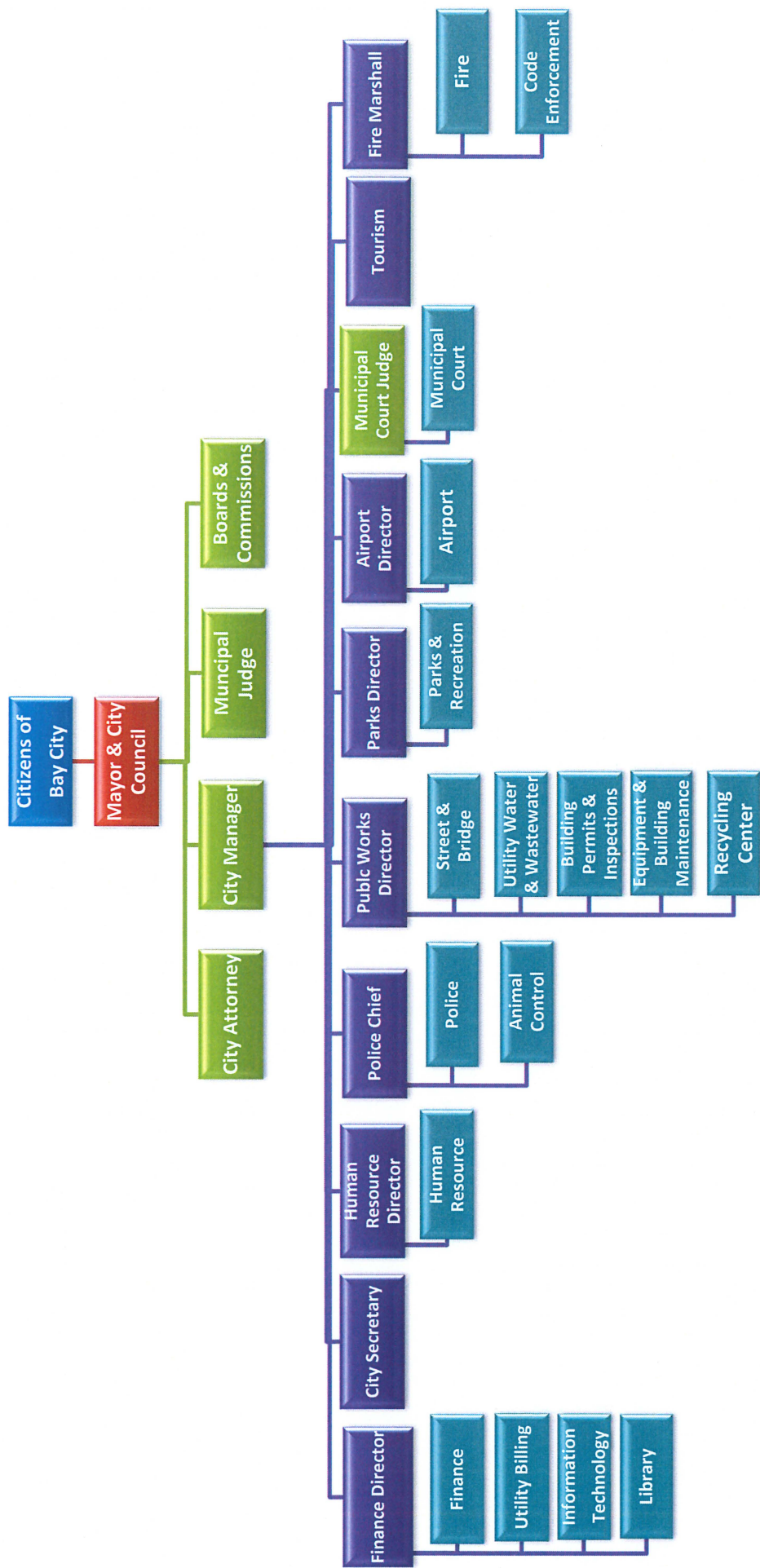
**City of Bay City  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2022

*Christopher P. Morill*

Executive Director/CEO



**CITY OF BAY CITY, TEXAS****DIRECTORY OF PRINCIPAL OFFICIALS***September 30, 2023*

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<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
Robert Nelson	Mayor	2025
Benjamin Flores	Council Member - Position #1	2026
James Folse	Council Member - Position #2	2026
Brad Westmoreland	Council Member - Position #3	2025
Becca Sitz	Council Member - Position #4	2025
Blayne Finlay	Council Member - Position #5	2025

<b>Key Staff</b>	<b>Position</b>
Shawna Burkhart	City Manager
Anne Marie Odefey	City Attorney
Scotty Jones	Assistant City Manager / Director of Finance
Jeanna Thompson	City Secretary
Rhonda Clegg	Director of Human Resources
Krystal Mason	Director of Public Works - Interim
Christella Rodriguez	Chief of Police
Suzan Thompson	Municipal Court Judge - Appointed
Kelly Penewitt	Director of Parks & Recreation - Interim
James Mason	Airport Manager

## **FINANCIAL SECTION**



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

STEPHEN W. VAN MANEN, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255  
FAX: (361) 573-9531

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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. The financial statements of the Bay City Community Development Corporation were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Audit of the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### Required Supplementary Information

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

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

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual major and nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual major and nonmajor fund financial statements and schedules 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.

#### Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

June 20, 2024

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, 2023.

### **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 \$51,597,788 (*net position*). Of this amount, \$15,075,761 (*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 activities increased \$5,020,166 and business-type activities increased \$1,934,785.
- The net position of the Water and Sewer Fund increased by \$2,156,522 and the Airport Fund decreased by \$221,737.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,429,069, an increase of \$1,536,021 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,615,043, or 38% of total General Fund expenditures.
- The City's outstanding bonded debt for governmental and business-type activities had a net increase of \$16,802,999 or 37% from the prior year. The City also had \$450,000 of tax notes, \$252,989 in right-to-use lease liabilities, and \$189,668 in subscription liabilities outstanding as of September 30, 2023.

### **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 12

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

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

Pages 13 to 16

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

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

Pages 17 to 28

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

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

Pages 29 to 92

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

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

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

### **Statement of Net Position**

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

### **Statement of Activities**

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and cultural recreation. The business-type activities of the City include water and sewer and airport services.

### **Fund Financial Statements**

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

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintained fifteen individual governmental funds during the 2022-2023 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Hazard Mitigation Fund, which are considered major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation.

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

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

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

### **Proprietary Funds**

The City maintains two types of *proprietary funds*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/wastewater utility service and for its airport operations. The City uses internal service funds to account for equipment maintenance and information technology services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The proprietary fund financial statements provide information for the water/wastewater utility service and the airport operation; which are considered to be major funds of the City.

### **Notes to Financial Statements**

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

### **Other Information**

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund, a schedule of changes in liability and related ratios for the TMRS Defined Benefit Pension Plan, a schedule of employer contributions for the TMRS Defined Benefit Pension Plan, a schedule of changes in Total OPEB liability and related ratios for the TMRS Supplemental Death Benefit Plan, a schedule of employer contributions for the TMRS Supplemental Death Benefit Plan, and a schedule of changes in Total OPEB liability and related ratios for the Retiree Healthcare Plan. Required supplementary information can be found on pages 93-105 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 106-124 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 \$51,597,788 at the close of the fiscal year 2023.

By far, the largest portion of the City's net position (67%) reflects its investment in capital assets (i.e., land, buildings, machinery and equipment), less related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

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	Governmental Activities		Business-type Activities		Total	
	2023	2022*	2023	2022*	2023	2022*
Current and other assets	\$ 15,649,689	\$ 15,504,445	\$ 38,859,539	\$ 21,315,215	\$ 54,509,228	\$ 36,819,660
Capital assets (net)	31,116,969	28,546,195	34,720,396	33,475,593	65,837,365	62,021,788
Other noncurrent assets	5,234,872	5,725,749	52,675	2,205	5,287,547	5,727,954
<b>Total assets</b>	<b>52,001,530</b>	<b>49,776,389</b>	<b>73,632,610</b>	<b>54,793,013</b>	<b>125,634,140</b>	<b>104,569,402</b>
<b>Total deferred outflow of resources</b>	<b>3,341,896</b>	<b>950,107</b>	<b>466,647</b>	<b>318,747</b>	<b>3,808,543</b>	<b>1,268,854</b>
Long-term liabilities	20,875,756	17,724,724	50,630,586	31,648,030	71,506,342	49,372,754
Other liabilities	4,422,444	5,917,107	1,476,944	3,127,765	5,899,388	9,044,872
<b>Total liabilities</b>	<b>25,298,200</b>	<b>23,641,831</b>	<b>52,107,530</b>	<b>34,775,795</b>	<b>77,405,730</b>	<b>58,417,626</b>
<b>Total deferred inflow of resources</b>	<b>291,618</b>	<b>2,351,223</b>	<b>147,547</b>	<b>426,570</b>	<b>439,165</b>	<b>2,777,793</b>
Net investment in capital assets	15,993,048	12,329,513	18,603,939	19,293,117	34,596,987	31,622,630
Restricted	1,925,040	1,648,936	-	-	1,925,040	1,648,936
Unrestricted	11,835,520	10,754,993	3,240,241	616,278	15,075,761	11,371,271
<b>Total net position</b>	<b>\$ 29,753,608</b>	<b>\$ 24,733,442</b>	<b>\$ 21,844,180</b>	<b>\$ 19,909,395</b>	<b>\$ 51,597,788</b>	<b>\$ 44,642,837</b>

\*Net position for 2022 has been restated. See Note 18 of this report.

The balance of unrestricted net position, \$15,075,761 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.

The over-all increase in net position is \$6,954,951, which consists of an increase of \$5,020,166 in governmental activities and an increase of \$1,934,785 in business-type activities.

The increase in the governmental activities is mainly due to a \$2,719,660 increase in operating grants and contributions. The City realized \$2.2 million in Coronavirus State and Local Fiscal Relief funds (CSLFRF) in fiscal year 2023 which were expended on various City projects. Investment earnings also increased \$517,574 which was due to successful investment strategies and higher interest rates earned on investments.

The increase in the business-type activities is mainly due to the increase in charges for services in the amount of \$1,975,393 as well as the increase in investment earnings of \$1,320,509. Water and sewer charges for services accounted for \$2,090,737 or 106% of this increase which was due to the rate increase as well as dry weather conditions. The increase in investment earnings was also due to successful investment strategies and higher interest rates.

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

City of Bay City, Texas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2023	2022*	2023	2022*	2023	2022*
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 3,551,461	\$ 3,538,049	\$ 11,524,901	\$ 9,549,508	\$ 15,076,362	\$ 13,087,557
Operating grants and contributions	3,353,046	633,386	49,731	50,000	3,402,777	683,386
Capital grants and contributions	584,851	238,006	-	9,450	584,851	247,456
General revenues:						
Property taxes	6,545,105	6,103,748	-	-	6,545,105	6,103,748
Sales taxes	5,479,790	5,082,459	-	-	5,479,790	5,082,459
Franchise taxes	1,343,131	1,280,420	-	-	1,343,131	1,280,420
Other taxes	769,706	628,868	-	-	769,706	628,868
Unrestricted investment earnings (net)	422,076	(95,498)	1,332,950	12,441	1,755,026	(83,057)
Miscellaneous	621,412	449,556	-	1,875	621,412	451,431
<b>Total revenues</b>	<u>22,670,578</u>	<u>17,858,994</u>	<u>12,907,582</u>	<u>9,623,274</u>	<u>35,578,160</u>	<u>27,482,268</u>
<b>EXPENSES</b>						
General government	2,899,448	2,796,565	-	-	2,899,448	2,796,565
Public safety	6,383,069	5,252,099	-	-	6,383,069	5,252,099
Public works	6,335,044	6,684,191	-	-	6,335,044	6,684,191
Cultural and recreation	2,906,324	3,023,964	-	-	2,906,324	3,023,964
Interest on long-term debt	383,027	421,679	-	-	383,027	421,679
Water and sewer	-	-	8,871,135	9,423,621	8,871,135	9,423,621
Airport	-	-	845,162	947,247	845,162	947,247
<b>Total expenses</b>	<u>18,906,912</u>	<u>18,178,498</u>	<u>9,716,297</u>	<u>10,370,868</u>	<u>28,623,209</u>	<u>28,549,366</u>
Change in net position before transfers	3,763,666	(319,504)	3,191,285	(747,594)	6,954,951	(1,067,098)
Transfers	<u>1,256,500</u>	<u>1,015,500</u>	<u>(1,256,500)</u>	<u>(1,015,500)</u>	<u>-</u>	<u>-</u>
Change in net position	5,020,166	695,996	1,934,785	(1,763,094)	6,954,951	(1,067,098)
Net position - October 1	<u>24,733,442</u>	<u>24,037,446</u>	<u>19,909,395</u>	<u>21,672,489</u>	<u>44,642,837</u>	<u>45,709,935</u>
Net position - September 30	<u>\$ 29,753,608</u>	<u>\$ 24,733,442</u>	<u>\$ 21,844,180</u>	<u>\$ 19,909,395</u>	<u>\$ 51,597,788</u>	<u>\$ 44,642,837</u>

\*Net position for 2022 has been restated. See Note 18 of this report.

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

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,429,069, an increase of \$1,536,021 from the prior year.

Approximately 58% of this total amount or \$5,462,132 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$3,966,937 or 42% 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 \$5,615,043. Unassigned fund balance represents 38% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$1,440,417 during the current fiscal year. The increase in fund balance for the City's General Fund is attributable to an increase of \$1,593,266 in revenues over prior year and a decrease in expenditures and transfers out to other funds of \$698,212 from prior year. The primary reason for the decrease in expenditures was attributable to capital projects crossing fiscal years related to building and park improvements coupled with staffing shortages in the police and street departments. Sales tax revenues and interest earnings had increases from the prior year and further details of these can be found in the General Fund Budgetary Highlights section on the following page. The fund balance of the Hazard Mitigation Fund, a major special revenue fund, increased by \$46,052 due to the FEMA grant monies received in the current year relating to prior expenditures.

### **Proprietary Funds**

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

Unrestricted net position of the Water and Sewer Fund at the end of the current fiscal year amounted to \$3,116,210, which is an increase of \$3,309,674 from the prior year. Unrestricted net position of the Airport Fund amounted to \$124,031 at the end of the current fiscal year, which is a decrease of \$10,761 from the prior year. Operating revenues for the Water and Sewer Fund increased by \$2,090,737 which is due to rate increases to support debt payments in connection with critical infrastructure improvements.

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## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Total revenues earned were greater than budgetary expectations by \$122,399. The positive variance in actual revenues compared to the budget is primarily due to sales tax. Sales tax revenue exceeded the amended budget by \$178,790. Actual expenditures were \$1,026,944 less than budget. This was greatly due to reduced costs associated with personnel vacancies and capital projects crossing fiscal years. In addition, the City reduced windstorm coverage to only essential city buildings resulting in cost savings. The Street Department continually has vacancies resulting in personnel savings. The Parks Departments had two capital projects that crossed fiscal years- the Service Center windows (\$200,000) and light poles at soccer field (\$150,000). The projects will not be complete until fiscal year 2024. In addition, the City did not utilize budgeted contingency as set by the City's charter. Total operating revenues were \$16,529,899 while total operating expenditures were \$14,726,956. This resulted in an excess of revenues over expenditures of \$1,802,943 which was \$1,149,343 over budgetary expectations. This is before any transfers to other funds. Net other financing sources (uses) of (\$362,526) resulted in a net increase to the General Fund of \$1,440,417. The City amends the budget during fiscal year to use excess fund reserves to fund one-time capital projects. This practice is in line with the City's fund balance policy.

All departments had positive variances, except for Police. The Police Department exceeded budget by \$89,748 due to new reporting requirements set forth by the Governmental Accounting Standards Board (GASB). This new rule requires the recording and capitalizing of specific software subscriptions.

Differences between the General Fund's original budget and final amended budget were a net increase of \$544,900 to expenditures. This was primarily due to capital expenditures or projects approved during the fiscal year funded by excess reserves, insurance reimbursements, or additional sales tax. These capital projects include Service Center windows (\$200,000 funded with excess reserves), repair field lights (\$150,000 funded with insurance reimbursement), and city hall roof (funded with additional sales tax revenue). The remaining amendments related to the implementation of merit increases, longevity pay, and health insurance.

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## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities amounts to \$65,360,640 (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 \$3,675,315. The net increase in governmental activities of \$2,422,748 was primarily due to drainage and street improvements, as well as various equipment purchases including an automatic bailing system and a large truck with patcher. The net increase in business-type activities of \$1,252,567 was primarily due to meter replacement and sewer improvement projects.

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<b>City of Bay City, Texas</b>						
<b>Capital Assets (Net of Depreciation)</b>						
<b>(excludes right-to-use lease assets, subscriptions, and related amortization)</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Land	\$ 1,603,907	\$ 1,603,907	\$ 403,117	\$ 403,117	\$ 2,007,024	\$ 2,007,024
Construction in progress	2,004,906	1,660,588	8,221,109	11,172,666	10,226,015	12,833,254
Buildings and improvements	849,928	833,255	1,489,662	1,550,878	2,339,590	2,384,133
Machinery and equipment	3,833,441	3,752,114	5,010,501	5,417,741	8,843,942	9,169,855
Infrastructure	22,363,894	20,383,464	19,580,175	14,907,595	41,944,069	35,291,059
Total	<u>\$ 30,656,076</u>	<u>\$ 28,233,328</u>	<u>\$ 34,704,564</u>	<u>\$ 33,451,997</u>	<u>\$ 65,360,640</u>	<u>\$ 61,685,325</u>

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Additional information on the City's capital assets can be found in Note 7 of this report.

### **Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$61,662,008. Of this amount, \$4,330,000 represents general obligation bonds and certificates of obligation totaled \$57,332,008. The City's bonded debt had a net increase of \$16,802,999 or 37% during the fiscal year ended September 30, 2023. This was due to the issuance of the 2023A and 2023B Certificates of Obligations in the amount of \$19,602,000. In addition, the City also had \$450,000 of tax notes, \$252,989 in right-to-use lease liabilities, and \$189,668 in subscription liabilities outstanding as of September 30, 2023.

Additional information on the City's long-term debt can be found in Note 12.

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

The following factors were considered in preparing the City's budget for the 2024 fiscal year.

With property values and consumer spending appearing stronger, the City has budgeted sales tax more aggressively than in prior years. The total sales tax payments received by the City from the State Comptroller in fiscal year 2023 equaled \$5,479,790. This amount is an increase as compared to the previous year (\$397,331 or 8%). For fiscal year 2024, the City anticipates sales tax to increase 3% over fiscal year 2023 due to the correlation of inflation.

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. HIF USA announced a \$6 billion project, their first industrial-scale e-fuel plant in North America located in Matagorda County. HIF will be creating at least 125 new, full-time jobs, at an estimated annual salary of \$100,000. Five master planned subdivisions are in various stages of development. Within the next 4 years, the City will have approximately 800 houses targeting industrial worker families.

The certified assessed taxable property valuations for the 2024 fiscal year (2023 tax roll) total \$1.2 billion with a tax rate of \$0.43453 per \$100 valuation for maintenance and operations and \$0.13542 per \$100 valuation for the interest and sinking fund. The total tax rate of \$0.56995 decreased from the fiscal 2023 tax rate. The certified assessed taxable property valuations increased from the 2022 tax roll by \$140,312,960 or 13.61%. The tax base should continue to grow with five master planned subdivisions in various stages of construction.

In addition, the City was awarded funding through the Texas Water Development Revolving Loan Program of approximately \$62 million to address the City's aging water and sewer infrastructure. The projects will span over the next three years with loan funding aligned by project timelines. This will aid in evaluating timing of utility rate increases. The City is anticipated to increase utility rates in October 2024 in order to support future debt payments associated with these bond issues.

The City has created four Tax Increment Reinvestment Zones (TIRZ#1, TIRZ#2, TIRZ#3, TIRZ#4) pursuant to Chapter 311 of the Texas Tax Code. The first reinvestment zone is generally located in the downtown area, including a large portion of the north downtown area. In 2022, the City expanded this zone (Zone #1) by approximately 54 acres to support a 233 lot sub-division. The second reinvestment zone is generally located at the far eastern city limit and is currently unimproved land apart from a new cinema/family entertainment center approximately 48,860 square feet. In 2022, this zone was expanded to add 147 acres to support an estimated 300 lot sub-division, multi-family living, and anticipated restaurants. TIRZ #3 was approved for an estimated 68 lot sub-division estimated to be completed by 2024 and is currently making progress. Lastly, in 2022, TIRZ #4 was created in the eastern portion of the City encompassing 49.71 acres to support an estimated 189 lot sub-division to be completed by 2024. Values have increased thus far in these zones by approximately \$36 million combined.

## **REQUESTS FOR INFORMATION**

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

## **Basic Financial Statements**

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2023

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 9,094,430	\$ 2,974,550	\$ 12,068,980	\$ 2,208,321
Investments	3,454,398	1,486,000	4,940,398	1,784,989
Receivables (net)	1,332,282	1,439,808	2,772,090	403,160
Due from other governments	1,176,776	-	1,176,776	153,629
Due from primary government	-	-	-	135,000
Due from component unit	6,681	-	6,681	-
Interlocal receivable - current portion	478,382	-	478,382	-
Note receivable - current portion	-	-	-	100,000
Prepaid items	106,740	-	106,740	-
Inventory	-	29,438	29,438	185,160
Restricted assets				
Cash and cash equivalents	-	32,929,743	32,929,743	236,722
Investments	-	-	-	220,093
Total current assets	15,649,689	38,859,539	54,509,228	5,427,074
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	3,608,813	8,624,226	12,233,039	371,356
Buildings, improvements, and equipment (net)	27,047,263	26,080,339	53,127,602	6,375,075
Right-to-Use lease assets (net)	226,284	15,831	242,115	15,306
Subscriptions (net)	234,609	-	234,609	-
Net capital assets	31,116,969	34,720,396	65,837,365	6,761,737
Lease receivable - noncurrent portion	-	52,675	52,675	-
Interlocal receivable - noncurrent portion	5,234,872	-	5,234,872	-
Note receivable - noncurrent portion	-	-	-	800,000
Total noncurrent assets	36,351,841	34,773,071	71,124,912	7,561,737
<b>Total assets</b>	52,001,530	73,632,610	125,634,140	12,988,811
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred amount on refunding	-	105,463	105,463	-
Deferred amounts related to pension	3,226,239	336,850	3,563,089	-
Deferred amounts related to OPEB	115,657	24,334	139,991	-
<b>Total deferred outflow of resources</b>	3,341,896	466,647	3,808,543	-

The accompanying notes are an integral part of this statement.

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Units
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 1,844,763	\$ 591,930	\$ 2,436,693	\$ 47,018
Accounts payable (payable from restricted assets)	-	72,495	72,495	-
Accrued expenses	263,868	55,842	319,710	103,285
Accrued interest payable	37,011	82,179	119,190	12,327
Due to other governments	33,200	-	33,200	-
Due to primary government	-	-	-	6,681
Due to component unit	135,000	-	135,000	-
Deposits	65,871	621,992	687,863	460,815
Unearned revenue	2,042,731	52,506	2,095,237	400
Accrued compensated absences	34,019	4,879	38,898	-
Current portion of long-term obligations	1,847,511	1,968,006	3,815,517	1,185,776
Total current liabilities	6,303,974	3,449,829	9,753,803	1,816,302
Noncurrent liabilities				
Noncurrent portion of long-term obligations	18,994,226	48,657,701	67,651,927	6,837,312
Total noncurrent liabilities	18,994,226	48,657,701	67,651,927	6,837,312
<b>Total liabilities</b>	<b>25,298,200</b>	<b>52,107,530</b>	<b>77,405,730</b>	<b>8,653,614</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred inflows related to right-to-use lease receivable	15,306	80,427	95,733	104,273
Deferred amounts related to pension	-	21,265	21,265	-
Deferred amounts related to OPEB	276,312	45,855	322,167	-
<b>Total deferred inflow of resources</b>	<b>291,618</b>	<b>147,547</b>	<b>439,165</b>	<b>104,273</b>
<b>NET POSITION</b>				
Net investment in capital assets	15,993,048	18,603,939	34,596,987	6,745,615
Restricted for:				
Debt service	324,913	-	324,913	-
Development	319,946	-	319,946	-
Public safety	380,430	-	380,430	-
Municipal court	32,800	-	32,800	-
Cultural and recreation	866,951	-	866,951	-
Unrestricted	11,835,520	3,240,241	15,075,761	(2,514,691)
<b>Total net position</b>	<b>\$ 29,753,608</b>	<b>\$ 21,844,180</b>	<b>\$ 51,597,788</b>	<b>\$ 4,230,924</b>

**CITY OF BAY CITY, TEXAS**

**STATEMENT OF ACTIVITIES**

For the year ended September 30, 2023

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 2,899,448	\$ 531,588	\$ 203,739	\$ -
Public safety	6,383,069	29,468	427,486	-
Public works	6,335,044	2,685,198	2,139,535	384,851
Cultural and recreation	2,906,324	305,207	582,286	200,000
Interest on long-term debt	383,027	-	-	-
Total governmental activities	<u>18,906,912</u>	<u>3,551,461</u>	<u>3,353,046</u>	<u>584,851</u>
Business-type activities				
Water and sewer	8,871,135	11,179,511	-	-
Airport	845,162	345,390	49,731	-
Total business-type activities	<u>9,716,297</u>	<u>11,524,901</u>	<u>49,731</u>	<u>-</u>
Total primary government	<u>\$ 28,623,209</u>	<u>\$ 15,076,362</u>	<u>\$ 3,402,777</u>	<u>\$ 584,851</u>
<b>Component Units</b>	<u>\$ 5,140,143</u>	<u>\$ 4,202,622</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 net of change in fair value of investments

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (2,164,121)	\$ -	\$ (2,164,121)	\$ -
(5,926,115)	-	(5,926,115)	-
(1,125,460)	-	(1,125,460)	-
(1,818,831)	-	(1,818,831)	-
(383,027)	-	(383,027)	-
<u>(11,417,554)</u>	<u>-</u>	<u>(11,417,554)</u>	<u>-</u>
-	2,308,376	2,308,376	-
<u>-</u>	<u>(450,041)</u>	<u>(450,041)</u>	<u>-</u>
-	1,858,335	1,858,335	-
<u>(11,417,554)</u>	<u>1,858,335</u>	<u>(9,559,219)</u>	<u>-</u>
-	-	-	(937,521)
4,956,883	-	4,956,883	-
1,588,222	-	1,588,222	-
5,479,790	-	5,479,790	1,826,597
1,343,131	-	1,343,131	-
769,706	-	769,706	-
422,076	1,332,950	1,755,026	60,304
621,412	-	621,412	356,610
<u>1,256,500</u>	<u>(1,256,500)</u>	<u>-</u>	<u>-</u>
<u>16,437,720</u>	<u>76,450</u>	<u>16,514,170</u>	<u>2,243,511</u>
5,020,166	1,934,785	6,954,951	1,305,990
<u>24,733,442</u>	<u>19,909,395</u>	<u>44,642,837</u>	<u>2,924,934</u>
<u>\$ 29,753,608</u>	<u>\$ 21,844,180</u>	<u>\$ 51,597,788</u>	<u>\$ 4,230,924</u>

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

September 30, 2023

	General	Hazard Mitigation Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 2,125,793	\$ 3,049,483	\$ 3,591,752	\$ 8,767,028
Investments	3,454,398	-	-	3,454,398
Receivables (net)	1,046,077	-	269,397	1,315,474
Due from other governments	660,151	234,204	282,421	1,176,776
Due from other funds	199,412	-	-	199,412
Due from component unit	6,681	-	-	6,681
Prepaid items	67,474	-	39,266	106,740
<b>Total assets</b>	<b>\$ 7,559,986</b>	<b>\$ 3,283,687</b>	<b>\$ 4,182,836</b>	<b>\$ 15,026,509</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 871,236	\$ 745,250	\$ 166,708	\$ 1,783,194
Accrued expenditures	239,182	-	1,614	240,796
Due to other funds	-	-	165,879	165,879
Due to component unit	-	-	135,000	135,000
Due to other governments	33,200	-	-	33,200
Deposits	48,538	-	17,333	65,871
Unearned revenue	-	2,004,369	38,362	2,042,731
<b>Total liabilities</b>	<b>1,192,156</b>	<b>2,749,619</b>	<b>524,896</b>	<b>4,466,671</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	670,007	234,204	211,252	1,115,463
Deferred inflows related to right-to-use lease receivable	15,306	-	-	15,306
<b>Total deferred inflows of resources</b>	<b>685,313</b>	<b>234,204</b>	<b>211,252</b>	<b>1,130,769</b>
<b>FUND BALANCES</b>				
Nonspendable	67,474	-	39,266	106,740
Restricted	-	299,864	3,560,333	3,860,197
Unassigned	5,615,043	-	(152,911)	5,462,132
<b>Total fund balances</b>	<b>5,682,517</b>	<b>299,864</b>	<b>3,446,688</b>	<b>9,429,069</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 7,559,986</b>	<b>\$ 3,283,687</b>	<b>\$ 4,182,836</b>	<b>\$ 15,026,509</b>

The accompanying notes are an integral part of this statement.

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

September 30, 2023

<b>Total governmental fund balances</b>		<b>\$ 9,429,069</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Internal service funds are used by the City to charge the costs of certain activities, such as maintenance and information technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		329,210
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.		449,484
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.		665,979
Capital and subscription assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental assets at year-end consist of:		
Governmental capital and subscription assets costs	\$ 67,828,975	
Accumulated depreciation/amortization of governmental assets	<u>(37,151,817)</u>	30,677,158
Interlocal receivable on repayment of debt is not a current financial resource and, therefore, is not reported on the fund financial statements.		5,713,254
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on pension	3,226,239	
Deferred amount on OPEB	<u>115,657</u>	3,341,896
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	(13,180,054)	
Premiums on bonds payable	(809,919)	
Tax notes payable	(450,000)	
Subscription liability	(106,231)	
Accrued interest payable	(34,794)	
Compensated absences	(322,236)	
Net pension liability	(4,979,003)	
OPEB liability	<u>(693,893)</u>	(20,576,130)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on OPEB		<u>(276,312)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 29,753,608</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF BAY CITY, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS***For the year ended September 30, 2023*

	General	Hazard Mitigation Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 11,887,785	\$ -	\$ 2,312,672	\$ 14,200,457
Licenses and permits	193,352	-	-	193,352
Fines and forfeitures	153,267	-	23,297	176,564
Fees and charges for services	3,002,499	-	112,989	3,115,488
Intergovernmental	682,149	2,242,121	813,994	3,738,264
Investment earnings net of change in fair value of investments	188,447	110,281	122,888	421,616
Miscellaneous	422,400	-	767,419	1,189,819
<b>Total revenues</b>	<u>16,529,899</u>	<u>2,352,402</u>	<u>4,153,259</u>	<u>23,035,560</u>
<b>EXPENDITURES</b>				
Current				
General government	2,823,743	72,181	135,799	3,031,723
Public safety	6,055,058	-	25,207	6,080,265
Public works	3,847,509	-	308,054	4,155,563
Cultural and recreation	2,000,646	-	574,350	2,574,996
Debt service				
Principal	-	-	1,607,709	1,607,709
Interest and fiscal charges	-	-	449,320	449,320
Paying agents' fees and issue costs	-	-	1,600	1,600
Capital outlay	-	2,118,169	1,444,493	3,562,662
<b>Total expenditures</b>	<u>14,726,956</u>	<u>2,190,350</u>	<u>4,546,532</u>	<u>21,463,838</u>
Excess (deficiency) of revenues over expenditures	1,802,943	162,052	(393,273)	1,571,722
<b>OTHER FINANCING SOURCES (USES)</b>				
Subscriptions issued	167,799	-	-	167,799
Transfers in	823,000	-	510,825	1,333,825
Transfers out	(1,353,325)	(116,000)	(68,000)	(1,537,325)
<b>Total other financing sources (uses)</b>	<u>(362,526)</u>	<u>(116,000)</u>	<u>442,825</u>	<u>(35,701)</u>
Net change in fund balances	1,440,417	46,052	49,552	1,536,021
Fund balances at beginning of year	4,242,100	253,812	3,397,136	7,893,048
<b>Fund balances at end of year</b>	<u>\$ 5,682,517</u>	<u>\$ 299,864</u>	<u>\$ 3,446,688</u>	<u>\$ 9,429,069</u>

The accompanying notes are an integral part of this statement.

**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, 2023*

<b>Total net change in fund balances - governmental funds</b>		<b>\$ 1,536,021</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Internal service funds are used by the City to charge the costs of certain activities, such as maintenance and information technology services, to individual funds. The net activity of the internal service funds are reported with governmental activities.		90,102
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	\$ 4,119,708	
Depreciation expense	<u>(1,704,357)</u>	2,415,351
Subscription assets 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 amortization expense.		
Increase in subscription assets	167,799	
Amortization expense	<u>(44,841)</u>	122,958
Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		(167,799)
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		1,709,201
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	32,858	
Other revenues	<u>(398,299)</u>	(365,441)
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	(9,727)	
Decrease in accrued interest	1,164	
Decrease in bond premium	75,139	
Net pension cost	(356,831)	
Net OPEB cost	<u>(29,972)</u>	<u>(320,227)</u>
<b>Change in net position of governmental activities</b>		<b>\$ 5,020,166</b>

The accompanying notes are an integral part of this statement.

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2023**

	Business-type Activities			Governmental Activities
	Water and Sewer	Airport	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 2,845,385	\$ 129,165	\$ 2,974,550	\$ 327,402
Investments	1,486,000	-	1,486,000	-
Receivables (net)	1,414,051	25,757	1,439,808	16,808
Inventory	-	29,438	29,438	-
Restricted-cash and cash equivalents	32,929,743	-	32,929,743	-
Total current assets	38,675,179	184,360	38,859,539	344,210
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	7,806,868	817,358	8,624,226	-
Buildings, improvements, and equipment (net)	21,961,286	4,119,053	26,080,339	101,874
Right-to-Use lease assets (net)	15,831	-	15,831	226,284
Subscriptions (net)	-	-	-	111,653
Net capital assets	29,783,985	4,936,411	34,720,396	439,811
Lease receivable - noncurrent portion	-	52,675	52,675	-
Total noncurrent assets	29,783,985	4,989,086	34,773,071	439,811
<b>Total assets</b>	<b>68,459,164</b>	<b>5,173,446</b>	<b>73,632,610</b>	<b>784,021</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	105,463	-	105,463	-
Deferred outflow related to pension	336,850	-	336,850	-
Deferred outflow related to OPEB	24,334	-	24,334	-
<b>Total deferred outflows of resources</b>	<b>466,647</b>	<b>-</b>	<b>466,647</b>	<b>-</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	579,400	12,530	591,930	61,569
Accounts payable (payable from restricted assets)	72,495	-	72,495	-
Accrued expenses	50,223	5,619	55,842	23,072
Due to other funds	-	-	-	33,533
Accrued interest payable	82,179	-	82,179	2,217
Deposits	615,811	6,181	621,992	-
Unearned revenue	52,506	-	52,506	-
Accrued compensated absences	4,054	825	4,879	1,795
Right-to-Use lease liability	9,398	-	9,398	81,663
Subscription liability	-	-	-	54,381
Current portion of long term obligations	1,958,608	-	1,958,608	-
Total current liabilities	3,424,674	25,155	3,449,829	258,230

(continued)

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2023**

	Business-type Activities			Governmental Activities
	Water and Sewer	Airport	Total	Internal Service Funds
<b>LIABILITIES - (Continued)</b>				
Noncurrent liabilities				
Accrued compensated absences	\$ 36,484	\$ 7,422	\$ 43,906	\$ 16,155
380 agreement liability	654,959	-	654,959	-
Pension liability	743,989	-	743,989	-
OPEB liability	103,685	-	103,685	-
Right-to-Use lease liability	10,558	-	10,558	151,370
Subscription liability	-	-	-	29,056
Bonds and certificates payable (net of unamortized deferred amounts)	47,100,604	-	47,100,604	-
Total noncurrent liabilities	48,650,279	7,422	48,657,701	196,581
<b>Total liabilities</b>	<b>52,074,953</b>	<b>32,577</b>	<b>52,107,530</b>	<b>454,811</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to right-to-use lease receivable	-	80,427	80,427	-
Deferred inflow related to pension	21,265	-	21,265	-
Deferred inflow related to OPEB	45,855	-	45,855	-
<b>Total deferred inflows of resources</b>	<b>67,120</b>	<b>80,427</b>	<b>147,547</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	13,667,528	4,936,411	18,603,939	101,117
Unrestricted net position	3,116,210	124,031	3,240,241	228,093
<b>Total net position</b>	<b>\$ 16,783,738</b>	<b>\$ 5,060,442</b>	<b>\$ 21,844,180</b>	<b>\$ 329,210</b>

(concluded)

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, 2023*

	Business-type Activities			Governmental Activities
	Water and Sewer	Airport	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 11,148,446	\$ 345,390	\$ 11,493,836	\$ -
Other	31,065	-	31,065	30,377
<b>Total operating revenues</b>	<u>11,179,511</u>	<u>345,390</u>	<u>11,524,901</u>	<u>30,377</u>
<b>OPERATING EXPENSES</b>				
Water and sewer system	5,920,723	-	5,920,723	-
Airport	-	634,186	634,186	-
Maintenance	-	-	-	536,572
Information technology	-	-	-	702,650
Depreciation and amortization	1,340,930	210,976	1,551,906	153,102
<b>Total operating expenses</b>	<u>7,261,653</u>	<u>845,162</u>	<u>8,106,815</u>	<u>1,392,324</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	3,917,858	(499,772)	3,418,086	(1,361,947)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings net of change in fair value of investments	1,329,646	3,304	1,332,950	460
Noncapital grants and contributions	-	49,731	49,731	-
Interest and fiscal charges	(1,609,482)	-	(1,609,482)	(8,411)
<b>Total nonoperating revenues (expenses)</b>	<u>(279,836)</u>	<u>53,035</u>	<u>(226,801)</u>	<u>(7,951)</u>
Income (loss) before transfers	3,638,022	(446,737)	3,191,285	(1,369,898)
Transfers				
Transfers in	29,000	225,000	254,000	1,460,000
Transfers out	(1,510,500)	-	(1,510,500)	-
<b>Total transfers</b>	<u>(1,481,500)</u>	<u>225,000</u>	<u>(1,256,500)</u>	<u>1,460,000</u>
Change in net position	2,156,522	(221,737)	1,934,785	90,102
Total net position at beginning of year, as restated	<u>14,627,216</u>	<u>5,282,179</u>	<u>19,909,395</u>	<u>239,108</u>
<b>Total net position at end of year</b>	<u>\$ 16,783,738</u>	<u>\$ 5,060,442</u>	<u>\$ 21,844,180</u>	<u>\$ 329,210</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, 2023

	Business-type Activities			Governmental Activities
	Water and Sewer	Airport	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 10,981,433	\$ 351,885	\$ 11,333,318	\$ 13,569
Cash paid to suppliers for goods and services	(3,854,609)	(395,846)	(4,250,455)	(548,649)
Cash paid to employees for services	(1,756,062)	(211,769)	(1,967,831)	(664,892)
<b>Net cash provided (used) by operating activities</b>	<u>5,370,762</u>	<u>(255,730)</u>	<u>5,115,032</u>	<u>(1,199,972)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Borrowings from (to) other funds	-	-	-	33,533
Transfers (to) from other funds	(1,481,500)	225,000	(1,256,500)	1,460,000
Noncapital grants and contributions	-	49,731	49,731	-
Increase (decrease) in customer deposits	(28,072)	101	(27,971)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,509,572)</u>	<u>274,832</u>	<u>(1,234,740)</u>	<u>1,493,533</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(4,342,232)	-	(4,342,232)	(32,224)
Proceeds from issuance of certificates	19,602,000	-	19,602,000	-
Principal paid on long-term debt	(1,410,367)	-	(1,410,367)	(154,100)
Interest and debt costs paid	(1,676,415)	-	(1,676,415)	(6,696)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>12,172,986</u>	<u>-</u>	<u>12,172,986</u>	<u>(193,020)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(988,000)	-	(988,000)	-
Proceeds from sales and maturities of investments	485,640	-	485,640	-
Investment income	1,327,960	3,304	1,331,264	460
<b>Net cash provided (used) by investing activities</b>	<u>825,600</u>	<u>3,304</u>	<u>828,904</u>	<u>460</u>
Net increase (decrease) in cash and cash equivalents	16,859,776	22,406	16,882,182	101,001
Cash and cash equivalents at beginning of year	<u>18,915,352</u>	<u>106,759</u>	<u>19,022,111</u>	<u>226,401</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 35,775,128</u>	<u>\$ 129,165</u>	<u>\$ 35,904,293</u>	<u>\$ 327,402</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, 2023

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 3,917,858	\$ (499,772)	\$ 3,418,086	\$ (1,361,947)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	1,340,930	210,976	1,551,906	153,102
Changes in assets and liabilities				
(Increase) decrease in receivables	(218,079)	(73,932)	(292,011)	(16,808)
(Increase) decrease in inventory	-	34,014	34,014	-
(Increase) decrease in prepaid items	29,196	18,031	47,227	-
(Increase) decrease in deferred outflows	(174,266)	-	(174,266)	-
Increase (decrease) in accounts payable	(113,897)	(26,396)	(140,293)	26,694
Increase (decrease) in accrued expenses	10,805	(1,265)	9,540	4,859
Increase (decrease) in unearned revenue	20,001	-	20,001	-
Increase (decrease) in 380 agreement liability	243,421	-	243,421	-
Increase (decrease) in net pension liability (asset)	746,194	-	746,194	-
Increase (decrease) in OPEB liability	(56,623)	-	(56,623)	-
Increase (decrease) in deferred inflows	(359,450)	80,427	(279,023)	-
Increase (decrease) in compensated absences	(15,328)	2,187	(13,141)	(5,872)
Total adjustments	<u>1,452,904</u>	<u>244,042</u>	<u>1,696,946</u>	<u>161,975</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 5,370,762</u>	<u>\$ (255,730)</u>	<u>\$ 5,115,032</u>	<u>\$ (1,199,972)</u>
<b>Noncash capital and related financing activities</b>				
Assets acquired from initiation of Right-to-Use lease and Subscriptions	<u>\$ 31,360</u>	<u>\$ -</u>	<u>\$ 31,360</u>	<u>\$ 331,609</u>
<b>Reconciliation of cash and cash equivalents</b>				
Unrestricted				
Cash and cash equivalents	\$ 2,845,385	\$ 129,165	\$ 2,974,550	\$ 327,402
Restricted				
Cash and cash equivalents	<u>32,929,743</u>	<u>-</u>	<u>32,929,743</u>	<u>-</u>
Total	<u>\$ 35,775,128</u>	<u>\$ 129,165</u>	<u>\$ 35,904,293</u>	<u>\$ 327,402</u>

(concluded)

**CITY OF BAY CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**September 30, 2023**

	Bay City Community Development Corporation	Bay City Gas Company	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,057,435	\$ 1,150,886	\$ 2,208,321
Investments	-	1,784,989	1,784,989
Receivables (net)	18,138	295,828	313,966
Due from other governments	153,629	-	153,629
Due from primary government	135,000	-	135,000
Right-to-Use lease receivable	86,861	-	86,861
Right-to-Use lease interest receivable	2,333	-	2,333
Note receivable - current portion	100,000	-	100,000
Inventory	-	185,160	185,160
Restricted assets			
Cash and cash equivalents	-	236,722	236,722
Investments	-	220,093	220,093
Total current assets	<u>1,553,396</u>	<u>3,873,678</u>	<u>5,427,074</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	353,914	17,442	371,356
Buildings, improvements, and equipment (net)	5,118,344	1,256,731	6,375,075
Right-to-Use lease assets (net)	15,306	-	15,306
Net capital and right-to-use assets	<u>5,487,564</u>	<u>1,274,173</u>	<u>6,761,737</u>
Note receivable - noncurrent portion	800,000	-	800,000
Total noncurrent assets	<u>6,287,564</u>	<u>1,274,173</u>	<u>7,561,737</u>
<b>Total assets</b>	<u>7,840,960</u>	<u>5,147,851</u>	<u>12,988,811</u>
<b>LIABILITIES</b>			
Accounts payable	38,687	8,331	47,018
Accrued expenditures	11,518	91,767	103,285
Accrued interest payable	12,327	-	12,327
Due to primary government	6,681	-	6,681
Deposits	4,000	456,815	460,815
Unearned revenue	400	-	400
Long-term liabilities			
Due within one year	736,310	449,466	1,185,776
Due in more than one year	6,108,073	729,239	6,837,312
<b>Total liabilities</b>	<u>6,917,996</u>	<u>1,735,618</u>	<u>8,653,614</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to right-to-use lease receivable	104,273	-	104,273
<b>Total deferred inflows of resources</b>	<u>104,273</u>	<u>-</u>	<u>104,273</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,471,442	1,274,173	6,745,615
Unrestricted	<u>(4,652,751)</u>	<u>2,138,060</u>	<u>(2,514,691)</u>
<b>Total net position</b>	<u>\$ 818,691</u>	<u>\$ 3,412,233</u>	<u>\$ 4,230,924</u>

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, 2023*

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Component Units</b>				
Bay City Community Development Corporation	\$ 1,854,070	\$ 261,819	\$ -	\$ -
Bay City Gas Company	<u>3,286,073</u>	<u>3,940,803</u>	<u>-</u>	<u>-</u>
Total component units	\$ 5,140,143	\$ 4,202,622	\$ -	\$ -

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.

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Net (Expense) Revenue and Changes in Net Position		
Component Units		
Bay City Community Dev. Corporation	Bay City Gas Company	Total
\$ (1,592,251)	\$ -	\$ (1,592,251)
-	654,730	654,730
(1,592,251)	654,730	(937,521)
1,826,597	-	1,826,597
32,731	27,573	60,304
356,610	-	356,610
2,215,938	27,573	2,243,511
623,687	682,303	1,305,990
195,004	2,729,930	2,924,934
\$ 818,691	\$ 3,412,233	\$ 4,230,924

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

**A. Reporting Entity**

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

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

**Discretely Presented Component Units**

**Bay City Community Development Corporation**

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

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

A. Reporting Entity - (Continued)

Discretely Presented Component Units - (Continued)

Bay City Gas Company

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

The City financially benefits from the Gas Company annually with appropriations being used primarily for capital improvements. 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, 2023 these contributions totaled \$256,000. Complete financial statements for the Gas Company may be obtained from its administrative offices.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Hazard Mitigation Fund, a major special revenue fund, accounts for local and federal funds received to fund projects that respond to or mitigate future disasters.

The City reports the following major proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

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

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

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

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

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

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****D. Budgets and Budgetary Accounting**

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

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

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

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

**E. Leases****City as Lessee**

With the exception of short-term leases, when the City is a lessee in noncancellable lease arrangements the City recognizes a right-to-use lease liability (lease liability) and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value that would be material to the government-wide financial statements. For leases not meeting these criteria, lease payments are recognized as outflows of resources based on the payment provisions of the contract. See Note 12 for details of the City's leasing arrangements as lessee.

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

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****E. Leases - (Continued)****City as Lessee - (Continued)**

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**City as Lessor**

With the exception of short-term leases and certain regulated leases, when the City is a lessor in noncancellable lease arrangements the City recognizes a right-to-use lease receivable (lease receivable) and a deferred inflow of resources in the government-wide and governmental fund financial statements. The City recognizes lease receivables with an initial, individual value that would be material to the governmental financial statements. For leases not meeting these criteria, lease revenues are recognized as inflows of resources based on the payment provisions of the contract. See Note 6 for details of the City's leasing arrangements as lessor.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****F. 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, 2023, the City has adopted a formal investment policy.

Investments in government pools are recorded at amortized cost or NAV. All other investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. See Note 3 for further discussion.

**G. 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.

**H. 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 in both the fund financial statements and the government-wide financial statements and recorded when purchased rather than when consumed.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)****I. Restricted Assets**

The Texas Water Development Board requires the deposit of the proceeds of Certificates of Obligations into escrow accounts subject to being withdrawn in accordance with escrow agreements in place. These funds are shown as “restricted-cash and cash equivalents” on the Water and Sewer Fund’s Statement of Net Position.

**J. 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

Subscription assets are initially recognized at the present value of subscription payments expected to be made during the subscription term, plus any payments made to the vendor before commencement of the subscription term and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

**K. 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.

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

**M. 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- 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.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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.
- Deferred amounts relating to leases represent future inflows of resources which will be recognized as revenue over the life of the lease term.

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

**O. 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.

**P. 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.

**Q. Use of Estimates**

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

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

Budgetary compliance is monitored at departmental level for the General Fund. There was one situation of expenditures exceeding the amounts appropriated during the fiscal year 2022-2023.

<u>Fund / Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Police	\$ 5,117,503	\$ 5,207,251	\$ 89,748

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

**B. Deficit Fund Equity**

As of September 30, 2023, the GLO Grant Fund and the Texas Capital Fund (nonmajor special revenue funds) had deficit fund equity balances of \$102,404 and \$50,507, respectively. These deficits will be eliminated in the 2024 fiscal year.

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**NOTE 3: DEPOSITS AND INVESTMENTS**

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

As of September 30, 2023, 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	\$ 56,215,467	0.9	AAAm	85%
Texas CLASS	4,604,336	1.6	AAAm	7%
Certificates of Deposit	2,974,000	16.6	N/A	5%
Municipal Bonds	1,966,398	24.4	AA+	3%
	<u>\$ 65,760,201</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 pools is the State of Texas. The investment pools transact at a net asset value of \$1.00 per share and are classified as cash and cash equivalents for reporting purposes.

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

As of September 30, 2023, the City has certificates of deposit and municipal bonds valued using quoted prices for similar assets in active markets (Level 2 inputs).

Interest Rate Risk

In compliance with the City's investment policy, the City minimized its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturities of the investment pools did not exceed 60 days. Also, investments in obligations of the US government, its agencies and instrumentalities, and government sponsoring enterprises did not exceed five years to stated maturity as well as investments in brokered certificates of deposits from banks within any US state did not exceed two years to maturity.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent.

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**NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)****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.

**Custodial Credit Risk - Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2023, and for the year then ended, the City was not exposed to any custodial credit risk.

**NOTE 4: RECEIVABLES**

Receivables at September 30, 2023, consist of the following:

	<u>General</u>	<u>Water and Sewer</u>	<u>Airport</u>	<u>Internal Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:						
Accounts	\$ 295,889	\$ 1,485,935	\$ 2,713	\$ -	\$ -	\$ 1,784,537
Ad valorem taxes	565,840	-	-	-	133,254	699,094
Franchise taxes	85,032	-	-	-	-	85,032
Occupancy taxes	-	-	-	-	178,328	178,328
Municipal court fines	195,824	-	-	-	-	195,824
Interest	4,018	2,043	212	-	-	6,273
Right-to-use lease	16,122	-	75,507	-	-	91,629
Other	859,006	7,101	-	16,808	250	883,165
Total gross receivables	2,021,731	1,495,079	78,432	16,808	311,832	3,923,882
Less: Allowances	975,654	81,028	-	-	42,435	1,099,117
Total net receivables	<u>\$ 1,046,077</u>	<u>\$ 1,414,051</u>	<u>\$ 78,432</u>	<u>\$ 16,808</u>	<u>\$ 269,397</u>	<u>\$ 2,824,765</u>

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

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	\$ 358,665	\$ -	\$ 358,665
Fines	19,583	-	19,583
Other	291,759	-	291,759
Hazard Mitigation Fund			
Grant	234,204	2,004,369	2,238,573
Nonmajor Funds			
Ad valorem taxes	90,819	-	90,819
Grant	120,433	-	120,433
Fines and forfeitures	-	38,362	38,362
	<u>\$ 1,115,463</u>	<u>\$ 2,042,731</u>	<u>\$ 3,158,194</u>

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

For the current year, the City levied property taxes of \$0.6350 per \$100 of assessed valuation, for maintenance and operations, \$0.48075 and interest and sinking, \$0.15425. The resulting adjusted total tax levy was \$6.552,623 on the total adjusted taxable valuation of \$1,031,909,146 for the 2022 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, 2023:

	<u>General</u>	<u>Hazard Mitigation</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 11,082	\$ -	\$ 3,538	\$ 11,082
Sales taxes	460,886	-	-	460,886
Federal and state grants	72,889	234,204	278,883	351,772
Contract payments	115,294	-	-	115,294
	<u>\$ 660,151</u>	<u>\$ 234,204</u>	<u>\$ 282,421</u>	<u>\$ 1,176,776</u>

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**NOTE 6: LEASE RECEIVABLES**

The City is a lessor in a noncancelable lease agreement for office space with the Bay City Community Development Corporation ("CDC"). The term of the lease began in fiscal year 2019 and is payable in monthly installments through December 2023, with base rent increases each year. The present value of future minimum lease payments and as of September 30, 2023 of \$16,122 is recorded as a right-to-use lease receivable in the government-wide and governmental fund financial statements, all of which is considered short-term. The related deferred inflow of resources as of September 30, 2023 of \$15,306 is recorded in the government-wide and governmental fund financial statements. Inflows of resources during the current fiscal year include \$62,488 in base lease revenues and \$2,195 in lease interest revenues. No variable payments were recorded.

The City is a lessor in two noncancelable lease agreements for land and infrastructure with Williams Field Services in the Bay City Regional Airport. The terms of the leases range from five to six years and are payable in monthly installments. The present value of future minimum lease payments and as of September 30, 2023 of \$75,507 is recorded as a right-to-use lease receivable in the government-wide and business-type fund financial statements, of which \$22,833 is considered short-term. The related deferred inflow of resources as of September 30, 2023 of \$80,427 is recorded in the government-wide and business-type fund financial statements. Inflows of resources during the current fiscal year include \$29,283 in base lease revenues and \$3,167 in lease interest revenues. No variable payments were recorded.

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**NOTE 7: CAPITAL ASSETS**

The City's capital assets activity for the year ended September 30, 2023, was as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 1,603,907	\$ -	\$ -	\$ 1,603,907
Construction in progress	1,660,588	1,268,236	923,918	2,004,906
Total capital assets not being depreciated	3,264,495	1,268,236	923,918	3,608,813
Capital assets, being depreciated				
Machinery and equipment	12,247,182	608,135	79,794	12,775,523
Buildings	6,675,229	157,200	1,000	6,831,429
Infrastructure	41,915,495	3,042,281	-	44,957,776
Total capital assets being depreciated	60,837,906	3,807,616	80,794	64,564,728
Right-to-Use lease assets, being amortized				
Machinery and equipment	382,938	-	-	382,938
Total right-to-use lease assets being amortized	382,938	-	-	382,938
Subscription assets, being amortized**	-	321,140	-	321,140
Less accumulated depreciation and amortization for				
Capital assets, being depreciated				
Machinery and equipment	8,495,068	526,808	79,794	8,942,082
Buildings	5,841,974	140,527	1,000	5,981,501
Infrastructure	21,532,031	1,061,851	-	22,593,882
Right-to-Use lease assets, being amortized				
Machinery and equipment	70,071	86,583	-	156,654
Subscription assets, being amortized	-	86,531	-	86,531
Total accumulated depreciation and amortization	35,939,144	1,902,300	80,794	37,760,650
Total capital assets being depreciated and lease/subscription assets being amortized, net	25,281,700	2,226,456	-	27,508,156
Governmental activities capital assets, net	\$ 28,546,195	\$ 3,494,692	\$ 923,918	\$ 31,116,969

\*Beginning balances have been restated. See Note 18 for details.

\*\*Subscription assets recognized as of October 1, 2022, upon implementation of GASB 96. See Note 17 for details.

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**NOTE 7: CAPITAL ASSETS - (Continued)**

	Beginning Balance*	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 403,117	\$ -	\$ -	\$ 403,117
Construction in progress	11,172,666	2,479,559	5,431,116	8,221,109
Total capital assets not being depreciated	11,575,783	2,479,559	5,431,116	8,624,226
Capital assets, being depreciated				
Machinery and equipment	15,949,668	71,145	42,500	15,978,313
Buildings and improvements	2,371,044	-	-	2,371,044
Infrastructure	37,161,967	5,677,121	-	42,839,088
Total capital assets being depreciated	55,482,679	5,748,266	42,500	61,188,445
Right-to-Use lease assets, being amortized				
Machinery and equipment	31,360	-	-	31,360
Total right-to-use lease assets being amortized	31,360	-	-	31,360
Less accumulated depreciation and amortization for				
Machinery and equipment	10,531,927	478,385	42,500	10,967,812
Buildings and improvements	820,166	61,216	-	881,382
Infrastructure	22,254,372	1,004,540	-	23,258,912
Right-to-Use lease assets, being amortized				
Machinery and equipment	7,764	7,765	-	15,529
Total accumulated depreciation and amortization	33,614,229	1,551,906	42,500	35,123,635
Total capital assets being depreciated, net	21,899,810	4,196,360	-	26,096,170
Business-type activities capital assets, net	\$ 33,475,593	\$ 6,675,919	\$ 5,431,116	\$ 34,720,396

\*Beginning balances have been restated. See Note 18 for details.

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

**Governmental activities**

General government	\$ 22,261
Public safety	274,215
Public works	1,210,454
Cultural and recreation	242,268
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	153,102
Total depreciation and amortization expense - governmental activities	\$ 1,902,300

**Business-type activities**

Water and sewer	\$ 1,340,930
Airport	210,976
Total depreciation expense - business-type activities	\$ 1,551,906

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**NOTE 8: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the TMRS. TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual report) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

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

At retirement, the member's benefit is calculated as if the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The 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 2023 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	Last adopted 1992-Auto Readoption-100%-Transfers
Annuity increase (for retirees)	70% of CPI repeating
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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	132
Inactive employees entitled to but not yet receiving benefits	122
Active employees	<u>157</u>
	<u>411</u>

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**NOTE 8: DEFINED BENEFIT PENSION PLAN - (Continued)**

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.33% and 9.43% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$824,361, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.65% 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 are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% 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. The assumptions 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 to satisfy the short-term and long-term funding needs of TMRS.

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**NOTE 8: 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 2023 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 Public Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	<u>10.00%</u>	11.80%
<b>Total</b>	<u>100.00%</u>	

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**NOTE 8: 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.

	<b>Increase (Decrease)</b>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
	(a)	(b)	(a) - (b)
<b>Balance at 12/31/2021</b>	\$ 40,418,952	\$ 40,433,652	\$ (14,700)
Changes for the year:			
Service cost	964,432	-	964,432
Interest	2,692,566	-	2,692,566
Changes of benefit terms	-	-	-
Difference between expected and actual experience	400,017	-	400,017
Change of assumptions	-	-	-
Contributions - Employer	-	820,090	(820,090)
Contributions - Employee	-	439,542	(439,542)
Net investment income	-	(2,945,246)	2,945,246
Benefit payments, including refunds of employee contributions	(2,022,590)	(2,022,590)	-
Administrative expense	-	(25,541)	25,541
Other changes	-	30,478	(30,478)
Net changes	<u>2,034,425</u>	<u>(3,703,267)</u>	<u>5,737,692</u>
<b>Balance at 12/31/2022</b>	<u>\$ 42,453,377</u>	<u>\$ 36,730,385</u>	<u>\$ 5,722,992</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 (Asset):	\$11,468,461	\$5,722,992	\$1,034,403

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

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**NOTE 8: 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, 2023 the City recognized pension expense of \$1,356,502.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 419,818	\$ 21,265
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	2,517,350	-
Contributions subsequent to the measurement date	625,921	-
Total	\$ 3,563,089	\$ 21,265

\$625,921 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2023	\$ 336,482
2024	768,200
2025	676,321
2026	1,134,901
2027	-
Thereafter	-
Total	\$ 2,915,904

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**NOTE 9: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)**Plan Description and Benefits Provided

TMRS administers an optional death benefit plan known as the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This voluntary program allows participating cities to provide supplemental death benefits for their active members, with optional coverage for their retirees. A City may terminate coverage in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 800 participating cities on December 31, 2022.

Benefits payable from SDBF become due after the death of a covered active member or retiree and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active members provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the member'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, single-employer OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2022 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>157</u>
Total	<u>276</u>

Contributions

Contributions to the SDBF are made monthly based on the payroll of covered members of the cities participating in the SDBF. The required contribution rate is actuarially determined annually for each City participating in the SDBF. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. 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)
2019	0.23%	0.08%
2020	0.22%	0.08%
2021	0.32%	0.23%
2022	0.30%	0.21%
2023	0.42%	0.23%

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**NOTE 9: 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, 2022 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	4.05%*
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, 2022.

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**NOTE 9: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)****Total OPEB Liability - (Continued)***Changes in Total OPEB Liability*

The following details the changes in the Total OPEB liability:

<b>Balance at 12/31/21</b>	<b>\$ 764,236</b>
Changes for the year:	
Service cost	35,102
Interest	14,215
Change of benefit terms	-
Difference between expected and actual experience	(18,293)
Change of assumptions	(240,789)
Benefit payments	(18,429)
Net changes	(228,194)
<b>Balance at 12/31/22</b>	<b>\$ 536,042</b>

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1.0% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1.0% Increase in Discount Rate (5.05%)
City's Total OPEB Liability:	\$629,278	\$536,042	\$462,002

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$10,190.

At September 30, 2023, 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	\$ 44	\$ 41,456
Changes in actuarial assumptions	58,609	185,641
Contributions subsequent to the measurement date	15,266	-
Total	\$ 73,919	\$ 227,097

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**NOTE 9: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)**

\$15,266 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	OPEB Expense Amount
2023	\$ (35,724)
2024	(52,256)
2025	(59,622)
2026	(20,842)
2027	-
Thereafter	-
Total	\$ (168,444)

**NOTE 10: 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.

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**NOTE 10: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)**Plan Description - (Continued)

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, 2022:

Plan	Employee Only	Employee & Spouse	Employee & Child(ren)	Employee & Family
Base Medical Plan	\$ 709.15	\$ 1,489.18	\$ 1,276.44	\$ 2,127.42
Buy-Up Medical Plan	944.35	1,938.08	1,699.77	2,833.02
Dental	25.41	50.81	68.78	104.16
Vision	5.34	10.31	10.81	16.17

At the December 31, 2022 the 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>134</u>
Total plan members	<u>135</u>

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**NOTE 10: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)**

Total OPEB Liability

The most recent actuarial valuation was performed as of December 31, 2021.

*Funded Status*

As of December 31, 2022, the measurement date, the Total OPEB Liability for benefits was \$261,536, 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, 2021 valuation are as follows:

Actuarial method	Individual entry age normal cost method
Discount rate	4.05% as of December 31, 2022
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 6.75% declining to an ultimate rate of 4.15% after 12 years
Participation rates	20% of those retiring between ages 50 and 65 were assumed to elect medical coverage through the City's plan

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**NOTE 10: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)****Total OPEB Liability - (Continued)***Changes in Total OPEB Liability*

The following details the changes in the Total OPEB liability:

<b>Balance at 12/31/21</b>	<b>\$ 304,490</b>
Changes for the year:	
Service cost	31,339
Interest	5,772
Change of benefit terms	-
Difference between expected and actual experience	(1,548)
Change of assumptions	(65,612)
Benefit payments	(12,905)
Net changes	(42,954)
<b>Balance at 12/31/22</b>	<b>\$ 261,536</b>

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1.0% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1.0% Increase in Discount Rate (5.05%)
City's Total OPEB Liability:	\$288,983	\$261,536	\$237,649

*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:	\$231,591	\$261,536	\$297,930

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$32,939.

At September 30, 2023, 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	\$ 16,455	\$ 21,555
Changes in actuarial assumptions	39,973	73,515
Contributions subsequent to the measurement date	9,644	-
Total	\$ 66,072	\$ 95,070

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**NOTE 10: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)

\$9,644 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	OPEB Expense Amount
2024	\$ (4,172)
2025	(4,172)
2026	(5,490)
2027	(4,216)
2028	(7,170)
Thereafter	(13,422)
Total	\$ (38,642)

Summary of OPEB Accounts

Plan	OPEB Liability (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense (Reduction)
TMRS Supplemental Death Benefit	\$ 536,042	\$ 73,919	\$ 227,097	\$ 10,190
Retiree Health Benefit	261,536	66,072	95,070	32,939
Totals	<u>\$ 797,578</u>	<u>\$ 139,991</u>	<u>\$ 322,167</u>	<u>\$ 43,129</u>

**NOTE 11: 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 solicits competitive proposals each year for employee health care insurance. The City Council awards a health care insurance provider annually. The City pays a portion of the health care premiums for City employees and the City's contribution can change from year to year depending on budgetary constraints. Employees pay health care premiums including optional dependent coverage via payroll deductions. The City has no liability for any claims incurred by participants in this plan.

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**NOTE 12: LONG-TERM DEBT****Changes in Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds and certificates payable					
General obligation bonds	\$ 2,157,200	\$ -	\$ 613,950	\$ 1,543,250	\$ 635,550
Certificates of obligation	12,420,563	-	783,759	11,636,804	810,842
Plus deferred amounts:					
Bond premium	885,058	-	75,139	809,919	-
Total bonds and certificates payable	15,462,821	-	1,472,848	13,989,973	1,446,392
Tax notes	660,000	-	210,000	450,000	220,000
Direct borrowing					
Financed purchases	39,923	-	39,923	-	-
Right-to-Use lease	317,230	-	84,197	233,033	81,663
Subscription**	-	311,390	121,722	189,668	99,456
Net pension liability (asset)	(12,495)	4,991,498	-	4,979,003	-
OPEB liability	908,418	-	214,525	693,893	-
Compensated absences	336,332	411,970	408,116	340,186	34,019
Total governmental activity					
long-term liabilities	<u>\$ 17,712,229</u>	<u>\$ 5,714,858</u>	<u>\$ 2,551,331</u>	<u>\$ 20,875,756</u>	<u>\$ 1,881,530</u>
<b>Business-type activities</b>					
Bonds and certificates payable					
General obligation bonds	\$ 3,322,800	\$ -	\$ 536,050	\$ 2,786,750	\$ 564,450
Certificates of obligation	26,958,446	19,602,000	865,242	45,695,204	1,394,158
Plus deferred amounts:					
Bond premium	703,981	-	126,723	577,258	-
Total certificates payable	30,985,227	19,602,000	1,528,015	49,059,212	1,958,608
Right-to-Use lease	29,031	-	9,075	19,956	9,398
Net pension liability (asset)	(2,205)	746,194	-	743,989	-
OPEB liability	160,308	-	56,623	103,685	-
380 agreement liability (Note 16)	753,578	407,233	224,301	936,510	281,551
Compensated absences	61,926	65,234	78,375	48,785	4,879
Total business-type activity					
long-term liabilities	<u>\$ 31,987,865</u>	<u>\$ 20,820,661</u>	<u>\$ 1,896,389</u>	<u>\$ 50,912,137</u>	<u>\$ 2,254,436</u>

\*Beginning balances have been restated. See Note 18 for details.

\*\*Subscription liabilities recognized as of October 1, 2022, upon implementation of GASB 96. See Note 17 for details.

Internal service funds predominantly serve the governmental funds. Accordingly, the long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$233,033, \$83,437, and \$17,950 of internal service funds' right-to-use lease liability, subscription liability, and compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences, pension benefits, and other post-employment benefits are generally liquidated by the General Fund.

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**NOTE 12: 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 or to advance refund previously issued debt. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bonds have been issued for both governmental and business-type 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
Refunding Series 2021	2021 - 2030	5.00%	6,205,000

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 635,550	\$ 65,013	\$ 564,450	\$ 139,338	\$ 1,404,351
2025	240,700	45,385	589,300	111,115	986,500
2026	253,750	33,350	621,250	81,650	990,000
2027	266,800	20,663	653,200	50,588	991,251
2028	46,400	7,323	113,600	17,928	185,251
2029-2030	100,050	7,541	244,950	18,461	371,002
	<u>\$ 1,543,250</u>	<u>\$ 179,275</u>	<u>\$ 2,786,750</u>	<u>\$ 419,080</u>	<u>\$ 4,928,355</u>

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**NOTE 12: LONG-TERM DEBT - (Continued)**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 2021, 2022 and 2023 C.O.s are held by the Texas Water Development Board and contain no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences. The Series 2021A, 2022A, and 2023A are funded through the Clean Water Act's Clean Water State Revolving Fund (CWSRF) which assists communities by providing low-cost financing for a wide range of wastewater, stormwater, reuse, and other pollution control projects. The Series 2021B, 2022B, and 2023B are funded through the Clean Water Act's Drinking Water State Revolving Fund (DWSRF) which assists communities by providing low-cost financing for a wide range of water projects that facilitate compliance with drinking water standards.

The C.O.s have been issued for both governmental and business-type activities. C.O.'s currently outstanding are as follows:

	Term	Interest Rate	Original Amount
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
Certificates of Obligation 2021 A Series	2021-2050	0.8% - 2.29%	4,742,000
Certificates of Obligation 2021 B Series	2021-2050	0.8% - 2.34%	2,125,000
Certificates of Obligation 2022 A Series	2022-2051	0.8% - 2.35%	12,707,000
Certificates of Obligation 2022 B Series	2022-2051	0.8% - 2.35%	5,645,000
Certificates of Obligation 2023 A Series	2023-2052	1.11% - 3.09%	13,427,000
Certificates of Obligation 2023 B Series	2023-2052	1.16% - 3.14%	6,175,000

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**NOTE 12: 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	
2024	\$ 810,842	\$ 323,326	\$ 1,394,158	\$ 891,450	\$ 3,419,776
2025	827,926	300,453	1,411,075	875,698	3,415,152
2026	855,009	276,800	1,422,991	860,271	3,415,071
2027	875,426	251,450	1,440,574	844,548	3,411,998
2028	897,510	224,259	1,451,491	827,994	3,401,254
2029-2033	4,530,471	725,135	7,559,533	3,873,548	16,688,687
2034-2038	2,184,620	197,440	7,604,382	3,332,200	13,318,642
2039-2043	455,000	65,063	7,937,000	2,582,846	11,039,909
2044-2048	200,000	8,250	8,912,000	1,596,737	10,716,987
2049-2050	-	-	6,562,000	415,938	6,977,938
	<u>\$ 11,636,804</u>	<u>\$ 2,372,176</u>	<u>\$ 45,695,204</u>	<u>\$ 16,101,230</u>	<u>\$ 75,805,414</u>

**Interlocal Receivable**

In 2020, the City entered into interlocal cooperation agreements with the 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. 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 2023, CDC and the Company paid a total of \$473,582 to the City relating to the interlocal commitment. The remaining amount of \$5,713,254 is reported as an interlocal receivable on the government-wide financial statements at September 30, 2023.

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

	Principal and Interest
2024	\$ 478,382
2025	477,732
2026	476,782
2027	475,532
2028	473,982
2029-2033	2,380,260
2034-2035	950,584
	<u>\$ 5,713,254</u>

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**NOTE 12: 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>	
2024	\$ 220,000	\$ 13,545	\$ 233,545
2025	230,000	3,461	233,461
	<u>\$ 450,000</u>	<u>\$ 17,006</u>	<u>\$ 467,006</u>

Right-to-Use Lease

The City's noncancelable lease agreements for various copiers, printers, and various equipment are recorded in the Information Technology Internal Service Fund and the Airport Fund. The agreements are reported as right-to-use lease liabilities in the government-wide financial statements as of September 30, 2023. The leases are payable in monthly installments over various terms.

Outflows of resources from leases which are included in the measurement of the lease liability balance as of September 30, 2023 were comprised of \$84,197 of principal and \$6,690 of interest in governmental activities, and \$9,075 of principal and \$928 of interest in business-type activities.

Annual requirements to maturity for the right-to-use lease liabilities are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 81,663	\$ 4,577	\$ 9,398	\$ 549	\$ 96,187
2025	81,861	2,828	9,732	214	94,635
2026	49,342	1,317	826	2	51,487
2027	20,167	232	-	-	20,399
	<u>\$ 233,033</u>	<u>\$ 8,954</u>	<u>\$ 19,956</u>	<u>\$ 765</u>	<u>\$ 262,708</u>

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**NOTE 12: LONG-TERM DEBT - (Continued)****Subscription Liabilities**

The City recognizes subscription liabilities for its payment obligations under subscription-based information technology arrangements (SBITAs), which convey to the City the right to use another party's information technology software. The City's SBITAs include enterprise software, cloud-based services and other software packages, and are recorded in the Information Technology Internal Service Fund and General Fund. The present value of future minimum subscription payments as of September 30, 2023, is recorded as a subscription liability in the government-wide financial statements.

Outflows of resources from SBITAs which are included in the measurement of the subscription liability balance as of September 30, 2023 were comprised of \$60,153 of principal and \$1,720 of interest.

Principal and interest requirements to maturity as of September 30, 2023, are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 99,456	\$ 6,049	\$ 105,505
2025	36,796	2,865	39,661
2026	26,284	1,721	28,005
2027	27,132	874	28,006
	<u>\$ 189,668</u>	<u>\$ 11,509</u>	<u>\$ 201,177</u>

**Prior Year Defeasance of Debt**

In prior years the City defeased certain certificates of obligations and general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability of the debt are not included in the City's financial statements. At September 30, 2023, \$4,935,000 of debt outstanding is considered defeased.

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**NOTE 13: 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, 2023, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	
	GLO Grant Fund	\$ 93,154
	Texas Capital Fund	70,245
	HOME Program Fund	2,480
	Internal Service	
	Information Technology Fund	<u>33,533</u>
		<u>\$ 199,412</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>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Internal Service Funds</u>	<u>Nonmajor Govt. Funds</u>	
General	\$ -	\$ -	\$ 225,000	\$ 730,000	\$ 398,325	\$ 1,353,325
Hazard Mitigation	87,000	29,000	-	-	-	116,000
Nonmajor Govt. Funds	68,000	-	-	-	-	68,000
Water and Sewer	<u>668,000</u>	<u>-</u>	<u>-</u>	<u>730,000</u>	<u>112,500</u>	<u>1,510,500</u>
	<u>\$ 823,000</u>	<u>\$ 29,000</u>	<u>\$ 225,000</u>	<u>\$ 1,460,000</u>	<u>\$ 510,825</u>	<u>\$ 3,047,825</u>

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**NOTE 14: 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, 2023, 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, 2023, the following construction projects were in progress:

<u>Project Description</u>	<u>Costs Incurred To Date</u>	<u>Estimated Remaining Costs</u>	<u>Source of Funds</u>
<b>Governmental activities:</b>			
Theatre Arts Center	\$ 537,463	\$ -	City
Cottonwood Creek drainage	92,266	42,734	City/Grant
United Rentals drainage improvements	295,598	-	City/Grant
Hardeman Soccer Field lighting	408,571	-	City/Grant
Radio encryption	98,568	-	City/Grant
Generator grant DR 4586 & DR 4572	3,000	-	City/Grant
COVID DR 4485 generators	10,500	-	City/Grant
Jet A fuel system improvements	216,347	97,984	City/Grant
Stormwater management plan	3,500	-	City/Grant
City Hall re-roof	303,243	-	City
USO/Service Center window replacement	13,200	7,900	City
Nile Valley Bridge approach slab & side	22,650	-	City
	<u>2,004,906</u>	<u>148,618</u>	

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**NOTE 14: COMMITMENTS AND CONTINGENCIES - (Continued)****Construction Commitments - (Continued)**

<u>Project Description</u>	<u>Costs Incurred To Date</u>	<u>Estimated Remaining Costs</u>	<u>Source of Funds</u>
<b>Business-type activities:</b>			
Water system evaluation	\$ 355,903	\$ 32,120	City/State
WWTP improvements	218,167	-	City/State
T-Hangar A row remodel	67,336	-	City
Taxiway relocation	726,060	-	City/State
East water plant	604,216	2,895,784	City/State
North water plant	692,933	2,807,067	City/State
WWTP improvements	5,273,713	26,326,287	City/State
Mockingbird water plant rehab	184,920	50,138	City
New water well & plant	97,861	115,009	City/State
	<u>8,221,109</u>	<u>32,226,405</u>	
	<u>\$ 10,226,015</u>	<u>\$ 32,375,023</u>	

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**NOTE 15: FUND BALANCES**

The following is a detail of the governmental fund balances at September 30, 2023.

	<u>Governmental Fund Balances</u>			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>	<u>Total</u>
General				
Prepaid items	\$ 67,474	\$ -	\$ -	\$ 67,474
Unassigned	-	-	5,615,043	5,615,043
Hazard Mitigation				
Public safety: Various	-	299,864	-	299,864
Nonmajor Governmental				
Prepaid items	39,266	-	-	39,266
Retirement of long-term debt	-	266,112	-	266,112
Arts, tourism, and conventions	-	827,685	-	827,685
Municipal court	-	32,800	-	32,800
Public safety: Police	-	80,566	-	80,566
Public works: Various	-	319,946	-	319,946
Various capital projects	-	2,033,224	-	2,033,224
Unassigned	-	-	(152,911)	(152,911)
	<u>\$ 106,740</u>	<u>\$ 3,860,197</u>	<u>\$ 5,462,132</u>	<u>\$ 9,429,069</u>

**NOTE 16: ECONOMIC INCENTIVE AGREEMENTS**

The City has executed 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, housing, and invigorate the local economy. The companies are tax collecting entities 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, 2023, the City incurred costs of \$1,029 for property tax rebates under the Chapter 380 economic incentive agreement. In addition, the City reports a liability at fiscal year-end in the amount of \$936,510 for water and sewer rebates. \$281,551 will be paid in fiscal year 2024, \$247,726 will be paid in fiscal year 2025, and \$407,233 will be paid in fiscal year 2026. These rebates are calculated as the difference between outside and inside city limit utility rates. 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, 2023. All of these agreements have a contract end date of 2024 or 2028.

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**NOTE 17: IMPLEMENTATION OF NEW STANDARD**

The City implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements ("GASB 96") during the fiscal year ended September 30, 2023. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The City implemented GASB 96 as of the beginning of the fiscal year, resulting in recognition of approximately \$321,140 in subscription assets and \$311,390 in subscription liabilities. Implementation of GASB 96 had no impact on the net position or the change in net position previously reported prior to implementation.

**NOTE 18: RESTATEMENT OF BEGINNING BALANCES**

The City recognized additional lease agreements under GASB Statement No. 87 (GASB 87), Leases for the year ended September 30, 2022. The effect of including these lease agreements was to increase governmental lease assets and related accumulated amortization by \$178,268 and \$44,045, respectively, as well as increase business-type lease assets and related amortization by \$31,360 and \$7,764, respectively. In addition, governmental lease liabilities increased by \$137,452 and business-type lease liabilities increased by \$29,031. The net effect was to decrease governmental activities net position by \$3,229 and business-type activities fund balance and net position by \$5,435.

**NOTE 19: SUBSEQUENT EVENT**

In January 2024 the City issued Tax and Surplus Revenue Certificates of Obligation, Series 2024A in the amount of \$7,124,000, Tax and Surplus Revenue Certificates of Obligation, Series 2024B in the amount of \$3,620,000, Tax and Surplus Revenue Certificates of Obligation, Series 2024C in the amount of \$2,590,000, and Tax and Surplus Revenue Certificates of Obligation, Series 2024D in the amount of \$8,910,000. The 2024 C.O.s were privately placed with the Texas Water Development Board through multiple issuances over the project period. The Series 2024A are funded through the Clean Water Act's Clean Water State Revolving Fund (CWSRF) to make critical improvements to the City's wastewater systems. These improvements will include upgrades to the existing plant, lift stations, and collection systems. The Series 2024B, 2024C and 2024D are funded through the Clean Water Act's Drinking Water State Revolving Fund (DWSRF) to make critical improvements to the City's water systems. These improvements will include upgrades to the existing water plants, water distribution system and new water plants.

In March 2024, the City authorized a Notice of Intent to issue bonds for an amount not to exceed \$17,500,000. The Tax and Surplus Revenue Certificates of Obligation, Series 2024E will complete the Wastewater Treatment Plant Improvements (\$10,000,000) and will design and construct a Public Safety Building (\$7,500,000) that will house the Police and Municipal Court.

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**NOTE 20: 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.

**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.

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

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

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

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.

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

4. Budgets and Budgetary Accounting - (Continued)

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. Leases

CDC as Lessee

With the exception of short-term leases, when CDC is a lessee in noncancellable lease arrangements the CDC recognizes a right-to-use lease liability (lease liability) and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The CDC recognizes lease liabilities with an initial, individual value that would be material to the government-wide financial statements. For leases not meeting these criteria, lease payments are recognized as outflows of resources based on the payment provisions of the contract. See Note 8 for details of the CDC's leasing arrangements as lessee.

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

Key estimates and judgments related to leases include how CDC determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The CDC uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the CDC generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the CDC is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. The CDC monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

5. Leases - (Continued)

CDC as Lessor

With the exception of short-term leases and certain regulated leases, when the CDC is a lessor in noncancellable lease arrangements the CDC recognizes a right-to-use lease receivable (lease receivable) and a deferred inflow of resources in the government-wide and governmental fund financial statements. The CDC recognizes lease receivables with an initial, individual value that would be material to the governmental financial statements. For leases not meeting these criteria, lease revenues are recognized as inflows of resources based on the payment provisions of the contract. See Note 6 for details of the CDC's leasing arrangements as lessor.

At the commencement of a lease, the CDC initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the CDC determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The CDC uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The CDC monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

6. 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.

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**

B. Summary of Significant Accounting Policies - (Continued)

7. Capital Assets

CDC's capital assets, which consist of land, buildings, office equipment, and right-to-use lease assets are reported in the applicable governmental activities columns in the government-wide statement of net position. CDC defines capital assets, excluding right-to-use lease 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.

8. 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 was not considered material to the accompanying financial statements. As such, no liability for these benefits has been reported as of September 30, 2023.

9. 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.

10. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. CDC reports deferred inflows related to leases in the governmental funds balance sheet, as well as the government-wide statements. Deferred amounts relating to leases represent future inflows of resources which will be recognized as revenue over the life of the lease term.

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****B. Summary of Significant Accounting Policies - (Continued)****11. Fund Balance**

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, ("GASB 54") was issued in February 2009. GASB 54 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 CDC did not adopt a new fund balance policy in accordance with GASB 54 during fiscal year 2023. This Statement did not have an impact on the CDC's functions, financial position or results of operations.

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

**12. 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.

**C. Stewardship, Compliance, and Accountability****Budgetary Compliance**

Budgetary compliance is monitored at the line-item level in the General Fund. For the fiscal year ended September 30, 2023, CDC complied with budgetary restrictions at all function levels except as detailed in the following table.

	Final Budget	Actual	Negative Variance
Current			
Advertising	\$ 21,680	\$ 27,431	\$ 5,751
Dues and subscriptions	4,000	9,406	5,406
Equipment rental	3,100	3,438	338
Office	6,300	9,800	3,500
Professional services	25,000	30,150	5,150
Program expenditures	902,116	1,316,424	414,308
Salaries, wages, and benefits	324,847	334,017	9,170
Telephone	2,500	2,852	352
Utilities	4,000	4,941	941
Debt Service			
Principal	189,200	465,259	276,059
Interest and fiscal charges	57,200	116,572	59,372

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

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****D. Deposits and Investments**

The 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.

As of September 30, 2023, 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	\$ 809,981	26	AAAm	100%
	<u>\$ 809,981</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 pool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. The investment pool transacts at a net asset value of \$1.00 per share and are classified as cash and cash equivalents for reporting purposes.

**Interest Rate Risk**

In accordance with CDC's investment policy, CDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 36 months or less.

**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, 2023, 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.

**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. Funds held with TDECU were fully insured through the National Credit Union Association.

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****D. Deposits and Investments - (Continued)****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, 2023, and for the year then ended, CDC was not exposed to any custodial credit risk.

**E. Receivables**

Receivables at September 30, 2023, including the applicable allowances for uncollectible accounts, consisted of the following:

	<u>General Fund</u>	<u>Total</u>
Gross receivables:		
Accounts	\$ 14,538	\$ 14,538
Accounts	<u>3,600</u>	<u>3,600</u>
Total gross receivables	18,138	18,138
Less: Allowances	<u>-</u>	<u>-</u>
Total net receivables	<u>\$ 18,138</u>	<u>\$ 18,138</u>

The CDC'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	\$ -	\$ 400	\$ 400
	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 400</u>

**F. 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 \$153,629 for sales tax earned by the City for the year ended September 30, 2023 is reported as due from other government. The City collects the sales tax from the State of Texas and then pays CDC's portion monthly when collected.

In addition, TIRZ income from the City in the amount of \$135,000 was reported as due from City of Bay City, Texas.

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****G. Lease Receivable**

CDC is a lessor in a noncancelable lease agreement for office space with STP Nuclear Operating Company. The present value of future minimum lease payments as of September 30, 2023 of \$86,861 is recorded as a right-to-use lease receivable in the government-wide and fund financial statements. The related deferred inflow of resources as of September 30, 2023 of \$107,655 is recorded in the fund financial statements.

Inflows of resources during the current fiscal year include \$83,419 in base lease revenues and \$5,037 in lease interest revenues. No variable payments were recorded.

The 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 by either party. The base rental rate of the space is \$0.325 per square foot per month, with a \$0.01 increase per square foot each year.

**H. Note Receivable**

In August 2022, CDC sold its assets relating to the Family Entertainment Center to Schulman's Movie Bowl Grille, LLC ("SMBG"). As part of the sale, SMBG entered into an agreement with the CDC to pay \$100,000 per year over a ten-year term. As of September 30, 2023, \$100,000 is recorded as a current note receivable in the statement of net position. The remaining balance of \$800,000 is shown as long-term note receivable in the statement of net position.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 100,000	\$ -	\$ 100,000
2025	100,000	-	100,000
2026	100,000	-	100,000
2027	100,000	-	100,000
2028	100,000	-	100,000
2029-2032	<u>400,000</u>	<u>-</u>	<u>400,000</u>
	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****I. Capital Assets**

CDC's capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 456,676	\$ -	\$ 102,762	\$ 353,914
Total capital assets not being depreciated	456,676	-	102,762	353,914
Capital assets, being depreciated				
Machinery and equipment	159,254	112,950	14,633	257,571
Buildings	7,816,487	-	-	7,816,487
Total capital assets being depreciated	7,975,741	112,950	14,633	8,074,058
Right-to-Use lease assets, being amortized				
Buildings	137,751	-	-	137,751
Total right-to-use leased assets, being amortized	137,751	-	-	137,751
Less accumulated depreciation and amortization for				
Machinery and equipment	136,672	19,185	10,155	145,702
Buildings	2,561,632	248,379	-	2,810,011
Right-to-use lease assets	61,223	61,223	-	122,446
Total accumulated depreciation and amortization	2,759,527	328,787	10,155	3,078,159
Total capital assets being depreciated and right-to-use lease assets being amortized, net	5,353,965	(215,837)	4,478	5,133,650
Bay City City Development Corporation capital assets, net	\$ 5,810,641	\$ (215,837)	\$ 107,240	\$ 5,487,564

Depreciation and amortization expense of \$328,787 was charged to the general government function/program.

**J. Due to City of Bay City, Texas**

The due to City of Bay City, Texas of \$6,681, reported on the fund financial statements, primarily relates to amounts owed for salary and utility payments made by the City on behalf of CDC.

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****K. Long-term Debt**

Long-term liability activity for the year ended September 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable - direct borrowings					
Government Capital Series 2021	\$ 2,959,374	\$ -	\$ 189,185	\$ 2,770,189	\$ 192,959
Prosperity Bank	<u>1,477,518</u>	<u>-</u>	<u>276,074</u>	<u>1,201,444</u>	<u>288,038</u>
Total notes payable - direct borrowings	<u>4,436,892</u>	<u>-</u>	<u>465,259</u>	<u>3,971,633</u>	<u>480,997</u>
Interlocal commitment	<u>3,093,418</u>	<u>-</u>	<u>236,790</u>	<u>2,856,628</u>	<u>239,191</u>
Right-to-Use lease	<u>78,610</u>	<u>-</u>	<u>62,488</u>	<u>16,122</u>	<u>16,122</u>
	<u>\$ 7,608,920</u>	<u>\$ -</u>	<u>\$ 764,537</u>	<u>\$ 6,844,383</u>	<u>\$ 736,310</u>

**Notes Payable**

Series 2021 note payable was a direct borrowing in January 2021 to refinance the Series 2016 and Series 2016 A notes payable with Government Capital Corporation in the amount of \$3,190,661. Interest is fixed at an initial rate of 1.98% and is adjustable at the 5- and 10-year anniversaries. Principal and interest is payable on a quarterly basis of \$61,596 through April 2036. The note is secured by all sales and use taxes levied and collected.

In August 2022, the CDC obtained direct borrowing financing with Prosperity Bank in the amount of \$1,500,000 to in order to pay off the note payable with TDECU in conjunction with the sale of the Family Entertainment Center to SMBG. Interest is fixed at a rate of 4.25%. Principal and interest is payable on a monthly basis of \$27,794 through August 2027.

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>
2024	\$ 480,997	\$ 98,917	\$ 579,914
2025	497,329	82,585	579,914
2026	514,279	65,635	579,914
2027	504,078	48,042	552,120
2028	208,822	37,560	246,382
2029-2033	1,108,278	123,631	1,231,909
2034-2036	<u>657,850</u>	<u>19,699</u>	<u>677,549</u>
	<u>\$ 3,971,633</u>	<u>\$ 476,069</u>	<u>\$ 4,447,702</u>

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)****K. 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 2023, CDC paid \$236,790 to the City relating to the interlocal commitment. The remaining payable of \$2,856,628 is reported as a long-term obligation on the government-wide financial statements at and as of September 30, 2023.

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

	Principal and Interest
2024	\$ 239,191
2025	238,866
2026	238,391
2027	237,766
2028	236,991
2029-2033	1,190,130
2034-2035	475,293
	<u>\$ 2,856,628</u>

Right-to-Use Lease

The CDC's noncancelable lease agreement with the City for office space is reported as a right-to-use lease liability as of September 30, 2023. The lease began in fiscal year 2019 and is payable in monthly installments through December 2023, with base rent increases each year.

Annual requirements to maturity for the right-to-use lease liability are as follows:

	Principal	Interest	Total
2024	<u>\$ 16,122</u>	<u>\$ 114</u>	<u>\$ 16,236</u>
	<u>\$ 16,122</u>	<u>\$ 114</u>	<u>\$ 16,236</u>

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**NOTE 20: BAY CITY COMMUNITY DEVELOPMENT CORPORATION - (Continued)**

L. Sales Tax Reimbursement Agreement

As part of the sale of the SMBG property in fiscal year 2022, CDC entered into a sales tax reimbursement agreement, authorized under Chapter 380 of the Local Government Code, with SMBG. The purpose of the agreement is to create jobs and invigorate the local economy.

The agreement with SMBG became effective July 1, 2022 and will remain in effect until June 30, 2032. CDC will reimburse SMBG for 100% of Economic Development Type B Sales Tax (0.005), net of collection fees. For the year ended September 30, 2023, tax rebate expenditures of \$22,775 were incurred.

M. 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.

N. Fund Balances

As of September 30, 2023, committed fund balance of \$14,566 relates to various grants approved by the Board. The remaining balance of \$1,269,832 is unassigned.

O. Implementation of New Standard

During fiscal year 2023, the CDC adopted GASB Statement No. 96 (GASB 96), Subscription-Based Information Technology Agreements (SBITA). The objective of this Statement was to establish standards for recognizing and measuring right to use subscription assets and liabilities related to contracts conveying control of the right to use another party's (a SBITA vendor's) information technology software. As of September 30, 2023, the CDC did not have any items required to be recorded as right to use subscription assets or liabilities as a result of implementing GASB 96.

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**NOTE 21: 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 recognized 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.

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**NOTE 21: 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 expenses inventory when purchased to account for inventory. Under this method, inventory is then counted at year end and trued up appropriately. 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, 2023, the Company reported compensated absences of \$64,596.

**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

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**NOTE 21: 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 of resources (revenues).

**g. 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.

**h. 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, 2023, the Company did not report any restricted net position.

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**NOTE 21: BAY CITY GAS COMPANY - (Continued)****B. Deposits and Investments**

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, 2023 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	1,148,056	236,722	1,384,778
Local government investment pools			
TexPool	<u>930</u>	<u>-</u>	<u>930</u>
Total cash and temporary investments	<u>1,150,886</u>	<u>236,722</u>	<u>1,387,608</u>
Investments			
Certificates of deposit	1,784,601	220,093	2,004,694
Government agency securities	<u>388</u>	<u>-</u>	<u>388</u>
Total investments	<u>1,784,989</u>	<u>220,093</u>	<u>2,005,082</u>
Total cash and temporary investments and investments	<u>\$ 2,935,875</u>	<u>\$ 456,815</u>	<u>\$ 3,392,690</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, 2023, the carrying amount, of the Company's deposits, were \$3,389,472, while the financial institution balances totaled \$3,474,090. Of the financial institution balances, \$2,015,867 was covered by federal depository insurance coverage, \$5 was covered by the Securities Investor Protection Corporation and \$1,731,390 was covered by collateral held by the Company's agent in the Company's name.

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**NOTE 21: BAY CITY GAS COMPANY - (Continued)****C. Deposits and Investments - (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, 2023, Texpool had a weighted average maturity of 19 days. Although Texpool had a weighting average maturity of 19 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, 2023, 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	\$ 930	19
Certificates of deposit	Varies	2,004,694	290
Government agency securities	Varies	388	1,695
		<u>\$ 2,006,012</u>	

Credit Risk - As of March 31, 2023, Texpool (which represent approximately 0.05% 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 0.02% 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.

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**NOTE 21: BAY CITY GAS COMPANY - (Continued)****B. Deposits and Investments - (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, 2023.

**C. Accounts Receivable**

Receivables as of March 31, 2023 for the Company, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	
Accounts	\$ 297,502
Accrued interest	<u>10,264</u>
Gross receivables	307,766
Less allowance for uncollectibles	
Accounts	<u>11,938</u>
Net receivables	<u>\$ 295,828</u>

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**NOTE 21: BAY CITY GAS COMPANY - (Continued)****D. Capital Assets**

A summary of changes in capital assets for the year ended March 31, 2023, is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Construction in progress	\$ 33,339	\$ -	\$ 15,897	\$ 17,442
Total capital assets not being depreciated	<u>33,339</u>	<u>-</u>	<u>15,897</u>	<u>17,442</u>
Capital assets, being depreciated:				
Utility plant	1,614,822	-	-	1,614,822
Plant additions	1,390,680	9,544	-	1,400,224
Regulators	8,129	-	-	8,129
Office building	604,260	-	-	604,260
Vehicles	283,906	6,500	-	290,406
Machinery and equipment	369,209	16,291	-	385,500
Furniture and fixtures	<u>25,767</u>	<u>-</u>	<u>-</u>	<u>25,767</u>
Total capital assets being depreciated	<u>4,296,773</u>	<u>32,335</u>	<u>-</u>	<u>4,329,108</u>
Total capital assets	<u>4,330,112</u>	<u>32,335</u>	<u>15,897</u>	<u>4,346,550</u>
Less accumulated depreciation for:				
Utility plant	1,544,174	40,370	-	1,584,544
Plant additions	459,666	45,944	-	505,610
Regulators	1,769	453	-	2,222
Office building	438,502	15,442	-	453,944
Vehicles	193,654	16,671	-	210,325
Machinery and equipment	270,258	19,707	-	289,965
Furniture and fixtures	<u>25,767</u>	<u>-</u>	<u>-</u>	<u>25,767</u>
Total accumulated depreciation	<u>2,933,790</u>	<u>138,587</u>	<u>-</u>	<u>3,072,377</u>
Total capital assets being depreciated, net	<u>1,362,983</u>	<u>(106,252)</u>	<u>-</u>	<u>1,256,731</u>
Bay City Gas Company capital assets, net	<u>\$ 1,396,322</u>	<u>\$ (106,252)</u>	<u>\$ 15,897</u>	<u>\$ 1,274,173</u>

There were no contract commitments as of March 31, 2023.

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**NOTE 21: BAY CITY GAS COMPANY - (Continued)****E. Pension Plan****1. Plan Description**

The Gas Company 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 annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.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 9.63% and 9.85% in calendar years 2022 and 2023, respectively. The Gas Company's contributions to TMRS for the fiscal year ended March 31, 2023 were \$75,177, and were equal to the required contributions.

**4. Net Pension Liability**

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

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**NOTE 21: 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, 2023.

**G. Note Payable**

The Company reported an extraordinary item from Winter Storm Uri (the "Storm") that impacted the Company from February 13 through February 17, 2021. The Storm caused demand for natural gas to rise to an unprecedented level due to the need to generate power on the Texas power grid. The resulting demand caused natural gas prices to increase at an extraordinary level. The Company received an invoice from the supplier at approximately twenty times the normal level. The amount recognized as an extraordinary item for the year ending March 31, 2021 was \$3,200,000. During June 2021, the company entered into a note payable of \$3,200,000 with a down payment of \$1,000,000 plus interest at % annum to be paid in monthly payments over a period of 5 years beginning on June 15, 2021.

	<u>2023</u>
Note payable, April 1, 2022	\$ 1,903,810
Less current maturities	<u>(725,105)</u>
Note payable, March 31, 2023	<u>\$ 1,178,705</u>

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 449,466	\$ 48,735	\$ 498,201
2025	472,461	25,739	498,200
2026	<u>256,778</u>	<u>3,930</u>	<u>260,708</u>
	<u>\$ 1,178,705</u>	<u>\$ 78,404</u>	<u>\$ 1,257,109</u>

**H. Evaluation of Subsequent Events**

The Company has evaluated subsequent events through June 13, 2023, 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, 2023*

*With comparative totals for the year ended September 30, 2022*

	2023				2022
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>					
Taxes					
Ad valorem taxes	\$ 5,046,200	\$ 5,046,200	\$ 5,009,010	\$ (37,190)	\$ 4,606,665
Other taxes	6,424,000	6,700,000	6,878,775	178,775	6,405,219
Licenses and permits	198,500	198,500	193,352	(5,148)	246,296
Fines and forfeitures	190,800	190,800	153,267	(37,533)	176,879
Fees and charges for services	3,013,000	3,016,000	3,002,499	(13,501)	2,956,281
Intergovernmental	573,500	631,500	682,149	50,649	452,587
Investment earnings net of change in fair value of investments	20,000	174,000	188,447	14,447	(117,130)
Miscellaneous	181,000	450,500	422,400	(28,100)	209,836
<b>Total revenues</b>	<u>15,647,000</u>	<u>16,407,500</u>	<u>16,529,899</u>	<u>122,399</u>	<u>14,936,633</u>
<b>EXPENDITURES</b>					
Current					
General government	3,310,654	3,145,310	2,823,743	321,567	2,776,875
Public safety	5,628,051	5,997,487	6,055,058	(57,571)	5,821,878
Public works	4,020,859	4,091,359	3,847,509	243,850	4,422,647
Cultural and recreation	2,249,436	2,519,744	2,000,646	519,098	2,147,266
<b>Total expenditures</b>	<u>15,209,000</u>	<u>15,753,900</u>	<u>14,726,956</u>	<u>1,026,944</u>	<u>15,168,666</u>
Excess (deficiency) of revenues over expenditures	438,000	653,600	1,802,943	1,149,343	(232,033)
<b>OTHER FINANCING SOURCES (USES)</b>					
Subscriptions issued	-	-	167,799	167,799	-
Transfers in	823,000	823,000	823,000	-	1,168,042
Transfers out	(1,396,000)	(1,427,000)	(1,353,325)	73,675	(1,609,827)
<b>Total other financing sources (uses)</b>	<u>(573,000)</u>	<u>(604,000)</u>	<u>(362,526)</u>	<u>241,474</u>	<u>(441,785)</u>
Net change in fund balance	(135,000)	49,600	1,440,417	1,390,817	(673,818)
Fund balance at beginning of year	<u>4,242,100</u>	<u>4,242,100</u>	<u>4,242,100</u>	<u>-</u>	<u>4,915,918</u>
<b>Fund balance at end of year</b>	<u>\$ 4,107,100</u>	<u>\$ 4,291,700</u>	<u>\$ 5,682,517</u>	<u>\$ 1,390,817</u>	<u>\$ 4,242,100</u>

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

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

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

NOTE: Information for the prior year was not readily available. The City will compile the respective information over the next year 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	2020	2021	2022
\$ 822,110	\$ 817,388	\$ 795,737	\$ 852,993	\$ 896,967	\$ 964,432
2,215,411	2,312,765	2,397,048	2,496,767	2,567,078	2,692,566
-	-	-	-	-	-
71,726	(66,470)	(201,953)	(375,690)	426,662	400,017
-	-	237,059	-	-	-
(1,478,531)	(1,850,687)	(1,757,729)	(1,800,695)	(2,108,116)	(2,022,590)
1,630,716	1,212,996	1,470,162	1,173,375	1,782,591	2,034,425
33,149,112	34,779,828	35,992,824	37,462,986	38,636,361	40,418,952
<u>\$ 34,779,828</u>	<u>\$ 35,992,824</u>	<u>\$ 37,462,986</u>	<u>\$ 38,636,361</u>	<u>\$ 40,418,952</u>	<u>\$ 42,453,377</u>
\$ 760,275	\$ 733,521	\$ 708,559	\$ 766,177	\$ 804,627	\$ 820,090
381,667	381,633	372,536	398,223	412,209	439,542
3,974,802	(967,079)	4,723,834	2,623,463	4,762,371	(2,945,246)
(1,478,531)	(1,850,687)	(1,757,729)	(1,800,695)	(2,108,116)	(2,022,590)
(20,615)	(18,709)	(26,727)	(17,002)	(22,067)	(25,541)
(1,045)	(979)	(802)	(663)	151	30,478
3,616,553	(1,722,300)	4,019,671	1,969,503	3,849,175	(3,703,267)
28,701,050	32,317,603	30,595,303	34,614,974	36,584,477	40,433,652
<u>\$ 32,317,603</u>	<u>\$ 30,595,303</u>	<u>\$ 34,614,974</u>	<u>\$ 36,584,477</u>	<u>\$ 40,433,652</u>	<u>\$ 36,730,385</u>
\$ 2,462,225	\$ 5,397,521	\$ 2,848,012	\$ 2,051,884	\$ (14,700)	\$ 5,722,992
92.92%	85.00%	92.40%	94.69%	100.04%	86.52%
\$ 7,633,333	\$ 7,617,786	\$ 7,450,724	\$ 7,964,453	\$ 8,244,184	\$ 8,775,541
32.26%	70.85%	38.22%	25.76%	-0.18%	65.22%

**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 fiscal year was not readily available. The City will compile the respective information over the next fiscal year.

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

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Fiscal Year					
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 729,678	\$ 729,035	\$ 749,247	\$ 701,118	\$ 753,637	\$ 722,723
<u>(747,195)</u>	<u>(773,967)</u>	<u>(766,441)</u>	<u>(722,206)</u>	<u>(777,997)</u>	<u>(752,763)</u>
<u>\$ (17,517)</u>	<u>\$ (44,932)</u>	<u>\$ (17,194)</u>	<u>\$ (21,088)</u>	<u>\$ (24,360)</u>	<u>\$ (30,040)</u>
\$ 7,519,621	\$ 7,465,829	\$ 7,811,908	\$ 7,212,160	\$ 7,982,505	\$ 7,683,811
9.94%	10.37%	9.81%	10.01%	9.75%	9.80%

**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
<b>Total OPEB Liability</b>			
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)
<b>Net Change in Total OPEB Liability</b>	68,138	5,888	81,588
<b>Total OPEB Liability - Beginning</b>	482,561	550,699	556,587
<b>Total OPEB Liability - Ending</b>	<u>\$ 550,699</u>	<u>\$ 556,587</u>	<u>\$ 638,175</u>
<b>Covered Payroll</b>	\$ 7,633,333	\$ 7,617,786	\$ 7,450,724
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	7.21%	7.31%	8.57%

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.

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Measurement Year		
2020	2021	2022
\$ 22,300	\$ 28,855	\$ 35,102
17,769	14,900	14,215
-	-	-
(22,309)	(22,483)	(18,293)
90,506	21,857	(240,789)
<u>(6,372)</u>	<u>(18,962)</u>	<u>(18,429)</u>
101,894	24,167	(228,194)
<u>638,175</u>	<u>740,069</u>	<u>764,236</u>
<u>\$ 740,069</u>	<u>\$ 764,236</u>	<u>\$ 536,042</u>
\$ 7,964,453	\$ 8,244,184	\$ 8,775,541
9.29%	9.27%	6.11%

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

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	Fiscal Year		
	2018	2019	2020
Actuarially Determined Contribution	\$ 5,465	\$ 5,766	\$ 6,250
Contribution in relation to the actuarially determined contribution	<u>(5,465)</u>	<u>(5,766)</u>	<u>(6,250)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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 four years was not readily available. The City will compile the respective information over the next four years.

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

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Fiscal Year		
2021	2022	2023
\$ 15,457	\$ 19,265	\$ 19,733
(15,457)	(19,265)	(19,733)
\$ -	\$ -	\$ -
\$ 7,212,160	\$ 7,982,505	\$ 7,683,811
0.2143%	0.2413%	0.2568%

**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
<b>Total OPEB Liability</b>			
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)
<b>Net Change in Total OPEB Liability</b>	25,152	4,882	25,510
<b>Total OPEB Liability - Beginning</b>	190,988	216,140	221,022
<b>Total OPEB Liability - Ending</b>	<u>\$ 216,140</u>	<u>\$ 221,022</u>	<u>\$ 246,532</u>
<b>Covered Payroll</b>	\$ 6,759,060	\$ 6,973,473	\$ 6,575,716
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	3.20%	3.17%	3.75%

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 actuaries on a "measurement date" basis.

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

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Measurement Year		
2021	2022	2023
\$ 16,267	\$ 20,169	\$ 31,339
6,967	5,820	5,772
-	-	-
(2,092)	22,391	(1,548)
22,809	(17,858)	(65,612)
<u>(2,657)</u>	<u>(13,858)</u>	<u>(12,905)</u>
41,294	16,664	(42,954)
<u>246,532</u>	<u>287,826</u>	<u>304,490</u>
<u>\$ 287,826</u>	<u>\$ 304,490</u>	<u>\$ 261,536</u>
\$ 6,975,907	\$ 7,485,636	\$ 7,745,526
4.13%	4.07%	3.38%

**CITY OF BAY CITY, TEXAS****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION***September 30, 2023***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, 2023 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			
Police	\$ 5,117,503	\$ 5,207,251	\$ 89,748

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	23 years (longest amortization ladder)
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, 2023*

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**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

- Discount rate increased to 4.05% from 1.84%.

**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 2022, the methodology for determining service cost was changed and the dependent coverage assumption for males was increased.

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:

2023	4.05%
2022	1.84%
2021	2.00%
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.

**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.

**Opioid Settlement Fund** - Accounts for funds received from the State Comptroller's Office to address opioid-related prevention, treatment programs, and as otherwise permitted by statute or appropriation.

**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.

**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.

**2020 Capital Project Fund** - Accounts for the proceeds and expenditures of the 2020 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, 2023**

	Special Revenue Funds				
	Civic and Cultural Arts Fund	Forfeiture Fund	Court Building Security Fund	Court Technology Fund	GLO Grant Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 689,257	\$ 100,732	\$ 18,863	\$ 13,960	\$ -
Receivables (net)					
Taxes	178,328	-	-	-	-
Other	250	-	-	-	-
Due from other governments	-	-	-	-	70,335
Prepaid items	39,266	-	-	-	-
<b>Total assets</b>	<u>\$ 907,101</u>	<u>\$ 100,732</u>	<u>\$ 18,863</u>	<u>\$ 13,960</u>	<u>\$ 70,335</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 21,203	\$ -	\$ 23	\$ -	\$ 9,250
Accrued expenditures	1,614	-	-	-	-
Due to other funds	-	-	-	-	93,154
Due to component unit	-	-	-	-	-
Deposits	17,333	-	-	-	-
Unearned revenue	-	38,362	-	-	-
<b>Total liabilities</b>	<u>40,150</u>	<u>38,362</u>	<u>23</u>	<u>-</u>	<u>102,404</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	-	-	-	-	70,335
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,335</u>
<b>FUND BALANCES</b>					
Nonspendable	39,266	-	-	-	-
Restricted	827,685	62,370	18,840	13,960	-
Unassigned	-	-	-	-	(102,404)
<b>Total fund balances</b>	<u>866,951</u>	<u>62,370</u>	<u>18,840</u>	<u>13,960</u>	<u>(102,404)</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 907,101</u>	<u>\$ 100,732</u>	<u>\$ 18,863</u>	<u>\$ 13,960</u>	<u>\$ 70,335</u>

Special Revenue Funds					Capital Project Funds	
Texas Capital Fund	Opioid Settlement Fund	HOME Program Fund	TIRZ 1 Fund	TIRZ 2 Fund	Street Maintenance Fund	2020 Capital Project Fund
\$ -	\$ 18,196	\$ -	\$ 316,975	\$ 137,971	\$ 1,226,789	\$ 806,435
-	-	-	-	-	-	-
-	-	-	-	-	-	-
74,836	-	133,712	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 74,836</u>	<u>\$ 18,196</u>	<u>\$ 133,712</u>	<u>\$ 316,975</u>	<u>\$ 137,971</u>	<u>\$ 1,226,789</u>	<u>\$ 806,435</u>
\$ 5,000	\$ -	\$ 131,232	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
70,245	-	2,480	-	-	-	-
-	-	-	-	135,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>75,245</u>	<u>-</u>	<u>133,712</u>	<u>-</u>	<u>135,000</u>	<u>-</u>	<u>-</u>
50,098	-	-	-	-	-	-
<u>50,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	18,196	-	316,975	2,971	1,226,789	806,435
(50,507)	-	-	-	-	-	-
<u>(50,507)</u>	<u>18,196</u>	<u>-</u>	<u>316,975</u>	<u>2,971</u>	<u>1,226,789</u>	<u>806,435</u>
<u>\$ 74,836</u>	<u>\$ 18,196</u>	<u>\$ 133,712</u>	<u>\$ 316,975</u>	<u>\$ 137,971</u>	<u>\$ 1,226,789</u>	<u>\$ 806,435</u>

(continued)

**CITY OF BAY CITY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
*September 30, 2023*

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	<u>Debt Service</u>	
	<u>Debt Service Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 262,574	\$ 3,591,752
Receivables (net)		
Taxes	90,819	269,147
Other	-	250
Due from other governments	3,538	282,421
Prepaid items	-	39,266
<b>Total assets</b>	<u>\$ 356,931</u>	<u>\$ 4,182,836</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 166,708
Accrued expenditures	-	1,614
Due to other funds	-	165,879
Due to component unit	-	135,000
Deposits	-	17,333
Unearned revenue	-	38,362
<b>Total liabilities</b>	<u>-</u>	<u>524,896</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	90,819	211,252
<b>Total deferred inflows of resources</b>	<u>90,819</u>	<u>211,252</u>
<b>FUND BALANCES</b>		
Nonspendable	-	39,266
Restricted	266,112	3,560,333
Unassigned	-	(152,911)
<b>Total fund balances</b>	<u>266,112</u>	<u>3,446,688</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 356,931</u>	<u>\$ 4,182,836</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, 2023*

	Special Revenue Funds				
	Civic and Cultural Arts Fund	Forfeiture Fund	Court Building Security Fund	Court Technology Fund	GLO Grant Fund
<b>REVENUES</b>					
Taxes					
Ad valorem tax	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel - motel tax	713,852	-	-	-	-
Fines and forfeitures	-	16,866	3,490	2,941	-
Fees and charges for services	112,989	-	-	-	-
Intergovernmental	-	-	-	-	250,899
Investment income					
Interest	16,533	1,289	22	16	-
Miscellaneous	55,737	-	-	-	-
<b>Total revenues</b>	<u>899,111</u>	<u>18,155</u>	<u>3,512</u>	<u>2,957</u>	<u>250,899</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	18,597	3,620	2,990	-
Public works	-	-	-	-	-
Cultural and recreation	574,350	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Paying agents' fees and issue costs	-	-	-	-	-
Capital outlay	101,214	-	-	-	263,684
<b>Total expenditures</b>	<u>675,564</u>	<u>18,597</u>	<u>3,620</u>	<u>2,990</u>	<u>263,684</u>
Excess (deficiency) of revenues over expenditures	223,547	(442)	(108)	(33)	(12,785)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	(68,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(68,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	155,547	(442)	(108)	(33)	(12,785)
Fund balances at beginning of year	711,404	62,812	18,948	13,993	(89,619)
<b>Fund balances at end of year</b>	<u>\$ 866,951</u>	<u>\$ 62,370</u>	<u>\$ 18,840</u>	<u>\$ 13,960</u>	<u>\$ (102,404)</u>

Special Revenue Funds					Capital Project Funds	
Texas Capital Fund	Opioid Settlement Fund	HOME Program Fund	TIRZ 1 Fund	TIRZ 2 Fund	Street Maintenance Fund	2020 Capital Project Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
411,203	18,180	133,712	-	-	-	-
5	16	-	215	145	50,825	24,381
75,000	-	-	81,377	81,723	-	-
<u>486,208</u>	<u>18,196</u>	<u>133,712</u>	<u>81,592</u>	<u>81,868</u>	<u>50,825</u>	<u>24,381</u>
-	-	134,642	-	-	301	856
-	-	-	-	-	-	-
-	-	-	4,014	304,040	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
480,925	-	-	-	-	576,020	22,650
<u>480,925</u>	<u>-</u>	<u>134,642</u>	<u>4,014</u>	<u>304,040</u>	<u>576,321</u>	<u>23,506</u>
5,283	18,196	(930)	77,578	(222,172)	(525,496)	875
-	-	930	71,917	72,268	365,710	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>930</u>	<u>71,917</u>	<u>72,268</u>	<u>365,710</u>	<u>-</u>
5,283	18,196	-	149,495	(149,904)	(159,786)	875
(55,790)	-	-	167,480	152,875	1,386,575	805,560
<u>\$ (50,507)</u>	<u>\$ 18,196</u>	<u>\$ -</u>	<u>\$ 316,975</u>	<u>\$ 2,971</u>	<u>\$ 1,226,789</u>	<u>\$ 806,435</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, 2023*

	<u>Debt Service</u>	
	<u>Debt Service Fund</u>	<u>Total</u>
<b>REVENUES</b>		
Taxes		
Ad valorem tax	\$ 1,598,820	\$ 1,598,820
Hotel - motel tax	-	713,852
Fines and forfeitures	-	23,297
Fees and charges for services	-	112,989
Intergovernmental	-	813,994
Investment income		
Interest	29,441	122,888
Miscellaneous	473,582	767,419
<b>Total revenues</b>	<u>2,101,843</u>	<u>4,153,259</u>
<b>EXPENDITURES</b>		
Current		
General government	-	135,799
Public safety	-	25,207
Public works	-	308,054
Cultural and recreation	-	574,350
Debt service		
Principal	1,607,709	1,607,709
Interest and fiscal charges	449,320	449,320
Paying agents' fees and issue costs	1,600	1,600
Capital outlay	-	1,444,493
<b>Total expenditures</b>	<u>2,058,629</u>	<u>4,546,532</u>
Excess (deficiency) of revenues over expenditures	43,214	(393,273)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	510,825
Transfers out	-	(68,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>442,825</u>
Net change in fund balances	43,214	49,552
Fund balances at beginning of year	<u>222,898</u>	<u>3,397,136</u>
<b>Fund balances at end of year</b>	<u>\$ 266,112</u>	<u>\$ 3,446,688</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, 2023

With comparative totals for September 30, 2022

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,125,793	\$ 2,052,531
Investments	3,454,398	2,174,998
Receivables (net)		
Accounts	553,538	472,315
Taxes	452,817	421,896
Fines	19,582	26,477
Interest	4,018	978
Right-to-Use lease	16,122	78,610
Due from other governments	660,151	490,719
Due from other funds	199,412	133,988
Due from component unit	6,681	23,239
Prepaid items	67,474	83,640
<b>Total assets</b>	<u>\$ 7,559,986</u>	<u>\$ 5,959,391</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 871,236	\$ 774,753
Accrued expenditures	239,182	184,614
Due to component unit	-	16,000
Due to other governments	33,200	33,894
Deposits	48,538	50,260
<b>Total liabilities</b>	<u>1,192,156</u>	<u>1,059,521</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	670,007	579,160
Deferred inflows related to right-to-use lease receivable	15,306	78,610
<b>Total deferred inflows of resources</b>	<u>685,313</u>	<u>657,770</u>
<b>FUND BALANCES</b>		
Nonspendable	67,474	83,640
Unassigned	5,615,043	4,158,460
<b>Total fund balances</b>	<u>5,682,517</u>	<u>4,242,100</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 7,559,986</u>	<u>\$ 5,959,391</u>

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

For the year ended September 30, 2023

With comparative totals for the year ended September 30, 2022

	2023			2022
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Taxes				
Ad valorem tax	\$ 5,046,200	\$ 5,009,010	\$ (37,190)	\$ 4,606,665
Sales tax	5,301,000	5,479,790	178,790	5,082,459
Mixed beverage tax	38,000	55,854	17,854	42,340
Franchise tax	1,361,000	1,343,131	(17,869)	1,280,420
Total taxes	11,746,200	11,887,785	141,585	11,011,884
Other revenues				
Licenses and permits	198,500	193,352	(5,148)	246,296
Fines and forfeitures	190,800	153,267	(37,533)	176,879
Fees and charges for services	3,016,000	3,002,499	(13,501)	2,956,281
Intergovernmental	631,500	682,149	50,649	452,587
Investment earnings net of change in fair value of investments	174,000	188,447	14,447	(117,130)
Miscellaneous	450,500	422,400	(28,100)	209,836
Total other revenues	4,661,300	4,642,114	(19,186)	3,924,749
<b>Total revenues</b>	16,407,500	16,529,899	122,399	14,936,633
<b>EXPENDITURES</b>				
Current				
General government				
City secretary				
Personnel services	89,863	86,784	3,079	83,145
Supplies	12,150	4,995	7,155	1,920
Other services and charges	29,000	16,680	12,320	32,314
Total city secretary	131,013	108,459	22,554	117,379
City general services				
Personnel services	15,000	18,238	(3,238)	14,009
Supplies	23,000	20,969	2,031	25,862
Repairs and maintenance	43,000	26,756	16,244	95,389
Other services and charges	1,117,372	930,105	187,267	1,110,812
Capital outlay	315,000	290,043	24,957	13,200
Total city general services	1,513,372	1,286,111	227,261	1,259,272
Administration and council				
Personnel services	325,202	312,689	12,513	321,288
Supplies	4,650	2,229	2,421	2,356
Other services and charges	6,100	7,973	(1,873)	5,724
Total administration and council	335,952	322,891	13,061	329,368

(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, 2023

With comparative totals for the year ended September 30, 2022

	2023			2022
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
General government - (Continued)				
Main Street				
Other services and charges	\$ 75,000	\$ 61,147	\$ 13,853	\$ 55,439
Total Main Street	75,000	61,147	13,853	55,439
Human resources				
Personnel services	209,809	206,342	3,467	189,626
Supplies	5,900	5,006	894	6,937
Other services and charges	96,000	83,053	12,947	76,885
Total human resources	311,709	294,401	17,308	273,448
Municipal court				
Personnel services	265,911	267,790	(1,879)	253,475
Supplies	5,885	5,959	(74)	7,830
Repairs and maintenance	21,000	15,176	5,824	10,295
Other services and charges	88,850	73,067	15,783	73,938
Total municipal court	381,646	361,992	19,654	345,538
Finance				
Personnel services	380,018	374,094	5,924	379,676
Supplies	7,600	6,956	644	7,036
Other services and charges	9,000	7,692	1,308	9,719
Total finance	396,618	388,742	7,876	396,431
Total general government	3,145,310	2,823,743	321,567	2,776,875
Public safety				
Police				
Personnel services	4,604,029	4,569,798	34,231	4,410,098
Supplies	135,300	142,475	(7,175)	127,701
Repairs and maintenance	66,000	59,317	6,683	33,483
Other services and charges	204,110	189,416	14,694	187,211
Capital outlay	67,000	205,181	(138,181)	205,178
Debt service	41,064	41,064	-	41,064
Total police	5,117,503	5,207,251	(89,748)	5,004,735

(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, 2023

With comparative totals for the year ended September 30, 2022

	2023			2022
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Public safety - (Continued)				
Fire				
Personnel services	\$ 16,100	\$ 8,471	\$ 7,629	\$ 26,605
Supplies	15,150	11,983	3,167	9,758
Repairs and maintenance	45,000	40,625	4,375	54,019
Other services and charges	97,800	97,354	446	71,681
Total fire	174,050	158,433	15,617	162,063
Animal impoundment				
Personnel services	178,000	180,797	(2,797)	146,429
Supplies	3,950	4,202	(252)	2,742
Repairs and maintenance	8,000	6,984	1,016	6,657
Other services and charges	7,400	5,165	2,235	7,949
Capital outlay	33,000	32,762	238	-
Total animal impoundment	230,350	229,910	440	163,777
Code enforcement				
Personnel services	341,484	318,317	23,167	277,324
Supplies	15,300	11,167	4,133	10,873
Repairs and maintenance	1,500	2,234	(734)	606
Other services and charges	117,300	127,746	(10,446)	155,384
Capital outlay	-	-	-	47,116
Total code enforcement	475,584	459,464	16,120	491,303
Total public safety	5,997,487	6,055,058	(57,571)	5,821,878
Public works				
Streets and sanitation				
Personnel services	1,037,959	865,145	172,814	1,063,887
Supplies	75,400	83,034	(7,634)	102,608
Repairs and maintenance	465,000	409,630	55,370	298,481
Other services and charges	2,369,000	2,380,547	(11,547)	2,615,619
Capital outlay	144,000	109,153	34,847	342,052
Total streets and sanitation	4,091,359	3,847,509	243,850	4,422,647
Total public works	4,091,359	3,847,509	243,850	4,422,647

(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, 2023

With comparative totals for the year ended September 30, 2022

	2023			2022
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
Current - (Continued)				
Cultural and recreation				
Parks and recreation				
Personnel services	\$ 842,969	\$ 722,051	\$ 120,918	\$ 688,772
Supplies	109,500	109,584	(84)	91,258
Repairs and maintenance	190,000	172,234	17,766	161,679
Other services and charges	214,900	203,505	11,395	265,010
Capital outlay	417,000	89,935	327,065	212,310
Total parks and recreation	1,774,369	1,297,309	477,060	1,419,029
Riverside park				
Personnel services	130,898	124,297	6,601	120,608
Supplies	16,800	15,228	1,572	17,840
Repairs and maintenance	28,500	9,339	19,161	17,999
Other services and charges	32,800	37,822	(5,022)	40,154
Capital outlay	-	5,700	(5,700)	-
Total riverside park	208,998	192,386	16,612	196,601
Library				
Personnel services	354,377	334,638	19,739	328,843
Supplies	68,100	51,147	16,953	66,928
Repairs and maintenance	9,000	5,601	3,399	14,994
Other services and charges	104,900	119,565	(14,665)	120,871
Total library	536,377	510,951	25,426	531,636
Total cultural and recreation	2,519,744	2,000,646	519,098	2,147,266
<b>Total expenditures</b>	<b>15,753,900</b>	<b>14,726,956</b>	<b>1,026,944</b>	<b>15,168,666</b>
Excess (deficiency) of revenues over expenditures	653,600	1,802,943	1,149,343	(232,033)
<b>OTHER FINANCING SOURCES (USES)</b>				
Subscriptions issued	-	167,799	167,799	-
Transfers in	823,000	823,000	-	1,168,042
Transfers out	(1,427,000)	(1,353,325)	73,675	(1,609,827)
<b>Total other financing sources (uses)</b>	<b>(604,000)</b>	<b>(362,526)</b>	<b>241,474</b>	<b>(441,785)</b>
Net change in fund balance	49,600	1,440,417	1,390,817	(673,818)
Fund balance at beginning of year	4,242,100	4,242,100	-	4,915,918
<b>Fund balance at end of year</b>	<b>\$ 4,291,700</b>	<b>\$ 5,682,517</b>	<b>\$ 1,390,817</b>	<b>\$ 4,242,100</b>

(concluded)

**DEBT SERVICE FUND**

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

For the year ended September 30, 2023

With comparative totals for the year ended September 30, 2022

	2023			2022
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current taxes	\$ 1,582,992	\$ 1,557,394	\$ (25,598)	\$ 1,548,753
Delinquent taxes	1,000	21,763	20,763	17,881
Penalty and interest	1,000	19,663	18,663	18,759
Investment income	1,428	29,441	28,013	4,473
Miscellaneous income	473,580	473,582	2	473,481
<b>Total revenues</b>	<u>2,060,000</u>	<u>2,101,843</u>	<u>41,843</u>	<u>2,063,347</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	1,607,708	1,607,709	(1)	1,555,475
Interest and fiscal charges	450,292	449,320	972	496,793
Paying agents' fees and issue costs	2,000	1,600	400	-
<b>Total expenditures</b>	<u>2,060,000</u>	<u>2,058,629</u>	<u>1,371</u>	<u>2,052,268</u>
Excess (deficiency) of revenues over expenditures	-	43,214	43,214	11,079
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	43,214	43,214	11,079
Fund balances at beginning of year	<u>222,898</u>	<u>222,898</u>	<u>-</u>	<u>211,819</u>
<b>Fund balances at end of year</b>	<u>\$ 222,898</u>	<u>\$ 266,112</u>	<u>\$ 43,214</u>	<u>\$ 222,898</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, 2023**

	Maintenance	Information Technology	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 327,402	\$ -	\$ 327,402
Receivables (net)	-	16,808	16,808
Total current assets	327,402	16,808	344,210
Noncurrent assets			
Capital assets			
Buildings, improvements, and equipment (net)	5,734	96,140	101,874
Right-to-Use lease assets (net)	-	226,284	226,284
Subscriptions (net)	-	111,653	111,653
Total noncurrent assets	5,734	434,077	439,811
<b>Total assets</b>	333,136	450,885	784,021
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	9,446	52,123	61,569
Accrued expenses	13,599	9,473	23,072
Due to other funds	-	33,533	33,533
Accrued interest payable	-	2,217	2,217
Accrued compensated absences	1,260	535	1,795
Right-to-Use lease liability	-	81,663	81,663
Subscription liability	-	54,381	54,381
Total current liabilities	24,305	233,925	258,230
Noncurrent liabilities			
Accrued compensated absences	11,341	4,814	16,155
Right-to-Use lease liability	-	151,370	151,370
Subscription liability	-	29,056	29,056
Total noncurrent liabilities	11,341	185,240	196,581
<b>Total liabilities</b>	35,646	419,165	454,811
<b>NET POSITION</b>			
Net investment in capital assets	5,734	95,383	101,117
Unrestricted	291,756	(63,663)	228,093
<b>Total net position</b>	\$ 297,490	\$ 31,720	\$ 329,210

**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, 2023*

	<u>Maintenance</u>	<u>Information Technology</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Other	\$ 8,483	\$ 21,894	\$ 30,377
<b>Total operating revenues</b>	<u>8,483</u>	<u>21,894</u>	<u>30,377</u>
<b>OPERATING EXPENSES</b>			
Maintenance	536,572	-	536,572
Information technology	-	702,650	702,650
Depreciation and amortization	-	153,102	153,102
<b>Total operating expenses</b>	<u>536,572</u>	<u>855,752</u>	<u>1,392,324</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(528,089)	(833,858)	(1,361,947)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	332	128	460
Interest and fiscal charges	-	(8,411)	(8,411)
<b>Total nonoperating revenues (expenses)</b>	<u>332</u>	<u>(8,283)</u>	<u>(7,951)</u>
Income (loss) before transfers	(527,757)	(842,141)	(1,369,898)
Transfers			
Transfers in	654,000	806,000	1,460,000
<b>Total transfers</b>	<u>654,000</u>	<u>806,000</u>	<u>1,460,000</u>
Change in net position	126,243	(36,141)	90,102
Total net position at beginning of year, as restated	<u>171,247</u>	<u>67,861</u>	<u>239,108</u>
<b>Total net position at end of year</b>	<u>\$ 297,490</u>	<u>\$ 31,720</u>	<u>\$ 329,210</u>

**CITY OF BAY CITY, TEXAS****INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF CASH FLOWS***For the year ended September 30, 2023*

	Maintenance	Information Technology	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 8,483	\$ 5,086	\$ 13,569
Cash paid to suppliers for goods and services	(66,546)	(482,103)	(548,649)
Cash paid to employees for services	(475,372)	(189,520)	(664,892)
<b>Net cash provided (used) by operating activities</b>	<u>(533,435)</u>	<u>(666,537)</u>	<u>(1,199,972)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Borrowings from (to) other funds	-	33,533	33,533
Transfers (to) from other funds	654,000	806,000	1,460,000
<b>Net cash provided (used) by noncapital financing activities</b>	<u>654,000</u>	<u>839,533</u>	<u>1,493,533</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	-	(32,224)	(32,224)
Principal paid on long-term debt	-	(154,100)	(154,100)
Interest and debt costs paid	-	(6,696)	(6,696)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>-</u>	<u>(193,020)</u>	<u>(193,020)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	332	128	460
<b>Net cash provided (used) by investing activities</b>	<u>332</u>	<u>128</u>	<u>460</u>
Net increase (decrease) in cash and cash equivalents	120,897	(19,896)	101,001
Cash and cash equivalents at beginning of year	206,505	19,896	226,401
<b>Cash and cash equivalents at end of year</b>	<u>\$ 327,402</u>	<u>\$ -</u>	<u>\$ 327,402</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (528,089)	\$ (833,858)	\$ (1,361,947)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	153,102	153,102
Changes in assets and liabilities			
(Increase) decrease in other receivables	-	(16,808)	(16,808)
Increase (decrease) in accounts payable	(4,787)	31,481	26,694
Increase (decrease) in accrued expenses	2,920	1,939	4,859
Increase (decrease) in accrued compensated absences	(3,479)	(2,393)	(5,872)
Total adjustments	<u>(5,346)</u>	<u>167,321</u>	<u>161,975</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (533,435)</u>	<u>\$ (666,537)</u>	<u>\$ (1,199,972)</u>

## **STATISTICAL SECTION**

## **STATISTICAL SECTION**

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

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<b>Revenue Capacity</b>	
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.....	137
<b>Debt Capacity</b>	
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 .....	143
<b>Demographic and Economic Information</b>	
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 .....	148
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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 .....	150

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

	Fiscal Year			
	2014	2015	2016	2017
Governmental activities				
Net investment in capital assets	\$ 7,050,325	\$ 6,540,844	\$ 9,638,245	\$ 10,607,667
Restricted	1,073,579	646,117	994,641	1,034,228
Unrestricted	<u>2,807,480</u>	<u>3,391,400</u>	<u>783,252</u>	<u>(93,799)</u>
Total governmental activities net position	<u>\$ 10,931,384</u>	<u>\$ 10,578,361</u>	<u>\$ 11,416,138</u>	<u>\$ 11,548,096</u>
Business-type activities				
Net investment in capital assets	\$ 9,681,894	\$ 13,826,216	\$ 15,011,700	\$ 14,799,364
Unrestricted	<u>6,217,963</u>	<u>1,518,085</u>	<u>2,926,172</u>	<u>3,541,009</u>
Total business-type activities net position	<u>\$ 15,899,857</u>	<u>\$ 15,344,301</u>	<u>\$ 17,937,872</u>	<u>\$ 18,340,373</u>
Primary government				
Net investment in capital assets	\$ 16,732,219	\$ 20,367,060	\$ 24,649,945	\$ 25,407,031
Restricted	1,073,579	646,117	994,641	1,034,228
Unrestricted	<u>9,025,443</u>	<u>4,909,485</u>	<u>3,709,424</u>	<u>3,447,210</u>
Total primary government activities net position	<u>\$ 26,831,241</u>	<u>\$ 25,922,662</u>	<u>\$ 29,354,010</u>	<u>\$ 29,888,469</u>

(1) Accrual basis of accounting

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

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

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Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 11,656,559	\$ 13,287,618	\$ 21,205,583	\$ 18,917,264	\$ 18,519,578	\$ 15,993,048
813,690	857,834	1,199,626	1,856,278	1,648,936	1,925,040
160,683	512,916	2,151,111	3,267,133	4,568,157	11,835,520
<u>\$ 12,630,932</u>	<u>\$ 14,658,368</u>	<u>\$ 24,556,320</u>	<u>\$ 24,040,675</u>	<u>\$ 24,736,671</u>	<u>\$ 29,753,608</u>
\$ 14,675,677	\$ 14,858,787	\$ 15,909,542	\$ 17,403,926	\$ 19,973,502	\$ 18,603,939
4,098,316	4,067,830	4,066,694	4,273,998	(58,672)	3,240,241
<u>\$ 18,773,993</u>	<u>\$ 18,926,617</u>	<u>\$ 19,976,236</u>	<u>\$ 21,677,924</u>	<u>\$ 19,914,830</u>	<u>\$ 21,844,180</u>
\$ 26,332,236	\$ 28,146,405	\$ 37,115,125	\$ 36,321,190	\$ 38,493,080	\$ 34,596,987
813,690	857,834	1,199,626	1,856,278	1,648,936	1,925,040
4,258,999	4,580,746	6,217,805	7,541,131	4,509,485	15,075,761
<u>\$ 31,404,925</u>	<u>\$ 33,584,985</u>	<u>\$ 44,532,556</u>	<u>\$ 45,718,599</u>	<u>\$ 44,651,501</u>	<u>\$ 51,597,788</u>

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

	Fiscal Year			
	2014	2015	2016	2017
<b>Governmental activities</b>				
Expenses				
General government	\$ 2,295,602	\$ 2,147,396	\$ 2,534,500	\$ 2,489,768
Public safety	4,662,949	4,661,538	5,383,527	5,633,913
Public works	5,854,434	5,595,487	5,216,175	5,500,397
Cultural and recreation	2,137,429	2,220,915	2,483,518	2,576,955
Interest on long-term debt	305,880	340,100	450,012	376,732
Total expenses	<u>15,256,294</u>	<u>14,965,436</u>	<u>16,067,732</u>	<u>16,577,765</u>
Program revenues				
Charges for services				
General government	999,059	235,881	429,269	421,190
Public safety	149,354	326,125	276,229	16,762
Public works	1,832,671	2,657,519	2,779,000	2,413,138
Cultural and recreation	260,195	154,741	239,908	237,775
Operating grants and contributions	280,889	200,000	317,050	571,157
Capital grants and contributions	-	386,329	828,794	911,963
Total program revenues	<u>3,522,168</u>	<u>3,960,595</u>	<u>4,870,250</u>	<u>4,571,985</u>
Total governmental activities net program (expense) revenue	(11,734,126)	(11,004,841)	(11,197,482)	(12,005,780)
General revenues and other changes in net position				
Taxes				
Property taxes	3,749,040	4,098,134	4,462,235	4,618,958
Sales taxes	3,469,272	4,077,195	4,060,320	4,295,598
Franchise taxes	984,607	1,047,005	1,040,631	1,127,475
Other taxes	614,073	668,601	694,611	845,778
Unrestricted investment earnings	3,653	2,660	16,254	37,960
Miscellaneous	709,694	1,077,904	756,915	213,350
Special item - discontinued operations	-	(1,208,541)	-	-
Transfers	692,477	2,903,367	1,004,293	998,619
Total general revenues and other changes in net position	<u>10,222,816</u>	<u>12,666,325</u>	<u>12,035,259</u>	<u>12,137,738</u>
<b>Total governmental activities change in net position</b>	<u>\$ (1,511,310)</u>	<u>\$ 1,661,484</u>	<u>\$ 837,777</u>	<u>\$ 131,958</u>

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 2,570,638	\$ 2,525,947	\$ 2,543,235	\$ 3,191,169	\$ 2,796,565	\$ 2,899,448
5,129,141	5,329,122	5,434,064	5,508,076	5,252,099	6,383,069
5,513,362	6,347,218	5,630,596	6,390,932	6,684,191	6,335,044
2,534,887	2,720,126	2,962,822	2,790,759	3,023,964	2,906,324
<u>391,428</u>	<u>329,979</u>	<u>636,430</u>	<u>522,913</u>	<u>421,679</u>	<u>383,027</u>
<u>16,139,456</u>	<u>17,252,392</u>	<u>17,207,147</u>	<u>18,403,849</u>	<u>18,178,498</u>	<u>18,906,912</u>
610,361	602,332	546,080	502,838	601,275	531,588
18,332	18,705	42,283	65,382	29,554	29,468
2,394,073	2,467,600	2,528,436	2,616,208	2,650,950	2,685,198
128,710	124,532	152,478	238,636	256,270	305,207
807,058	2,207,235	3,441,951	1,648,408	633,386	3,353,046
<u>798,666</u>	<u>376,144</u>	<u>7,844,725</u>	<u>416,419</u>	<u>238,006</u>	<u>584,851</u>
<u>4,757,200</u>	<u>5,796,548</u>	<u>14,555,953</u>	<u>5,487,891</u>	<u>4,409,441</u>	<u>7,489,358</u>
(11,382,256)	(11,455,844)	(2,651,194)	(12,915,958)	(13,769,057)	(11,417,554)
5,268,946	5,603,015	5,677,751	5,844,703	6,103,748	6,545,105
4,277,863	4,447,508	4,966,859	4,934,706	5,082,459	5,479,790
1,253,205	1,266,666	1,258,458	1,263,438	1,280,420	1,343,131
801,926	779,523	698,939	685,845	628,868	769,706
110,943	134,570	107,377	50,980	(95,498)	422,076
289,684	483,211	501,621	354,982	449,556	621,412
-	-	-	-	-	-
<u>1,007,784</u>	<u>768,787</u>	<u>(661,859)</u>	<u>(734,341)</u>	<u>1,015,500</u>	<u>1,256,500</u>
<u>13,010,351</u>	<u>13,483,280</u>	<u>12,549,146</u>	<u>12,400,313</u>	<u>14,465,053</u>	<u>16,437,720</u>
\$ <u>1,628,095</u>	\$ <u>2,027,436</u>	\$ <u>9,897,952</u>	\$ <u>(515,645)</u>	\$ <u>695,996</u>	\$ <u>5,020,166</u>

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

	Fiscal Year			
	2014	2015	2016	2017
<b>Business-type activities</b>				
Expenses				
Water and sewer	\$ 5,775,681	\$ 6,063,713	\$ 6,681,343	\$ 6,121,251
Sanitation	503,196	-	-	-
Airport	540,255	550,555	588,537	707,869
Total expenses	<u>6,819,132</u>	<u>6,614,268</u>	<u>7,269,880</u>	<u>6,829,120</u>
Program revenues				
Charges for services				
Water and sewer	6,582,946	6,873,149	7,108,017	7,438,810
Sanitation	449,082	-	-	-
Airport	327,899	340,572	276,533	305,074
Operating grants and contributions	10,914	-	68,197	48,351
Capital grants and contributions	975,226	1,115,799	3,384,479	406,561
Total program revenues	<u>8,346,067</u>	<u>8,329,520</u>	<u>10,837,226</u>	<u>8,198,796</u>
Total business-type activities net program (expense) revenue	1,526,935	1,715,252	3,567,346	1,369,676
General revenues and other changes in net position				
Unrestricted investment earnings	3,680	1,729	5,966	23,244
Miscellaneous	148,415	-	24,552	8,200
Special item - discontinued operations	-	(2,903,367)	-	-
Transfers	(692,477)	1,134,457	(1,004,293)	(998,619)
Total general revenues and other changes in net position	<u>(540,382)</u>	<u>(1,767,181)</u>	<u>(973,775)</u>	<u>(967,175)</u>
<b>Total business-type activities change in net position</b>	<u>\$ 986,553</u>	<u>\$ (51,929)</u>	<u>\$ 2,593,571</u>	<u>\$ 402,501</u>
<b>Total primary government change in net position</b>	<u>\$ (524,757)</u>	<u>\$ 1,609,555</u>	<u>\$ 3,431,348</u>	<u>\$ 534,459</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					
2018	2019	2020	2021	2022	2023
\$ 6,431,453	\$ 6,993,425	\$ 7,655,910	\$ 7,443,424	\$ 9,423,621	\$ 8,871,135
-	-	-	-	-	-
584,476	644,192	778,555	890,695	947,247	845,162
7,015,929	7,637,617	8,434,465	8,334,119	10,370,868	9,716,297
7,779,321	7,849,327	7,700,198	8,476,372	9,088,774	11,179,511
-	-	-	-	-	-
304,191	313,835	284,031	405,920	460,734	345,390
15,870	84,130	50,000	89,247	50,000	49,731
417,799	219,828	730,209	326,500	9,450	-
8,517,181	8,467,120	8,764,438	9,298,039	9,608,958	11,574,632
1,501,252	829,503	329,973	963,920	(761,910)	1,858,335
51,731	86,208	30,887	2,552	12,441	1,332,950
-	5,800	26,900	875	1,875	-
-	-	-	-	-	-
(1,007,784)	(768,787)	661,859	734,341	(1,015,500)	(1,256,500)
(956,053)	(676,779)	719,646	737,768	(1,001,184)	76,450
\$ 545,199	\$ 152,724	\$ 1,049,619	\$ 1,701,688	\$ (1,763,094)	\$ 1,934,785
\$ 2,173,294	\$ 2,180,160	\$ 10,947,571	\$ 1,186,043	\$ (1,067,098)	\$ 6,954,951

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

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Nonspendable				
Prepaid items	\$ 55,374	\$ 120,664	\$ 44,589	\$ 31,665
Unassigned	1,727,220	2,945,445	1,930,425	1,331,488
Total general fund	<u>\$ 1,782,594</u>	<u>\$ 3,066,109</u>	<u>\$ 1,975,014</u>	<u>\$ 1,363,153</u>
All Other Governmental Funds				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted				
Retirement of long-term debt	550,221	31,305	233,825	199,330
Capital project funds	2,022,383	2,877,230	3,899,359	3,183,380
Arts, tourism, and conventions	302,436	372,746	449,295	568,200
Municipal court	96,262	102,994	83,196	71,500
Culture and recreation	71,538	60,336	92,576	118,928
Public safety	615,582	631,515	94,804	54,276
Public works	-	-	-	-
Unassigned	(40,379)	(98,700)	-	-
Total all other governmental funds	<u>\$ 3,618,043</u>	<u>\$ 3,977,426</u>	<u>\$ 4,853,055</u>	<u>\$ 4,195,614</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 49,261	\$ 44,540	\$ 64,211	\$ 76,727	\$ 83,640	\$ 67,474
<u>2,169,106</u>	<u>3,165,690</u>	<u>4,568,759</u>	<u>4,839,191</u>	<u>4,158,460</u>	<u>5,615,043</u>
<u>\$ 2,218,367</u>	<u>\$ 3,210,230</u>	<u>\$ 4,632,970</u>	<u>\$ 4,915,918</u>	<u>\$ 4,242,100</u>	<u>\$ 5,682,517</u>
\$ 14,849	\$ 13,799	\$ 19,990	\$ 20,468	\$ 18,536	\$ 39,266
191,351	224,645	235,947	211,819	222,898	266,112
2,583,241	621,267	6,890,626	2,237,608	2,192,135	2,033,224
404,406	473,619	591,966	672,789	692,868	827,685
65,170	59,591	47,902	29,194	32,941	32,800
52,213	-	-	-	-	-
40,023	44,280	48,307	598,527	316,624	380,430
15,851	9,968	230,274	288,659	320,355	319,946
-	(710,973)	(2,014,216)	(91,681)	(145,409)	(152,911)
<u>\$ 3,367,104</u>	<u>\$ 736,196</u>	<u>\$ 6,050,796</u>	<u>\$ 3,967,383</u>	<u>\$ 3,650,948</u>	<u>\$ 3,746,552</u>

# CITY OF BAY CITY, TEXAS

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

Last ten fiscal years

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Taxes	\$ 8,894,495	\$ 9,988,557	\$ 10,375,097	\$ 10,972,108
Licenses and permits	205,321	235,881	255,511	154,409
Fines and forfeitures	339,905	326,125	322,166	268,378
Fees and charges for services	2,585,325	2,809,761	2,898,210	2,675,326
Intergovernmental	342,057	420,857	264,635	1,141,371
Investment earnings (net)	3,647	2,660	16,240	37,941
Miscellaneous	805,993	998,560	892,115	490,118
Total revenues	<u>13,176,743</u>	<u>14,782,401</u>	<u>15,023,974</u>	<u>15,739,651</u>
Expenditures				
Current				
General government	2,343,485	2,083,129	2,335,155	2,263,841
Public safety	4,472,587	4,581,482	4,986,001	5,140,028
Public works	2,895,565	3,163,745	3,425,770	3,241,311
Cultural and recreation	2,022,110	2,102,214	2,396,240	2,350,942
Capital outlay	1,072,074	2,245,491	3,704,716	2,024,539
Debt service				
Principal retirement	847,110	1,496,153	1,553,752	1,432,357
Interest and fiscal charges	257,997	368,026	344,650	402,072
Paying agents' fees and issue costs	71,973	-	123,195	5,495
Total expenditures	<u>13,982,901</u>	<u>16,040,240</u>	<u>18,869,479</u>	<u>16,860,585</u>
Excess (deficiency) of revenues over expenditures	(806,158)	(1,257,839)	(3,845,505)	(1,120,934)
Other financing sources (uses)				
Debt issued	1,598,000	1,398,250	3,776,667	-
Premium on debt issuance	67,893	-	235,643	-
Payment to escrow	-	-	-	-
Subscriptions issued	-	-	-	-
Transfers in	1,684,648	3,058,627	2,920,044	2,162,044
Transfers out	(2,078,698)	(1,556,140)	(3,302,315)	(2,310,412)
Total other financing sources (uses)	<u>1,271,843</u>	<u>2,900,737</u>	<u>3,630,039</u>	<u>(148,368)</u>
Changes in fund balances	<u>\$ 465,685</u>	<u>\$ 1,642,898</u>	<u>\$ (215,466)</u>	<u>\$ (1,269,302)</u>
Debt service as a percentage of noncapital expenditures	<u>8.84%</u>	<u>13.64%</u>	<u>13.88%</u>	<u>12.61%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 11,692,838	\$ 12,169,745	\$ 12,653,131	\$ 12,849,533	\$ 13,183,805	\$ 14,200,457
396,638	281,795	205,985	193,014	246,296	193,352
215,278	218,133	253,564	253,375	198,464	176,564
2,553,631	2,690,027	2,799,645	2,958,252	3,045,829	3,115,488
437,982	1,528,833	1,033,091	3,797,468	950,939	3,738,264
110,753	134,381	106,954	50,924	(95,564)	421,616
685,503	1,020,763	929,003	1,261,451	857,174	1,189,819
16,092,623	18,043,677	17,981,373	21,364,017	18,386,943	23,035,560
2,444,796	2,284,868	2,259,594	3,076,155	2,783,149	3,031,723
4,819,143	4,853,722	5,147,126	5,648,947	5,838,601	6,080,265
3,429,104	3,950,358	3,476,267	4,044,731	4,644,975	4,155,563
2,350,388	2,381,035	3,174,094	2,776,032	2,766,554	2,574,996
2,384,427	3,957,938	3,334,455	5,196,584	905,149	3,562,662
1,419,841	1,465,175	986,258	1,553,042	1,555,475	1,607,709
362,729	364,072	387,190	506,859	496,793	449,320
59,101	4,341	263,595	55,922	-	1,600
17,269,529	19,261,509	19,028,579	22,858,272	18,990,696	21,463,838
(1,176,906)	(1,217,832)	(1,047,206)	(1,494,255)	(603,753)	1,571,722
1,285,000	-	9,122,532	1,799,450	-	-
-	-	419,757	321,622	-	-
-	-	-	(2,068,282)	-	-
-	-	-	-	-	167,799
1,841,923	1,822,325	1,946,639	1,102,289	1,881,369	1,333,825
(1,923,313)	(2,243,538)	(3,704,382)	(1,461,289)	(2,267,869)	(1,537,325)
1,203,610	(421,213)	7,784,546	(306,210)	(386,500)	(35,701)
\$ 26,704	\$ (1,639,045)	\$ 6,737,340	\$ (1,800,465)	\$ (990,253)	\$ 1,536,021
12.72%	11.89%	9.18%	12.10%	11.89%	11.86%

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

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<u>Fiscal Year</u>	<u>Property</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Other</u>	<u>Total</u>
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
2021	5,868,646	96,898	1,263,438	4,934,706	685,845	12,849,533
2022	6,102,388	89,670	1,280,420	5,082,459	628,868	13,183,805
2023	6,515,975	91,855	1,343,131	5,479,790	769,706	14,200,457

(1) Modified accrual basis of accounting

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


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<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Residential Property</u>	<u>Commercial and Industrial Property</u>	<u>Personal Property</u>	<u>Less: Tax-Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
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
2021	2020	378,389,457	566,492,601	87,061,140	134,241,420	897,701,778	0.65500
2022	2021	408,665,471	610,480,537	89,231,109	139,525,564	968,851,553	0.63500
2023	2022	439,059,155	675,221,181	90,793,230	173,164,420	1,031,909,146	0.63500

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

SOURCE: Matagorda County Appraisal District

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


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Fiscal Year	City Direct Rates			Overlapping Rates		
	Debt Service	General Fund	Total	Bay City ISD	Matagorda County	Port of Bay City
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	1.53731	0.43342	0.05477
2021	0.17288	0.48212	0.65500	1.43140	0.42223	0.05628
2022	0.16363	0.47137	0.63500	1.39124	0.39974	0.05299
2023	0.15425	0.48075	0.63500	1.26000	0.38532	0.05007

SOURCE: Tax department records of the various taxing authorities

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Overlapping Rates			
Matagorda Co. Hospital District	Matagorda Co. Drainage District #1	Matagorda Co. Conservation & Reclaim. Distr.	Total
\$ 0.25600	\$ 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
0.32159	0.04169	0.00776	3.05154
0.31815	0.04201	0.00831	2.93338
0.29127	0.04113	0.00819	2.81956
0.28995	0.03835	0.00773	2.66642

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

2023		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Nichols Square Partners LTD	\$ 18,626,360	1.81%
Oak Manor Bay City LLC	14,301,805	1.39%
AEP Texas Central Company	13,237,890	1.28%
Wal-Mart Real Estate Business Trust	11,615,750	1.13%
The Retreat 360 LLC	10,225,950	0.99%
Bay City Community Development Corp.	7,825,640	0.76%
Wal-Mart Store #01-1405	6,834,340	0.66%
Riverway Apartments 360 LLC	6,590,460	0.64%
Rock Hard Real Estate LLC	6,251,930	0.61%
H E Butt Grocery Company	5,555,413	0.54%
	<u>\$ 101,065,538</u>	<u>9.81%</u>

2014		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Wal-Mart Real Estate Business Trust	\$ 8,445,300	1.28%
Wal-Mart Store #01-1405	8,151,610	1.23%
Fortress Lodging LLC	7,454,500	1.13%
AEP Texas Central Company	6,158,240	0.93%
Pasupatinath LLC	5,237,020	0.79%
Mosaic Nichols LP	4,913,340	0.74%
W R H Bay City LTD	4,076,040	0.62%
Bay City Accommodations LTD	4,000,000	0.61%
H E Butt Grocery Company	3,596,290	0.54%
H E Butt Grocery Company	3,155,600	0.48%
	<u>\$ 55,187,940</u>	<u>8.35%</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
2014	\$ 3,754,113	\$ 3,625,489	96.57%	\$ 120,228	\$ 3,745,717	99.78%
2015	4,087,164	3,980,062	97.38%	94,774	4,074,836	99.70%
2016	4,470,571	4,356,460	97.45%	100,537	4,456,997	99.70%
2017	4,620,903	4,508,161	97.56%	95,386	4,603,547	99.62%
2018	5,303,704	5,189,424	97.85%	90,443	5,279,867	99.55%
2019	5,605,848	5,497,009	98.06%	81,213	5,578,222	99.51%
2020	5,673,030	5,558,188	97.98%	80,052	5,638,240	99.39%
2021	5,870,330	5,762,943	98.17%	62,698	5,825,641	99.24%
2022	6,121,193	6,006,616	98.13%	52,978	6,059,595	98.99%
2023	6,553,554	6,411,827	97.84%	-	6,411,827	97.84%

NOTES: Collections do not include penalty and interest.

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

SOURCE: Tax assessor/collector's records

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

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<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
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
2021	885,002,000	570,433,900	314,568,100	35.54%	706,391,000
2022	941,937,481	628,258,008	313,679,473	33.30%	556,863,000
2023	997,850,000	689,685,360	308,164,640	30.88%	566,389,000

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>						
	<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Tax Notes</u>	<u>Direct Borrowing: Financed Purchases</u>	<u>Right- to-Use Lease</u>	<u>Subscription</u>	<u>Plus: Issuance Premiums</u>
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
2021	13,177,238	2,751,000	865,000	78,735	-	-	960,198
2022	12,420,563	2,157,200	660,000	39,923	317,230	-	885,058
2023	11,636,804	1,543,250	450,000	-	233,033	189,668	809,919

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>Right-to-Use Lease</u>	<u>Plus: Issuance Premiums</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 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	1,525
8,929,771	3,834,000	-	830,704	31,426,646	N/A	1,740
26,958,446	3,322,800	29,031	703,981	47,494,232	N/A	2,656
45,695,204	2,786,750	19,956	577,258	63,941,842	N/A	3,653

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

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Fiscal Year	General Bonded Debt Outstanding			Total
	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premiums	
2014	\$ 18,125,000	\$ 3,665,000	\$ 157,645	\$ 21,947,645
2015	16,450,000	3,330,000	68,697	19,848,697
2016	20,365,194	2,990,000	181,502	23,536,696
2017	18,735,010	2,645,000	171,344	21,551,354
2018	17,055,010	2,290,000	161,185	19,506,195
2019	15,350,009	1,930,000	151,026	17,431,035
2020	23,145,009	1,560,000	140,867	24,845,876
2021	22,107,009	6,585,000	830,704	29,522,713
2022	39,379,009	5,480,000	1,021,211	45,880,220
2023	57,332,008	4,330,000	810,291	62,472,299

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

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Debt Service Monies Available	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
\$ 542,496	\$ 21,405,149	100.00%	\$ 1,214
31,305	19,817,392	100.00%	1,142
233,825	23,302,871	100.00%	1,324
199,330	21,352,024	100.00%	1,199
191,351	19,314,844	100.00%	1,097
224,645	17,206,390	100.00%	981
235,947	24,609,929	100.00%	1,403
211,819	29,310,894	100.00%	1,623
222,898	45,657,322	100.00%	2,553
266,112	62,206,187	100.00%	3,554

**CITY OF BAY CITY, TEXAS****DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)****September 30, 2023**


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	<u>Gross Debt Outstanding</u>		<u>Percentage</u>	<u>Amount</u>
	<u>Date</u>	<u>Amount</u>	<u>Applicable</u>	<u>Applicable</u>
			<u>To City</u>	<u>To City</u>
Direct Debt:				
City of Bay City (1)	9/30/2023	\$ 14,862,674	100.00%	\$ 14,862,674
Overlapping Debt:				
Matagorda County	12/31/2022	2,337,690	17.58%	411,051
Bay City Independent School District	9/30/2023	<u>129,460,016</u>	58.28%	<u>75,443,897</u>
Total Overlapping Debt		<u>131,797,706</u>		<u>75,854,948</u>
Total		<u>\$ 146,660,380</u>		<u>\$ 90,717,622</u>

(1) Figures do not include accrued compensated absences, net pension liability or OPEB liability.

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

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

SOURCES: Bay City Independent School District  
Matagorda County

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


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<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(4) Personal Income</u>	<u>(1) Per Capita Personal Income</u>	<u>(1) Median Age</u>	<u>(2) School Enrollment</u>	<u>(3) Unemployment Rate</u>
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	17,535	N/A	50,182	34	3,536	11.40%
2021	18,061	N/A	45,089	34	3,530	13.50%
2022	17,882	N/A	46,171	32	3,586	8.30%
2023	17,505	N/A	50,212	32	3,514	6.30%

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*


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2023		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Area Employment</u>
South Texas Project (STP)	1,028	6.45%
Tenaris	705	4.42%
Bay City ISD	534	3.35%
Wal-Mart	305	1.91%
Matagorda County Regional Medical Center	263	1.65%
Matagorda County	260	1.63%
H.E.B.	252	1.58%
Lyondell Bassell	244	1.53%
Oxea	235	1.47%
Schulmans Movie Bowl & Grill	150	0.94%
	<u>3,976</u>	<u>24.93%</u>

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2014		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Area Employment</u>
South Texas Project (STP)	1,157	N/A
Bay City ISD	531	N/A
Matagorda County General Hospital	261	N/A
Matagorda County	222	N/A
OXEА	173	N/A
Tenaris	165	N/A
Lyondell	146	N/A
City of Bay City	144	N/A
Wal-Mart	122	N/A
H.E.B.	100	N/A
	<u>3,021</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/Program	Fiscal Year			
	2014	2015	2016	2017
General government	18.00	15.00	16.00	16.00
Public safety				
Police				
Officers	39.00	41.00	41.00	41.00
Civilians	21.00	19.00	21.00	21.00
Fire				
Firefighters (Volunteer)	36.00	35.00	35.00	35.00
Civilians	1.00	1.00	1.00	1.00
Public works				
Streets/maintenance	14.00	19.76	17.00	17.00
Recycling	-	-	-	-
Public activities and recreation	10.00	10.00	13.00	15.00
Library	6.00	7.00	6.00	6.00
Tourism	-	-	-	-
Water and sewer	25.00	28.00	26.00	27.00
Airport	2.00	2.00	2.00	2.00
Equipment and building maintenance	9.00	8.00	7.00	5.00
Information technology	3.00	3.00	3.00	3.00
Total	<u>184.00</u>	<u>188.76</u>	<u>188.00</u>	<u>189.00</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.

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Fiscal Year					
2018	2019	2020	2021	2022	2023
13.00	15.00	13.00	13.00	13.00	13.00
40.00	38.00	38.00	38.00	39.00	41.00
21.00	22.00	23.00	23.00	23.50	23.50
30.00	30.00	30.00	26.00	24.00	23.00
1.00	1.00	1.00	1.00	1.00	0.00
16.00	16.00	16.00	15.00	16.00	16.00
3.50	3.50	3.50	3.50	3.50	3.50
12.00	13.00	13.00	13.00	13.00	13.00
6.50	6.50	6.50	7.00	7.00	7.00
1.00	1.00	1.00	1.00	1.00	1.00
30.00	30.00	30.00	30.00	29.00	29.00
2.00	2.00	3.00	3.00	3.00	3.00
7.00	7.00	7.00	8.00	8.00	8.00
2.00	2.00	2.00	2.00	2.00	2.00
<u>185.00</u>	<u>187.00</u>	<u>187.00</u>	<u>183.50</u>	<u>183.00</u>	<u>183.00</u>

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

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Function/Program	Fiscal Year			
	2014	2015	2016	2017
Public safety				
Police				
Stations	1	1	1	1
Police units	33	37	34	34
Fire				
Fire stations	1	1	1	1
Public works				
Streets				
Streets (lane miles)	109	109	109	109
Parks				
Acreage	360	348	348	348
Parks	22	22	22	22
Swimming pools	2	2	2	2
Water and wastewater				
Water				
Water mains (miles)	115	115	115	113
Fire hydrants	360	360	360	360
Maximum daily capacity (thousands of gallons)	4	4	4	3
Wastewater				
Sanitary sewers (miles)	88	88	88	108
Storm sewers (miles)	80	80	80	80
Maximum daily treatment capacity (thousands of gallons)	4.3	4.3	4.3	4.3

Fiscal Year					
2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
34	32	32	31	32	37
1	1	1	1	1	1
109	109	110	110	110	110
299	314	326	326	314	245
22	22	22	22	22	22
2	2	2	2	2	2
113	113	113	113	113	113
360	360	360	360	360	360
3	3	3	3	3	3
108	108	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			
	2014	2015	2016	2017
General government				
Building permits issued	1,227	1,039	1,012	1,246
Building inspections conducted	1,735	2,238	2,256	2,366
Fire inspection conducted	8	13	16	23
Public safety				
Police				
Arrests	1,520	1,364	1,405	1,356
Accident Reports	325	471	521	505
Citations	1,862	1,784	1,736	1,707
Offense reports	2,231	3,427	2,820	2,892
Calls for service	31,544	32,864	29,618	31,320
Fire				
Emergency responses:	178	170	167	204
Fire incidents	66	64	74	111
Service calls and other calls	112	106	93	93
Automatic aid, mutual aid given	19	23	32	44
Streets and highways				
Street resurfacing (lane miles)	-	5.20	3.49	9.52
Water and wastewater				
Water				
Average daily consumption (millions)	1.707	2.251	1.692	1.563
Total consumption (millions)	623.508	824.901	635.604	609.958
Peak daily consumption (millions)	2.001	3.338	2.569	2.445
Wastewater				
Average daily sewage treatment (millions)	N/A	1.774	1.954	1.634
Total consumption (millions)	545.020	691.614	717.629	581.611
Peak daily consumption (millions)	N/A	6.287	6.532	3.520

NOTE: N/A denotes information not available

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Fiscal Year					
2018	2019	2020	2021	2022	2023
1,373	1,224	1,037	1,536	1,569	1,347
2,040	1,696	1,631	1,358	2,714	1,474
14	18	10	12	11	9
1,234	1,280	959	1,051	992	967
476	515	434	471	432	372
956	1,863	1,539	1,609	1,315	1,017
2,744	3,071	2,861	2,826	2,473	2,301
28,448	31,842	31,645	34,090	29,535	27,614
254	181	165	202	188	184
130	79	70	109	74	73
124	102	86	78	99	101
31	14	9	15	15	20
1.00	0.50	-	-	1.50	2.00
2.024	1.470	1.502	1.553	1.727	2.270
743.714	537.300	549.790	570.433	628.258	689.685
2.418	2.050	2.030	2.213	2.313	3.081
1.634	1.938	1.469	1.931	1.525	1.861
657.579	707.134	536.280	706.391	556.863	566.389
3.526	5.264	4.060	6.187	3.904	3.662

## **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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2024. The financial statements of the Bay City Community Development Corporation were not audited in accordance with *Government Auditing Standards*.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Report on 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



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

June 20, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Bay City, Texas (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

June 20, 2024

**CITY OF BAY CITY, TEXAS****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***For the year ended September 30, 2023*

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>Other Award Number</u>
<b>FEDERAL EXPENDITURES</b>		
<b>U. S. Department of Housing and Urban Development</b>		
<i>Passed Through the Texas Department of Agriculture - Office of Rural Affairs</i>		
Community Development Block Grant	14.228	7220002
<i>Passed Through the Texas General Land Office</i>		
Community Development Block Grant Disaster Recovery	14.228	20-065-048-C142
Subtotal Federal Assistance Listing No. 14.228		
<i>Passed Through the Texas Department of Housing and Community Affairs</i>		
Home Investment Partnerships Program	14.239	1003113
Total U.S. Department of Housing and Urban Development		
<b>U. S. Department of Transportation</b>		
<i>Passed Through the Texas Department of Transportation</i>		
<i>Division of Aviation</i>		
Airport Improvement Program	20.106	M2013BAYC
Total U.S. Department of Transportation		
<b>U. S. Department of Justice</b>		
<i>Passed Through the Office of the Attorney General</i>		
Crime Victim Assistance	16.575	1662097
<i>Passed Through the Office of the Governor</i>		
<i>Criminal Justice Division</i>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DJ 4213501
Bulletproof Vest Partnership Program	16.607	N/A
Total U.S. Department of Justice		
<b>U. S. Department of Treasury</b>		
<i>Passed Through the Texas Division of Emergency Management</i>		
Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19
Total U.S. Department of Treasury		
<b>U. S. Department of Homeland Security</b>		
<i>Passed Through the Texas Division of Emergency Management</i>		
Hazard Mitigation Program	97.039	4332-330-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			
\$ 406,457	\$ -	\$ 406,457	\$ -		
<u>246,343</u>	<u>-</u>	<u>246,343</u>	<u>-</u>		
<u>652,800</u>	<u>-</u>	<u>652,800</u>	<u>-</u>		
<u>133,712</u>	<u>-</u>	<u>133,712</u>	<u>-</u>		
<u>786,512</u>	<u>-</u>	<u>786,512</u>	<u>-</u>		
<u>49,731</u>	<u>-</u>	<u>49,731</u>	<u>-</u>		
<u>49,731</u>	<u>-</u>	<u>49,731</u>	<u>-</u>		
<u>45,034</u>	<u>-</u>	<u>45,034</u>	<u>-</u>		
<u>70,299</u>	<u>-</u>	<u>70,299</u>	<u>-</u>		
<u>36,886</u>	<u>-</u>	<u>36,886</u>	<u>-</u>		
<u>152,219</u>	<u>-</u>	<u>152,219</u>	<u>-</u>		
<u>2,188,198</u>	<u>-</u>	<u>2,188,198</u>	<u>-</u>		
<u>2,188,198</u>	<u>-</u>	<u>2,188,198</u>	<u>-</u>		
<u>7,006</u>	<u>-</u>	<u>7,006</u>	<u>-</u>		
<u>7,006</u>	<u>-</u>	<u>7,006</u>	<u>-</u>		
<u>\$ 3,183,666</u>	<u>\$ -</u>	<u>\$ 3,183,666</u>	<u>\$ -</u>		

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

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

*For the year ended September 30, 2023*

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#### **NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City, under programs of the federal government for the year ended September 30, 2023 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, 2023

**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>Assistance Listing Number(s)</i>	<i>Name of Major Programs or Cluster</i>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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, 2023*

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None were reported.