

POPULAR ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2019



CITY OF BAY CITY, TEXAS

Popular Annual Financial Report (PAFR)

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

Prepared by: Finance Department

This Popular Annual Financial Report (PAFR) is intended to summarize and simplify the statistical, economic and financial information contained in the 2019 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was independently audited by Harrison, Waldrop And Uherek, LLP. The purpose of the audit was to ensure that City is complying with Generally Accepted Accounting Principles (GAAP). The audit resulted in the highest level of assurance given. The City’s CAFR is a set of financial statements presenting the total financial condition of the city based on what actually occurred. It is prepared under the accounting and reporting standards set by the Government Accounting Standards Board (GASB). This Popular Annual Financial Report (PAFR) is presented in conformity with Generally Accepted Accounting Principles (GAAP) with the exclusion of the City’s two component units.

For a fully detailed, fully disclosed GAAP based presentation of the City’s financial position, the CAFR, in its entirety, please visit the City’s website at: www.cityofbaycity.org/transparency-program.



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Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**City of Bay City
Texas**

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morill

Executive Director/CEO

The City of Bay City, Texas received its 1st award for Achievement in Popular Annual Financial Reporting (PAFR) for the year ended September 30, 2018. The intent of the PAFR is to increase awareness of the financial condition of the City. This report is created in a manner that summarizes and communicates the City's financial position in a user-friendly manner. The PAFR, while unaudited, provides a brief analysis of where the City of Bay City's revenues come from and where the dollars go, trends and statistics as well on the local economy. This PAFR is still in compliance with GAAP in that we present the governmental funds using the current financial resources management focus and modified basis of accounting. Proprietary funds are used to report the same functions presented as business type activities in the government wide financial statements.

About Your City Staff

Over 193 full and part-time employees compromise our team within the City of Bay City organization. These same employees come together day in and day out with the important task of assisting with the delivery of essential City services. They are dedicated to the development and growth of the city.

Your Bay City City Council



From left to right: Councilman Brent Marceaux, Councilwoman Julie Estlinbaum, Mayor Robert Nelson, Councilwoman Becca Sitz, Councilman William "Bill" Cornman and Councilman Jason Childers.

The City has a home-rule City Manager-Council form of government. The elected body is made up of a Mayor and five council members who are elected on an "at-large" basis by the community. The Mayor is elected for a three-year term while Council Members are all elected for staggered two-year terms. Your City Council meets every second and fourth Tuesday at 6:00 p.m.

Division Directors

Scotty Jones, Finance Director
David Holubec, City Secretary
Rhonda Clegg, Human Resources Director
Barry Calhoun, Public Works Director
Robert Lister, Police Chief
Shawn Blackburn, Parks & Recreation Director
James Mason, Airport Manager

Vision:

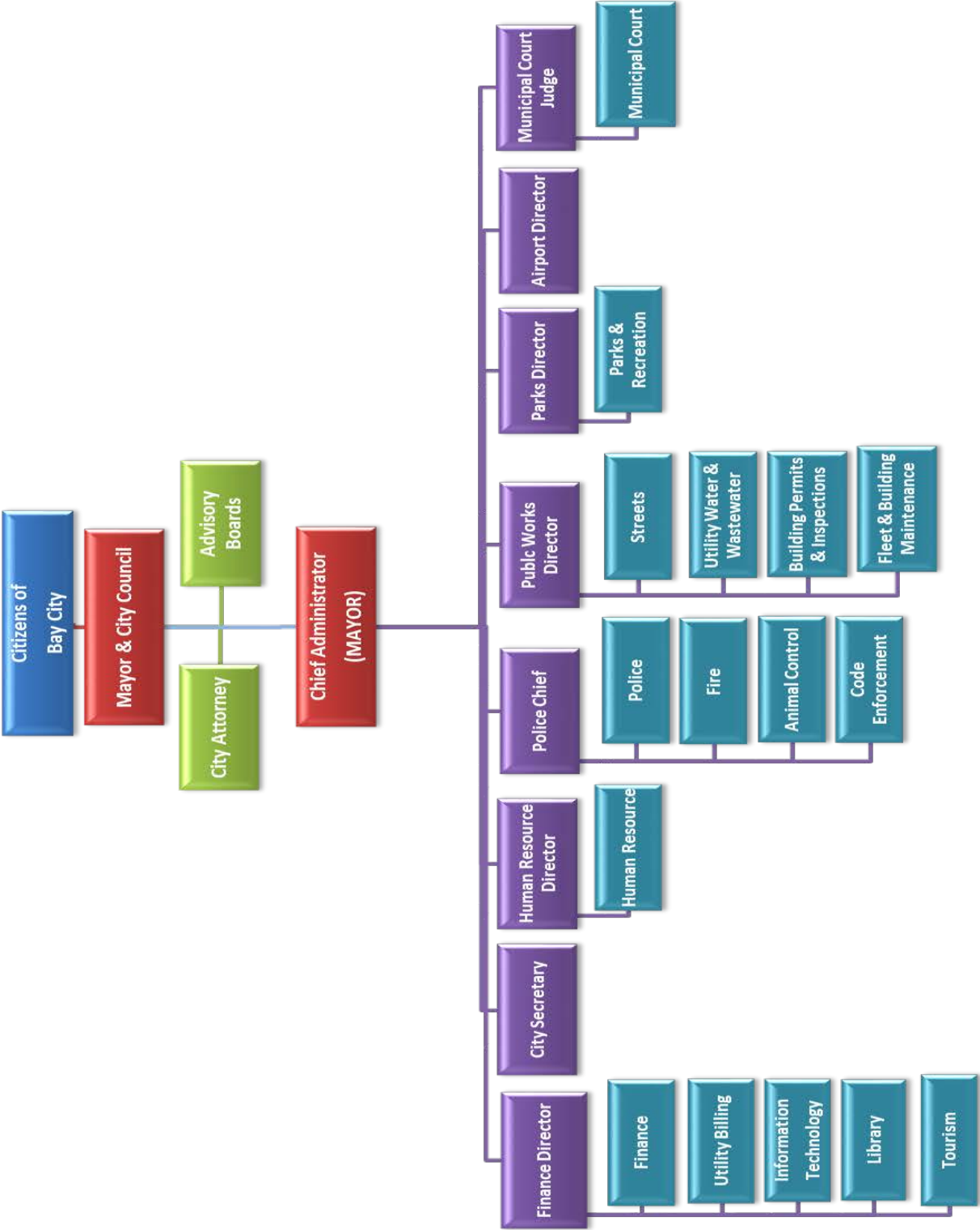
Bay City, Texas: Clean, Safe and Prosperous

A community for all people where dreams are big and results are even bigger.

Mission:

The City of Bay City is a community that fosters future economic growth, strives to deliver superior municipal services, invests in quality of life initiatives and is the gateway to the great outdoors. We encourage access to our unique historical and eco-cultural resources while maintaining our small-town Texas charm.

Organization Chart



Key Demographics

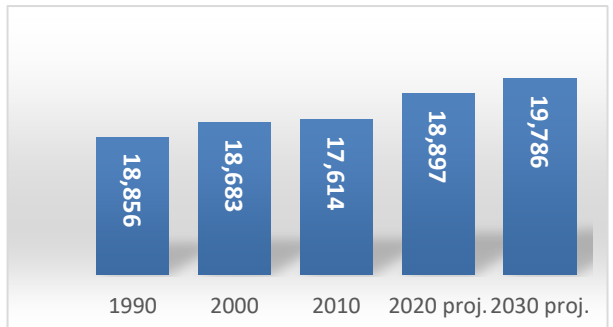


Location

The City of Bay City is in southeast Texas, near the Texas Gulf Coast. The City is about 8.87 square miles, of which 0.12 square miles of water area, with an elevation of 52 feet. Bay City is the county seat of Matagorda County, which also includes the cities of Palacios, Matagorda, Van Vleck, Markham, Blessing and Sargent. Bay City is accessible via State Highways 35 and 60 along with FM 457. These roads provide access to Houston and the market areas of Brazoria, Jackson and Wharton Counties.

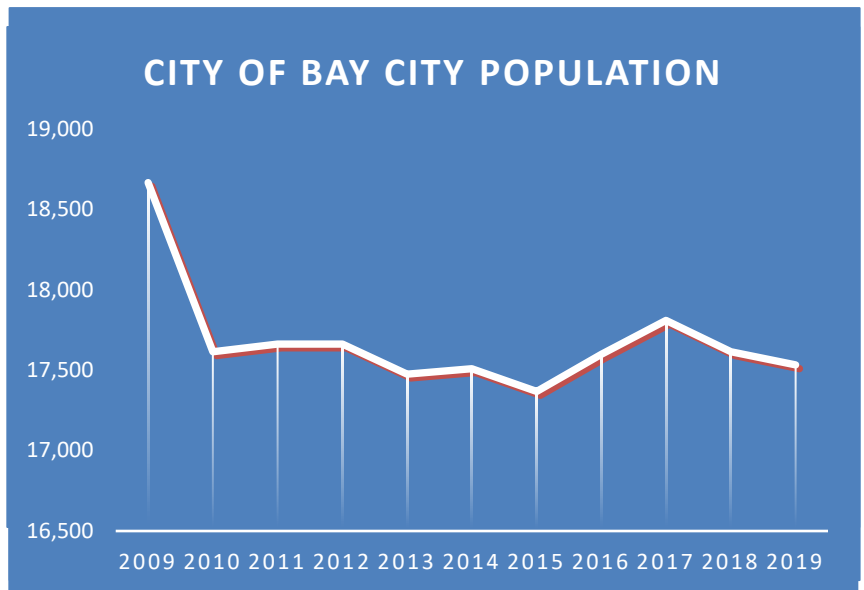
Population

According to the 2010 census, Bay City is currently home to about 17,614 residents. The graph to the right represents the City's population beginning in 1990 to the projected 2030, based on the records of the U.S. Census Bureau. The City, according to the Texas Water Development Board is projected to reach 19,786 by 2030. The City has seen slow, but steady growth. An updated population count will be available once 2020 Census is complete.



City of Bay City, Texas
Population

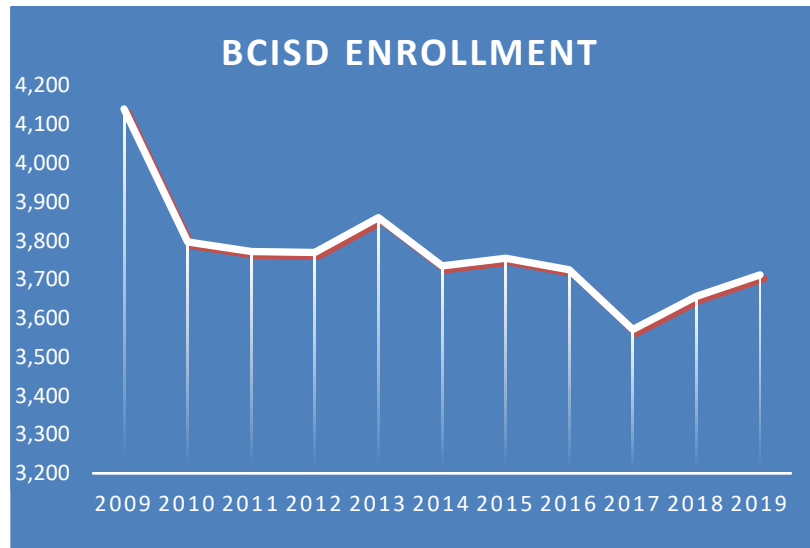
<u>Year</u>	<u>Population</u>
2009	18,667
2010	17,614
2011	17,663
2012	17,663
2013	17,476
2014	17,509
2015	17,368
2016	17,598
2017	17,809
2018	17,614
2019	17,534



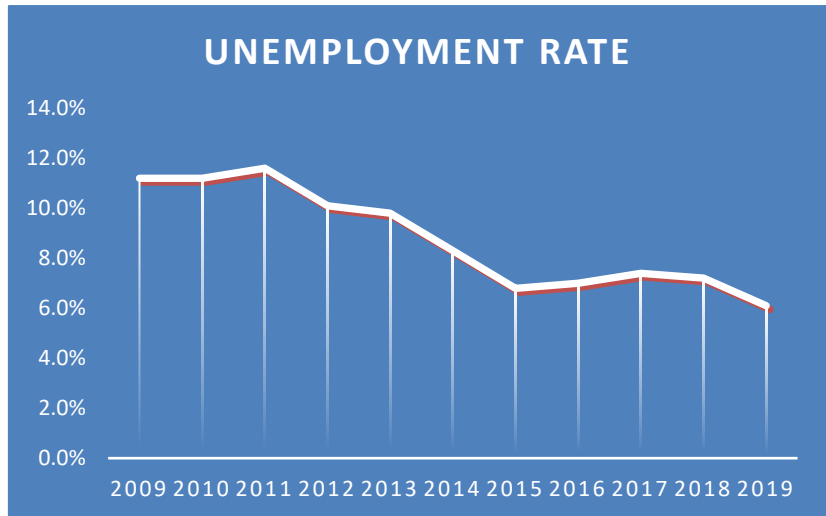
Schools

Bay City is served by the Bay City Independent School District. The City presently has three Pre-Kindergarten through Fifth grade elementary schools: Cherry Elementary, Holmes Elementary and Roberts Elementary School; one Sixth through Eighth grade middle school; Bay City Jr. High serves the Seventh and Eighth grades; Bay City High School serves the Ninth through Twelfth grades. Bay City also has a college campus, Wharton County Junior College, which focuses on technical training and nuclear plant operations. Currently the Bay City Junior High and Tenie Holmes Elementary are undergoing new construction, along with a new football stadium at the High School, to be complete upon the Fall 2019 school year.

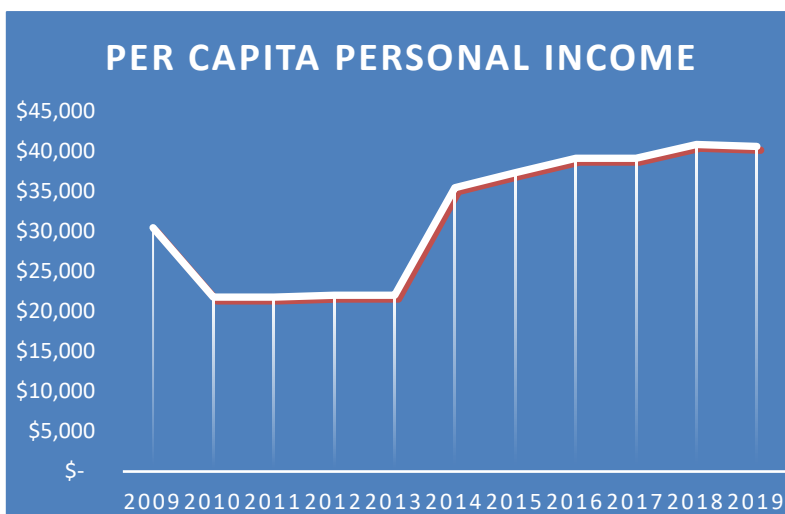
BCISD Enrollment	
<u>Year</u>	<u>Enrollment</u>
2009	4,140
2010	3,797
2011	3,772
2012	3,770
2013	3,860
2014	3,735
2015	3,755
2016	3,725
2017	3,571
2018	3,657
2019	3,712



Unemployment Rate	
<u>Year</u>	<u>Rate</u>
2009	11.2%
2010	11.2%
2011	11.6%
2012	10.1%
2013	9.8%
2014	8.3%
2015	6.8%
2016	7.0%
2017	7.4%
2018	7.2%
2019	6.1%



Per Capita Personal Income		
<u>Year</u>	<u>Income</u>	
2009	\$	30,446
2010	\$	21,773
2011	\$	21,773
2012	\$	22,000
2013	\$	22,000
2014	\$	35,426
2015	\$	37,324
2016	\$	39,111
2017	\$	39,090
2018	\$	40,827
2019	\$	40,596



PRINCIPAL PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>Taxable Assessed Valuation</u>
Nichols Square Partners LTD	\$ 14,937,230
Oak Manor Bay City LLC	10,255,308
AEP Texas Central Company	10,209,360
Cypressbrook Palm Village LP	9,435,380
Wal Mart Real Estate Business Trust	8,445,300
Bay City Community Development Corp.	9,046,110
IMFI CB Apartments LP	6,882,500
Hampton Inn	6,154,500
Riverway Apartments	5,883,260
Lone Star Hotels	5,600,000
	<u>\$ 86,848,948</u>

PRINCIPAL EMPLOYERS

<u>Employer</u>	<u>Employees</u>
South Texas Project (STP)	1,123
Tenaris	697
Bay City I.S.D	541
Matagorda County Regional Medical Center	241
Matagorda County	237
OXEA	185
Lyondell	163
City of Bay City	157
Walmart	129
H.E.B	99

City Amenities/Services

The City's primary objective is Public Safety. A full-time equivalent staff of 61 employees are dedicated to serving the community in the most efficient and cost-effective way possible. The City has one police station with 39 sworn police officers dedicated to serving and protecting our citizens. The Bay City Volunteer Fire Department, consisting of 29 volunteers, provides the City with fire suppression and rescue protection. Our Animal Control Department, consisting of 2 animal control officers, responds to all animal calls in conjunction with our Animal Impound.

Utilities

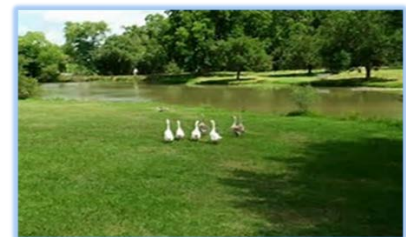
The City of Bay City owns and operates its own water, wastewater and gas which is operated by the Bay City Gas Company. Sanitation services have been contracted out to WCA. Currently, the City has approx. 6,100 water and sewer customers, whether it be residential or commercial. Average daily water consumption (millions) is 2.024 and average daily sewage consumption (millions) is 1.634. The City maintains 109 miles of streets, 113 water main miles and 108 sewer miles.

Culture and Recreation

“The Gateway to the Great Outdoors”, there are a variety of things to do within Bay City and the surrounding cities of Matagorda County.

Citizens can enjoy any one of the City’s 23 parks, 2 pools and sports complex. Hilliard Pool is open from Memorial Day through Labor Day while the 16th Street Pool is open year-round.

Local attractions include: Matagorda County Birding and Nature Center, Rio Colorado Golf Course, Shulman Movie Bowl Grill, Bay City Public Library, Matagorda County Museum, local downtown square and the Texas Theatre which is currently under construction.



Overview of Audited Results

The following summary highlights are taken directly from the Management Discussion and Analysis (MD&A) section of the fiscal year 2019 Comprehensive Annual Financial Report (CAFR).

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

Fiscal Sustainability

Government-wide financial statements provide financial information about the city. These statements distinguish between two types of activities: governmental and business-type. The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities taking place in the fiscal year.

The City's two kinds of funds are governmental and proprietary (business-type). The City maintained 15 types of individual governmental funds during the fiscal year. The City adopts an annual budget for its General Fund and Debt Service Fund. The General Fund is the most significant fund of the City's 15 governmental funds. The City also has two proprietary funds. The City uses enterprise funds to account for its water/wastewater utility service and 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.

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

The City had an overall increase in Total Net Position of \$2,180,160, consisting of an increase in governmental activities of \$2,027,436 and in increase in business-type activities of \$152,724 from 2018 to 2019.

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

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

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	\$ 3,213,169	\$ 3,151,476	\$ 8,163,162	\$ 8,083,512	\$ 11,376,331	\$ 11,234,988
Operating Grants & Contributions	\$ 2,207,235	\$ 807,058	\$ 84,130	\$ 15,870	\$ 2,291,365	\$ 822,928
Capital Grants & Contributions	\$ 376,144	\$ 798,666	\$ 219,828	\$ 417,799	\$ 595,972	\$ 1,216,465
General Revenues:						
Property Taxes	\$ 5,603,015	\$ 5,268,946	\$ -	\$ -	\$ 5,603,015	\$ 5,268,946
Sales Taxes	\$ 4,447,508	\$ 4,277,863	\$ -	\$ -	\$ 4,447,508	\$ 4,277,863
Franchise Taxes	\$ 1,266,666	\$ 1,253,205	\$ -	\$ -	\$ 1,266,666	\$ 1,253,205
Other Taxes	\$ 779,523	\$ 801,926	\$ -	\$ -	\$ 779,523	\$ 801,926
Unrestricted Investment Earnings	\$ 134,570	\$ 110,943	\$ 86,208	\$ 51,731	\$ 220,778	\$ 162,674
Miscellaneous	\$ 483,211	\$ 289,684	\$ 5,800	\$ -	\$ 489,011	\$ 289,684
Total Revenues	\$ 18,511,041	\$ 16,759,767	\$ 8,559,128	\$ 8,568,912	\$ 27,070,169	\$ 25,328,679
Expenses						
General Government	\$ 2,525,947	\$ 2,570,638	\$ -	\$ -	\$ 2,525,947	\$ 2,570,638
Public Safety	\$ 5,329,122	\$ 5,129,141	\$ -	\$ -	\$ 5,329,122	\$ 5,129,141
Public Works	\$ 6,347,218	\$ 5,513,362	\$ -	\$ -	\$ 6,347,218	\$ 5,513,362
Cultural and Recreation	\$ 2,720,126	\$ 2,534,887	\$ -	\$ -	\$ 2,720,126	\$ 2,534,887
Interest on Long-Term Debt	\$ 329,979	\$ 391,428	\$ -	\$ -	\$ 329,979	\$ 391,428
Water and Sewer	\$ -	\$ -	\$ 6,993,425	\$ 6,431,453	\$ 6,993,425	\$ 6,431,453
Airport	\$ -	\$ -	\$ 644,192	\$ 584,476	\$ 644,192	\$ 584,476
Total Expenses	\$ 17,252,392	\$ 16,139,456	\$ 7,637,617	\$ 7,015,929	\$ 24,890,009	\$ 23,155,385
Change in Net Position before Transfers	\$ 1,258,649	\$ 620,311	\$ 921,511	\$ 1,552,983	\$ 2,180,160	\$ 2,173,294
Transfers	\$ 768,787	\$ 1,007,784	\$ (768,787)	\$ (1,007,784)	\$ -	\$ -
Change in Net Position	\$ 2,027,436	\$ 1,628,095	\$ 152,724	\$ 545,199	\$ 2,180,160	\$ 2,173,294
Net Position-October 1	\$ 12,630,932	\$ 11,002,837	\$ 18,773,893	\$ 18,228,694	\$ 31,404,825	\$ 29,231,531
Net Position-September 30	\$ 14,658,368	\$ 12,630,932	\$ 18,926,617	\$ 18,773,893	\$ 33,584,985	\$ 31,404,825

Revenue Sources

Property Tax

44% of the City's total revenue is represented by taxes: property, sales, franchise and hotel/motel. Tax Revenues by Source for Governmental Funds are represented in the table below.

Fiscal <u>Year</u>	<u>Property</u>	Penalty <u>and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Other</u>	<u>Total</u>
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

Property taxes are levied each year on October 1st on the assessed values as of the prior January 1st for all real and personal property located in the City. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Matagorda County Tax Office and are due and payable on January 31st. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on the property on January 1st of the subsequent calendar year. Property tax is the largest source of income for the General Fund making up 30% of the budgeted revenue for the 2019 fiscal year. This tax supports operations such as police services, fire protection, streets, park maintenance and code enforcement.

The total value of all taxable property as certified by the Matagorda County Appraisal District is summarized in the following table:

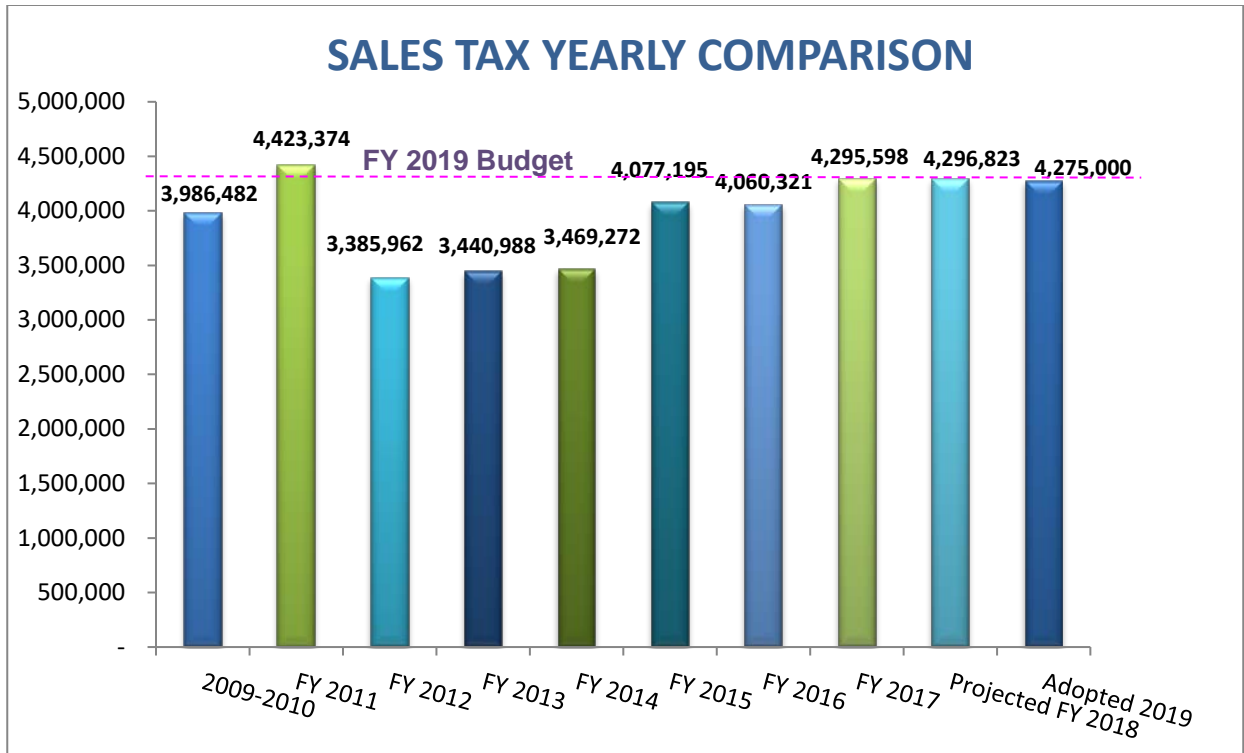
	<i>Current Year FY 2019</i>	<i>Prior Year FY 2018</i>	<i>Variance</i>	<i>Variance</i>
<i>Certified Taxable Value (2018 Tax Roll)</i>	857,099,643	809,313,073	47,786,570	5.90%

* The City approved a \$10,000 exemption for all Bay City citizens over the age of 65.

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

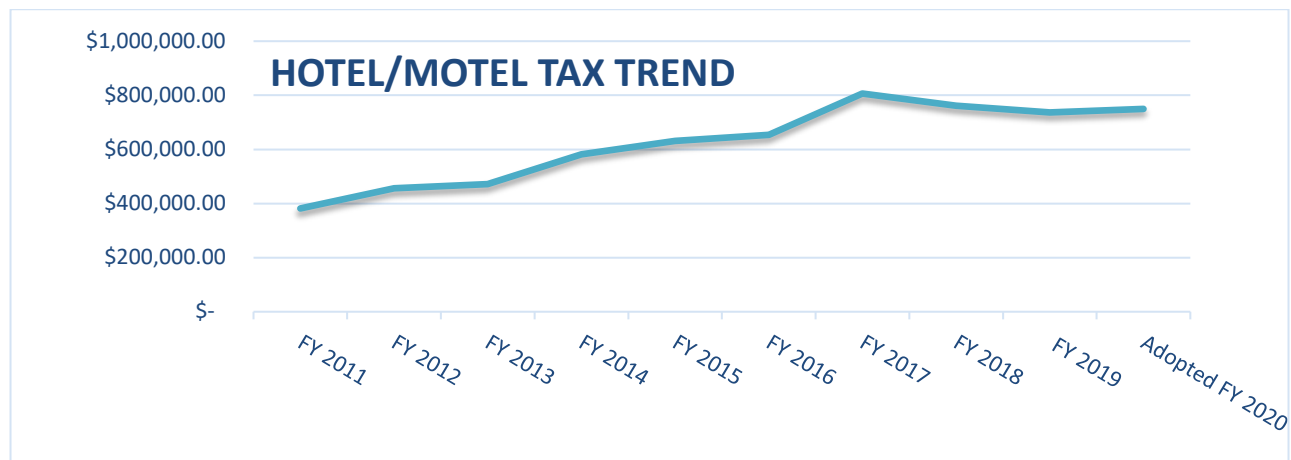
Sales Tax

The City of Bay City received \$4,447,508 in sales tax in fiscal year 2019. The sales tax is allocated to general fund, tax relief and to economic development. The City receives 1.5%, for its General Fund and Property Tax Relief, of the 8.25% tax charged inside the city limits. The Bay City Community Development Corporation receives 0.5%, for economic development and the remaining 6.25% goes to the State.



Hotel/Motel Tax

The Hotel Occupancy Tax Fund accounts for the levy and use of the hotel-motel bed tax. “Putting heads in beds”. All occupants staying overnight in hotels or motels in the City of Bay City for less than 30 consecutive days, are charged a hotel tax of 13% of the room cost. The City receives 7% of the revenue while the State collects 6%. This money is used to promote the City of Bay City following strict guidelines on the use of this tax set up by the State Comptroller’s Office. There are currently 20 hotels/motels in Bay City.



Franchise Fees

Franchise fees are collected from major public utility providers operating within the City limits. This charge is for the use of the City's right of ways and streets. The fee is usually computed at 5% of gross receipts. The City collected a total of **\$1,266,666** at the end of fiscal year 2019 a slight increase as compared to prior year's collections of \$ 1,253,205. Included in that amount is a Franchise Fee charged to the Public Utility Fund based on 6% of gross revenue, amounting to \$463,000.

Licenses & Permits

Revenues from these categories relate to various contractors' permits, alcohol permits and animal licenses.

Charges for Services

This type of charge can be found in the General Fund, Public Utility Fund and Airport Fund. Charges for Services in the General Fund are Sanitation Fees, in the Public Utility Fund they are water/sewer charges and in Airport Fund they are for late fees on hangar rentals.

Fines and Penalties

Fines and forfeitures account for approximately **1%** of the citywide revenue and can be found in the General Fund and Public Utility Fund. In the General Fund, this revenue is represented by payments of citations, warrants, court costs and Library Fines. The revenue is represented as late payment penalties in the Public Utility Fund.

Miscellaneous

This source can also be found in most funds. This includes items such as rental income, royalties, grants, park fees, donations, interest income and tie down fees.

Other Revenues/Sources

This is the smallest resource of citywide revenue and can be found in most funds. This includes items such as other financing sources and contributed capital.

Intergovernmental

This revenue represents transfers from various funds to reimburse the General Fund for services such as office space, financial services, administrative services, equipment purchases, and capital projects.

Bond Ratings- "City's Credit Score"

Ratings play a critical role in determining how much the City pays in interest on their debt. "A credit rating is an assessment of the creditworthiness of a debt instrument based on a credit rating agency's analytical models, assumptions, and expectations."

Standard & Poor's (S&P): A+ rating due to a weak economy, adequate management with standard financial policies and practices under our Financial Management Assessment (FMA) methodology, strong budgetary flexibility with an available fund balance in fiscal year 2016 of 13.7% of operating expenditures, very strong liquidity with total government cash at 56.5% of total government fund expenditures and 5.6 governmental debt service, adequate debt and contingent liability position and a strong institutional framework score

Moody's: A2 rating reflects the city's pattern of declining liquidity due in part to large general fund transfers that support debt service, weak resident income indices and above average yet manageable net direct debt burden. The rating also incorporates the city's growing tax base and manageable pension burden.

Long Term Debt

There is no direct limit on debt in the City Charter. Statutes of the State of Texas do not provide any limitations on the dollar amount of debt cities can float; however, as a matter of policy, the Attorney General of Texas, will not approve the issuance of bonds where the total debt service of all tax supported debt requires a tax rate of more than \$1.50 per \$100 assessed valuation. The truth-in-taxation criterion specifies that debt (Interest & Sinking) requirements must be met first, and then the operations can be funded. The property tax rate to meet these needs cannot exceed \$2.50 per \$100 valuation.

Debt service requirements for the City of Bay City are currently \$.1446 of the current property tax rate of \$.6550. The City has eight outstanding debt issues most of which are Tax and Revenue Certificates of Obligations. **The City has no plans to issue debt within the next 12 months.**

Assessed value, 2018 tax roll	\$857,099,643	Actual amount of tax-secured debt service - Year ended September 30, 2019	\$2,815,129
Limit on amount designated for debt service per \$100 assessed valuation	x \$ 1.50		
Legal Debt Service Limit	12,856,495	Legal Debt Margin	\$10,041,366

At the end of the current fiscal year, the City had total bonded debt outstanding (not including Tax Note and Deferred Amounts: Bond Premiums) of \$17,280,009. Of this amount, \$1,930,000 represents general obligation debt and certificates of obligation totaled \$15,350,009. The City's bonded debt had a net decrease of \$2,065,001 or 12% during the fiscal year ended September 30, 2019. The City also had \$1,260,000 of tax notes outstanding as of September 30, 2019.

	Outstanding Debt By Type					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Certificates of Obligation	\$ 7,408,087	\$ 8,387,262	\$ 7,941,922	\$ 8,667,748	\$ 15,350,009	\$ 17,055,010
General Obligation Bonds	\$ 1,930,000	\$ 2,290,000	\$ -	\$ -	\$ 1,930,000	\$ 2,290,000
Notes	\$ 1,260,000	\$ 1,386,000	\$ -	\$ -	\$ 1,260,000	\$ 1,386,000
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plus Issuance Premiums	\$ 325,276	\$ 358,459	\$ 151,026	\$ 161,185	\$ 476,302	\$ 519,644
Total	\$ 10,923,363	\$ 12,421,721	\$ 8,092,948	\$ 8,828,933	\$ 19,016,311	\$ 21,250,654

General Obligation Bonds (G.O.'s) are payable from the proceeds on an annual property tax, levied within the limitations of the law. The payment of these bonds is guaranteed by the full faith and credit of the city. These bonds must be authorized by a vote of the citizens.

Certificates of Obligation (C.O.'s) do not require voter approval and are ordinarily sold to finance smaller, less expensive projects which tend to have shorter pay-out periods on the debt. These are also backed by the full faith and credit of the city and are paid from property tax receipts.

Revenue Bonds are payable from specific sources of non-tax revenue and do not affect the property tax rate. Coverage Ratios of Revenue Bonds will always follow the minimum coverage ratio required by the revenue bond ordinances. It shall be the goal of the City to achieve a budgeted coverage ratio of 1.60

Property Tax Supported Debt

2009 Tax and Revenue Certificates of Obligation (CO)

\$5,000,000 – 2009 Tax and Revenue Certificate of Obligation Bond was issued for the acquisition of vehicles and equipment for the sanitations system. The payments are secured by property taxes due in annual installments ranging from \$435,000 to \$575,000 through September 1, 2019; interest varying between 3.00% and 3.50%. *General Fund Maintenance & Operational (M & O) is paying this debt from sanitation revenue.*

2010 Tax and Revenue Certificates of Obligation (CO)

\$3,300,000 – 2010 Tax and Revenue Certificate of Obligation Bond was issued for street and drainage improvements, park improvements, civic center improvements, and airport improvements. The payments are secured by property taxes due in annual installments ranging from \$245,000 to \$255,000 through September 1, 2030; interest varying between 3.50% and 4.20%.

2013 Tax Note

\$642,000 – 2013 Tax Note was issued for the acquisition of a fire rescue truck. The payments are secured by property taxes due in annual installments for approximately \$102,000 through September 1, 2019; interest fixed at 1.37%.

2013 General Obligation Refunding Bonds

\$5,125,000 – 2013 General Obligation Refunding Bond was issued to take advantage of the low interest rate environment by refunding the callable portion of the General Obligation Bonds, Series 2003 and the Combination Tax and Revenue Certificates of Obligation, Series 2004 that were originally issued to fund various street projects. The payments are secured by property taxes due in annual installments ranging from \$405,000 to \$413,000 through September 1, 2024; interest fixed at 2.00%.

***2014 Tax and Revenue Certificates of Obligation (CO)**

\$3,995,000 – 2014 Tax and Revenue Certificate of Obligation Bond was issued for construction and improvement of streets, sidewalks, water and sewer system, and to purchase public works equipment. The payments are secured by property taxes due in annual installments ranging from \$222,000 to \$247,000 through September 1, 2034 funded by both Utility revenues (25%) and property taxes (75%); interest varying between 2.00% and 4.00%.

***2016 Tax and Revenue Certificates of Obligation (CO)**

\$5,665,000 – 2016 Tax and Revenue Certificate of Obligation Bond was issued for construction and improvement of streets, sidewalks, water and sewer system, and to purchase park equipment. The payments are secured by property taxes due in annual installments ranging from \$371,000 to \$376,000 through September 1, 2036 funded by both Utility revenues (33.33%) and property taxes (66.67%); interest varying between 2.00% and 3.00%.

2018 Tax Note

\$1,285,000 – 2018 Tax Note was issued for building improvements and the acquisition of road equipment. The payments are secured by property taxes due in annual installments ranging from \$195,000 to \$230,000 through March 1, 2025; interest fixed at 3.01%.

*Paid by both property taxes and utility system revenues

Public Utility Fund Supported Debt

2012 Tax and Revenue Certificates of Obligation (CO) \$9,530,000 - 2012 Utility System Tax and Revenue Certificates of Obligation was issued to replace all water meters and move the City to a fixed based reading system. Other improvements included lighting systems of City facilities, street light system, and irrigation systems at City parks and recreational facilities. The payments are supported by the City's Public Utility Fund and due in annual installments for approximately \$800,000 through September 1, 2027; interest varying between 2.00% and 3.25%.

Capital Assets

The largest portion of the City's net position \$47,010,629, or 84%, reflects its investment in capital assets, net of accumulated depreciation, which include land, buildings, machinery, equipment, improvements, infrastructure and construction in progress, less any debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; yet these assets are not available for future spending. The City's investment in its capital is reported as net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. The net increase in the City's investment in capital assets was \$1,437,868.

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

Upcoming capital projects slated for fiscal year 2019-2020:

- ❖ Street Seal Coat Projects-\$200,000
- ❖ Nile Valley Road-Phase I Design- \$225,000
- ❖ Southern Pacific Trailway-TxDOT Project- \$1,315,551
- ❖ Renovation of old Texas Theatre-\$150,000
- ❖ Rehab Katy Water Plant- \$700,000
- ❖ Water System Improvements- \$400,000
- ❖ Replace Waterlines-NW Quadrant- \$350,000
- ❖ Wastewater Treatment Plant Rehab-Phase I Engineering- \$250,000
- ❖ Repair Airport T-Hangar Row-\$600,000
- ❖ Engineering-Taxiway A Relocation Phase I- \$ 442,000
- ❖ Acquisition-Land for Airport- \$ 250,000



Accounting Terminology

Accrual Basis of Accounting is a method of accounting that recognizes the financial effect of transactions, events and interfund activities when they occur, regardless of the timing of the related cash flows.

Assigned Fund Balance is the portion of fund balance set aside by the City for a particular purpose.

Current Assets are available or can be made readily available to finance current operations or to pay current liabilities. Current assets include those which will be used up or converted into cash within one year. Some examples are cash, investments, taxes receivable, prepaid items and inventories.

Capital Assets include land, improvements to land, easements, construction in progress, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Current Liabilities are expected to be paid to vendors or employees from current financial resources within one year. Also included are unearned revenue and accrued interest.

Committed Fund Balance is the portion of fund balance that represents resources whose use is subject to legally binding constraints imposed by the City itself.

Deferred Inflows of Resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows consist of pension activities related to the difference in expected and actual pension expense.

Deferred Outflows of Resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred Outflows consist of deferred charges on debt refundings, pension contributions after the measurement date and pension activity. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded (old) debt or refunding (new) debt.

Long Term Liabilities are liabilities with a future benefit over one year, including bonds, capital leases, notes payable, health claims liability, Other Post-Employment Benefits ("OPEB"), net pension liability, severance payable and compensated absences.

Net Pension Liability is the difference between the total pension liability and the assets set aside in a trust restricted to paying benefits to current employees, retirees and their beneficiaries.

Net Position represents the City's assets less liabilities.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of these assets.

Nonspendable Fund Balance is the portion of fund balance that cannot be spent because of the underlying resources are not in spendable form.

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets.

Unrestricted Net Position is the remaining net position of the City after subtracted net investment in capital assets and restricted net position.

City of Bay City Contact Information

In the case of an emergency:

Call 9-1-1

Airport

979-244-5037
3598 FM 2540 N

Animal Control/Impound

979-323-1706
4611 Starling Drive

Mayor's Office

979-245-2137
1901 5th Street

Police (Non-Emergency)

979-245-8500
2201 Avenue H

Human Resources (Job Info)

979-245-6550
1901 5th Street

Municipal Court (Traffic Fines)

979-245-0035
1824 6th Street

Recycling Center

979-943-8758
1702 Avenue K

Parks and Recreation

979-323-1660
1209 10th Street

Public Works Warehouse

979-323-1659
1217 Avenue J

Utility Billing (Water Bills)

979-245-2322
1901 5th Street

Tax Office (Property Tax Bill)

979-244-7605
1700 7th Street

For a fully detailed and disclosed CAFR, in its entirety, please visit the City's website: www.cityofbaycity.org/transparency-program

City Achievements

Municipal Court held successful 2019 Warrant Round Up and Amnesty campaigns.

Finance Department received, for the first time, the Popular Annual Financial Reporting (PAFR) Award from the Government Finance Officers Association. The Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) and the Distinguished Budget Presentation Award were also received for fiscal year 2018.

Police Department lowered the Uniform Crime Report (UCR) statistics.

The City was recognized by the Central Texas Recycling Association for its Outstanding Recycling Efforts.

Bay City Main Street program awarded façade grants to two businesses: Three Chick's Soaps and Terrace Salon.

The Recycling Center opened for business, at its new location, in July.

Dreamscape Project at Letulle Park began construction.

Bay City Public Library received/completed grants to become a Family Place Library, develop Early Literacy Rotating Collection Kits, add a Reading Dog program and create a Cultural Arts series.

Bay City Regional Airport completed engineering for renovations or replacement of A row t-hangars.

Local artist group was commissioned to paint the third and fourth murals in Bay City, the third being completed on Hwy 60 North on the V.F.W Building.





CITY OF BAY CITY
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Bay City, TX 77414
WWW.CITYOFBAYCITY.ORG