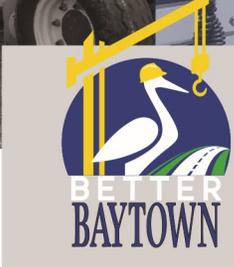




CITY OF BAYTOWN

*Comprehensive Annual
Financial Report
Fiscal Year Ending
September 30, 2020*

2019
-
2020



BETTER

BAYTOWN

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

CITY OF BAYTOWN, TEXAS

For the Year Ended
September 30, 2020

Issued by:

Finance Department

**Rick Davis, City Manager
Kevin Troller, Assistant City Manager
Nick Woolery, Assistant City Manager
Victor Brownlees, Director of Finance
Monio Mark II, CPA, Controller**

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CITY OF BAYTOWN, TEXAS

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CITY OF BAYTOWN, TEXAS

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INTRODUCTORY SECTION

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CITY OF BAYTOWN

FINANCE DEPARTMENT

2401 Market Street • P.O. Box 424
Baytown, Texas 77522-0424
(281) 420-6531 • (713) 781-2477 Fax

March 18, 2021

Honorable Mayor, Members of City Council, and Citizens of the
City of Baytown, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Baytown, Texas (the “City”), for the fiscal year ended September 30, 2020, is hereby submitted as mandated by City Charter. The City Charter requires that the City issue an annual report of its financial position and activities, and that an independent Certified Public Accounting firm audit this report. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with management. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial affairs have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, a copy of the Certificate of Achievement for Excellence in Financial Reporting for the City’s 2019 CAFR presented by the Government Finance Officers Association of the United States and Canada, an organizational chart of the City, and a listing of City officials. The financial section includes the Management’s Discussion and Analysis (MD&A); basic financial statements, including the notes; required supplementary information; combining and individual fund statements and schedules; as well as the independent auditors’ report on these financial statements and schedules. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis that is relevant to the financial statement reader.

Profile of the City

The City of Baytown is the third largest city in the Harris County. Located east of Houston, Baytown is only 20 miles from downtown, within 35 minutes of the Houston Hobby Airport, and within 45 minutes of the Houston Bush Intercontinental Airport. Houston is readily accessible via Interstate Highway (IH) 10, a major thoroughfare running through the north side of Baytown. The City encompasses an area of 43.3 square miles with a current estimated population of 94,081.

The City was incorporated on January 24, 1948, as a Home-Rule City operating under the Council-Manager form of government. The City Council is composed of the Mayor and six City Council (the “Council”) members. All six Council members are required to reside within the defined districts from which they are elected. The Mayor is elected at-large. On May 13, 2006, the citizens approved seven charter amendments approving three-year Council member terms; new methods for filling vacancies in office; executive sessions; changes for initiative, referendum, and recall petitions; and grammatical updates. As a result of this charter change, all Council positions are elected for three-year staggered terms.

City Charter, Article III, Section 32 requires the Council to appoint a City Manager to act as the chief executive officer and head of the administrative branch of the City. It is the responsibility of the City Manager to appoint and remove department heads and conduct the general affairs of the City in accordance with the policies of the Council.

The financial reporting entity includes all funds of the primary government, as well as all of its component units. A component unit is considered to be part of the City's reporting entity when it is determined that the City is financially accountable for the entity or the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The City provides a full-range of services, including police and fire protection, emergency medical services, water and sewer services, sanitation services, storm water utility services, parks and recreational facilities, recreation programming, library services, transportation improvements, inspections, and environmental health services. Internal services of the City, accounted for on a cost reimbursement basis, are the central services operations for the garage and warehouse functions and the risk management services.

Discretely presented component units are legally separate entities and not part of the primary government's operations. Accordingly, the Baytown Area Water Authority (BAWA) and the Baytown Municipal Development District (MDD) are reported separately.

Local Economy

The community is proud of its industrial heritage and the many opportunities a strong industrial base provides. City officials, citizen groups, businesses, and industries have a similar vision; to make Baytown a better place to live, work, and raise a family by enriching lives and building community.

Baytown citizens authorized the creation of the MDD in 2001 and the collection of a 1/2 cent sales and use tax for the purpose of financing community and economic development projects. The MDD generates in excess of \$6 million annually and funds a multitude of economic development projects and public improvements, including streets, drainage, sidewalks, and signalization improvements; utilities improvements; and parks improvements.

Voters also approved a street maintenance sales tax in the amount of 1/4 of one percent in 2004, which was reauthorized in 2011, 2015, and again in 2018. The most recent reauthorization allows collection of the tax until 2022. The funds generated by the sales tax are limited to the maintenance of existing municipal streets, sidewalks, and residential streets at the time of authorization. Types of maintenance include concrete street repair, asphalt mill and overlay, base repair and sealing, and crack sealing.

In 2006, Baytown citizens voted to create the Baytown Crime Control and Prevention District and the Fire Control, Prevention, and Emergency Medical Services District, each funded by a local sales and use tax at a rate of 1/8 of one percent. These funds are dedicated to crime reduction programs and to fire safety and enhancement of emergency medical services, respectively. Reauthorization of these special districts for another five-year term was approved by the voters on May 14, 2011, November 2015, and again in November 2020.

The COVID-19 pandemic of 2020 has impacted the City, with additional expenditures relating to Fire/Emergency Medical Technicians personnel, purchase of personal protective equipment, and other related costs incurred in mitigating the effect of the virus on the local community. A claim for reimbursement of costs was made through Harris County, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and, in late 2020, it was confirmed that the City will received a total of \$4,008,345. In anticipation of this, \$3,933,223 was included in the final accounts for fiscal year (FY)2020. Moreover, the necessary closure of the City's recreational facilities had a significant effect on budgeted revenues in the City's Aquatics Fund, – resulting in a net loss of almost \$2.5Million. This lost revenue is not claimable under the CARES Act. During the preparation of the FY2021 annual budget, the City Council agreed to meet this loss in the form of a loan

from the General Fund repayable over the succeeding 5 years. A reduction in sales tax revenue was anticipated when preparing outturn estimates for FY2020 and the annual budget for FY2021. However, in line with a number of other municipalities throughout the State and country, this reduction did not materialize and revenue from sales tax has been in line with original estimates and previous year trends. It remains to be seen whether this will continue and indeed whether there will be an adverse impact on property valuations for tax assessment purposes in 2021. Consequently, the City will maintain a conservative and prudent approach to spending throughout FY2021 and will be closely monitoring revenue performance.

With significant support of the community, numerous amenities continue to be provided, including the Goose Creek Trail and Greenbelt Project, which creates a linear park and trail system through the heart of the community; the Eddie V. Gray Wetlands Education and Recreation Center, a cooperative effort of the Goose Creek Consolidated School District, Lee College, and the City to provide an opportunity for young and old to learn more about fisheries, wildlife, ecology, et cetera; and The Baytown Nature Center, a 450-acre preserve within the City limits developed from the former Brownwood subdivision that was destroyed by subsidence and Hurricane Alicia. The Nature Center is on the Great Texas Birding Trail and hosts over 300 species of birds along with numerous varieties of flora and fauna. The Nature Center continues to be a favorite spot for fishing, hiking, and nature study, as well as a great place for family recreation.

The City's aquatic facilities, which include the Pirates Bay Waterpark, Calypso Cove, and six spray parks, continue to provide Baytown with affordable and quality water fun. Pirates Bay has become a destination for tourism as visitors come from all over the state and Louisiana. The Pirates Bay Waterpark completed its tenth season and Calypso Cove completed its ninth season. The two aquatics facilities are set up as an enterprise fund and pay operating expenses. A set aside of one dollar from each ticket sold is earmarked for capital replacement.

Following the tremendous success of Pirates Bay, including capacity crowds on most days, the City hired the firm of Kimley Horn and Associates to prepare an Expansion Master Plan that paved the way for the future expansion of the Waterpark. The Pirates Bay Phase I expansion focused on expanding capacity and included a wave pool, two family or multi-rider slides, concessions/restroom building, and additional parking. The expansion opened on May 16, 2014. The expansion allowed for Pirates Bay to see an increase in attendance over the past few years outside of 2020 where the Waterpark did not see an increase due to COVID. Further, construction was completed on an additional slide, the Aqua Loop, in time for the 2017 season. In an effort to make Pirates Bay a more attractive waterpark compared to the others in the area, the City purchased a new attraction called the Ninja Course. Pirates Bay is the only waterpark in North America with this attraction.

The Parks and Recreation Department operates six spray parks located across the City that are open daily starting in March. The spray parks are located at Roseland Park, McElroy Park, Bergeron Park, Central Heights Park, Pelly Park, and Jenkins Park. The heavily used and free splash parks are open eight months out of the year.

The City has adopted a new United Land Development Code (ULDC) zoning code in 2012 that improves the livability, design standards, and visual appearance of the community. The Neighborhood Protection Division and Planning Department provides enforcement and support of these and other Council-adopted goals that target an improved community.

Many of the City's lift stations now have generators or direct drive back up pumps so that they can continue to move sewage to the plants after a storm. Sidewalks have been improved in many neighborhoods in the City. Several neighborhoods have seen new housing designed especially for recovery from storms. These houses are welcome new assets to neighborhoods.

The BAWA water treatment capacity is being increased by the construction of a new six-million gallon per day (MGD) Surface Water Treatment Plant in the southwest sector of Chambers County. The additional

capacity will ensure that the City is within regulatory and health requirements with its potable water system. Construction began in 2018 and is estimated for completion in April 2021. The construction contract has been authorized at \$52.2 million.

Construction has now concluded on the San Jacinto Boulevard project. This new roadway parallels Garth Road and stretches from the IH-10 Eastbound Frontage Road to West Cedar Bayou-Lynchburg Road at Bush Road. San Jacinto Boulevard provides a much-needed alternative to an increasingly busy Garth Road. The project consisted of two phases. Phase I ran from IH-10 to 800 feet south of Santavy Road at a projected cost of \$20.5 million. Phase II completed the new roadway from that point to West Cedar Bayou-Lynchburg Road at an approximate cost of \$9.4 million.

The City established Tax Increment Reinvestment Zone (TIRZ) Number One in the Garth Road/San Jacinto Mall area and enlarged the TIRZ by adding non-contiguous areas in and near the Chevron Phillips plant. The creation of the TIRZ is to promote commercial and residential development within the TIRZ. Having the TIRZ provides the ability to utilize the incremental revenue generated by improvements to reimburse developers for their investment in the community. The project plan includes the use of the Harris County increment to support the expansion of John Martin to Hunt Road (\$1.5 million), extending Hunt Road from Garth to John Martin (\$3.5 million), construction of San Jacinto Boulevard from IH-10 to Cedar Bayou (\$9.5 million), and widening of Sjolander Road (\$6.9 million). The TIRZ project plan further includes the extension of Hunt Road from Garth Road to connect to both John Martin Road to the west and North Main Street to the east, improving the San Jacinto Mall area traffic flow and allowing areas adjacent to the mall to be developed within commercial, retail, and additional residential areas. In December 2020, the City and Harris County agreed to expand the boundaries of the TIRZ and add two additional projects to the project plan. These include the widening of W. Cedar Bayou Lynchburg Road from Garth Road to John Martin Road, and the widening of John Martin Road from IH 10 to Wallisville Road. The estimated cost of both projects is \$40 million and both entities will share the costs 50/50 utilizing their TIRZ increment.

Additionally, Public Improvement District (PID) Number One was created in September 2007 in the Bay Oaks Harbor subdivision for improvements to the streets and associated utilities and drainage infrastructure in that recently annexed subdivision. The PID began collecting special assessments in fiscal year 2014 from properties benefitting from the improvements and these assessments may be paid over a ten-year period with interest included at a rate of three percent. The assessment collections reimburse the City's \$1,750,000 cost of these improvements.

The Grand Parkway is a 170-mile outer loop planned to serve the regional mobility needs of Houston and seven surrounding counties. It is being developed through a partnership with the Texas Department of Transportation, private landowners, local governments, and public interest groups. The Grand Parkway State Highway (SH-99) has been divided into nine segments (A-I 2), each of which is a complete and independently justifiable project. Segment I-2, from SH-146 to IH-10, which includes Baytown and its extraterritorial jurisdiction, opened in 2009 and is the second leg of SH-99 to be constructed. Grand Parkway improvements are slated to be completed by Summer 2021.

The Baytown City Council approved the establishment of impact fees in 2004 to ensure the provision of adequate facilities to serve new development in the area by requiring each such development to pay its pro-rata share of the cost of water and wastewater capital improvements necessitated by, and attributable to, such new development.

Baytown has been recognized by several organizations and agencies as the recipient of the following awards:

- Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for Fiscal Year 2019-20
- GFOA Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year Ending 2019

- Texas Comptroller Leadership Circle Gold Member
- Intelligent Transportation Society of Texas award for deployment and implementation of an adaptive synchronization system
- International City and County Management Association (ICMA) Performance Management Award

The City of Baytown and its citizens share a vision of what this community can be. The decision was made several years ago to improve our quality of life and the information above represents tangible milestones of the City's progress toward realizing that vision.

Long-Term Planning

Community-Based Strategic Plan

In 2016, the City embarked on a new initiative designed to engage citizens and stakeholders in a comprehensive conversation regarding citizen priorities. The completion of a citizen survey, combined with several stakeholder meetings, culminated in the creation of a five-year strategic plan that not only provides guidance for the Baytown 2025 Comprehensive Plan, but also gives the governing body a clear articulation of strategic goals, directives, and associated initiatives. As such, it will serve as a primary guide for Council's initial goal setting for the next several years. The City is now embarking on the second Community-Based Planning Initiative.

Baytown 2025 Comprehensive Plan

In 2007, the City Council adopted the Baytown 2025 Comprehensive Plan. The Plan is an official public document that acts as general guide for how the City should grow and operate over the next 20 years. The Comprehensive Plan plays many important roles in shaping the future of the community by doing the following:

- Serving as a general "blueprint" for future development (and redevelopment) in and around Baytown with an emphasis on improving the community's desirability as a place to live, work, play, and shop;
- Documenting the character of the community, as well as anticipated issues, trends, opportunities, and challenges facing the City;
- Providing a common vision supported by a series of goals and objectives for the next 20 years;
- Defining policies to guide daily decision-making regarding Baytown's physical and economic growth; and
- Establishing a core set of strategies for aggressive implementation that emphasizes action and results.

Fiscal Sustainability Plan

Finance and Administration created a financial plan that articulates key financial policies, projects revenues, and primary expenditures for the coming five fiscal years; provides an assessment of fiscal risks confronting the City; prescribes actions should these risks materialize; and delineates other short-term and longer-term measures that can be considered by Administration and the City Council. The financial plan is subject to annual review and modification by Council as needed.

In 2020, the City launched its first comprehensive 5-year Capital Improvement Program (CIP). The 5-year CIP includes near-term projects within the next five years and longer-term projects anticipated beyond the five-year window. The CIP covers all areas of capital needs in the City, including Transportation, Drainage, Parks, Facilities, Utilities, Water Treatment, and Wastewater Treatment. The program is being refined in 2021 to include more sophisticated financial modeling and debt analysis to ensure the City's leaders can effectively balance capital needs, operational needs, and tax burden.

Relevant Financial Policies – Accounting System and Budgetary Control

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

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal controls. Internal accounting controls are designed to ensure reasonable, but not absolute, assurance that assets are protected against loss, misuse, or unauthorized disposition, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits require estimates and judgments by management.

Any internal control evaluation occurs within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The City Charter provides that City Manager shall submit a proposed annual budget to the Council. The Council shall adopt the annual budget no later than the twenty-seventh day of the last month of the fiscal year. This budget is reviewed by the Council and is formally adopted by the passage of a budget ordinance. Any amendments providing for additional expenditures shall also provide, by ordinance, for reductions in other expenditures, for supplementary revenues to fund such amendments, or use of available fund balance.

Budgetary control has been established at the department level. Financial reports are produced showing budget and actual expenditures by line item and are distributed monthly to City departmental and divisional management and others upon request. Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled by position and capital expenditures (items over \$10,000 and having a useful life of one or more years) are monitored and controlled item by item. Revenue budgets are reviewed monthly.

Major Initiatives

The City continues to actively address the growing needs of the community. Baytown has undergone major changes and the City has managed to proactively develop plans that address the infrastructure needs of the older neighborhoods along with the new developments that are coming online. Some of the major initiatives are as follows:

- San Jacinto Boulevard is a major traffic project that now runs from the IH-10 Eastbound Frontage Road on the north to West Cedar Bayou-Lynchburg Road on the south. San Jacinto Boulevard provides an alternate to Garth Road. Both phases 1 and 2 of this project are complete with an estimated cost of around \$20.5 million and \$9.4 million, respectively.
- Design engineering was completed and construction began in 2018 on BAWA east, a new 6 MGD surface water treatment plant south of IH-10 and west of SH-99. The construction portion has an estimated cost of \$52.2 million. Future planned improvement will increase the capacity to a total of 24 MGD. This surface water treatment plant will be brought online April 2021.
- The City's MDD is engaged in the development of a 208-key hotel and convention center on Bayland Island to complement the existing marina. Upon completion, the hotel improvements will be owned by the Baytown MDD and the convention center improvements will be transferred to the City. The hotel flag will be Hyatt Regency. The City intends to issue certificates of obligation to finance the

convention center. The MDD will provide funding for the repayment of the certificates pursuant to an interlocal agreement between the City and the MDD. The MDD intends to issue bonds, supported by a combination of hotel revenues and MDD sales taxes, to finance the hotel. The project is expected to begin construction during the first half of 2021.

- Efforts continue on downtown revitalization projects. Town Square Project Phase I included the initial development of the Town Square in the City-owned block bounded by Texas, Gaillard, Pearce, and Ashbel. The project extended the Streetscape Project from Gaillard to Ashbel, including the Ashbel intersection. Amenities include a bond-funded water fountain that serves as a centerpiece for the plaza and serves as a platform for a portable ice rink. Phase II included permanent restroom facilities, walking trails, a stage, landscaping, signage, and lighting. Funding was from MDD (sales tax) proceeds in the amount of \$600,000. The revitalized Brunson Theater now serves as the City's Visitor Information Center. The City has also revitalized the Citizens Bank Building which will serve as the Utility Services building in an effort to promote more foot traffic on Texas Avenue.
- An expansion of the Fire Training Center is ongoing, consisting of a 6,000 square-foot training station, storage classrooms, and amenities; a three-story industrial platform for rope rescue; and fire training structures and burn props. Preliminary design has been completed and construction nearly completed on Phase III, an industrial section of the training facility. Total allowances, inclusive of engineering, are \$8,752,540 for Phase III. The project is under construction and anticipated to be completed in Spring 2021.
- The Parks Department is constructing a new building to house the Service Center. Money was budgeted in the 2018-2019 MDD budget to fund the improvement. The estimated cost of the building is \$1.6 million.
- The City has begun design work on a state-of-the-art, 100,000 square foot public safety facility on the 3000 block of North Main. Construction is expected to begin in Spring 2021 and will take approximately 18 months to build. When complete, this facility will house nearly all Police operations, as well as Fire Department administration. This project is being funded through a Chapter 212 authorized economic development agreement with Enterprise Products and will cost \$66 million.
- The City is constructing a new Animal Services and Adoption Center. The City issued certificates of obligation to finance the improvement. The estimated cost of the building is \$6.5 million.

Other Information

Independent Audit

Article II, Section 31 of the City Charter requires an audit of the books of accounts, financial records, and transactions of all administrative departments of the City by independent Certified Public Accountants selected by the City Council. This requirement has been met and the independent auditors' report has been included in this report. Additionally, the City's Finance Committee, a subcommittee of the Council, functions as an audit committee that reviews all recommendations made by the independent auditors.

Single Audit

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Information related to this single audit, including the schedule of expenditures of federal and state awards,

findings and questioned costs, and independent auditors' reports on internal control and compliance with applicable laws and regulations, is issued separately from the CAFR.

As a recipient of federal and state financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to both federal and state programs. These internal controls are subject to periodic evaluation by management and the outside auditors of the City's financial statements. As a part of the City's single audit, tests are made to determine the adequacy of the internal controls including that portion related to the administration of federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

Certificate of Achievement

The City's dedication to full financial disclosure is evidenced by its participation in the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baytown, Texas, for its CAFR for the fiscal year ended September 30, 2019. This was the 28th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year. We believe that the current CAFR 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.

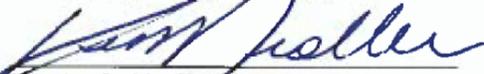
The GFOA also presented a Distinguished Budget Presentation Award to the City of Baytown, Texas for its annual budget for the fiscal year beginning October 1, 2019. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

Acknowledgments

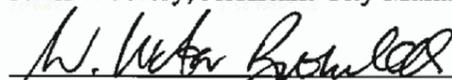
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those employees of the Finance Department who were instrumental in the successful completion of this report. Certain individuals worked many extra hours and exhibited extraordinary effort in ensuring the accuracy and timeliness of this report, and their contribution to this effort is greatly appreciated.

We would like to thank the Mayor and City Council for their trust and support as we endeavor to conduct the City's financial operations in a transparent, responsible, and efficient manner.


Richard D. Davis, ICMA-CM, City Manager


Kevin G. Troller, ICMA-CM, Assistant City Manager

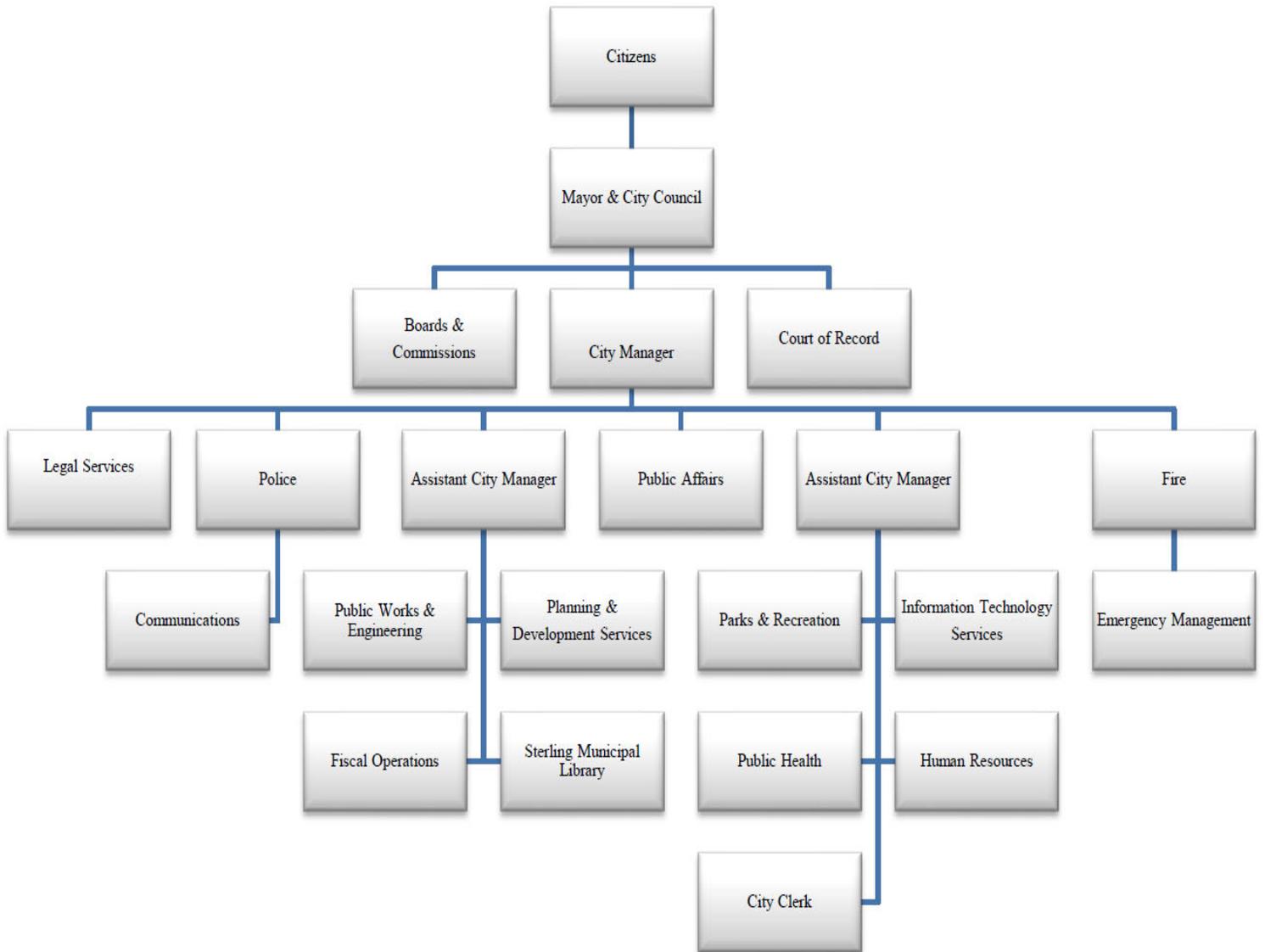

Nick Woolery, Assistant City Manager


W. Victor Brownlees, ICMA-CM, Director of Finance

CITY OF BAYTOWN, TEXAS

ORGANIZATIONAL CHART

For the Year Ended September 30, 2020



CITY OF BAYTOWN, TEXAS
*CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING*



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Baytown
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO

CITY OF BAYTOWN, TEXAS
CITY OFFICIALS
September 30, 2020

<u>City Council</u>	<u>Elective Position</u>	<u>District</u>
Brandon Capetillo	Mayor	
Laura Alvarado	Council Member	District 1
Chris Presley	Council Member	District 2
Charles Johnson	Council Member	District 3
Heather Betancourth	Council Member	District 4
Robert C. Hoskins	Mayor Pro-Tem	District 5
David Himsel	Council Member	District 6

<u>Key Staff</u>	<u>Position</u>
Rick Davis	City Manager
Kevin G. Troller	Assistant City Manager
Nick Woolery	Assistant City Manager
Victor Brownlees	Director of Finance
Gina Guillory	Assistant Director of Finance
Monio Mark II, CPA	Controller



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor,
City Council Members, and Finance Committee of the
City of Baytown, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Baytown, Texas (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 18, 2021

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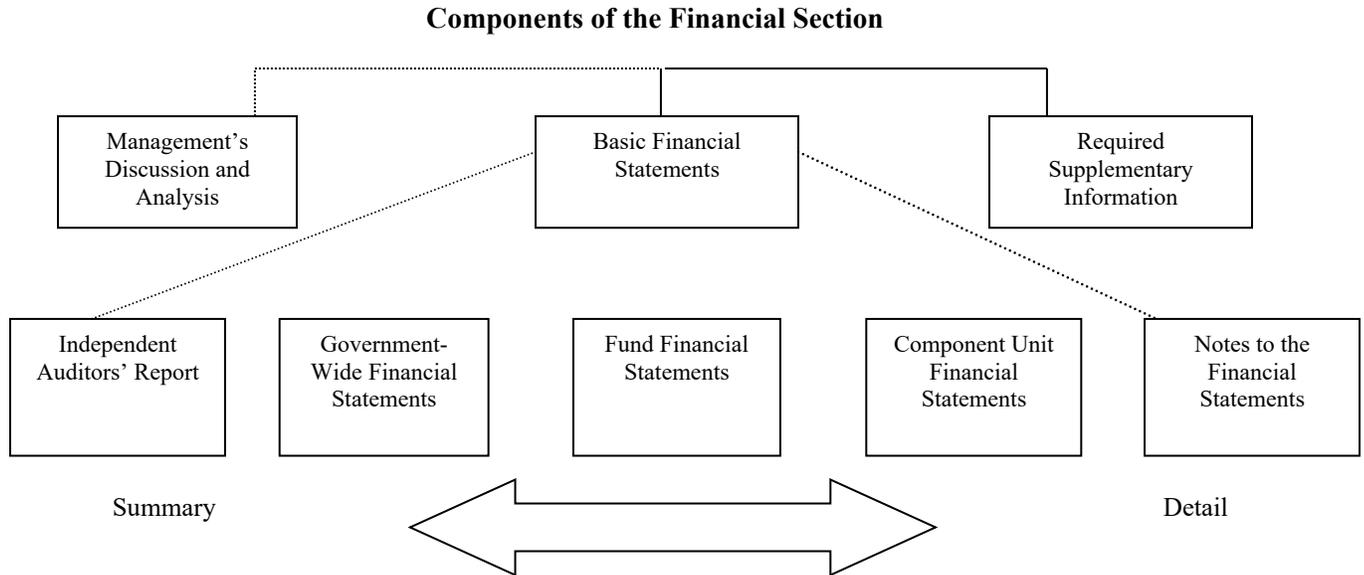
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Baytown, Texas (the "City") for the year ending September 30, 2020. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference 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. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported within this class including police and fire protection, municipal court, streets, drainage, leisure services, community development, and general administrative services. This class also includes interest payments on the City's debt. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported within this class. These services include the City's water and sewer services, as well as solid waste collection, storm water utility operations, and water park operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate municipal development district and the legally separate Baytown Area Water Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The tax increment reinvestment zone; crime control and prevention district; and fire control, prevention, and emergency medical services district, although also legally separate, function for all practical purposes as departments of the City and, therefore, have been included as an integral part of the primary government.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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 year. Such information may be useful in evaluating the City'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 maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for its general; debt service; crime control and prevention district; hotel/motel; and fire control, prevention, and emergency medical services district funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these 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 enterprise funds are used to account for operations that provide water and wastewater collection, wastewater treatment operations, solid waste collection and disposal, water park operations, and storm water utility operations. The proprietary fund financial statements provide separate information for the water and sewer, aquatics, and sanitation funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses internal service funds to account for its equipment replacement services and for expenses associated with risk management of health benefits and workers' compensation claims. These internal service funds have been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, schedules of changes in net pension liability and related ratios for the Texas Municipal Retirement System (TMRS), schedule of contributions for TMRS, and schedule of changes in total other postemployment benefits (OPEB) liability and related ratios for the City's retiree healthcare benefits and TMRS OPEB benefits. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$415,843,982 as of September 30, 2020 in the primary government. The largest portion of the City's net position reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to 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 assets themselves cannot be used to liquidate these liabilities.

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 189,481,935	\$ 110,373,780	\$ 52,240,427	\$ 49,781,785	\$ 241,722,362	\$ 160,155,565
Capital assets, net	283,090,087	276,565,667	247,169,656	251,753,440	530,259,743	528,319,107
Total Assets	<u>472,572,022</u>	<u>386,939,447</u>	<u>299,410,083</u>	<u>301,535,225</u>	<u>771,982,105</u>	<u>688,474,672</u>
Deferred outflows - charge on refunding	1,587,358	1,749,035	-	864,296	1,587,358	2,613,331
Deferred outflows - pensions	10,684,747	23,104,528	1,505,268	3,410,930	12,190,015	26,515,458
Deferred outflows - OPEB	12,082,394	5,010,522	1,678,937	742,767	13,761,331	5,753,289
Total Deferred Outflows of Resources	<u>24,354,499</u>	<u>29,864,085</u>	<u>3,184,205</u>	<u>5,017,993</u>	<u>27,538,704</u>	<u>34,882,078</u>
Long-term liabilities	255,991,347	269,394,044	91,999,148	98,933,445	347,990,495	368,327,489
Other liabilities	16,904,992	25,984,634	6,741,067	6,305,306	23,646,059	32,289,940
Total Liabilities	<u>272,896,339</u>	<u>295,378,678</u>	<u>98,740,215</u>	<u>105,238,751</u>	<u>371,636,554</u>	<u>400,617,429</u>
Deferred inflows - charge on refunding	255,476	-	-	-	255,476	-
Deferred inflows - pensions	8,592,432	250,851	1,014,304	41,345	9,606,736	292,196
Deferred inflows - OPEB	1,898,726	2,041,512	279,335	298,589	2,178,061	2,340,101
Total Deferred Inflows of Resources	<u>10,746,634</u>	<u>2,292,363</u>	<u>1,293,639</u>	<u>339,934</u>	<u>12,040,273</u>	<u>2,632,297</u>
Net Position:						
Net investment in capital assets	167,979,247	157,058,993	189,184,366	191,361,951	357,163,613	348,420,944
Restricted	87,344,253	29,898,189	3,966,558	3,717,286	91,310,811	33,615,475
Unrestricted	(42,039,952)	(67,824,691)	9,409,510	5,895,296	(32,630,442)	(61,929,395)
Total Net Position	<u>\$ 213,283,548</u>	<u>\$ 119,132,491</u>	<u>\$ 202,560,434</u>	<u>\$ 200,974,533</u>	<u>\$ 415,843,982</u>	<u>\$ 320,107,024</u>

A portion of the primary government's net position, \$91,310,811, represents resources that are subject to external restriction on how they may be used.

The City's total net position increased by \$95,736,958 during the current fiscal year, an increase of 30 percent in comparison to the prior year. Deferred outflows of resources related to OPEB and deferred inflows of resources related to pension plans increased significantly compared to the prior year due to changes in actuarially determined amounts that are deferred. Current and other assets increased by a net \$81,566,797 most notably as a result of an agreement with an industrial leader located within the City's extraterritorial jurisdiction that resulted in a contribution of \$66 million during the fiscal year for future public safety purposes. Total liabilities decreased by approximately seven percent primarily as a result of continued retirement of the City's outstanding debt as well as a reduction in the pension liability.

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

Statement of Activities

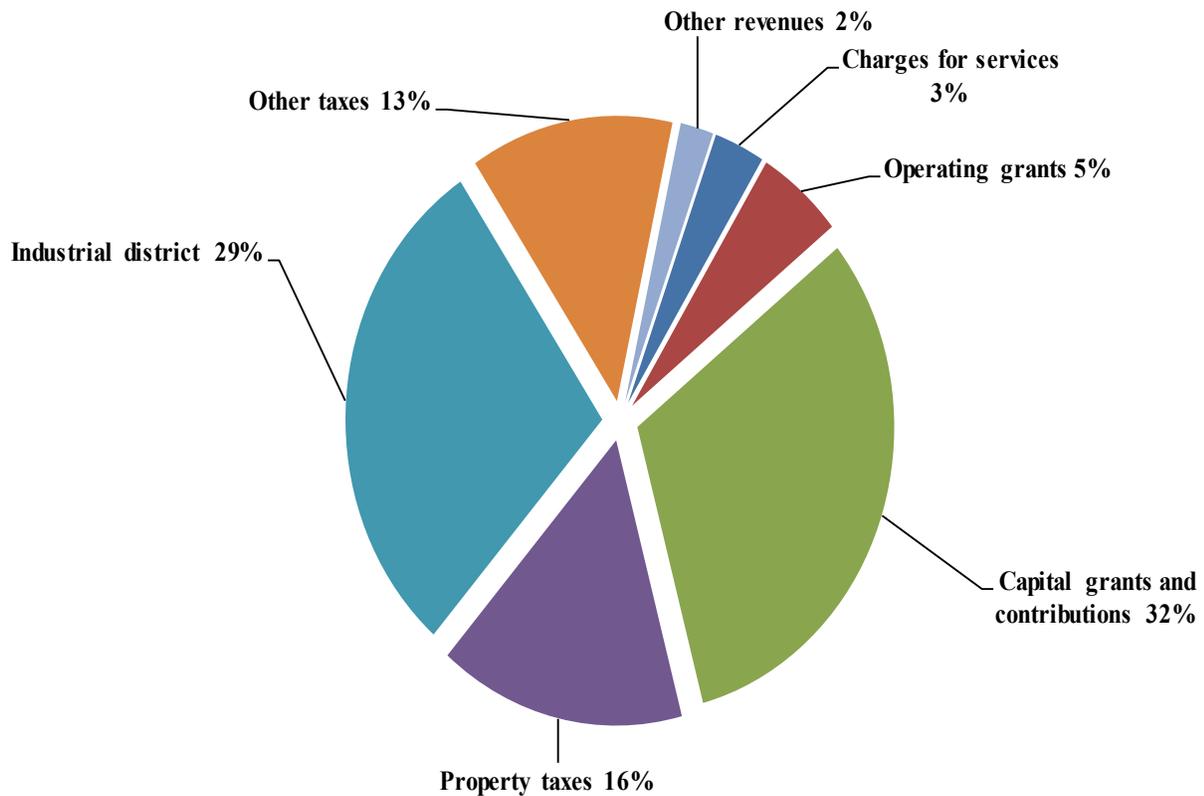
The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 7,132,164	\$ 7,718,973	\$ 55,470,985	\$ 54,364,659	\$ 62,603,149	\$ 62,083,632
Operating grants	12,195,930	7,109,369	1,363,365	1,365,276	13,559,295	8,474,645
Capital grants and contributions	70,945,960	4,444,501	-	129,901	70,945,960	4,574,402
General revenues:						
Property taxes	34,782,426	31,874,951	-	-	34,782,426	31,874,951
Industrial district	65,535,406	57,968,306	-	-	65,535,406	57,968,306
Other taxes	28,624,380	28,820,169	-	-	28,624,380	28,820,169
Other revenues	4,683,521	5,063,617	513,840	757,728	5,197,361	5,821,345
Total Revenues	223,899,787	142,999,886	57,348,190	56,617,564	281,247,977	199,617,450
Expenses						
General government	36,868,268	29,574,296	-	-	36,868,268	29,574,296
Public safety	61,022,316	50,702,718	-	-	61,022,316	50,702,718
Public works	12,740,898	10,994,322	-	-	12,740,898	10,994,322
Public health	3,856,833	3,107,475	-	-	3,856,833	3,107,475
Parks, recreation, and culture	13,438,956	12,405,161	-	-	13,438,956	12,405,161
Interest and fiscal agent fees on long-term debt	4,302,467	4,525,617	-	-	4,302,467	4,525,617
Water and sewer	-	-	40,424,646	37,007,827	40,424,646	37,007,827
Sanitation	-	-	7,006,746	6,448,858	7,006,746	6,448,858
Aquatics	-	-	2,792,302	4,064,190	2,792,302	4,064,190
Bayland Island development	-	-	207,174	203,198	207,174	203,198
Storm water utility	-	-	2,850,413	1,956,790	2,850,413	1,956,790
Total Expenses	132,229,738	111,309,589	53,281,281	49,680,863	185,511,019	160,990,452
Increase in Net Position before Transfers	91,670,049	31,690,297	4,066,909	6,936,701	95,736,958	38,626,998
Transfers	2,481,008	2,781,839	(2,481,008)	(2,781,839)	-	-
Change in Net Position	94,151,057	34,472,136	1,585,901	4,154,862	95,736,958	38,626,998
Beginning net position	119,132,491	84,660,355	200,974,533	196,819,671	320,107,024	281,480,026
Ending Net Position	\$ 213,283,548	\$ 119,132,491	\$ 202,560,434	\$ 200,974,533	\$ 415,843,982	\$ 320,107,024

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

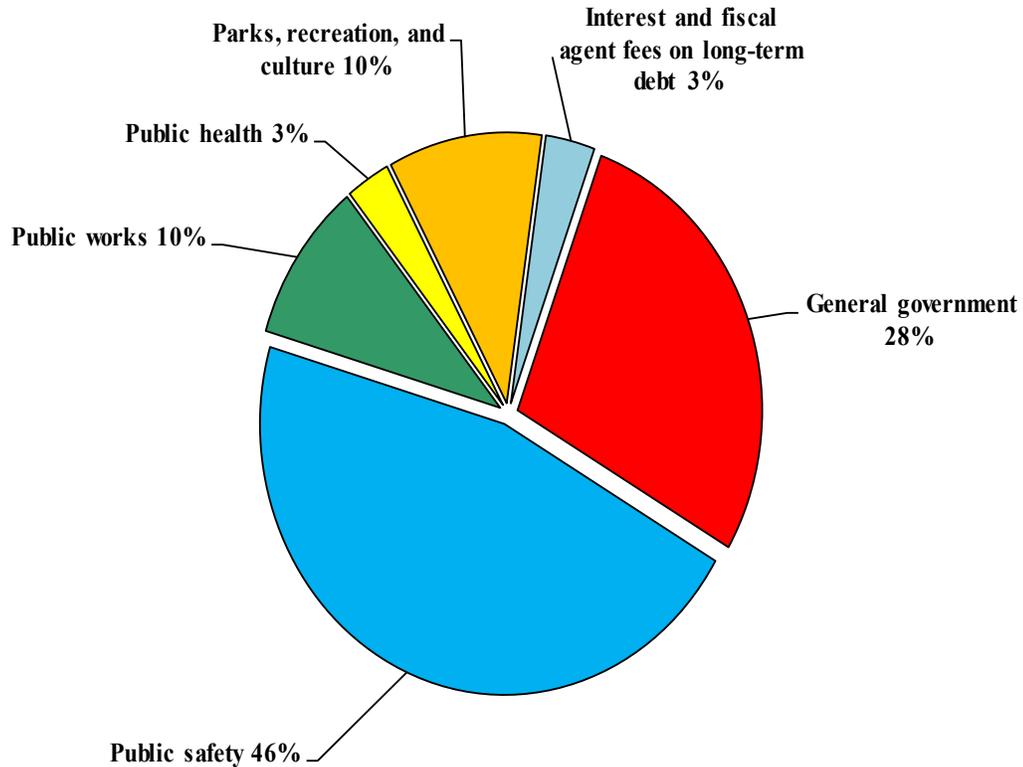
GOVERNMENTAL REVENUES



For the year ended September 30, 2020, revenues from governmental activities totaled \$223,899,787. Capital grants and contributions and Industrial district payments are the City's largest revenue sources at \$70,945,960 or 31.69 percent and \$65,535,406 or 29.27 percent respectively. Property tax revenue had an increase of 9.12 percent due to an increase in appraised property values.

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

GOVERNMENTAL ACTIVITIES EXPENSES

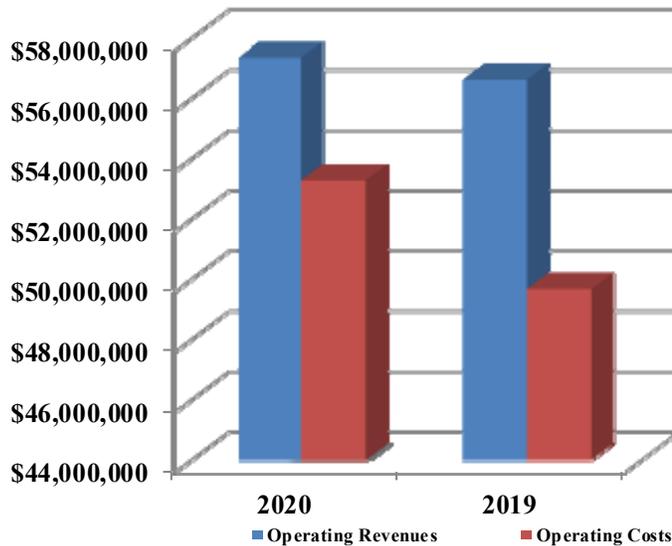


For the year ended September 30, 2020, expenses for governmental activities totaled \$132,229,738. This represents an increase of \$20,920,149 from last year or 18.79 percent. This increase was due to a variety of factors, including an increase to personnel costs as a result of general wage increases as well as the addition of 26 full-time positions. The City also experienced an overall increase related to the long term OPEB liability for benefits provided to retirees. Maintenance as well as the purchase of small equipment below the capitalization threshold was also up in comparison to the prior year. The City also had additional costs in response to the COVID-19 pandemic. The City has requested reimbursement through Harris County and the Texas Department of Emergency Management to help offset these necessary expenses.

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

Business-type activities are shown comparing operating costs to revenues generated by related services.

BUSINESS-TYPE ACTIVITIES
Revenue vs. Costs



Total business-type revenues increased \$730,626 or 1.29 percent, which is comparable to the prior year. Expenses had a net increase of \$3,600,418 or 7.25 percent, which is comparable to the prior year. After transfers to governmental activities, total net position increased by \$1,585,901 or 0.79 percent over the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure 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 the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$154,286,533. Of the total governmental fund balance, \$5,500 is nonspendable, \$100,290,976 is restricted for various purposes, and \$16,998,695 is assigned for capital projects. The remaining balance of \$36,991,362 is unassigned.

There was a net increase in the combined fund balance of \$81,478,224 from the prior year. This increase in fund balance is in large part due to the increase in fund balance within the capital projects fund as a result of a contribution of \$66,000,000 from an industrial leader in connection with a section 212 agreement within the Texas local government code. These monies are to be used for the construction of a new public safety facility.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$36,991,362, while total fund balance reached \$36,996,862. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance both represent approximately 38 percent of total general fund expenditures.

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

The debt service fund has a total fund balance of \$6,268,425, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$1,218,092. This can be attributed to an increase in the taxes and fees collection.

The capital projects fund had a total fund balance of \$95,804,234. The capital projects fund spent approximately \$15,054,342 on capital improvements. The capital projects fund had an increase in fund balance of \$68,593,805, which was primarily a result of \$66,000,000 received to build a new public safety building.

Proprietary Funds – The City's water and sewer fund had a total net position of \$180,402,804, which was an increase of \$4,730,323. This increase can be attributed to an increase in water and sewer sales in the current year.

The City's aquatics fund had a net position decrease of \$2,998,071. This decrease was due to a significant decrease in operating revenues as result of having to close the water park to maintain safety protocols in reducing the spread of COVID-19 while still having minimum operating costs.

The City's sanitation fund had a net position of \$476, which was an increase of \$338,802 from the prior year. This can be primarily attributed to an increase in the solid waste collected fees as part of a scheduled rate increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's original general fund budget included a projected increase in fund balance, however, this was amended during the year to provide for additional interfund transfers, resulting in a planned use of fund balance. The City anticipated needing \$2,282,008 from fund balance. However, there was a net increase in fund balance of \$8,658,364 resulting in a positive variance of \$10,940,372 from the final budget.

Actual general fund revenues exceeded original and amended budgeted revenues by \$4,695,988 during 2020. This increase includes the positive variance of \$4,762,492 for taxes, which is primarily due to additional property tax and industrial district revenues. The increase in property tax revenues was a result of an increase in appraised values.

Total expenditures were lower than budgeted amounts by \$6,615,488 for the fiscal year. This positive variance can be attributed to a concerted effort to control previously planned expenditures in light of the COVID-19 pandemic.

CAPITAL ASSETS

At the end of fiscal year 2020, the City's governmental activities had invested \$283,090,087 in a variety of capital assets and infrastructure (net of accumulated depreciation).

Major capital asset events during the current year included the following:

- The City continues to maintain a comprehensive street reconstruction program with additions to construction in progress for various street projects in excess of \$14 million in fiscal year 2020.
- The City has a total of \$63 million in construction in progress for the fiscal year 2020 for governmental activities.
- The City also spent almost \$3.6 million on vehicles and equipment for all of the City's departments.

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City's governmental funds had total bonds and certificates of obligation outstanding of \$120,172,321. Of this amount, \$74,012,321 was general obligation debt and \$46,160,000 was certificates of obligation. Business-type activities had total refunding bonds and certificates of obligation outstanding of \$69,467,680 at year end. During the year, the City had a net decrease in long-term debt of \$12,928,952.

During the year, the City was able to take advantage of a decrease in interest rates and issue general obligation refunding bonds, series 2019A for a current refunding of \$10,585,000 of outstanding general obligation and refunding bonds, series 2011. This current refunding reduced future debt service payments by \$1,292,403 and resulted in an economic gain of \$1,134,109.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

The City maintains an underlying rating of "AA" from Standard & Poor's and an "Aa2" rating from Moody's Investors Services for general obligation debt. Revenue bonds of the City have an underlying rating of "AA" from Standard & Poor's and an "Aa2" rating by Moody's.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved a \$218.4 million budget for the City's major operating funds (general, debt service, hotel/motel tax, aquatics, water and sewer, water and sewer debt service, sanitation, storm water utility, and garage and warehouse operations) for fiscal year 2021. This budget includes a tax rate reduction.

The 2020-2021 budget focuses on the City's priorities within the constraints of available resources. The budget's theme is "Better Baytown." Crafted in some of the most challenging times of our generation, this plan is in one sense very conservative and in another sense exceptionally aggressive in terms of addressing the considerable capital needs of our community. This budget also supports the continuation and even augmentation of programs and initiatives that have lifted the quality of life in our community in past years.

Early in the 2020 fiscal year, senior staff met with Council as part of a goal setting retreat. During this retreat, five goals were composed and ratified that closely align with the directives delineated by the Community Based Strategic Plan. Staff then took these goals and composed an implementation plan that provided a roadmap for the budget process. The following provides a synopsis of each goal with related, primary projects or initiatives:

1. Community Reputation and Image
 - a. Continued investment in collaborative image building media strategies and campaigns
 - b. Improved infrastructure appearance
 - c. Educated citizenry regarding City programs and operations
 - d. Enhanced story telling of City successes
 - e. Continued investment in and promotion of public art program
 - f. Increased private investment in higher end development
 - g. Decreased litter on streets
 - h. Reduction in panhandling and median occupation
 - i. Greater citizen awareness of capital investments

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

2. Infrastructure and Mobility
 - a. Facilitated traffic flow
 - b. Reduction in neighborhood street flooding
 - c. Reduced overflows
 - d. Enhanced trail usage and pedestrian conductivity
 - e. Improved roadways
 - f. Multi-modal transportation options
 - g. Fiber available in newly developed areas
 - h. Dark areas addressed
 - i. Strong City/County cooperation to address transportation needs
3. Community Amenities
 - a. Continued commitment to bringing vibrancy to the Downtown Arts District
 - b. Construction of the Hotel/Convention Center
 - c. Expanded dining and entertainment options as part of San Jacinto Market Place
 - d. Enhanced park security and sense of safety
 - e. Parks improved to maximize use and enjoyment
 - f. Viable plan for future park land acquisition
 - g. Development of a proposal/plan to build a recreation center
 - h. Enhanced use of waterfront areas
4. Neighborhood Quality
 - a. Well lit neighborhoods
 - b. Increased citizen and neighborhood involvement
 - c. Continued vigorous code enforcement and animal control
 - d. Continued trash/litter remediation
 - e. Greater citizen engagement in presenting special events
 - f. Enhanced private sector opportunities to partner with the City in rehabilitating older areas
 - g. Planning strategies that protect neighborhoods
5. Operational Excellence
 - a. A City organization that is constantly collaborating and searching for best practices
 - b. Employees are engaged in Baytown yoU and other continuous improvement training
 - c. Baytown recruits and retains the highest quality municipal employees
 - d. Baytown embraces and employs state of the art systems to facilitate the efficient and effective delivery of services
 - e. A transparent and highly accountable environment

The Baytown-West Chambers County Economic Development Foundation (EDF), on behalf of the City, serves as an advocate for, and provides technical assistance to, existing and/or new commercial/retail business, as well as industry seeking to locate, relocate, or expand operations in the Baytown-West Chambers County service area. This advocacy is conducted via the following performance categories, the results of which are the creation and preservation of jobs and the attraction of new investments:

- Stimulating and encouraging business and commercial activity
- Workforce development and analysis
- Facilitating local, state, and federal incentive programs
- Conducting educational and informational seminars
- Supporting the creation and expansion of foreign trade zones
- Compilation and dissemination of economic and business data
- Interaction and support of officials and economic developers
- Promoting regional tourism and business

CITY OF BAYTOWN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2020

The availability of Municipal Development District (MDD) funds has proven crucial to providing resources for this endeavor. Programs funded by the MDD include development of new and expansion of existing businesses, acquisition of property for economic development incentives, and continued support of the EDF operations and special programs. In 2020, as in recent years, EDF efforts in the above-referenced categories to further economic development was aligned with economic growth trends in the following areas:

- Petrochemical expansions
- Healthcare
- Retail recruitment
- Heavy fabrication and manufacturing
- Logistics and distribution
- Transportation

Additionally, recent dynamics in the local and regional petrochemical cluster have forged a strong public-private partnership of the EDF, industry/manufacturers/contractors, educational institutions, the City, and other units of government, working together as a system to implement a workforce preparedness strategy to address current and future manufacturing demands.

The City budget is the ultimate partnership between City Council, staff, citizens, business owners, customers, and other partners in the Baytown community. In the face of tough economic times, the adopted budget reflects a balanced approach of minimizing impacts to our citizens and customers, while providing funding to enhance and maintain quality of life initiatives and fostering economic development.

COVID-19

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay at-home orders going into effect. When the stay at-home order went into effect in the City's respective counties, the City closed their doors to the City Hall until April while alternating the schedules of employees working at the water plant due to it needing to continue to run through this time. All payments were received via check in the mail or electronically. While the initial event occurred prior to year end, the City was, subsequent to year end, continuing to modify its operations to prevent the spread to customers, staff, and the community as a whole, while balancing the needs of the community. The City has made numerous changes to its operations, including provisions for customers and staff to wear masks, more frequent cleanings, and numerous other changes. While such changes cause a significant hardship and have increased expenses, such increases are nominal in comparison to the overall budget. The City is continuing to monitor exposure levels with customers, staff, and the community as a whole, but to date the overall exposure threat level has been sufficiently low to continue with open doors, but the City is ready to modify its plans if necessary.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Finance Director, City of Baytown, Texas, 2401 Market Street, Baytown, TX 77522; telephone 281-420-6531; or for general City information, visit the City's website at <http://www.baytown.org>.

BASIC FINANCIAL STATEMENTS

CITY OF BAYTOWN, TEXAS

STATEMENT OF NET POSITION

September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and equity in pooled cash and investments	\$ 169,087,476	\$ 47,210,947	\$ 216,298,423
Receivables, net	14,252,744	7,529,480	21,782,224
Due from component unit	2,700,072	-	2,700,072
Internal balances	2,500,000	(2,500,000)	-
Inventories	622,143	-	622,143
Prepays and other assets	319,500	-	319,500
Restricted assets:			
Cash and cash equivalents - debt service	-	-	-
Capital assets:			
Nondepreciable	81,825,728	6,560,109	88,385,837
Depreciable, net	201,264,359	240,609,547	441,873,906
Total Assets	472,572,022	299,410,083	771,982,105
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pensions	10,684,747	1,505,268	12,190,015
Deferred outflows - OPEB	12,082,394	1,678,937	13,761,331
Deferred charge on refunding	1,587,358	-	1,587,358
Total Deferred Outflows of Resources	24,354,499	3,184,205	27,538,704
<u>Liabilities</u>			
Accounts payable	5,976,338	2,240,054	8,216,392
Accrued expenses	5,330,211	52,952	5,383,163
Accrued interest payable	765,397	450,601	1,215,998
Refundable deposits and escrow funds	520,188	3,945,759	4,465,947
Due to primary government	-	-	-
Claims and judgments	2,347,554	-	2,347,554
Unearned revenue	1,965,304	-	1,965,304
Retainage payable	-	51,701	51,701
Noncurrent liabilities:			
Portion due within one year:			
Capital leases payable	352,246	-	352,246
Compensated absences	13,657,233	894,704	14,551,937
Bonds payable	13,023,562	5,306,438	18,330,000
Portion due in more than one year:			
Capital leases payable	269,206	-	269,206
Compensated absences	1,517,470	99,411	1,616,881
Net pension liability	46,907,782	7,339,346	54,247,128
Total OPEB liability	64,263,941	9,435,170	73,699,111
Bonds payable	115,999,907	68,924,079	184,923,986
Total Liabilities	272,896,339	98,740,215	371,636,554
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	8,592,432	1,014,304	9,606,736
Deferred inflows - OPEB	1,898,726	279,335	2,178,061
Deferred charge on refunding	255,476	-	255,476
Total Deferred Inflows of Resources	10,746,634	1,293,639	12,040,273
<u>Net Position</u>			
Net investment in capital assets	167,979,247	189,184,366	357,163,613
Restricted for:			
Capital projects	68,995,267	-	68,995,267
Debt service	6,268,425	3,966,558	10,234,983
Special projects	12,080,561	-	12,080,561
Unrestricted	(42,039,952)	9,409,510	(32,630,442)
Total Net Position	\$ 213,283,548	\$ 202,560,434	\$ 415,843,982

See Notes to Financial Statements.

Component Units	
Municipal Development District	Baytown Area Water Authority
\$ 4,858,656	\$ 14,738,000
1,180,546	132,587
-	-
-	-
-	-
-	-
-	2,378,379
-	69,163,776
-	31,000,440
<u>6,039,202</u>	<u>117,413,182</u>
-	-
-	-
-	-
-	-
465,808	830,334
-	-
-	706,539
-	-
-	2,700,072
-	-
-	-
-	2,533,368
-	-
-	-
-	1,780,000
-	-
-	-
-	-
-	-
-	45,448,010
<u>465,808</u>	<u>53,998,323</u>
-	-
-	-
-	-
-	-
-	52,936,206
-	-
-	1,671,840
-	-
5,573,394	8,806,813
<u>\$ 5,573,394</u>	<u>\$ 63,414,859</u>

CITY OF BAYTOWN, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 36,868,268	\$ 774,175	\$ 3,558,865	\$ -
Public safety	61,022,316	3,495,226	2,784,363	66,000,000
Public works	12,740,898	2,563,470	1,640,007	4,920,634
Public health	3,856,833	200,085	-	-
Parks, recreation, and culture	13,438,956	99,208	4,212,695	25,326
Interest and fiscal agent fees	4,302,467	-	-	-
Total Governmental Activities	132,229,738	7,132,164	12,195,930	70,945,960
Business-Type Activities				
Water and sewer	40,424,646	46,051,831	1,363,365	-
Sanitation	7,006,746	6,675,548	-	-
Bayland Island development	207,174	54,445	-	-
Aquatics	2,792,302	15,672	-	-
Storm water utility	2,850,413	2,673,489	-	-
Total Business-Type Activities	53,281,281	55,470,985	1,363,365	-
Total Primary Government	\$ 185,511,019	\$ 62,603,149	\$ 13,559,295	\$ 70,945,960
Component Units				
Municipal Development District	\$ 5,416,238	\$ -	\$ -	\$ -
Baytown Area Water Authority	10,825,337	14,039,230	111,036	-
Total Component Units	\$ 16,241,575	\$ 14,039,230	\$ 111,036	\$ -

General Revenues:

- Taxes:
 - Property taxes
 - Sales and hotel/motel taxes
 - Franchise fees
 - Industrial district payments
 - Investment income
 - Miscellaneous
- Transfers, net

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Municipal Development District	Baytown Area Water Authority
\$ (32,535,228)	\$ -	\$ (32,535,228)	\$ -	\$ -
11,257,273	-	11,257,273	-	-
(3,616,787)	-	(3,616,787)	-	-
(3,656,748)	-	(3,656,748)	-	-
(9,101,727)	-	(9,101,727)	-	-
(4,302,467)	-	(4,302,467)	-	-
<u>(41,955,684)</u>	<u>-</u>	<u>(41,955,684)</u>	<u>-</u>	<u>-</u>
-	6,990,550	6,990,550	-	-
-	(331,198)	(331,198)	-	-
-	(152,729)	(152,729)	-	-
-	(2,776,630)	(2,776,630)	-	-
-	(176,924)	(176,924)	-	-
<u>-</u>	<u>3,553,069</u>	<u>3,553,069</u>	<u>-</u>	<u>-</u>
<u>(41,955,684)</u>	<u>3,553,069</u>	<u>(38,402,615)</u>	<u>-</u>	<u>-</u>
-	-	-	(5,416,238)	-
-	-	-	-	3,324,929
<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,416,238)</u>	<u>3,324,929</u>
34,782,426	-	34,782,426	-	-
24,252,318	-	24,252,318	6,759,262	-
4,372,062	-	4,372,062	-	-
65,535,406	-	65,535,406	-	-
2,084,524	513,840	2,598,364	37,016	269,397
2,598,997	-	2,598,997	198,757	244
2,481,008	(2,481,008)	-	-	-
<u>136,106,741</u>	<u>(1,967,168)</u>	<u>134,139,573</u>	<u>6,995,035</u>	<u>269,641</u>
94,151,057	1,585,901	95,736,958	1,578,797	3,594,570
119,132,491	200,974,533	320,107,024	3,994,597	59,820,289
<u>\$ 213,283,548</u>	<u>\$ 202,560,434</u>	<u>\$ 415,843,982</u>	<u>\$ 5,573,394</u>	<u>\$ 63,414,859</u>

CITY OF BAYTOWN, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2020

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
<u>Assets</u>				
Current assets:				
Cash and equity in pooled cash and investments	\$ 35,217,127	\$ 6,269,499	\$ 97,959,003	\$ 11,477,416
Receivables, net	5,204,085	1,069,921	37,475	7,941,263
Due from component unit	2,700,072	-	-	-
Due from other funds	522,021	-	-	-
Prepays	5,500	-	-	-
Advances to other funds	2,500,000	-	-	-
Total Assets	\$ 46,148,805	\$ 7,339,420	\$ 97,996,478	\$ 19,418,679
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,164,467	\$ -	\$ 2,192,244	\$ 2,459,006
Accrued expenditures	5,329,136	1,075	-	-
Due to other funds	-	-	-	522,021
Refundable deposits	520,188	-	-	-
Unearned revenue	744,664	-	-	1,220,640
Total Liabilities	7,758,455	1,075	2,192,244	4,201,667
Deferred inflows of resources:				
Unavailable revenue - property taxes	1,393,488	1,069,920	-	-
Total Deferred Inflows of Resources	1,393,488	1,069,920	-	-
Fund balances:				
Nonspendable:				
Prepays	5,500	-	-	-
Restricted:				
Debt service	-	6,268,425	-	-
Capital projects	-	-	78,805,539	3,136,451
Special projects	-	-	-	12,080,561
Assigned:				
Capital projects	-	-	16,998,695	-
Unassigned	36,991,362	-	-	-
Total Fund Balances	36,996,862	6,268,425	95,804,234	15,217,012
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 46,148,805	\$ 7,339,420	\$ 97,996,478	\$ 19,418,679

See Notes to Financial Statements.

**Total
Funds**

\$ 150,923,045
14,252,744
2,700,072
522,021
5,500
2,500,000

\$ 170,903,382

\$ 5,815,717
5,330,211
522,021
520,188
1,965,304

14,153,441

2,463,408

2,463,408

5,500

6,268,425
81,941,990
12,080,561

16,998,695
36,991,362

154,286,533

\$ 170,903,382

CITY OF BAYTOWN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2020

Total fund balances for governmental funds		\$ 154,286,533
Amounts reported for governmental activities in the Statement of Net Position are different, because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, nondepreciable	81,825,728	
Capital assets, net depreciable	201,264,359	283,090,087
Some of the City's revenues will be collected after year end, but are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.		
		2,463,408
Internal service funds are used by management to charge the costs of certain services and benefits to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		
Internal service funds' net position	15,374,130	
Capital assets accounted for in capital assets used in governmental activities	(205,228)	
Compensated absences accounted for in long-term liabilities	94,534	
Deferred outflows - pensions accounted for in governmental activities	(133,865)	
Deferred outflows - OPEB accounted for in governmental activities	(147,383)	
Deferred inflows - pensions accounted for in governmental activities	104,202	
Deferred inflows - OPEB accounted for in governmental activities	22,422	
Net pension liability accounted for in long-term liabilities	672,569	
Ttotal OPEB liability accounted for in long-term liabilities	811,018	16,592,399
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable, net of unamortized premium	(129,023,469)	
Deferred outflows - charge on refunding	1,587,358	
Deferred inflows - charge on refunding	(255,476)	
Capital leases	(621,452)	
Compensated absences	(15,174,703)	
Deferred outflows - pensions	10,684,747	
Deferred inflows - pensions	(8,592,432)	
Net pension liability	(46,907,782)	
Deferred outflows - OPEB	12,082,394	
Deferred inflows - OPEB	(1,898,726)	
Total OPEB liability	(64,263,941)	
Accrued interest payable	(765,397)	(243,148,879)
Net Position of Governmental Activities		\$ 213,283,548

See Notes to Financial Statements.

CITY OF BAYTOWN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>
Revenues				
Taxes and fees	\$ 103,772,576	\$ 13,466,523	\$ -	\$ 11,472,705
Licenses and permits	2,653,882	-	-	-
Charges for services	2,047,014	-	-	538,641
Fines and forfeitures	1,629,434	-	-	263,193
Intergovernmental	1,984,652	1,574,213	-	10,187,238
Investment earnings	1,079,374	148,182	729,799	127,169
Miscellaneous	1,140,011	-	-	1,458,986
Contributions	-	-	66,000,000	-
Total Revenues	<u>114,306,943</u>	<u>15,188,918</u>	<u>66,729,799</u>	<u>24,047,932</u>
Expenditures				
Current:				
General government	23,561,822	-	867,684	7,587,985
Public safety	50,950,523	-	202,975	4,873,219
Public works	5,986,493	-	1,020,472	260,971
Public health	3,593,885	-	-	111,577
Parks, recreation, and culture	9,204,349	-	-	2,531,954
Capital outlay	2,068,042	-	12,851,132	3,733,956
Debt service:				
Principal	344,742	12,052,753	-	825,000
Interest and fiscal agent fees	18,082	4,652,917	-	32,176
Issuance costs	-	182,137	112,079	-
Total Expenditures	<u>95,727,938</u>	<u>16,887,807</u>	<u>15,054,342</u>	<u>19,956,838</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,579,005</u>	<u>(1,698,889)</u>	<u>51,675,457</u>	<u>4,091,094</u>
Other Financing Sources (Uses)				
Transfers in	4,796,339	2,897,162	9,965,720	1,210,738
Transfers (out)	(13,987,888)	-	(409,451)	(3,022,961)
Debt issued	-	9,530,000	6,925,000	-
Premium on debt issued	-	1,265,299	437,079	-
Payment to refunding bond escrow agent	-	(10,775,480)	-	-
Total Other Financing Sources (Uses)	<u>(9,191,549)</u>	<u>2,916,981</u>	<u>16,918,348</u>	<u>(1,812,223)</u>
Net Change in Fund Balances	9,387,456	1,218,092	68,593,805	2,278,871
Beginning fund balances	27,609,406	5,050,333	27,210,429	12,938,141
Ending Fund Balances	<u>\$ 36,996,862</u>	<u>\$ 6,268,425</u>	<u>\$ 95,804,234</u>	<u>\$ 15,217,012</u>

See Notes to Financial Statements.

**Total
Funds**

\$ 128,711,804
2,653,882
2,585,655
1,892,627
13,746,103
2,084,524
2,598,997
66,000,000

220,273,592

32,017,491
56,026,717
7,267,936
3,705,462
11,736,303
18,653,130

13,222,495
4,703,175
294,216

147,626,925

72,646,667

18,869,959
(17,420,300)
16,455,000
1,702,378

(10,775,480)

8,831,557

81,478,224

72,808,309

\$ 154,286,533

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CITY OF BAYTOWN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Net change in fund balances – total governmental funds \$ 81,478,224

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay, net of contributions to business-type activities and disposals	14,239,536
Depreciation	(11,110,903)

Capital contributions from component units and/or developers.	3,395,787
---	-----------

The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Debt principal repayments	12,877,751
Capital lease principal payment	344,742
Debt issued	(16,455,000)
Payment to refunding bond escrow agent	10,775,480
Premium on bonds	(1,702,378)
Amortization of premium on bonds	1,261,387
Amortization of deferred charges	(607,633)

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.	230,408
---	---------

Some expenses 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.

Compensated absences	(1,434,960)
Change in net pension liability	19,184,063
Change in deferred outflows - pensions	(21,361,012)
Change in deferred outflows - OPEB	7,071,872
Change in deferred inflows - pensions	599,650
Change in deferred inflows - OPEB	142,786
Change in total OPEB liability	(11,257,908)
Interest expense on bonds	41,172

Internal service funds are used by management to charge the costs of providing various services and benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

6,437,993

Change in Net Position of Governmental Activities **\$ 94,151,057**

See Notes to Financial Statements.

CITY OF BAYTOWN, TEXAS
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUNDS
September 30, 2020

	Business-Type Activities-Enterprise Funds			
	Water and Sewer	Aquatics	Sanitation	Nonmajor
Assets				
Current assets:				
Cash and equity and equity in pooled cash and investments	\$ 44,123,289	\$ 938,790	\$ 432,963	\$ 1,715,905
Accounts receivable, net	6,182,450	-	1,073,502	273,528
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Total Current Assets	50,305,739	938,790	1,506,465	1,989,433
Noncurrent assets:				
Capital assets:				
Nondepreciable	6,560,109	-	-	-
Depreciable, net	216,246,253	19,097,088	354,629	4,911,577
Total Capital Assets	222,806,362	19,097,088	354,629	4,911,577
(Net of Accumulated Depreciation)	222,806,362	19,097,088	354,629	4,911,577
Total Noncurrent Assets	222,806,362	19,097,088	354,629	4,911,577
Total Assets	\$ 273,112,101	\$ 20,035,878	\$ 1,861,094	\$ 6,901,010
Deferred Outflows of Resources				
Deferred outflows - pensions	1,152,518	50,952	127,518	174,280
Deferred outflows - OPEB	1,280,241	55,362	143,625	199,709
Total Deferred Outflows of Resources	2,432,759	106,314	271,143	373,989

**Business-Type
Activities-
Enterprise
Funds**

<u>Total Funds</u>	<u>Internal Service</u>
\$ 47,210,947	\$ 18,164,431
7,529,480	-
-	622,143
-	314,000
54,740,427	19,100,574
6,560,109	-
240,609,547	205,228
247,169,656	205,228
247,169,656	205,228
\$ 301,910,083	\$ 19,305,802
1,505,268	133,865
1,678,937	147,383
3,184,205	281,248

CITY OF BAYTOWN, TEXAS
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2020

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aquatics	Sanitation	Nonmajor
Liabilities				
Current liabilities:				
Accounts payable	\$ 1,348,621	\$ 44,623	\$ 505,484	\$ 341,326
Accrued expenses	-	-	52,952	-
Compensated absences	623,725	13,248	83,469	174,262
Refundable deposits	3,944,859	-	-	900
Retainage payable	51,701	-	-	-
Accrued interest payable	450,601	-	-	-
Bonds payable - current	5,306,438	-	-	-
Advances from other funds	-	2,500,000	-	-
Total Current Liabilities	11,725,945	2,557,871	641,905	516,488
Noncurrent liabilities:				
Bonds payable, net of premiums	68,924,079	-	-	-
Compensated absences	69,303	1,472	9,274	19,362
Net pension liability	6,197,346	239,683	579,487	322,830
Total OPEB liability	7,362,667	297,278	776,899	998,326
Total Noncurrent Liabilities	82,553,395	538,433	1,365,660	1,340,518
Total Liabilities	94,279,340	3,096,304	2,007,565	1,857,006
Deferred Inflows of Resources				
Deferred inflows - pensions	643,568	39,198	102,058	229,480
Deferred inflows - OPEB	219,148	8,208	22,138	29,841
Total Deferred Inflows of Resources	862,716	47,406	124,196	259,321
Net Position				
Net investment in capital assets	164,821,072	19,097,088	354,629	4,911,577
Restricted for:				
Debt service	3,966,558	-	-	-
Unrestricted	11,615,174	(2,098,606)	(354,153)	247,095
Total Net Position	\$ 180,402,804	\$ 16,998,482	\$ 476	\$ 5,158,672

See Notes to Financial Statements.

**Business-Type
Activities-
Enterprise
Funds**

<u>Total Funds</u>	<u>Internal Service</u>
\$ 2,240,054	\$ 160,621
52,952	2,347,554
894,704	87,878
3,945,759	-
51,701	-
450,601	-
5,306,438	-
2,500,000	-
<u>15,442,209</u>	<u>2,596,053</u>
68,924,079	-
99,411	6,656
7,339,346	672,569
9,435,170	811,018
<u>85,798,006</u>	<u>1,490,243</u>
<u>101,240,215</u>	<u>4,086,296</u>
1,014,304	104,202
279,335	22,422
<u>1,293,639</u>	<u>126,624</u>
189,184,366	205,228
3,966,558	-
9,409,510	15,168,902
<u>\$ 202,560,434</u>	<u>\$ 15,374,130</u>

CITY OF BAYTOWN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aquatics	Sanitation	Nonmajor
Operating Revenues				
Water and sewer sales	\$ 40,008,357	\$ -	\$ -	\$ -
Service charges and other services	6,043,474	15,672	-	2,727,934
Solid waste collection	-	-	6,662,439	-
Other revenue	-	-	13,109	-
Total Operating Revenues	46,051,831	15,672	6,675,548	2,727,934
Operating Expenses				
Personnel costs	11,291,063	878,758	1,087,224	1,607,281
Supplies	13,306,622	246,881	53,305	130,238
Maintenance	1,876,530	411,316	99,214	337,238
Services	2,942,680	185,777	5,667,310	353,222
Claim payments and fees	-	-	-	-
Miscellaneous	-	60,884	-	222,784
Depreciation	8,400,591	1,008,686	99,693	406,824
Total Operating Expenses	37,817,486	2,792,302	7,006,746	3,057,587
Operating Income (Loss)	8,234,345	(2,776,630)	(331,198)	(329,653)
Nonoperating Revenues (Expenses)				
Investment earnings	513,840	-	-	-
Intergovernmental	1,363,365	-	-	-
Interest expense and other	(2,607,160)	-	-	-
Total Nonoperating Revenues (Expenses)	(729,955)	-	-	-
Income (Loss) Before Transfer	7,504,390	(2,776,630)	(331,198)	(329,653)
Transfers in	5,864,507	-	670,000	-
Transfers (out)	(8,638,574)	(221,441)	-	(155,500)
Change in Net Position	4,730,323	(2,998,071)	338,802	(485,153)
Beginning net position	175,672,481	19,996,553	(338,326)	5,643,825
Ending Net Position	\$ 180,402,804	\$ 16,998,482	\$ 476	\$ 5,158,672

See Notes to Financial Statements.

Business-Type Activities- Enterprise Funds		
Total Funds	Internal Service	
\$ 40,008,357	\$ -	
8,787,080	23,882,403	
6,662,439	-	
13,109	44,831	
<u>55,470,985</u>	<u>23,927,234</u>	
14,864,326	1,129,331	
13,737,046	1,395,953	
2,724,298	51,600	
9,148,989	61,260	
-	15,949,357	
283,668	-	
9,915,794	46,633	
<u>50,674,121</u>	<u>18,634,134</u>	
<u>4,796,864</u>	<u>5,293,100</u>	
513,840	-	
1,363,365	-	
<u>(2,607,160)</u>	<u>-</u>	
<u>(729,955)</u>	<u>-</u>	
4,066,909	5,293,100	
6,534,507	1,174,929	
<u>(9,015,515)</u>	<u>(143,580)</u>	
1,585,901	6,324,449	
200,974,533	9,049,681	
<u>\$ 202,560,434</u>	<u>\$ 15,374,130</u>	

CITY OF BAYTOWN, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2020

	Business-Type Activities-Enterprise Funds			
	Water and Sewer	Aquatics	Sanitation	Nonmajor
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ 45,475,333	\$ 15,672	\$ 6,437,313	\$ 2,693,357
Cash received from interfund charges for central services	-	-	-	-
Cash received from interfund charges for risk management services	-	-	-	-
Cash payments for goods and services	(18,084,576)	(927,695)	(5,791,009)	(792,131)
Cash payments to employees	(10,525,760)	(851,852)	(996,467)	(1,466,981)
Other	-	-	13,109	-
Net Cash Provided (Used) by Operating Activities	16,864,997	(1,763,875)	(337,054)	434,245
<u>Cash Flows from Noncapital and Related Financing Activities</u>				
Transfers in	5,864,507	-	670,000	-
Transfers (out)	(8,638,574)	(221,441)	-	(155,500)
Advances from other funds	-	2,500,000	-	-
Operating grants	1,363,365	-	-	-
Net Cash Provided (Used) for Noncapital and Related Financing Activities	(1,410,702)	2,278,559	670,000	(155,500)
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(4,661,595)	(262,363)	-	(408,052)
Principal paid on capital debt	(4,837,248)	-	-	-
Interest and fiscal agent fees paid	(3,153,187)	-	-	-
Net Cash (Used) by Capital and Related Financing Activities	(12,652,030)	(262,363)	-	(408,052)
<u>Cash Flows from Investing Activities</u>				
Interest received	513,840	-	-	-
Net Cash Provided by Investing Activities	513,840	-	-	-
Net Increases (Decrease) in Cash and Cash Equivalents	3,316,105	252,321	332,946	(129,307)
Beginning cash and cash equivalents	40,807,184	686,469	100,017	1,845,212
Ending Cash and Cash Equivalents	\$ 44,123,289	\$ 938,790	\$ 432,963	\$ 1,715,905

See Notes to Financial Statements.

Business-Type Activities- Enterprise Funds		
Total Funds	Internal Service	
\$ 54,621,675	\$ 4,982,216	
-	1,470,759	
-	17,450,259	
(25,595,411)	(17,776,006)	
(13,841,060)	(1,062,420)	
13,109	-	
<u>15,198,313</u>	<u>5,064,808</u>	
6,534,507	1,174,929	
(9,015,515)	(143,580)	
<u>1,363,365</u>	<u>-</u>	
<u>(1,117,643)</u>	<u>1,031,349</u>	
(5,332,010)	-	
(4,837,248)	-	
<u>(3,153,187)</u>	<u>-</u>	
<u>(13,322,445)</u>	<u>-</u>	
<u>513,840</u>	<u>-</u>	
<u>513,840</u>	<u>-</u>	
3,772,065	6,096,157	
<u>43,438,882</u>	<u>12,068,274</u>	
<u>\$ 47,210,947</u>	<u>\$ 18,164,431</u>	

CITY OF BAYTOWN, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2020

	Business-Type Activities-Enterprise Funds			
	Water and Sewer	Aquatics	Sanitation	Nonmajor Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 8,234,345	\$ (2,776,630)	\$ (331,198)	\$ (329,653)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	8,400,591	1,008,686	99,693	406,824
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Current Assets:				
Prepaid expenses	-	-	-	-
Accounts receivable	(926,874)	-	(225,126)	(34,577)
Inventory	-	-	-	-
Deferred outflows - pensions	1,585,182	55,660	145,451	119,369
Deferred outflows - OPEB	(697,591)	(32,709)	(83,667)	(122,203)
Increase (Decrease) in Current Liabilities:				
Accounts payable	269,834	(22,837)	28,820	251,351
Accrued expenses	-	-	16,916	-
Retainage payable	(228,578)	-	-	-
Compensated absences	85,334	3,178	8,640	54,915
Net pension liability	(1,945,491)	(87,828)	(226,550)	(327,273)
Total OPEB liability	1,141,978	51,540	132,948	191,762
Refundable deposits	350,376	-	-	-
Deferred inflows - pensions	610,375	37,719	98,705	226,160
Deferred inflows - OPEB	(14,484)	(654)	(1,686)	(2,430)
Net Cash Provided (Used) by Operating Activities	\$ 16,864,997	\$ (1,763,875)	\$ (337,054)	\$ 434,245

See Notes to Financial Statements.

Business-Type Activities- Enterprise Funds	Internal Service
Total Funds	
\$ 4,796,864	\$ 5,293,100
9,915,794	46,633
-	(24,000)
(1,186,577)	-
-	(61,523)
1,905,662	148,425
(936,170)	(85,327)
527,168	(42,061)
16,916	(214,252)
(228,578)	-
152,067	1,032
(2,587,142)	(230,789)
1,518,228	135,436
350,376	-
972,959	99,852
(19,254)	(1,718)
<u>\$ 15,198,313</u>	<u>\$ 5,064,808</u>

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CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Baytown, Texas (the “City”) was incorporated and has operated under a “Home Rule Charter,” which provides for a Council-Manager form of government, since 1948.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to City Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety (police, fire services, and emergency medical services), municipal court, culture and recreation, streets, drainage, water and sewer services, solid waste collection and disposal, storm water utilities, community development, and general administration.

The City is an independent political subdivision of the State of Texas (the “State”) governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. They present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. 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 generally accepted accounting principles. 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 generally accepted accounting principles 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.

1. Blended Component Units

Crime Control and Prevention District

The Crime Control and Prevention District (CCPD) has been included in the reporting entity as a blended component unit. The CCPD is reported as a blended component unit due to CCPD providing services almost entirely for the City. The CCPD is funded by a local sales and use tax at a rate of one-eighth of one percent. The expenditure of this tax is restricted for public safety activities. The CCPD is dissolved on the fifth anniversary of the date the CCPD began to levy taxes, if the CCPD has not

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

held a continuation or dissolution referendum (Texas Local Government Code, Chapter 363). The operations of the CCPD are presented as a governmental fund type.

Fire Control, Prevention, and Emergency Medical Services District

The Fire Control, Prevention, and Emergency Medical Services District (FCPEMSD) has been included in the reporting entity as a blended component unit. The FCPEMSD is reported as a blended component unit due to FCPEMSD providing services almost entirely for the City. The FCPEMSD is dedicated to fire safety and emergency medical services and is funded by a local sales and use tax at a rate of one-eighth of one percent. The FCPEMSD is dissolved on the fifth anniversary of the date the FCPEMSD began to levy taxes, if the FCPEMSD has not held a continuation or dissolution referendum (Texas Local Government Code, Chapter 344). The operations of the FCPEMSD are presented as a governmental fund type.

Tax Increment Reinvestment Zone No. One

The Tax Increment Reinvestment Zone (TIRZ) Number One was created in 2001 as a development/redevelopment financing tool and is included in the reporting entity as a blended component unit. The TIRZ is reported as a blended component unit due to the TIRZ providing services almost entirely for the City. The TIRZ provides a method to finance public improvements in a designated zone utilizing the property tax increment, or growth in value, subsequent to the creation of the TIRZ. The operations of the TIRZ are presented as a governmental fund type.

The CCPD, FCPEMSD, and TIRZ funds are reported as special revenue funds and do not issue separate financial statements.

2. Discretely Presented Component Units

Baytown Area Water Authority

The Baytown Area Water Authority (BAWA) was created to purchase and distribute surface and/or water supplies to the City and seven other smaller entities and neighborhoods. The boundaries of BAWA include the entire City and most of the City's extraterritorial jurisdiction in east Harris County, Texas. The City Council appoints all members of the governing board of BAWA and approves any debt issued by BAWA. Separate financial statements of BAWA may be obtained from the finance department of the City.

Municipal Development District

The Municipal Development District (MDD) was created to levy and account for the collection of a sales and use tax at the rate of one-half of one percent for the purpose of financing economic development projects that provide economic benefit and diversify the economic base of the community. The boundaries of the MDD include the portion of the City that is in Harris County and exclude the portion that is in Chambers County. City Council appoints all members of the governing board of the MDD and approves any debt issued by the MDD. Separate financial statements are not issued for the MDD fund.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, public health, and parks and recreation. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

The City reports the following enterprise funds:

The *enterprise funds* are used to account for and report the operations that provide water and wastewater collection, wastewater treatment operations, solid waste collection and disposal, water park operations (aquatics), and storm utility operations. The services 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 will be financed or recovered primarily through user charges. The water and sewer fund is considered a major fund for reporting purposes. The City has elected to present the sanitation and aquatic funds as major funds. The nonmajor funds include the Bayland Island fund and storm water utility fund.

Additionally, the City reports the following fund types:

Internal service funds account for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. These funds include the central services operation for the garage and warehouse and the risk management fund.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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.

The 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

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Equity in Pooled Cash and Investments

The City maintains a pooled cash and investments account. Each fund whose monies are deposited in the pooled cash and investments account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest-bearing accounts and other investments are displayed on the combined balance sheet as “cash and equity in pooled cash and investments.”

2. Investments

Investments, except for certain investment pools and commercial paper, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and is reported at amortized cost. Commercial paper is reported at amortized cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Money market mutual funds that meet certain criteria
- Collateralized certificates of deposit and share certificates
- Fully collateralized repurchase agreements that meet certain criteria
- Bankers’ acceptances
- Commercial paper that meets certain criteria
- Guaranteed investment contracts that meet certain criteria
- Statewide investment pools

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Inventories in the central services fund consist of expendable supplies held for consumption and are carried at weighted-average cost. The weighted-average cost is recorded as an expenditure at the time of consumption. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) and are recognized as expenditures when utilized.

4. Restricted Assets

Certain resources of the BAWA fund are set aside for the repayment of revenue bonds, which are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The bond reserve requirement account is used to segregate resources accumulated for debt service payments over the next 12 months.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings	15 to 50 years
Improvements other than buildings	5 to 50 years
Machinery and equipment	3 to 30 years
Infrastructure	10 to 50 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

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 outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Compensated Employee Absences

It is the City's policy to permit employees to accumulate certain earned but unused benefits. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

8. Long-Term Obligations

In government-wide financial statements and 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 straight-line method. Bonds payable are reported net of applicable bond premium or discount.

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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

9. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

10. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. By resolution approved by the City Council, the City does not utilize this category of fund balance.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. By resolution approved by the City Council, the City does not utilize this category of fund balance.

12. Estimates

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

13. Pensions

For the 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.

14. Other Postemployment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death payments for the upcoming year. Benefit payments are treated as being equal to the City's yearly contributions for retirees.

The City administers an additional single-employer defined benefit OPEB plan, known as the City of Baytown Retiree Healthcare Plan (the "Plan"). The City elected, by ordinance, to provide medical benefits for eligible retirees and their dependents. The premiums are based on a combination of years of service and hire date, and the coverage levels for retirees are the same as the coverage provided to active employees. The City has elected to subsidize premiums for the Plan and funding is provided on a pay-as-you-go basis.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefits from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 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 the 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 nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City prepares its general and special revenue funds' annual budgets on a basis that differs from generally accepted accounting principles (GAAP). The budgets and all transactions are presented in accordance with the City's method (budgetary basis) in the schedule of revenues, expenditures, and changes in fund balances – budget and actual (budgetary basis) for the general fund to provide a meaningful comparison of actual results with the budget. The major differences between budgetary and GAAP basis of accounting for the general fund's budget are that some revenue and expenditures within the general fund do not have an adopted budget. The debt service fund's budget is adopted and presented in accordance with GAAP.

On or before May 31 of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared. At least 60 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them. The City Council holds public hearings and a final budget must be prepared and adopted no later than September 27. The annual budget adopted by ordinance by the City Council covers the general; debt service; crime control and prevention district; hotel/motel; fire control, prevention, and emergency medical services district; water and sewer; sanitation; storm water; and garage, warehouse, and central services funds. The budget is legally enacted at the department level by the City Council through passage of an ordinance prior to the beginning of the fiscal year.

The City Council must approve any supplemental budget appropriations at the department level. The City Manager is authorized to transfer budgeted amounts within departments within any fund. During the fiscal year ended September 30, 2020, the City Manager approved various budget revisions within departments.

A. Deficit Net Position

The central services fund reported deficit net position of \$82,847, due to activity related to the purchases of fuel for resale in current fiscal year.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
Commercial paper	\$ 25,362,039	0.25	A-1/A-1+/P-1/F1/F1+
U.S. government and agencies	41,126,349	0.60	N/A
U.S. Treasury notes	3,328,967	0.48	N/A
Municipal bonds	2,831,197	0.31	Aa1/AAA/AA-/Aa3/AA/AA+/Aaa
External investment pools			
TexPool	131,801,479	0.00	AAA-m
TexSTAR	30,044,871	0.00	AAA-m
Total	\$ 234,494,902		
Portfolio weighted average maturity		0.16	

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

As of September 30, 2020, the City had the following recurring fair value measurements:

	September 30, 2020	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
<u>U.S. Government Agency Bonds/Notes</u>			
Federal Home Loan Bank	\$ 17,784,647	\$ 17,784,647	\$ -
Federal Agricultural Mortgage Corp	9,351,960	9,351,960	-
Federal Farm Credit Bank	5,093,859	5,093,859	-
Federal National Mortgage Association	6,218,318	6,218,318	-
Treasury Notes	3,328,967	3,328,967	-
Agency Bond	1,364,873	1,364,873	-
Zero-Coupon Bond	1,312,692	1,312,692	-
Municipal Bonds	2,831,197	-	2,831,197
Total	<u>\$ 47,286,513</u>	<u>\$ 44,455,316</u>	<u>\$ 2,831,197</u>

U.S. Government agency bonds and notes and collateralized mortgage obligations are classified in Level 1 and municipal bonds are classified in Level 2 of the fair value hierarchy and are valued using the market approach.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City's investment policy limits investments in no-load money market mutual funds rated as to investment quality not less than "AAA" by a nationally recognized investment rating firm. As of September 30, 2020, the City's investments in the investment pools were rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency. More specifically, the investments in U.S. agencies held by the City as of September 30, 2020 consist of a variety of bonds and discount notes issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, the Federal Agriculture Mortgage Corporation, and the Federal National Mortgage Association.

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. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2020, the fair value of pledged securities and FDIC coverage exceeded bank balances.

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 it will seek to safe keep securities at financial institutions, avoiding physical possession. Further, all

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

B. Receivables

The following comprise receivable balances at year end:

Governmental Funds

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total Funds
Taxes	\$ 4,812,952	\$ 1,457,359	\$ -	\$ 1,676,291	\$ 7,946,602
Accounts	1,737,782	-	37,475	715,416	2,490,673
Interest	181,299	-	-	-	181,299
Grants	92,723	-	-	5,549,556	5,642,279
Less allowance	(1,620,671)	(387,438)	-	-	(2,008,109)
	<u>\$ 5,204,085</u>	<u>\$ 1,069,921</u>	<u>\$ 37,475</u>	<u>\$ 7,941,263</u>	<u>\$ 14,252,744</u>

Proprietary Funds

	Water and Sewer	Sanitation	Nonmajor	Total Funds
Accounts	\$ 6,679,729	\$ 1,073,502	\$ 273,528	8,026,759
Less allowance	(497,279)	-	-	(497,279)
	<u>\$ 6,182,450</u>	<u>\$ 1,073,502</u>	<u>\$ 273,528</u>	<u>\$ 7,529,480</u>

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

C. Capital Assets

A summary of changes in capital assets for the year ended is as follows:

1. Primary Government

	Beginning Balance	Increases	Reclassifications/ (Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 18,532,060	\$ 65,618	\$ -	\$ 18,597,678
Construction in progress	49,360,683	14,057,812	(190,445)	63,228,050
Total Capital Assets Not Being Depreciated	67,892,743	14,123,430	(190,445)	81,825,728
Capital assets being depreciated:				
Buildings	79,568,349	18,200	-	79,586,549
Improvements other than buildings	21,590,584	33,562	-	21,624,146
Machinery and equipment	58,218,739	3,650,576	-	61,869,315
Infrastructure	198,791,355	-	-	198,791,355
Total Capital Assets Being Depreciated	358,169,027	3,702,338	-	361,871,365
Less accumulated depreciation for:				
Buildings	(29,189,810)	(1,993,223)	-	(31,183,033)
Improvements other than buildings	(6,204,009)	(814,814)	-	(7,018,823)
Machinery and equipment	(43,298,112)	(3,720,457)	-	(47,018,569)
Infrastructure	(70,804,172)	(4,582,409)	-	(75,386,581)
Total Accumulated Depreciation	(149,496,103)	(11,110,903)	-	(160,607,006)
Total Capital Assets, Net Governmental Activities	208,672,924	(7,408,565)	-	201,264,359
Capital Assets, Net	\$ 276,565,667	\$ 6,714,865	\$ (190,445)	283,090,087
			Less associated debt	(129,644,921)
			Plus deferred charge on refunding	1,587,358
			Unspent bond proceeds	12,946,723
			Net Investment in Capital Assets	\$ 167,979,247

Depreciation was charged to governmental functions as follows:

General government	\$ 611,751
Public safety	3,219,685
Public works	5,453,748
Public health	150,305
Recreation and culture	1,628,783
Capital assets held by the City's internal service funds are charged to various functions based on their usage of the assets	46,631
Total Governmental Activities Depreciation Expense	\$ 11,110,903

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

2. Construction Commitments – Governmental Activities

The City has active governmental activities construction projects as of September 30, 2020. The projects include the following:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Mill and Overlay	\$ 650,000	\$ 517,744	\$ 132,256
Fire Training Facility	7,625,040	7,304,366	320,674
Fire Training Props and Thermal Lining	808,000	524,000	284,000
South Main Drainage Improvements	1,237,529	273,620	963,909
Park Operations Center	1,226,977	168,021	1,058,956
Total	<u>\$ 11,547,546</u>	<u>\$ 8,787,751</u>	<u>\$ 2,759,795</u>

3. Business-Type Activities

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ (Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 1,898,968	\$ -	\$ -	\$ 1,898,968
Construction in progress	6,960,282	2,881,959	(5,181,100)	4,661,141
Total Capital Assets Not Being Depreciated	<u>8,859,250</u>	<u>2,881,959</u>	<u>(5,181,100)</u>	<u>6,560,109</u>
Capital assets being depreciated:				
Buildings and systems	63,445,772	-	-	63,445,772
Improvements other than buildings	291,755,244	1,553,667	4,986,942	298,295,853
Machinery and equipment	11,489,358	1,090,542	-	12,579,900
Total Capital Assets Being Depreciated	<u>366,690,374</u>	<u>2,644,209</u>	<u>4,986,942</u>	<u>374,321,525</u>
Less accumulated depreciation for:				
Buildings and systems	(55,194,842)	(1,286,761)	-	(56,481,603)
Improvements other than buildings	(60,611,621)	(7,831,293)	-	(68,442,914)
Machinery and equipment	(7,989,721)	(797,740)	-	(8,787,461)
Total Accumulated Depreciation	<u>(123,796,184)</u>	<u>(9,915,794)</u>	<u>-</u>	<u>(133,711,978)</u>
Total Capital Assets, Net Business-Type Activities	<u>242,894,190</u>	<u>(7,271,585)</u>	<u>4,986,942</u>	<u>240,609,547</u>
Capital Assets, Net	<u>\$ 251,753,440</u>	<u>\$ (4,389,626)</u>	<u>\$ (194,158)</u>	<u>247,169,656</u>
				Less associated debt (74,230,517)
				Unspent bond proceeds 16,245,227
				<u>Net Investment in Capital Assets \$ 189,184,366</u>

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Depreciation was charged to business-type functions as follows:

Water and sewer	\$	8,400,591
Sanitation		99,693
Bayland Island		181,912
Storm water		224,912
Aquatics		1,008,686
Total Business-Type Activities Depreciation Expense	\$	<u>9,915,794</u>

4. Construction Commitments – Business-Type Activities

The City has active business-type activities construction projects as of September 30, 2020. The projects include the following:

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Annual Waterline Rehabilitation	\$ 1,035,200	\$ 1,034,024	\$ 1,176
Sanitary Sewer	750,000	406,029	343,971
Total	<u>\$ 1,785,200</u>	<u>\$ 1,440,053</u>	<u>\$ 345,147</u>

5. Discretely Presented Component Units

The following is a summary of changes in capital assets for BAWA for the year ended September 30, 2020:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,877,960	\$ -	\$ -	\$ 2,877,960
Construction in progress	44,572,167	21,713,649	-	66,285,816
Total Capital Assets Not Being Depreciated	<u>47,450,127</u>	<u>21,713,649</u>	<u>-</u>	<u>69,163,776</u>
Capital assets, being depreciated:				
Buildings	1,021,268	-	-	1,021,268
Improvements other than buildings	47,781,672	-	-	47,781,672
Machinery and equipment	6,793,614	135,966	-	6,929,580
Total Capital Assets Being Depreciated	<u>55,596,554</u>	<u>135,966</u>	<u>-</u>	<u>55,732,520</u>
Total Capital Assets	<u>103,046,681</u>	<u>21,849,615</u>	<u>-</u>	<u>124,896,296</u>
Less accumulated depreciation for:				
Buildings	(731,955)	(21,822)	-	(753,777)
Improvements other than buildings	(18,947,419)	(1,021,531)	-	(19,968,950)
Machinery and equipment	(3,571,270)	(438,083)	-	(4,009,353)
Total Accumulated Depreciation	<u>(23,250,644)</u>	<u>(1,481,436)</u>	<u>-</u>	<u>(24,732,080)</u>
Total Capital Assets Being Depreciated, Net	<u>32,345,910</u>	<u>(1,345,470)</u>	<u>-</u>	<u>31,000,440</u>
Discretely Presented Component Unit				
Capital Assets, Net	<u>\$ 79,796,037</u>	<u>\$ 20,368,179</u>	<u>\$ -</u>	<u>100,164,216</u>
				<u>(47,228,010)</u>
				<u>Net Investment in Capital Assets</u>
				<u>\$ 52,936,206</u>

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

6. Construction Commitments – Component Units

The City has active construction projects for BAWA as of September 30, 2020. The projects are listed below:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
East Plant	\$ 49,081,416	\$ 48,846,456	\$ 234,960
Fritz Lanham SWTP Chemical Feed Improvements	3,270,193	1,820,912	1,449,281
Total	<u>\$ 52,351,609</u>	<u>\$ 50,667,368</u>	<u>\$ 1,684,241</u>

D. Long-Term Debt

The following is a summary of changes in the City’s primary government and component units total long-term liabilities for the year ended September 30, 2020. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds, notes and other payables:					
General obligation bonds	\$ 83,320,072	\$ 9,530,000	\$ 18,837,751	\$ 74,012,321	\$ 8,213,562
Combination tax and revenue bonds	43,860,000	6,925,000	4,625,000	46,160,000	4,810,000
Plus deferred amounts:					
For premiums	8,410,157	1,702,378	1,261,387	8,851,148	-
Capital leases	966,194	-	344,742	621,452	352,246
Total	<u>136,556,423</u>	<u>18,157,378</u>	<u>25,068,880</u>	<u>129,644,921</u> *	<u>13,375,808</u>
Other liabilities:					
Net pension liability	66,091,845	-	19,184,063	46,907,782	-
Total OPEB liability	53,006,033	11,257,908	-	64,263,941	-
Compensated absences	13,739,743	13,800,730	12,365,770	15,174,703	13,657,233
Total	<u>132,837,621</u>	<u>25,058,638</u>	<u>31,549,833</u>	<u>126,346,426</u>	<u>13,657,233</u>
Total Governmental Activities	<u>\$ 269,394,044</u>	<u>\$ 43,216,016</u>	<u>\$ 56,618,713</u>	<u>\$ 255,991,347</u>	<u>\$ 27,033,041</u>

Long-term debt due in more than one year \$ 228,958,306

***Debt associated with capital assets** \$ 129,644,921

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities					
Refunding bonds	\$ 33,929,928	\$ -	3,197,248	\$ 30,732,680	\$ 3,391,438
Certificates of obligation	40,375,000	-	1,640,000	38,735,000	1,915,000
Less deferred amounts:					
For premiums	5,943,039	-	1,180,202	4,762,837	-
Total	<u>80,247,967</u>	<u>-</u>	<u>6,017,450</u>	<u>74,230,517</u> **	<u>5,306,438</u>
Other liabilities:					
Net pension liability	9,926,488	-	2,587,142	7,339,346	-
Total OPEB liability	7,916,942	1,518,228	-	9,435,170	-
Compensated absences	842,048	909,912	757,845	994,115	894,704
Total	<u>18,685,478</u>	<u>2,428,140</u>	<u>3,344,987</u>	<u>17,768,631</u>	<u>894,704</u>
Total Business-Type Activities	<u>\$ 98,933,445</u>	<u>\$ 2,428,140</u>	<u>\$ 9,362,437</u>	<u>\$ 91,999,148</u>	<u>\$ 6,201,142</u>

Long-term debt due in more than one year \$ 85,798,006

**Debt associated with capital assets \$ 74,230,517

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Discretely Presented					
Component Units					
Revenue bonds	\$ 46,095,000	\$ -	\$ 1,930,000	\$ 44,165,000	1,780,000
Less deferred amounts:					
For premiums	3,231,496	-	168,486	3,063,010	-
Total Discretely Presented Component Units	<u>\$ 49,326,496</u>	<u>\$ -</u>	<u>\$ 2,098,486</u>	<u>\$ 47,228,010</u> *	<u>\$ 1,780,000</u>

Long-term debt payable in more than one year \$ 45,448,010

*Debt associated with capital assets \$ 47,228,010 *

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$1,578,121 makes up the internal service funds' compensated absences, net pension liability, and total OPEB liability, which is included in the above amounts for governmental activities. The governmental activities compensated absences, net pension liability, and total OPEB liability are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Certificates of Obligation

During the year, the City issued \$6,925,000 of combination tax and revenue certificates of obligation series 2019A. The proceeds will be used for the demolition of an existing City animal control facility

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

and the construction and equipment of City animal control and adoption facilities and related infrastructure.

Current Refunding

In the current year the City issued \$9,530,000 in general obligation refunding bonds, series 2019A with interest rates ranging from three to five percent. The proceeds were used to provide for a current refunding of \$10,585,000 of outstanding general obligation and refunding bonds, series 2011 which had interest rates up to five percent. The net proceeds of \$10,775,480 (including a \$1,265,299 premium and after payment of \$182,137 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the series 2011 general obligation and refunding bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The reacquisition price was less than the net carrying amount of the debt by \$255,476 and this is being amortized over the life of the new debt which is the same as the old debt. The current refunding reduced future total debt service payments by \$1,292,403 and resulted in an economic gain of \$1,134,109.

In the current year, the TIRZ elected to defease the remaining outstanding principal of the tax increment contract revenue bonds, series 2008 as well as accrued interest through the redemption date of August 1, 2020. This included scheduled maturities for the years 2020 through 2024, in the aggregate principal amount of \$825,000. Total debt service required as of the redemption date was \$842,921. As of yearend, \$825,000 of tax increment revenue bonds, series 2008 is considered defeased.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Long-term governmental debt at year end was comprised of the following debt issues:

Description	Interest Rate (%)	Maturity Date	Original Issue	Net Retirement	Outstanding
General Obligation Bonds:					
Refunding, Series 2012	1.69 - 3.23	2032	30,225,000	14,530,000	15,695,000
Series 2013	2.00 - 3.375	2033	16,800,000	4,910,000	11,890,000
Refunding, Series 2014	2.00 - 4.00	2034	28,520,000	11,710,000	16,810,000
Series 2015	2.00 - 5.00	2035	11,135,000	2,932,231	8,202,769
Refunding, Series 2016	2.00 - 5.00	2028	8,337,324	1,947,772	6,389,552
Refunding, Series 2019	3.00	2030	5,965,000	470,000	5,495,000
Refunding, Series 2019A	3.00-5.00	2031	9,530,000	-	9,530,000
Total General Obligation Bonds			<u>145,792,324</u>	<u>58,890,003</u>	<u>74,012,321</u>
Combination Tax and Certificates of Obligation:					
Series 2015	2.00 - 5.00	2035	6,600,000	1,275,000	5,325,000
Series 2016	2.00 - 5.00	2036	17,635,000	2,490,000	15,145,000
Series 2017	4.00 - 5.00	2027	18,010,000	4,670,000	13,340,000
Series 2018	3.00	2028	7,365,000	1,315,000	6,050,000
Series 2019A	3.00 - 4.00	2024	6,925,000	625,000	6,300,000
Total Combination Tax and Revenue Bonds			<u>58,635,000</u>	<u>11,850,000</u>	<u>46,160,000</u>
Total General Bonded Debt			<u>\$ 207,447,324</u>	<u>\$ 73,760,003</u>	<u>\$ 120,172,321</u>
Capital Leases:					
Tax-exempt agreement 2032	2.16	2022	\$ 2,579,696	\$ 1,958,244	\$ 621,452
Total Capital Leases			<u>\$ 2,579,696</u>	<u>\$ 1,958,244</u>	<u>\$ 621,452</u>

Long-term business-type activity debt at year end was comprised of the following debt issues:

Description	Interest Rate (%)	Maturity Date	Original Issue	Net Retirement	Outstanding
Water and Sewer Bonds:					
General Obligation and Refunding Series, 2015	2.00 - 5.00	2035	\$ 14,175,000	\$ 3,732,769	\$ 10,442,231
General Obligation and Refunding Series, 2016	2.00 - 5.00	2028	27,192,676	6,902,227	20,290,449
Total Water and Sewer Bonds			<u>41,367,676</u>	<u>10,634,996</u>	<u>30,732,680</u>
Certificates of Obligation, Series 2013	2.00 - 3.38	2033	16,500,000	4,830,000	11,670,000
Certificates of Obligation, Series 2014	2.00 - 4.00	2034	11,715,000	2,660,000	9,055,000
Certificates of Obligation, Series 2019	3.00 - 5.00	2039	18,440,000	430,000	18,010,000
Total Certificates of Obligation			<u>46,655,000</u>	<u>7,920,000</u>	<u>38,735,000</u>
Total Bonded Debt			<u>\$ 88,022,676</u>	<u>\$ 18,554,996</u>	<u>\$ 69,467,680</u>

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

The discretely presented component unit's debt at year end was comprised of the following debt issues:

Description	Interest Rate (%)	Maturity Date	Original Issue	Net Retirement	Outstanding
Certificates of Obligation:					
Certificates of Obligation, Series 2006	2.25 - 2.90	2022	\$ 13,290,000	\$ 11,865,000	\$ 1,425,000
Certificates of Obligation, Series 2012	2.00 - 4.00	2032	8,315,000	4,290,000	4,025,000
Certificates of Obligation, Series 2018	4.00 - 5.00	2038	22,040,000	-	22,040,000
Certificates of Obligation, Series 2019	3.00 - 4.00	2038	17,315,000	640,000	16,675,000
Total Certificates of Obligation			<u>60,960,000</u>	<u>16,795,000</u>	<u>44,165,000</u>
Total Bonded Debt			<u>\$ 60,960,000</u>	<u>\$ 16,795,000</u>	<u>\$ 44,165,000</u>

The annual requirements to amortize bond and certificate debt issues outstanding at year end were as follows:

Year Ending Sept. 30	Governmental Activities		Business-Type Activities		Total Primary Government
	Principal	Interest	Principal	Interest	
2021	\$ 13,023,562	\$ 4,366,165	\$ 5,306,438	\$ 2,583,871	\$ 25,280,036
2022	13,601,571	3,801,361	5,568,429	2,343,987	25,315,348
2023	13,320,080	3,208,883	5,839,920	2,097,516	24,466,399
2024	12,966,289	2,646,924	6,133,711	1,838,125	23,585,049
2025	10,902,498	2,160,799	6,427,502	1,579,463	21,070,262
2026-2030	38,199,318	5,784,508	21,880,683	4,770,063	70,634,572
2031-2035	17,129,003	1,376,522	13,470,997	1,805,954	33,782,476
2036-2039	1,030,000	15,450	4,840,000	325,938	6,211,388
Total	<u>\$ 120,172,321</u>	<u>\$ 23,360,612</u>	<u>\$ 69,467,680</u>	<u>\$ 17,344,917</u>	<u>\$ 230,345,530</u>

Year Ending Sept. 30	Discretely Presented Component Unit		
	Principal	Interest	Total
2021	\$ 1,780,000	\$ 1,735,370	\$ 3,515,370
2022	1,835,000	1,676,706	3,511,706
2023	1,970,000	1,613,294	3,583,294
2024	2,005,000	1,528,994	3,533,994
2025	2,040,000	1,442,669	3,482,669
2026-2030	10,955,000	5,850,364	16,805,364
2031-2035	13,230,000	3,411,375	16,641,375
2036-2039	10,350,000	816,900	11,166,900
Total	<u>\$ 44,165,000</u>	<u>\$ 18,075,672</u>	<u>\$ 62,240,672</u>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds is from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

The annual requirement to amortize capital leases outstanding at year end were as follows:

Year Ending Sept. 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 352,246	\$ 10,578	\$ 362,824
2022	269,206	2,911	272,117
Total	\$ 621,452	\$ 13,489	\$ 634,941

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 3,448,119
Less: Accumulated depreciation	(1,091,904)
Total	\$ 2,356,215

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage legislation consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS rules and regulations.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Individual major governmental funds:		
General	\$ 4,796,339	\$ 13,987,888
Debt service	2,897,162	-
Capital projects	9,965,720	409,451
Other nonmajor governmental funds	<u>1,210,738</u>	<u>3,022,961</u>
Total Governmental Funds	<u>18,869,959</u>	<u>17,420,300</u>
Enterprise Funds:		
Individual major enterprise funds:		
Water and sewer	5,864,507	8,638,574
Sanitation	670,000	-
Aquatics	-	221,441
Other nonmajor enterprise funds	-	155,500
Total Enterprise Funds	<u>6,534,507</u>	<u>9,015,515</u>
Internal Service Funds:		
Central services	1,174,929	141,801
Risk management	-	1,779
Total Internal Service Funds	<u>1,174,929</u>	<u>143,580</u>
Total Transfers	<u>\$ 26,579,395</u>	<u>\$ 26,579,395</u>

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due. They are also utilized to move unrestricted general fund revenues to finance various programs that must be accounted for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs and governmental expenditures.

The composition of interfund balances as of year end was as follows:

Due to/from other funds:		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Nonmajor governmental	<u>\$ 522,021</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Advances from/to other funds:		
<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amounts</u>
General	Aquatics	<u>\$ 2,500,000</u>

The amount payable to the general fund relates to a working capital loan made to the aquatics fund as result of the City having to close its water parks in response to the COVID-19 pandemic. It is

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

anticipated that the aquatics fund will pay back the advance over the next five years if sufficient resources are available, however the City is providing for a maximum of up to ten years.

F. Fund Equity

As of September 30, 2020, \$5,991,242 of the City’s total fund balance is restricted by enabling legislation.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City maintains a self-insurance program for medical benefits and workers’ compensation. The risk management internal service fund pays claims and judgments, maintains loss reserves, and purchases insurance coverage as required. A third-party administrator pays group medical benefits and workers’ compensation claims. Revenues are recognized from payroll deductions for employee dependent coverage, from City contributions for employee coverage, and from interest earnings.

Group medical benefits have an annually negotiated specific and aggregate stop-loss policy. The fund provides the first dollar coverage of claims up to the casualty insurance policy’s deductible amounts. This policy also contains aggregate excess loss coverage for claims in excess of approximately \$3 million, less any amounts reimbursed on the individual stop-loss insurance. Medical claim liabilities have been recorded at \$1,401,000, as of September 30, 2020.

The City maintains third-party coverage for workers’ compensation claims that exceed \$300,000 per individual claim. Workers’ compensation claims and judgments at year end have been recorded at \$946,554. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocation to specific claims.

Changes in the balances of claim liabilities during the past year are as follows:

Reconciliation of Changes in the Aggregate Liabilities for Claims and Judgments:	2020	2019
Unpaid claims, beginning of year	\$ 2,561,806	\$ 3,162,358
Plus: incurred claims (including IBNR)	11,646,189	14,925,292
Less: claim payments	(11,860,441)	(15,525,844)
Unpaid Claims, End of Year	\$ 2,347,554	\$ 2,561,806

B. Related Party Transactions

The City and BAWA entered into an agreement on November 26, 1996 to provide treated water to the City. BAWA is contractually obligated to provide treated water to the City with a maximum

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

obligation of 14.22 million gallons per day per month through calendar year 2040. Should the consumption exceed the contract quantity by ten percent, a five percent surcharge shall be charged against that portion of the consumption that exceeds the contract quantity.

C. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect of the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. With the exception of medical and workers' compensation claims, no other claim liabilities are reported at year end.

D. COVID-19

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay at-home orders going into effect. When the stay at-home order went into effect in the City's respective counties, the City closed their doors to the city hall until April while alternating the schedules of employees working at the Plant due to it needing to continue to run through this time. All payments were received via check in the mail or electronically. While the initial event occurred prior to year-end, the City was, subsequent to year end, continuing to modify its operations to prevent the spread to customer, staff, and the community as a whole, while balancing the needs of the community. The City has made numerous changes to its operations, including provisions for customer and staff to wear masks, more frequent cleanings, and numerous other changes. While such changes cause a significant hardship and have increased expenses, such increases are nominal in comparison to the overall budget. The City is continuing to monitor exposure levels with customer, staff, and the community as a whole, but to date the overall exposure threat level has been sufficiently low to continue with open doors, but the City is ready to modify its plans if necessary.

E. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State 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. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State. TMRS's defined benefit pension

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member’s deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2020	2019
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	497
Inactive employees entitled to, but not yet receiving, benefits	370
Active employees	855
Total	1,722

Contributions

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

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.63 percent and 17.33 percent in calendar years 2019 and 2020, respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2020 were \$11,453,850, which were equal to the required contributions.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
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 active members, 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 four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3.0 percent 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 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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, the actuary 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).

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table.

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

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. 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 TPL.

Changes in the NPL

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Changes for the year:			
Service cost	\$ 10,545,309	\$ -	\$ 10,545,309
Interest	23,230,034	-	23,230,034
Change of benefit terms	-	-	-
Difference between expected and actual experience	813,552	-	813,552
Changes of assumptions	625,913	-	625,913
Contributions - employer	-	11,058,056	(11,058,056)
Contributions - employee	-	4,413,690	(4,413,690)
Net investment income	-	41,757,202	(41,757,202)
Benefit payments, including refunds of employee contributions	(14,264,999)	(14,264,999)	-
Administrative expense	-	(235,850)	235,850
Other changes	-	(7,085)	7,085
Net Changes	20,949,809	42,721,014	(21,771,205)
Balance at December 31, 2018	346,008,496	269,990,163	76,018,333
Balance at December 31, 2019	\$ 366,958,305	\$ 312,711,177	\$ 54,247,128

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 109,001,144	\$ 54,247,128	\$ 9,500,091

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.tmr.com.

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

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$13,354,881.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,279,668	\$ 104,486
Changes in actuarial assumptions	498,695	5,888
Difference between projected and actual investment earnings	-	9,496,362
Contributions subsequent to the measurement date	8,411,652	-
Total	\$ 12,190,015	\$ 9,606,736

\$8,411,652 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 NPL for the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September	Pension Expense
2021	\$ (1,056,160)
2022	(1,454,143)
2023	1,123,028
2024	(4,441,098)
Total	\$ (5,828,373)

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

F. Other Postemployment Benefits

1. TMRS - Supplemental Death Benefit

Plan Description

The City participates in a defined benefit OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a 5% interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2019 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	370
Inactive employees entitled to, but not yet receiving, benefits	94
Active employees	855
Total	<u><u>1,319</u></u>

Total OPEB Liability

The City's total OPEB liability of \$2,652,638 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 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 3.0% 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 is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 81,310
Interest	94,941
Differences between expected and actual experience	(458,161)
Changes of assumptions	425,532
Benefit payments*	(18,764)
	<hr/>
Net Changes	124,858
Beginning balance	2,527,780
	<hr/>
Ending balance	\$ 2,652,638

*Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Total OPEB Liability	\$ 3,228,199	\$ 2,652,638	\$ 2,205,398

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$216,396. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 187,632	\$ 385,782
Changes in actuarial assumptions	457,165	113,031
Contributions subsequent to the measurement date	14,561	-
Total	\$ 659,358	\$ 498,813

\$14,561 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 total OPEB liability for the fiscal year ending September 30, 2021.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	OPEB Expense
2021	\$ 40,145
2022	40,145
2023	40,145
2024	24,713
2025	2,538
Thereafter	(1,702)
	\$ 145,984

2. Postemployment Healthcare Plan

Plan Description

The City administers a single-employer defined benefit OPEB plan, known as the City of Baytown Retiree Healthcare Plan (the "Plan"). The Plan offers medical benefits for eligible retirees and their dependents. The premiums are based on a combination of years of service and hire date, and the coverage levels for retirees are the same as coverage provided to active employees. Upon the death of the retiree, spouses are eligible to receive the same coverage at the same rate. Like the retiree, the coverage is supplemental once the spouse is eligible for Medicare. The City requires all covered

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

retirees/spouses to apply for Medicare when eligible in order to continue coverage under the City's Plan.

Employees hired after January 1, 2010 are not eligible for benefits under this Plan.

A separate, audit GAAP basis postemployment benefit plan report is not available for this Plan.

Participation in the Plan as of December 31, 2019 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	251	
Inactive employees entitled to, but not yet receiving, benefits	-	
Active employees	340	
Total	591	

Funding Policy

The City has elected to subsidize premiums for the Plan and funding is provided on a pay-as-you-go basis. There are no assets accumulated in a trust.

Total OPEB Liability

The City's total OPEB liability of \$71,046,473 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	2.75%*
Actuarial cost method	Individual entry-age normal
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 improvements rates in the MP tables to account for future mortality improvements.
Health care trends rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 13 years
Participation rates	Hired before January 1, 2004: 85% for retirees with 10 or more years of service 0% for retirees with less than 10 years of service Hired on or after January 1, 2004: 85% for retirees with 25 or more years of service 40% for retirees with 20 to 24 years of service 20% for retirees with 15 to 19 years of service 0% for retirees with less than 15 years of service Retirees hired on or after January 1, 2004 with less than 25 years of service are assumed to discontinue their health coverage when they become eligible for Medicare.

* The discount rate changed from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019. TMRS Experience Study and the health care trend assumption was updated to reflect the repeal of the 'Cadillac Tax'.

Changes in the Total OPEB Liability

		Total OPEB Liability
		<hr/>
Changes for the year:		
Service cost		\$ 1,487,097
Interest		2,154,784
Changes of benefit terms		-
Difference between expected and actual experience		14,206
Changes of assumptions		11,111,807
Benefit payments*		(2,116,616)
	Net Changes	<hr/> 12,651,278
Beginning balance		58,395,195
	Ending Balance	<hr/> \$ 71,046,473 <hr/>

Changes in benefit terms were related to the benefits provided to Medicare retirees. Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019, the removal of excise tax load, and revised TMRS demographic and salary increase assumptions..

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Sensitivity of Total OPEB Liability to the Discount Rate

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the Plan's total OPEB liability, calculated using a discount rate of 2.75%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Total OPEB Liability	\$ 80,622,702	\$ 71,046,473	\$ 63,021,084

Sensitivity of Total OPEB Liability to the Healthcare Costs Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the Plan's total OPEB liability, calculated using the assumed trend rates, as well as what the Plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's Total OPEB Liability	\$ 60,914,435	\$ 71,046,473	\$ 83,706,501

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$6,193,199. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 90,533	\$ 763,824
Changes in actuarial assumptions	11,660,566	915,424
Contributions subsequent to the measurement date	1,350,874	-
Total	\$ 13,101,973	\$ 1,679,248

\$1,350,874 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 total OPEB liability for the fiscal year ending September 30, 2021.

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	OPEB Expense
2021	\$ 2,551,318
2022	2,551,318
2023	2,490,504
2024	2,022,063
2025	456,648
	\$ 10,071,851

3. Aggregate Total Pension Expenses/Expenditures

The City recognized aggregate total OPEB expense/expenditures of \$6,409,595 during the fiscal year ending September 30, 2020 related to the City’s TMRS and City-administered OPEB plans.

G. Tax Abatements

Chapter 380 Economic Development Agreements

Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs to promote state or local economic development and to stimulate business and commercial activity in the municipality.

Sales Taxes

The City has entered into sales tax abatement agreements (the “Agreements”) with several developers as authorized by Chapter 380 of the Texas Local Government Code.

Under each Agreement, the developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their sales taxes abated. The minimum limitation value varies by Agreement. Each Agreement provides for recapture in the event of material breach. The following summarizes the current Agreements over 10% of total taxes abated:

- A developer constructed a retail development of at least 60,000 square feet (the “Project”) for the purpose of promoting economic development in the City and stimulating business and commercial activity. The retail store opened for business in December 2014. The Agreement expires 15 years after January 1 following the year in which a certificate of occupancy is issued for the Project. The City will make payments to the developer from sales tax revenues at an amount equal to 1% of taxable sales generated by the Project. For the year ended September 30, 2020, the total amount of taxes abated were \$263,454 for the City and \$87,818 for the MDD.
- A developer constructed a retail development, which includes a Wal-Mart Super Store with a minimum of 150,000 square feet and a multi-screen cinema project with at least eight screens (the “Project”), for the purpose of developing commercial/retail development in the City. The retail store opened for business in September 2014. The Agreement expires 10 years after June 1, 2014 or until \$3,575,000 of the economic development grant is paid. The City will make

CITY OF BAYTOWN, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2020

annual payments to the developer from sales tax revenues at an amount equal to 100% of annual sales tax collected at the Project over \$325,000. The estimated benefit for the City from projected sales tax revenue from this Project over 20 years is about \$20.3 million. For the year ended September 30, 2020, the total amount of taxes abated was \$775,680 for the City.

- A developer will construct a new shopping center with approximately 170,000 square feet of new retail shops and anchored by a 120,000 square-foot grocery store (the “Project”) for the purpose of creating and/or retaining at least 135 full-time equivalent (FTE) employees. The City has granted the developer a tax limitation of \$2.5 million for a period of 10 years. In order to be eligible to receive the limitation, the developer must have invested at least \$21 million during the time period beginning April 10, 2014 and ending December 31, 2015, and the taxable value for the property should have a minimum value of \$15 million. The City will make annual payments to the developer from sales tax revenues at an amount equal to 1% of taxable sales generated by the Project beginning 14 months after the grocery store opens to the public. For the year ended September 30, 2020, the total amount of taxes abated was \$227,869 for the City.

- A developer will construct an HEB grocery store (the “Project”) for the purpose of creating and/or retaining at least 100 FTE employees. The City has granted the developer a tax limitation of \$2.75 million for a period of 10 years. In order to be eligible to receive the limitation, the developer must have invested at least \$15 million during the time period beginning May 26, 2016 and ending January 1, 2018, and the taxable value for the property should have a minimum value of \$10 million. The City will make annual payments to the developer from sales tax revenues at an amount equal to 100% of annual sales tax collected at the Project over \$50,000. For the year ended September 30, 2020, the total amount of taxes abated was \$77,460 for the City.

H. Section 212 Agreement

On September 24, 2019, the City entered into a Section 212 agreement (the “Agreement”) with Enterprise Products Operating LLC. As part of the Agreement, the City will receive two payments of \$33 million in October 2019 and July 2020 for the design and construction of a public safety building. The City will not annex the property through calendar year 2054 and in exchange will receive annual contractual payments as defined in the Agreement.

I. Subsequent Events

On November 18, 2020, the City issued general obligation refunding bonds and the certificates of obligation, series 2020 (the “Bonds”) in the amount of \$16,555,000 and \$36,300,000, respectively. The refunding is expected to produce a net present value savings of approximately \$1,584,089. The refunding bonds of \$16,555,000 will be used to defease outstanding obligations from bond series 2012 and 2018.

The issuance of combination tax and revenue certificates of obligation, series 2020 will be used for all or any part of the costs associated with the construction of improvements to and the equipment of the City’s water and sewer system, the construction of improvements to roads and related infrastructure, including lighting, signals, signage, and drainage, and cost of professional services incurred in connection therewith.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAYTOWN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (BUDGET BASIS) (Page 1 of 2)
For the Year Ended September 30, 2020

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes	\$ 99,010,084	\$ 99,010,084	\$ 103,772,576	\$ 4,762,492
Licenses and permits	2,357,645	2,357,645	2,653,882	296,237
Charges for services	2,444,256	2,444,256	2,047,014	(397,242)
Fines and forfeitures	2,743,280	2,743,280	1,629,434	(1,113,846)
Intergovernmental	1,625,350	1,625,350	1,984,652	359,302
Investment earnings	700,500	700,500	1,079,374	378,874
Miscellaneous	729,840	729,840	1,140,011	410,171
Total Revenues	<u>109,610,955</u>	<u>109,610,955</u>	<u>114,306,943</u>	<u>4,695,988</u>
<u>Expenditures</u>				
General government:				
General administration	1,826,277	1,826,277	1,676,544	149,733
Fiscal operation	2,491,816	2,491,816	2,309,859	181,957
Legal services	1,147,267	1,147,267	957,502	189,765
Information technology services	3,709,729	3,709,729	3,467,209	242,520
Planning and development	3,030,250	2,999,250	2,633,655	365,595
Human resources	1,358,210	1,358,210	1,199,728	158,482
City clerk	1,182,414	1,183,047	1,040,102	142,945
Municipal court	1,672,021	1,671,388	1,590,675	80,713
City facilities	928,632	928,632	826,274	102,358
General overhead	8,243,958	7,404,980	5,789,046	1,615,934
Public safety:				
Police	26,560,935	26,671,551	26,671,551	-
Fire	23,934,941	22,997,272	21,726,780	1,270,492
Emergency management	498,133	498,133	363,805	134,328
Communication	2,013,643	2,188,355	2,188,355	-
Emergency medical services	-	32	32	-
Public works:				
Public works administration	524,912	524,912	515,390	9,522
Streets and drainage	2,467,345	2,467,345	2,390,873	76,472
Traffic control	1,451,700	1,785,586	1,785,586	-
Engineering	1,403,857	1,403,857	1,294,644	109,213
Public health:				
Health and welfare	4,010,557	4,010,557	3,593,885	416,672

CITY OF BAYTOWN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (BUDGET BASIS) (Page 2 of 2)
For the Year Ended September 30, 2020

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<u>Expenditures (continued)</u>				
Parks, recreation, and culture:				
Parks and recreation	\$ 7,120,659	\$ 7,170,659	\$ 6,727,060	\$ 443,599
Library	2,653,088	2,653,088	2,477,289	175,799
Capital outlay	2,746,350	2,817,431	2,068,042	749,389
Debt service:				
Principal	-	344,742	344,742	-
Interest	-	18,082	18,082	-
Total Expenditures	100,976,694	100,272,198	93,656,710	6,615,488
Excess of Revenues Over Expenditures	8,634,261	9,338,757	20,650,233	11,311,476
<u>Other Financing Sources (Uses)</u>				
Transfers in	4,866,823	4,866,823	1,996,019	(2,870,804)
Transfers (out)	(12,583,092)	(16,487,588)	(13,987,888)	2,499,700
Total Other Financing (Uses)	(7,716,269)	(11,620,765)	(11,991,869)	(371,104)
Net Change in Fund Balance	\$ 917,992	\$ (2,282,008)	8,658,364	\$ 10,940,372
Beginning fund balance			27,609,406	
Reconciliation of fund balance (GAAP basis)				
Perspective differences:				
Net effect of consolidated sub-fund without an adopted budget			729,092	
Ending Fund Balance			\$ 36,996,862	

Notes to Required Supplementary Information (RSI):

1. Annual budgets are adopted on a basis that differs from generally accepted accounting principles (GAAP).

CITY OF BAYTOWN, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2020

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 6,471,577	\$ 8,127,561	\$ 8,639,660	\$ 9,505,851
Interest (on the total pension liability)	17,784,453	18,735,575	19,146,665	20,476,853
Difference between expected and actual experience	(808,317)	551,216	2,654,261	4,775,043
Change of assumptions	-	(594,640)	-	-
Benefit payments, including refunds of employee contributions	(9,907,018)	(11,469,477)	(10,675,604)	(11,658,784)
Net Change in Total Pension Liability	13,540,695	15,350,235	19,764,982	23,098,963
Beginning total pension liability	255,781,341	269,322,036	284,672,271	304,437,253
Ending Total Pension Liability	<u>\$ 269,322,036</u>	<u>\$ 284,672,271</u>	<u>\$ 304,437,253</u>	<u>\$ 327,536,216</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 8,047,897	\$ 8,914,739	\$ 8,895,386	\$ 9,799,029
Contributions - employee	3,084,135	3,484,275	3,578,436	3,946,676
Net investment income	12,060,112	330,488	15,208,788	33,524,553
Benefit payments, including refunds of employee contributions	(9,907,018)	(11,469,477)	(10,675,604)	(11,658,784)
Administrative expense	(125,912)	(201,293)	(171,743)	(173,706)
Other	(10,352)	(9,943)	(9,253)	(8,803)
Net Change in Plan Fiduciary Net Position	13,148,862	1,048,789	16,826,010	35,428,965
Beginning plan fiduciary net position	210,817,601	223,966,463	225,015,252	241,841,262
Ending Plan Fiduciary Net Position	<u>\$ 223,966,463</u>	<u>\$ 225,015,252</u>	<u>\$ 241,841,262</u>	<u>\$ 277,270,227</u>
Net Pension Liability	<u>\$ 45,355,573</u>	<u>\$ 59,657,019</u>	<u>\$ 62,595,991</u>	<u>\$ 50,265,989</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.16%	79.04%	79.44%	84.65%
Covered Payroll	\$ 44,050,070	\$ 49,770,734	\$ 51,122,246	\$ 56,381,087
Net Pension Liability as a Percentage of Covered Payroll	102.96%	119.86%	122.44%	89.15%

*Only six years of information is currently available. The City will build this schedule over the next four-year period.

Measurement Year*	
2018	2019
\$ 10,127,083	\$ 10,545,309
21,995,577	23,230,034
(171,679)	813,552
-	625,913
<u>(13,478,701)</u>	<u>(14,264,999)</u>
18,472,280	20,949,809
327,536,216	346,008,496
<u>\$ 346,008,496</u>	<u>\$ 366,958,305</u>

\$ 10,480,633	\$ 11,058,056
4,194,650	4,413,690
(8,307,740)	41,757,202
(13,478,701)	(14,264,999)
(160,519)	(235,850)
(8,387)	(7,085)
<u>(7,280,064)</u>	<u>42,721,014</u>
277,270,227	269,990,163
<u>\$ 269,990,163</u>	<u>\$ 312,711,177</u>

<u>\$ 76,018,333</u>	<u>\$ 54,247,128</u>
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78.03%	85.22%
--------	--------

\$ 59,923,569	\$ 62,546,317
---------------	---------------

126.86%	86.73%
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CITY OF BAYTOWN, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2020

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 8,038,778	\$ 8,457,544	\$ 8,816,321	\$ 9,559,801
Contributions in relation to the actuarially determined contribution	(7,860,733)	(8,382,681)	(8,816,321)	(9,559,801)
Contribution deficiency (excess)	<u>\$ 178,045</u>	<u>\$ 74,863</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 43,136,904	\$ 46,789,701	\$ 50,270,039	\$ 54,987,984
Contributions as a percentage of covered payroll	18.22%	17.92%	17.54%	17.39%

*Only seven years of information is currently available. The City will build this schedule over the next three-year period.

Notes to Required Supplementary Information:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

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 table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Adopted buy-back provision.

Fiscal Year*		
2018	2019	2020
\$ 10,405,269	\$ 10,811,996	\$ 11,453,850
<u>(10,405,269)</u>	<u>(10,811,996)</u>	<u>(11,453,850)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 59,592,299	\$ 61,478,073	\$ 65,800,160
17.46%	17.59%	17.41%

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CITY OF BAYTOWN, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2020

	Measurement Year*		
	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 73,295	\$ 95,878	\$ 81,310
Interest (on the total pension liability)	75,086	76,375	94,941
Difference between expected and actual experience	-	271,772	(458,161)
Change of assumptions	184,572	(163,718)	425,532
Benefit payments**	(22,552)	(23,969)	(18,764)
Net Change in Total OPEB Liability	<u>310,401</u>	<u>256,338</u>	<u>124,858</u>
Beginning total OPEB liability	<u>1,961,041</u>	<u>2,271,442</u>	<u>2,527,780</u>
Ending Total OPEB Liability	<u>\$ 2,271,442</u>	<u>\$ 2,527,780</u>	<u>\$ 2,652,638</u>
Covered Payroll	<u>\$ 56,381,087</u>	<u>\$ 59,923,569</u>	<u>\$ 62,546,317</u>
Total OPEB Liability as a Percentage of Covered Payroll	4.03%	4.22%	4.24%

*Only three years of information is currently available. The City will build this schedule over the next seven-year period.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

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
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB No. 68.

Mortality - service retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality - disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a four year set-forward for males and a three year set-forward for females. In addition, a 3.5% and 3.0% 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.

Other Information:

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

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

Change in assumptions is the annual change in the municipal bond index rate.

There were no benefit changes during the year.

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CITY OF BAYTOWN, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE MEDICAL PROGRAM
For the Year Ended September 30, 2020

	Measurement Year*		
	2017	2018	2019
Total Pension Liability			
Service cost	\$ 1,861,181	\$ 1,986,766	\$ 1,487,097
Interest (on the total pension liability)	2,838,019	2,730,655	2,154,784
Changes of benefit terms	-	(23,899,416)	-
Difference between expected and actual experience	159,845	(1,239,134)	14,206
Change of assumptions	5,418,885	(1,485,071)	11,111,807
Benefit payments	(2,259,781)	(2,404,734)	(2,116,616)
Net Change in Total OPEB Liability	8,018,149	(24,310,934)	12,651,278
Beginning total OPEB liability	74,687,980	82,706,129	58,395,195
Ending Total OPEB Liability	\$ 82,706,129	\$ 58,395,195	\$ 71,046,473
 Covered Payroll	 \$ 32,060,676	 \$ 28,787,235	 \$ 29,139,987
 Total OPEB Liability as a Percentage of Covered Payroll	 257.97%	 202.85%	 243.81%

*Only three years of information is currently available. The City will build this schedule over the next seven-year period.

Notes to Required Supplementary Information:

Changes in Assumptions:

Changes in assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019. The removal of excise tax load, and revised TMRS demographic and salary increase assumptions.

Changes in Benefits:

Changes in benefit terms were related to the benefits provided to Medicare retirees.

Health care trend rates were updated to reflect the plan's anticipated experience.

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***COMBINING STATEMENTS
AND SCHEDULES***

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CITY OF BAYTOWN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2020

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 14,699,413	\$ 14,699,413	\$ 13,466,523	\$ (1,232,890)
Intergovernmental	2,937,577	2,937,577	1,574,213	(1,363,364)
Investment earnings	75,000	75,000	148,182	73,182
Total Revenues	<u>17,711,990</u>	<u>17,711,990</u>	<u>15,188,918</u>	<u>(2,523,072)</u>
Expenditures				
Debt service:				
Principal	15,632,457	12,052,753	12,052,753	-
Interest and fiscal agent fees	6,720,056	4,652,917	4,652,917	-
Issuance costs	150,000	182,137	182,137	-
Total Expenditures	<u>22,502,513</u>	<u>27,663,287</u>	<u>16,887,807</u>	<u>10,775,480</u>
(Deficiency) of Revenues (Under) Expenditures	(4,790,523)	(9,951,297)	(1,698,889)	8,252,408
Other Financing Sources (Uses)				
Transfers in	7,546,685	7,546,685	2,897,162	(4,649,523)
Debt issued	-	-	9,530,000	9,530,000
Bond premium	-	-	1,265,299	1,265,299
Payment to refunding bond escrow agent	-	(10,775,480)	(10,775,480)	-
Total Other Financing Sources	<u>7,546,685</u>	<u>(3,228,795)</u>	<u>2,916,981</u>	<u>6,145,776</u>
Net Change in Fund Balance	<u>\$ 2,756,162</u>	<u>\$ (13,180,092)</u>	1,218,092	<u>\$ 14,398,184</u>
Beginning fund balance			<u>5,050,333</u>	
Ending Fund Balance			<u>\$ 6,268,425</u>	

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CITY OF BAYTOWN, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2020

SPECIAL REVENUE FUNDS

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

Community Development Block Grant Fund

This fund is used to account for the operations of projects utilizing grant funds received from the Department of Housing and Urban Development (HUD). Such revenues are restricted to expenditures for specified projects approved/outlined by HUD.

Emergency Management Fund

This fund is used to account for the revenues and expenditures for the emergency management program. The City receives funds from local industries and a federal grant from Federal Emergency Management Agency that the City matches for emergency preparedness activities.

Library Fund

This fund is used to account for funds granted by the State of Texas Library and the Department of Education. The grants are restricted for use for library services for the disadvantaged population and literacy programs.

Crime Control and Prevention District Fund

This fund is used to account for a one-eighth percent sales tax. The tax is dedicated to crime control and prevention programs. The district is dissolved on the fifth anniversary of the date the district began to levy taxes for district purposes, if the district has not held a continuation or dissolution referendum (Texas Local Government Code, Chapter 363).

Police Grant Fund

This fund is used to account for revenues and grants provided to the City by the U.S. Department of Justice-Office of Justice Programs and the Office of National Drug Control Policy, forfeitures of seized funds or assets, and local agency contributions. The funds are restricted to use for crime prevention and drug resistance programs for school-aged children.

Hotel/Motel Fund

This fund is used to account for the accumulation of resources from the hotel/motel tax levied by the City. These funds are spent to promote the progress and development of the City within the guidelines set forth on disposition of revenues collected under the authority of the Texas Hotel Occupancy Tax Act (Article 1269, Vernon's Texas Civil Statutes).

Fire Control, Prevention, and Emergency Medical Services District Fund

This fund is dedicated to fire safety and emergency medical services and the adoption of a proposed local sales and use tax at a rate of one-eighth of one percent. The district is dissolved on the fifth anniversary of the date the district began to levy taxes for district purposes, if the district has not held a continuation or dissolution referendum (Texas Local Government Code, Chapter 344).

TIRZ No. 1 Fund

This fund is used to finance public improvements in a designated zone utilizing the property tax increment, or growth in value, subsequent to the creation of the zone.

Other Special Revenues Fund

This fund is dedicated to special revenue. The majority of the special revenue is from grants for recovery from Hurricane Ike. Other special revenues consists of various sources such as revenues for permit fees and other local grants.

CITY OF BAYTOWN, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2020

	Special Revenue Funds			
	Community Development Block Grant	Emergency Management	Library	Crime Control Prevention District
<u>Assets</u>				
Current assets:				
Cash and equity in pooled cash and investments	\$ 1	\$ 178,189	\$ 105,971	\$ 14,608
Taxes receivable	-	-	-	327,833
Accounts receivable	811,280	208,665	-	-
Total Assets	\$ 811,281	\$ 386,854	\$ 105,971	\$ 342,441
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 402,785	\$ 23,415	\$ 2,741	\$ 77,102
Due to other funds	408,496	-	-	113,525
Unearned revenue	-	-	-	-
Total Liabilities	811,281	23,415	2,741	190,627
Fund balances:				
Restricted:				
Capital projects	-	-	-	-
Special projects	-	363,439	103,230	151,814
Total Fund Balances	-	363,439	103,230	151,814
Total Liabilities and Fund Balances	\$ 811,281	\$ 386,854	\$ 105,971	\$ 342,441

Special Revenue Funds					Total
Police Grant	Hotel/Motel	Fire Control, Prevention, and EMS District	TIRZ No. 1	Other Special Revenues	Nonmajor Governmental Funds
\$ 133,450	\$ 5,181,172	\$ 337,126	\$ 2,518,016	\$ 3,008,883	\$ 11,477,416
-	325,667	329,264	-	693,528	1,676,292
500,800	-	-	-	4,744,226	6,264,971
<u>\$ 634,250</u>	<u>\$ 5,506,839</u>	<u>\$ 666,390</u>	<u>\$ 2,518,016</u>	<u>\$ 8,446,637</u>	<u>\$ 19,418,679</u>
\$ 376,944	\$ 314,749	\$ 19,052	\$ 14,733	\$ 1,227,485	\$ 2,459,006
-	-	-	-	-	522,021
-	-	-	-	1,220,640	1,220,640
<u>376,944</u>	<u>314,749</u>	<u>19,052</u>	<u>14,733</u>	<u>2,448,125</u>	<u>4,201,667</u>
-	-	-	-	3,136,451	3,136,451
257,306	5,192,090	647,338	2,503,283	2,862,061	12,080,561
<u>257,306</u>	<u>5,192,090</u>	<u>647,338</u>	<u>2,503,283</u>	<u>5,998,512</u>	<u>15,217,012</u>
<u>\$ 634,250</u>	<u>\$ 5,506,839</u>	<u>\$ 666,390</u>	<u>\$ 2,518,016</u>	<u>\$ 8,446,637</u>	<u>\$ 19,418,679</u>

CITY OF BAYTOWN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	Special Revenue Funds			
	Community Development Block Grant	Emergency Management	Library	Crime Control Prevention District
Revenues				
Taxes and fees	\$ -	\$ -	\$ -	\$ 1,961,960
Charges for services	-	-	-	-
Intergovernmental	1,176,432	580,570	-	-
Fine and forfeitures	-	-	-	-
Investment earnings	-	-	90	2,221
Miscellaneous	21,930	172,394	46,127	-
Total Revenues	<u>1,198,362</u>	<u>752,964</u>	<u>46,217</u>	<u>1,964,181</u>
Expenditures				
Current:				
General government	802,287	-	-	-
Public safety	-	-	-	1,941,122
Public works	-	260,971	-	-
Public health	111,577	-	-	-
Parks, recreation, and culture	-	-	60,944	-
Capital outlay	606,845	533,826	-	351,425
Debt service:				
Principal	-	-	-	-
Interest and fiscal agent fees	-	-	-	-
Total Expenditures	<u>1,520,709</u>	<u>794,797</u>	<u>60,944</u>	<u>2,292,547</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(322,347)</u>	<u>(41,833)</u>	<u>(14,727)</u>	<u>(328,366)</u>
Other Financing Sources (Uses)				
Transfers in	322,347	25,329	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>322,347</u>	<u>25,329</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(16,504)	(14,727)	(328,366)
Beginning fund balances	-	379,943	117,957	480,180
Ending Fund Balances	<u>\$ -</u>	<u>\$ 363,439</u>	<u>\$ 103,230</u>	<u>\$ 151,814</u>

Special Revenue Funds					Total Nonmajor Governmental Funds
Police Grant	Hotel/Motel	Fire Control, Prevention, and EMS District	TIRZ No. 1	Other Special Revenues	
\$ -	\$ 1,184,952	\$ 1,919,117	\$ 2,309,759	\$ 4,096,917	\$ 11,472,705
-	-	-	-	538,641	538,641
2,203,793	-	-	969,310	5,257,133	10,187,238
225,356	-	-	-	37,837	263,193
7,700	91,253	9,379	-	16,526	127,169
35,290	546	-	-	1,182,699	1,458,986
<u>2,472,139</u>	<u>1,276,751</u>	<u>1,928,496</u>	<u>3,279,069</u>	<u>11,129,753</u>	<u>24,047,932</u>
-	-	51,363	68,988	6,665,347	7,587,985
2,328,222	-	442,605	-	161,270	4,873,219
-	-	-	-	-	260,971
-	-	-	-	-	111,577
-	843,867	-	-	1,627,143	2,531,954
704,105	-	883,011	533	654,211	3,733,956
-	-	-	825,000	-	825,000
-	-	-	32,176	-	32,176
<u>3,032,327</u>	<u>843,867</u>	<u>1,376,979</u>	<u>926,697</u>	<u>9,107,971</u>	<u>19,956,838</u>
<u>(560,188)</u>	<u>432,884</u>	<u>551,517</u>	<u>2,352,372</u>	<u>2,021,782</u>	<u>4,091,094</u>
420,744	-	-	-	442,318	1,210,738
-	-	(1,086,575)	(1,405,776)	(530,610)	(3,022,961)
<u>420,744</u>	<u>-</u>	<u>(1,086,575)</u>	<u>(1,405,776)</u>	<u>(88,292)</u>	<u>(1,812,223)</u>
(139,444)	432,884	(535,058)	946,596	1,933,490	2,278,871
396,750	4,759,206	1,182,396	1,556,687	4,065,022	12,938,141
<u>\$ 257,306</u>	<u>\$ 5,192,090</u>	<u>\$ 647,338</u>	<u>\$ 2,503,283</u>	<u>\$ 5,998,512</u>	<u>\$ 15,217,012</u>

CITY OF BAYTOWN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CRIME CONTROL AND PREVENTION DISTRICT FUND (BUDGET BASIS)
For the Year Ended September 30, 2020

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 1,906,878	\$ 1,906,878	\$ 1,961,960	\$ 55,082
Investment earnings	2,000	2,000	2,221	221
Total Revenues	<u>1,908,878</u>	<u>1,908,878</u>	<u>1,964,181</u>	<u>55,303</u>
Expenditures				
Public safety	2,022,449	2,052,449	1,941,122	111,327
Capital outlay	391,033	361,033	351,425	9,608
Total Expenditures	<u>2,413,482</u>	<u>2,413,482</u>	<u>2,292,547</u>	<u>120,935</u>
Net Change in Fund Balance	<u>\$ (504,604)</u>	<u>\$ (504,604)</u>	(328,366)	<u>\$ 176,238</u>
Beginning fund balance			<u>480,180</u>	
Ending Fund Balance			<u>\$ 151,814</u>	

CITY OF BAYTOWN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL/MOTEL FUND (BUDGET BASIS)
For the Year Ended September 30, 2020

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes	\$ 1,225,600	\$ 1,225,600	\$ 1,184,952	\$ (40,648)
Investment earnings	25,000	25,000	91,253	66,253
Miscellaneous	5,000	5,000	546	(4,454)
Total Revenues	<u>1,255,600</u>	<u>1,255,600</u>	<u>1,276,751</u>	<u>21,151</u>
<u>Expenditures</u>				
Parks, recreation, and culture:				
Arts	89,500	20,984	20,984	-
Promotional	1,220,690	1,220,690	621,217	599,473
Historical	588,000	588,000	49,525	538,475
Conference Center	3,090,226	3,090,226	152,141	2,938,085
Total Expenditures	<u>4,988,416</u>	<u>4,919,900</u>	<u>843,867</u>	<u>4,076,033</u>
Net Change in Fund Balance	<u>\$ (3,732,816)</u>	<u>\$ (3,664,300)</u>	432,884	<u>\$ 4,097,184</u>
Beginning fund balance			<u>4,759,206</u>	
Ending Fund Balance			<u>\$ 5,192,090</u>	

CITY OF BAYTOWN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FIRE CONTROL, PREVENTION, AND EMS DISTRICT FUND (BUDGET BASIS)
For the Year Ended September 30, 2020

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 1,902,651	\$ 1,902,651	\$ 1,919,117	\$ 16,466
Investment earnings	6,209	6,209	9,379	3,170
Miscellaneous	5,000	5,000	-	(5,000)
Total Revenues	<u>1,913,860</u>	<u>1,913,860</u>	<u>1,928,496</u>	<u>14,636</u>
Expenditures				
General government	30,000	60,000	51,363	8,637
Public safety	486,045	486,045	442,605	43,440
Capital outlay	1,774,277	1,744,277	883,011	861,266
Total Expenditures	<u>2,290,322</u>	<u>2,290,322</u>	<u>1,376,979</u>	<u>913,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(376,462)</u>	<u>(376,462)</u>	<u>551,517</u>	<u>927,979</u>
Other Financing Sources (Uses)				
Transfers (out)	(851,400)	(851,400)	(1,086,575)	(235,175)
Total Other Financing (Uses)	<u>(851,400)</u>	<u>(851,400)</u>	<u>(1,086,575)</u>	<u>(235,175)</u>
Net Change in Fund Balance	<u>\$ (1,227,862)</u>	<u>\$ (1,227,862)</u>	<u>(535,058)</u>	<u>\$ 927,979</u>
Beginning fund balance			<u>1,182,396</u>	
Ending Fund Balance			<u>\$ 647,338</u>	

CITY OF BAYTOWN, TEXAS

NONMAJOR PROPRIETARY FUNDS

September 30, 2020

Bayland Island Fund

This fund is used to account for the operation and maintenance of facilities on Bayland Island. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for notes payable and other debt instruments issued to construct facilities on the island. Repayment of the current note payable is financed through a lease with a private entity, which performs the operation and maintenance of the facilities.

Storm Water Utility Fund

This fund is used to account for the provision of funding a storm water utility feasibility study and developing fees to provide funding sources for this program. The Clean Water Act was enacted in 1972 to protect surface waters such as lakes, rivers, and coastal areas. National Pollutant Discharge Elimination System (NPDES) permits were introduced to increase accountability for protecting water quality. This required industrial and municipal wastewater dischargers of pollutants into the waters of the U.S. from a point source to obtain a NPDES permit. The final Phase II regulations that affect smaller communities, such as Baytown, were signed in October 1999. Small municipal separate storm sewer systems programs, such as Baytown's, are required to participate.

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CITY OF BAYTOWN, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS

September 30, 2020

	Enterprise Funds		
	Bayland Island	Storm Water Utility	Total Funds
Assets			
Current assets:			
Cash and equity in pooled cash and investments	\$ 190,820	\$ 1,525,085	\$ 1,715,905
Accounts receivable	-	273,528	273,528
Total Current Assets	190,820	1,798,613	1,989,433
Noncurrent assets:			
Capital assets, net	3,844,803	1,066,774	4,911,577
Total Capital Assets (Net of Accumulated Depreciation)	3,844,803	1,066,774	4,911,577
Total Noncurrent Assets	3,844,803	1,066,774	4,911,577
Total Assets	4,035,623	2,865,387	6,901,010
Deferred Outflows of Resources			
Deferred outflows - pensions	-	174,280	174,280
Deferred outflows - OPEB	-	199,709	199,709
Total Deferred Outflows of Resources	-	373,989	373,989
Liabilities			
Current liabilities:			
Account payable	551	340,775	341,326
Compensated absences	-	174,262	174,262
Refundable deposits	-	900	900
Total Current Liabilities	551	515,937	516,488
Noncurrent liabilities:			
Compensated absences	-	19,362	19,362
Net pension liability	-	322,830	322,830
Total OPEB liability	-	998,326	998,326
Total Noncurrent Liabilities	-	1,340,518	1,340,518
Total Liabilities	551	1,856,455	1,857,006
Deferred Inflows of Resources			
Deferred inflows - pensions	-	229,480	229,480
Deferred inflows - OPEB	-	29,841	29,841
Total Deferred Inflows of Resources	-	259,321	259,321
Net Position			
Net investment in capital assets	3,844,803	1,066,774	4,911,577
Unrestricted	190,269	56,826	247,095
Total Net Position	\$ 4,035,072	\$ 1,123,600	\$ 5,158,672

CITY OF BAYTOWN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Enterprise Funds		
	Bayland Island	Storm Water Utility	Total Funds
<u>Operating Revenues</u>			
Charges for sales and services	\$ 54,445	\$ 2,673,489	\$ 2,727,934
Total Operating Revenues	54,445	2,673,489	2,727,934
<u>Operating Expenses</u>			
Personnel costs	-	1,607,281	1,607,281
Supplies	988	129,250	130,238
Maintenance	15,574	321,664	337,238
Services	8,700	344,522	353,222
Miscellaneous	-	222,784	222,784
Depreciation	181,912	224,912	406,824
Total Operating Expenses	207,174	2,850,413	3,057,587
(Loss) before Transfers	(152,729)	(176,924)	(329,653)
Transfers (out)	-	(155,500)	(155,500)
Change in Net Position	(152,729)	(332,424)	(485,153)
Beginning net position	4,187,801	1,456,024	5,643,825
Ending Net Position	\$ 4,035,072	\$ 1,123,600	\$ 5,158,672

CITY OF BAYTOWN, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Enterprise Funds		
	Bayland Island	Storm Water Utility	Total Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 54,445	\$ 2,638,912	\$ 2,693,357
Payments to suppliers	(25,519)	(766,612)	(792,131)
Payments to employees	-	(1,466,981)	(1,466,981)
Net Cash Provided by Operating Activities	28,926	405,319	434,245
<u>Cash Flows from Noncapital and Related Financing Activities</u>			
Transfers (out)	-	(155,500)	(155,500)
Net Cash (Used) by Noncapital and Related Financing Activities	-	(155,500)	(155,500)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition, disposal, and construction of capital assets	-	(408,052)	(408,052)
Net Cash (Used) by Capital and Related Financing Activities	-	(408,052)	(408,052)
Net Increase (Decrease) in Cash and Cash Equivalents	28,926	(158,233)	(129,307)
Beginning cash and cash equivalents	161,894	1,683,318	1,845,212
Ending Cash and Cash Equivalents	\$ 190,820	\$ 1,525,085	\$ 1,715,905
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating (loss)	\$ (152,729)	\$ (176,924)	\$ (329,653)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Depreciation	181,912	224,912	406,824
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Current Assets:			
Accounts receivable	-	(34,577)	(34,577)
Deferred outflows - pensions	-	119,369	119,369
Deferred outflows - OPEB	-	(122,203)	(122,203)
Increase (Decrease) in Current Liabilities:			
Accounts payable	(257)	251,608	251,351
Compensated absences	-	54,915	54,915
Net pension liability	-	(327,273)	(327,273)
Ttotal OPEB liability	-	191,762	191,762
Deferred inflows - pensions	-	226,160	226,160
Deferred inflows - OPEB	-	(2,430)	(2,430)
Net Cash Provided by Operating Activities	\$ 28,926	\$ 405,319	\$ 434,245

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CITY OF BAYTOWN, TEXAS

INTERNAL SERVICE FUNDS

September 30, 2020

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other governmental units on a cost reimbursement basis.

Central Services Fund

This fund is used to account for the cost of operating and maintaining vehicles and other equipment used by the City departments and to provide central warehouse services. Services charged are billed to departments on a monthly basis to cover all expenses of the fund.

Risk Management Fund

This fund is used to account for the operation of a self-insured retention fund for health services for all City employees and workers' compensation claims. Claims are primarily administered by an outside agency.

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CITY OF BAYTOWN, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

September 30, 2020

	Internal Service Funds		
	Central Services	Risk Management	Total Funds
<u>Assets</u>			
Current assets:			
Equity in pooled cash and investments	\$ 510,248	\$ 17,654,183	\$ 18,164,431
Prepaid expenses	-	314,000	314,000
Inventories	622,143	-	622,143
Total Current Assets	1,132,391	17,968,183	19,100,574
Noncurrent assets:			
Capital assets:			
Buildings and improvements	167,540	-	167,540
Machinery and equipment	768,303	20,822	789,125
Less: accumulated depreciation	(730,615)	(20,822)	(751,437)
Total Capital Assets (Net of Accumulated Depreciation)	205,228	-	205,228
Total Noncurrent Assets	205,228	-	205,228
Total Assets	1,337,619	17,968,183	19,305,802
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pensions	122,324	11,541	133,865
Deferred outflows - OPEB	136,120	11,263	147,383
Total Deferred Outflows of Resources	258,444	22,804	281,248
<u>Liabilities</u>			
Current liabilities:			
Account payable	100,207	60,414	160,621
Accrued expenses	-	2,347,554	2,347,554
Compensated absences	87,878	-	87,878
Total Current Liabilities	188,085	2,407,968	2,596,053
Noncurrent liabilities:			
Compensated absences	4,477	2,179	6,656
Net pension liability	577,412	95,157	672,569
Total OPEB liability	787,480	23,538	811,018
Total Noncurrent Liabilities	1,369,369	120,874	1,490,243
Total Liabilities	1,557,454	2,528,842	4,086,296
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	100,860	3,342	104,202
Deferred inflows - OPEB	20,596	1,826	22,422
Total Deferred Inflows of Resources	121,456	5,168	126,624
<u>Net Position</u>			
Net investment in capital assets	205,228	-	205,228
Unrestricted	(288,075)	15,456,977	15,168,902
Total Net Position	\$ (82,847)	\$ 15,456,977	\$ 15,374,130

CITY OF BAYTOWN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2020

	Internal Service Funds		
	Central Services	Risk Management	Total Funds
<u>Operating Revenues</u>			
Charges for sales and services	\$ 1,675,412	\$ 22,206,991	\$ 23,882,403
Other revenue	-	44,831	44,831
Total Operating Revenues	1,675,412	22,251,822	23,927,234
<u>Operating Expenses</u>			
Personnel costs	1,022,015	107,316	1,129,331
Supplies	1,395,953	-	1,395,953
Maintenance	51,600	-	51,600
Services	61,260	-	61,260
Claim payments and fees	-	15,949,357	15,949,357
Depreciation	46,633	-	46,633
Total Operating Expenses	2,577,461	16,056,673	18,634,134
Operating Income (Loss)	(902,049)	6,195,149	5,293,100
Income (Loss) Before Transfers	(902,049)	6,195,149	5,293,100
Transfers in	1,174,929	-	1,174,929
Transfers (out)	(141,801)	(1,779)	(143,580)
Change in Net Position	131,079	6,193,370	6,324,449
Beginning net position	(213,926)	9,263,607	9,049,681
Ending Net Position	\$ (82,847)	\$ 15,456,977	\$ 15,374,130

CITY OF BAYTOWN, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2020

	Internal Service Funds		
	Central Services	Risk Management	Total Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 204,653	\$ 4,777,563	\$ 4,982,216
Receipts from interfund charges for central services	1,470,759	-	1,470,759
Receipts from interfund charges for risk management services	-	17,450,259	17,450,259
Payments to suppliers	(1,587,046)	(16,188,960)	(17,776,006)
Payments to employees	(962,912)	(99,508)	(1,062,420)
Net Cash Provided (Used) by Operating Activities	(874,546)	5,939,354	5,064,808
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in	1,174,929	-	1,174,929
Transfers out	(141,801)	(1,779)	(143,580)
Net Cash Provided (Used) by Noncapital Financing Activities	1,033,128	(1,779)	1,031,349
Net Increase in Cash and Cash Equivalents	158,582	5,937,575	6,096,157
Beginning cash and cash equivalents	351,666	11,716,608	12,068,274
Ending Cash and Cash Equivalents	\$ 510,248	\$ 17,654,183	\$ 18,164,431
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (902,049)	\$ 6,195,149	\$ 5,293,100
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	46,633	-	46,633
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Current Assets:			
Prepaid expenses	-	(24,000)	(24,000)
Inventory	(61,523)	-	(61,523)
Deferred outflows - pensions	125,134	23,291	148,425
Deferred outflows - OPEB	(76,905)	(8,422)	(85,327)
Increase (Decrease) in Current Liabilities:			
Accounts payable	(16,710)	(25,351)	(42,061)
Accrued expenses	-	(214,252)	(214,252)
Compensated absences	46	986	1,032
Net pension liability	(207,042)	(23,747)	(230,789)
Total OPEB liability	121,636	13,800	135,436
Deferred inflows - pensions	97,382	2,470	99,852
Deferred inflows - OPEB	(1,148)	(570)	(1,718)
Net Cash Provided (Used) by Operating Activities	\$ (874,546)	\$ 5,939,354	\$ 5,064,808

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STATISTICAL SECTION

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

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Financial Trends	132
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	144
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These schedules contain information to help the reader assess the City's most significant local revenue source: property tax.

Debt Capacity	154
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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.

Demographic and Economic Information	162
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	166
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF BAYTOWN, TEXAS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
Governmental Activities				
Net investment in capital assets	\$ 101,431,576	\$ 103,140,238	\$ 108,585,824	\$ 105,468,075
Restricted	15,805,828	15,805,828	32,167,392	35,688,185
Unrestricted	(2,797,904)	(1,993,410)	(20,474,460)	(26,434,814)
Total Governmental Activities Net Position	114,439,500	116,952,656	120,278,756	114,721,446
 Business-Type Activities				
Net investment in capital assets	111,514,790	133,432,737	136,434,868	152,339,260
Restricted	5,405,286	5,023,851	5,364,616	5,873,007
Unrestricted	20,394,613	20,790,018	18,736,201	18,371,116
Total Business-Type Activities Net Position	137,314,689	159,246,606	160,535,685	176,583,383
 Primary Government				
Net investment in capital assets	212,946,366	236,572,975	245,020,692	257,807,335
Restricted	21,211,114	20,829,679	37,532,008	41,561,192
Unrestricted	17,596,709	18,796,608	(1,738,259)	(8,063,698)
Total Primary Government Net Position	\$ 251,754,189	\$ 276,199,262	\$ 280,814,441	\$ 291,304,829

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 109,961,720	\$ 124,672,382	\$ 132,729,930	\$ 145,445,182	\$ 157,058,993	\$ 167,979,247
23,773,394	23,871,650	23,942,473	27,132,868	29,898,189	87,344,253
(40,715,091)	(49,911,857)	(88,264,838)	(87,917,695)	(67,824,691)	(42,039,952)
<u>93,020,023</u>	<u>98,632,175</u>	<u>68,407,565</u>	<u>84,660,355</u>	<u>119,132,491</u>	<u>213,283,548</u>
158,442,675	174,117,286	187,741,777	191,309,418	191,361,951	189,184,366
4,612,543	1,489,416	2,276,610	2,096,080	3,717,286	3,966,558
16,349,137	12,602,126	2,301,381	3,414,173	5,895,296	9,409,510
<u>179,404,355</u>	<u>188,208,828</u>	<u>192,319,768</u>	<u>196,819,671</u>	<u>200,974,533</u>	<u>202,560,434</u>
268,404,395	298,789,668	320,471,707	336,754,600	348,420,944	357,163,613
28,385,937	25,361,066	26,219,083	29,228,948	33,615,475	91,310,811
(24,365,954)	(37,309,731)	(85,963,457)	(84,503,522)	(61,929,395)	(32,630,442)
<u>\$ 272,424,378</u>	<u>\$ 286,841,003</u>	<u>\$ 260,727,333</u>	<u>\$ 281,480,026</u>	<u>\$ 320,107,024</u>	<u>\$ 415,843,982</u>

CITY OF BAYTOWN, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
Expenses				
Governmental activities:				
General government	\$ 23,768,225	\$ 23,539,249	\$ 22,049,401	\$ 22,600,531
Public safety	38,294,806	38,976,626	39,297,052	44,295,623
Public works	8,982,131	8,522,846	8,881,876	8,869,974
Public health	2,730,527	2,465,254	2,431,619	2,554,462
Parks, recreation, and culture	8,588,907	8,949,422	8,739,612	9,339,424
Interest and fiscal agent fees on long-term debt	2,888,909	3,229,968	3,749,173	4,111,811
Total Governmental Activities Expenses	<u>85,253,505</u>	<u>85,683,365</u>	<u>85,148,733</u>	<u>91,771,825</u>
Business-type activities:				
Water and sewer	29,453,795	30,344,693	31,539,964	32,762,226
Sanitation	4,400,433	4,396,725	4,685,496	4,742,268
Bayland Island development	96,401	146,375	208,078	200,308
Aquatics	1,504,850	2,051,620	2,245,949	2,917,055
Storm water utility	410,723	467,170	436,934	448,681
Total Business-Type Activities Expenses	<u>35,866,202</u>	<u>37,406,583</u>	<u>39,116,421</u>	<u>41,070,538</u>
Total Primary Government Expenses	<u>\$ 121,119,707</u>	<u>\$ 123,089,948</u>	<u>\$ 124,265,154</u>	<u>\$ 132,842,363</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 151,742	\$ 162,242	\$ 159,520	\$ 183,147
Public safety	3,622,132	3,872,740	3,807,789	4,371,773
Public works	1,081,917	1,156,772	1,137,371	1,305,831
Public health	506,476	541,518	532,436	611,297
Parks, recreation, and culture	348,123	372,209	365,967	420,172
Operating grants and contributions	8,451,134	17,002,961	7,903,949	8,007,514
Capital grants and contributions	53,643	1,537,175	73,000	-
Total Governmental Activities Program Revenues	<u>14,215,167</u>	<u>24,645,617</u>	<u>13,980,032</u>	<u>14,899,734</u>
Business-type activities:				
Charges for services:				
Water and sewer	36,025,403	35,400,103	34,022,544	35,990,349
Sanitation	4,546,742	4,678,089	4,589,026	4,618,491
Bayland Island development	17,302	7,716	16,327	49,086
Aquatics	1,725,900	1,796,262	2,056,711	2,903,853
Storm water	641,826	1,174,477	1,217,580	1,226,741
Operating grants and contributions	-	2,531,225	-	-
Capital grants and contributions	4,834,355	-	2,241,040	4,517,598
Total Business-Type Activities Program Revenues	<u>47,791,528</u>	<u>45,587,872</u>	<u>44,143,228</u>	<u>49,306,118</u>
Total Primary Government Program Revenues	<u>62,006,695</u>	<u>70,233,489</u>	<u>58,123,260</u>	<u>64,205,852</u>
Net (Expense)/Revenue				
Governmental activities	(71,038,338)	(61,037,748)	(71,168,701)	(76,872,091)
Business-type activities	11,925,326	8,181,289	5,026,807	8,235,580
Total Primary Government Net Expense	<u>\$ (59,113,012)</u>	<u>\$ (52,856,459)</u>	<u>\$ (66,141,894)</u>	<u>\$ (68,636,511)</u>

Fiscal Year

	2015	2016	2017	2018	2019	2020
\$	22,256,413	\$ 24,398,812	\$ 29,020,563	\$ 35,811,336	\$ 29,574,296	\$ 36,868,268
	47,791,009	50,793,309	57,510,237	59,520,128	50,702,718	61,022,316
	8,967,472	10,539,608	13,257,500	15,100,450	10,994,322	12,740,898
	2,696,850	2,866,441	3,338,793	3,317,250	3,107,475	3,856,833
	9,553,806	9,904,352	12,156,291	12,697,314	12,405,161	13,438,956
	3,989,720	4,561,801	4,546,195	4,841,986	4,525,617	4,302,467
	<u>95,255,270</u>	<u>103,064,323</u>	<u>119,829,579</u>	<u>131,288,464</u>	<u>111,309,589</u>	<u>132,229,738</u>
	34,320,794	35,865,094	38,149,024	38,422,378	37,007,827	40,424,646
	4,709,577	4,677,436	4,831,088	5,648,915	6,448,858	7,006,746
	265,349	251,084	242,443	212,956	203,198	207,174
	3,052,435	3,393,046	3,873,789	4,161,320	4,064,190	2,792,302
	483,028	1,734,694	1,657,138	1,907,273	1,956,790	2,850,413
	<u>42,831,183</u>	<u>45,921,354</u>	<u>48,753,482</u>	<u>50,352,842</u>	<u>49,680,863</u>	<u>53,281,281</u>
\$	<u>138,086,453</u>	<u>148,985,677</u>	<u>168,583,061</u>	<u>181,641,306</u>	<u>160,990,452</u>	<u>185,511,019</u>
\$	632,295	\$ 710,604	\$ 708,990	\$ 1,946,717	\$ 787,821	\$ 774,175
	4,692,058	4,507,258	5,043,397	4,780,753	4,481,288	3,495,226
	1,620,206	2,067,310	2,079,076	2,604,862	2,112,433	2,563,470
	195,057	202,134	205,779	206,039	208,890	200,085
	132,271	135,180	124,862	94,772	128,541	99,208
	5,946,639	4,920,154	5,944,003	12,307,936	7,109,369	12,195,930
	-	11,230,528	12,396,215	8,394,369	4,444,501	70,945,960
	<u>13,218,526</u>	<u>23,773,168</u>	<u>26,502,322</u>	<u>30,335,448</u>	<u>19,272,843</u>	<u>90,274,054</u>
	39,201,196	40,811,009	40,998,750	43,301,862	42,415,981	46,051,831
	4,737,391	4,758,805	5,027,666	5,830,109	5,957,494	6,675,548
	51,052	54,443	54,442	56,238	55,041	54,445
	3,274,726	3,353,347	3,351,968	3,813,735	3,290,996	15,672
	1,245,325	1,556,404	197,162	2,597,711	2,645,147	2,673,489
	3,143,274	-	-	1,362,643	1,365,276	1,363,365
	1,400,484	1,674,116	2,354,725	77,680	129,901	-
	<u>53,053,448</u>	<u>52,208,124</u>	<u>51,984,713</u>	<u>57,039,978</u>	<u>55,859,836</u>	<u>56,834,350</u>
	<u>66,271,974</u>	<u>75,981,292</u>	<u>78,487,035</u>	<u>87,375,426</u>	<u>75,132,679</u>	<u>147,108,404</u>
	(82,036,744)	(79,291,155)	(93,327,257)	(100,953,016)	(92,036,746)	(41,955,684)
	10,222,265	6,287,770	4,971,231	6,687,136	6,178,973	3,553,069
\$	<u>(71,814,479)</u>	<u>(73,003,385)</u>	<u>(88,356,026)</u>	<u>(94,265,880)</u>	<u>(85,857,773)</u>	<u>(38,402,615)</u>

CITY OF BAYTOWN, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 18,470,910	\$ 20,121,463	\$ 21,128,244	\$ 21,788,376
Sales and hotel/motel taxes	15,576,815	17,343,951	18,558,609	20,494,629
Franchise fees	3,994,547	3,800,997	3,825,432	4,053,895
Industrial district payments	25,496,842	27,403,488	28,339,356	29,379,711
Investment earnings	431,038	238,038	628,564	699,761
Miscellaneous income	2,472,446	1,496,293	1,777,705	2,469,911
Transfers, net	(16,088,839)	(16,735,496)	2,750,047	(7,571,502)
Total Governmental Activities	<u>50,353,759</u>	<u>53,668,734</u>	<u>77,007,957</u>	<u>71,314,781</u>
Business-type activities:				
Investment earnings	422,355	154,808	265,092	240,616
Miscellaneous	-	-	-	-
Transfers, net	16,088,839	16,735,496	(2,750,047)	7,571,502
Total Business-Type Activities	<u>16,511,194</u>	<u>16,890,304</u>	<u>(2,484,955)</u>	<u>7,812,118</u>
Total Primary Government	<u>66,864,953</u>	<u>70,559,038</u>	<u>74,523,002</u>	<u>79,126,899</u>
Changes in Net Position				
Governmental activities	(20,684,579)	(7,369,014)	5,839,256	(5,557,310)
Business-type activities	28,436,520	25,071,593	2,541,852	16,047,698
Total Primary Government	<u>7,751,941</u>	<u>17,702,579</u>	<u>8,381,108</u>	<u>10,490,388</u>
Changes in Net Position	<u>\$ 7,751,941</u>	<u>\$ 17,702,579</u>	<u>\$ 8,381,108</u>	<u>\$ 10,490,388</u>

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 22,991,938	\$ 24,824,084	\$ 27,274,068	\$ 30,235,501	\$ 31,874,951	\$ 34,782,426
22,460,619	22,790,624	24,050,819	26,273,237	24,138,407	24,252,318
4,155,898	4,233,571	4,359,389	4,317,509	4,681,762	4,372,062
31,675,333	32,136,165	39,991,747	48,772,964	57,968,306	65,535,406
332,705	378,067	753,425	1,722,482	2,723,663	2,084,524
5,209,956	2,601,488	1,544,848	3,369,646	2,339,954	2,598,997
3,170,393	(2,060,692)	(3,948,300)	2,514,467	2,781,839	2,481,008
<u>89,996,842</u>	<u>84,903,307</u>	<u>94,025,996</u>	<u>117,205,806</u>	<u>126,508,882</u>	<u>136,106,741</u>
77,540	135,215	182,128	327,234	743,135	513,840
364,508	320,796	-	-	14,593	-
(3,170,393)	2,060,692	3,948,300	(2,514,467)	(2,781,839)	(2,481,008)
<u>(2,728,345)</u>	<u>2,516,703</u>	<u>4,130,428</u>	<u>(2,187,233)</u>	<u>(2,024,111)</u>	<u>(1,967,168)</u>
<u>87,268,497</u>	<u>87,420,010</u>	<u>98,156,424</u>	<u>115,018,573</u>	<u>124,484,771</u>	<u>134,139,573</u>
7,960,098	5,612,152	698,739	16,252,790	34,472,136	94,151,057
7,493,920	8,804,473	9,101,659	4,499,903	4,154,862	1,585,901
<u>\$ 15,454,018</u>	<u>\$ 14,416,625</u>	<u>\$ 9,800,398</u>	<u>\$ 20,752,693</u>	<u>\$ 38,626,998</u>	<u>\$ 95,736,958</u>

CITY OF BAYTOWN, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

<u>Function</u>	<u>Fiscal Year</u>			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Property taxes	\$ 18,470,910	\$ 20,121,463	\$ 21,128,244	\$ 21,788,376
Sales and hotel/motel taxes	15,576,815	17,343,951	18,558,609	20,494,629
Franchise fees	3,994,547	3,800,997	3,825,432	4,053,895
Industrial in-lieu-of-taxes	25,496,842	27,403,488	28,339,356	29,379,711
Total	<u>\$ 63,539,114</u>	<u>\$ 68,669,899</u>	<u>\$ 71,851,641</u>	<u>\$ 75,716,611</u>

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 22,991,938	\$ 24,824,084	\$ 27,274,068	\$ 30,235,501	\$ 31,874,951	\$ 34,782,426
22,460,619	22,790,624	24,050,819	26,273,237	24,138,407	24,252,318
4,155,898	4,233,571	4,359,389	4,317,509	4,681,762	4,372,062
31,675,333	32,136,165	39,991,747	48,772,964	57,968,306	65,535,406
<u>\$ 81,283,788</u>	<u>\$ 83,984,444</u>	<u>\$ 95,676,023</u>	<u>\$ 109,599,211</u>	<u>\$ 118,663,426</u>	<u>\$ 128,942,212</u>

CITY OF BAYTOWN, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
General fund:				
Nonspendable	\$ 2,235	\$ 220,522	\$ 2,432	\$ 5,651
Unassigned	19,387,708	21,942,516	23,644,132	24,401,167
Total General Fund	<u>\$ 19,389,943</u>	<u>\$ 22,163,038</u>	<u>\$ 23,646,564</u>	<u>\$ 24,406,818</u>
 All Other Governmental Funds:				
Nonspendable and restricted	\$ 25,357,611	\$ 29,983,278	\$ 32,422,912	\$ 35,690,127
Assigned	-	-	-	-
Unassigned, reported in special revenue funds	(2,144,485)	-	-	-
Total All Other Governmental Funds	<u>\$ 23,213,126</u>	<u>\$ 29,983,278</u>	<u>\$ 32,422,912</u>	<u>\$ 35,690,127</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 3,109	\$ 3,475	\$ 2,926	\$ 1,531	\$ 3,355	\$ 5,500
23,823,197	18,130,265	17,568,823	21,278,127	27,606,051	36,991,362
<u>\$ 23,826,306</u>	<u>\$ 18,133,740</u>	<u>\$ 17,571,749</u>	<u>\$ 21,279,658</u>	<u>\$ 27,609,406</u>	<u>\$ 36,996,862</u>
\$ 43,613,527	\$ 52,172,068	\$ 36,709,833	\$ 55,134,251	\$ 45,198,903	\$ 100,290,976
-	-	-	-	-	16,998,695
-	-	-	-	-	-
<u>\$ 43,613,527</u>	<u>\$ 52,172,068</u>	<u>\$ 36,709,833</u>	<u>\$ 55,134,251</u>	<u>\$ 45,198,903</u>	<u>\$ 117,289,671</u>

CITY OF BAYTOWN, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Taxes and fees	\$ 63,803,207	\$ 68,613,205	\$ 71,412,597	\$ 76,037,374
Licenses and permits	923,871	1,261,683	1,487,239	1,665,982
Charges for services	1,951,435	2,167,437	1,862,802	2,446,596
Fines and forfeitures	2,835,084	2,676,361	2,653,042	2,779,642
Intergovernmental	8,504,777	17,002,961	7,976,949	8,007,514
Investment earnings	413,708	228,271	628,564	699,601
Other revenues	2,472,446	1,496,293	1,777,705	2,469,911
Contributions	-	-	-	-
Total Revenues	80,904,528	93,446,211	87,798,898	94,106,620
Expenditures				
General government	16,305,601	18,086,658	22,112,626	22,052,424
Public safety	33,030,194	34,759,167	35,931,532	40,149,536
Public works	7,620,588	6,041,762	12,140,511	7,567,629
Public health	2,025,190	2,097,100	2,157,928	2,211,409
Parks, recreation, and culture	6,797,043	7,287,529	7,232,586	7,737,412
Capital outlay	21,213,893	24,026,301	14,699,587	15,379,097
Debt service:				
Principal	7,179,657	7,025,465	5,720,963	6,607,061
Payment to bond escrow agent	-	-	-	9,593,273
Interest	2,803,734	3,207,221	3,561,552	3,801,444
Issuance costs	252,760	306,526	278,160	325,255
Total Expenditures	97,228,660	102,837,729	103,835,445	115,424,540
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,324,132)	(9,391,518)	(16,036,547)	(21,317,920)
Other Financing Sources (Uses)				
Transfers in	5,838,266	10,884,230	9,207,896	20,118,032
Transfers out	(6,384,844)	(15,871,347)	(5,131,440)	(24,142,524)
Debt issued	-	-	16,800,000	2,579,696
Refunding debt issued	22,390,000	30,225,000	-	28,520,000
Premium on refunded bonds	766,072	2,204,993	-	-
Premium on bonds	-	-	283,150	1,864,050
Payment to refunding bond escrow agent	(5,312,193)	(8,508,111)	-	(3,593,865)
Total Other Financing Sources	17,297,301	18,934,765	21,159,606	25,345,389
Net Change in Fund Balances	\$ 973,169	\$ 9,543,247	\$ 5,123,059	\$ 4,027,469
Debt service as a percentage of noncapital expenditures	10.75%	11.18%	11.34%	10.44%

Fiscal Year						
	2015	2016	2017	2018	2019	2020
\$	81,863,957	\$ 84,037,378	\$ 95,832,195	\$ 109,311,548	\$ 118,721,554	\$ 128,711,804
	1,721,765	2,144,150	2,144,845	2,660,921	2,143,028	2,653,882
	2,643,569	2,786,220	2,951,385	4,122,263	2,907,682	2,585,655
	2,906,553	2,692,116	3,065,874	2,849,959	2,668,263	1,892,627
	5,946,639	13,094,923	16,164,410	15,617,715	8,158,083	13,746,103
	166,132	378,067	753,425	1,722,482	2,723,663	2,084,524
	6,192,512	2,601,488	1,544,848	3,369,646	2,339,954	2,598,997
	-	-	-	-	-	66,000,000
	<u>101,441,127</u>	<u>107,734,342</u>	<u>122,456,982</u>	<u>139,654,534</u>	<u>139,662,227</u>	<u>220,273,592</u>
	20,882,865	23,036,419	27,118,110	34,201,834	31,655,440	32,017,491
	44,126,002	46,447,222	49,986,911	53,384,757	56,003,676	56,026,717
	9,095,480	6,564,222	8,327,323	9,808,883	6,118,816	7,267,936
	2,345,425	2,501,379	2,907,596	3,016,332	3,374,559	3,705,462
	8,088,039	8,348,940	10,134,050	11,415,502	11,675,270	11,736,303
	18,538,657	27,415,269	29,924,675	19,386,069	19,711,585	18,653,130
	7,906,112	8,914,526	10,052,613	11,152,299	11,479,844	13,222,495
	-	752,503	-	-	6,377,582	-
	4,027,127	4,428,640	4,888,606	5,196,902	5,106,471	4,703,175
	226,570	349,520	-	169,700	122,720	294,216
	<u>115,236,277</u>	<u>128,758,640</u>	<u>143,339,884</u>	<u>147,732,278</u>	<u>151,625,963</u>	<u>147,626,925</u>
	(13,795,150)	(21,024,298)	(20,882,902)	(8,077,744)	(11,963,736)	72,646,667
	8,098,158	14,963,268	12,783,144	15,500,232	15,972,569	18,869,959
	(4,834,270)	(10,213,657)	(8,464,042)	(12,825,287)	(14,035,659)	(17,420,300)
	17,735,000	-	-	25,375,000	-	-
	-	25,972,324	-	-	5,965,000	16,455,000
	-	-	-	-	-	-
	1,322,838	2,673,873	-	2,159,700	456,226	1,702,378
	-	(8,965,535)	-	-	-	(10,775,480)
	<u>22,321,726</u>	<u>24,430,273</u>	<u>4,319,102</u>	<u>30,209,645</u>	<u>8,358,136</u>	<u>8,831,557</u>
\$	<u>8,526,576</u>	<u>\$ 3,405,975</u>	<u>\$ (16,563,800)</u>	<u>\$ 22,131,901</u>	<u>\$ (3,605,600)</u>	<u>\$ 81,478,224</u>
	12.78%	12.83%	12.83%	12.70%	12.61%	13.44%

CITY OF BAYTOWN, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Function	Fiscal Year			
	2011	2012	2013	2014
Property taxes	\$ 18,735,003	\$ 20,064,769	\$ 20,694,270	\$ 22,109,139
Sales and hotel taxes	15,576,815	17,343,951	18,558,609	20,494,629
Franchise fees	3,994,547	3,800,997	3,825,432	4,053,895
Industrial in-lieu-of-taxes	25,496,842	27,403,488	28,334,286	29,379,711
Total	\$ 63,803,207	\$ 68,613,205	\$ 71,412,597	\$ 76,037,374

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 23,572,107	\$ 24,877,018	\$ 27,430,240	\$ 29,947,838	\$ 31,933,079	\$ 34,552,018
22,460,619	22,790,624	24,050,819	26,273,237	24,138,407	24,252,318
4,155,898	4,233,571	4,359,389	4,317,509	4,681,762	4,372,062
31,675,333	32,136,165	39,991,747	48,772,964	57,968,306	65,535,406
<u>\$ 81,863,957</u>	<u>\$ 84,037,378</u>	<u>\$ 95,832,195</u>	<u>\$ 109,311,548</u>	<u>\$ 118,721,554</u>	<u>\$ 128,711,804</u>

CITY OF BAYTOWN, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Real assessed value	\$ 3,015,384,493	\$ 2,926,000,599	\$ 2,939,825,902	\$ 3,014,917,703
Personal assessed value	350,698,140	411,118,921	436,801,409	503,811,955
Total assessed value (1)	3,366,082,633	3,337,119,520	3,376,627,311	3,518,729,658
Less: real property exemptions	(924,359,699)	(928,173,569)	(886,164,075)	(898,967,084)
Taxable Value	\$ 2,441,722,934	\$ 2,408,945,951	\$ 2,490,463,236	\$ 2,619,762,574
Taxable value as a percentage of assessed value	72.5%	72.2%	73.8%	74.5%
Total tax rate	\$ 0.78703	\$ 0.82203	\$ 0.82203	\$ 0.82203

(1) Assessed valuations are considered to be 100 percent of actual valuations.

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 3,183,226,576	\$ 3,543,467,674	\$ 3,920,519,981	\$ 4,463,767,737	\$ 4,325,246,351	\$ 5,132,331,415
<u>481,129,714</u>	<u>477,839,010</u>	<u>488,232,942</u>	<u>421,789,587</u>	<u>890,790,087</u>	<u>733,637,733</u>
3,664,356,290	4,021,306,684	4,408,752,923	4,885,557,324	5,216,036,438	5,865,969,148
<u>(901,716,167)</u>	<u>(994,698,219)</u>	<u>(1,074,967,955)</u>	<u>(1,205,507,599)</u>	<u>(1,254,432,050)</u>	<u>(1,468,317,451)</u>
<u>\$ 2,762,640,123</u>	<u>\$ 3,026,608,465</u>	<u>\$ 3,333,784,968</u>	<u>\$ 3,680,049,725</u>	<u>\$ 3,961,604,388</u>	<u>\$ 4,397,651,697</u>
75.4%	75.3%	75.6%	75.3%	76.0%	75.0%
\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.81203	\$ 0.80203

CITY OF BAYTOWN, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
City of Baytown by fund				
General fund	\$ 0.45700	\$ 0.42578	\$ 0.43658	\$ 0.43713
Debt service fund	0.33003	0.39625	0.38545	0.384900
Total	<u>\$ 0.78703</u>	<u>\$ 0.82203</u>	<u>\$ 0.82203</u>	<u>\$ 0.82203</u>
Harris County	\$ 0.38805	\$ 0.39117	\$ 0.40021	\$ 0.41455
Harris County Flood Control District	0.02923	0.02809	0.02809	0.02827
Port of Houston Authority	0.02054	0.01856	0.19216	0.17160
Harris County Hospital District	0.19216	0.19216	0.18216	0.17000
Harris County Dept. of Education	0.00658	0.00568	0.00662	0.00636
Goose Creek Independent School District	1.30213	1.33213	1.33213	1.38679
Lee Junior College District	0.25200	0.25200	0.24100	0.26070
Total Direct and Overlapping Rates	<u>\$ 2.97772</u>	<u>\$ 3.04182</u>	<u>\$ 3.20440</u>	<u>\$ 3.26030</u>

Tax rates per \$100 of assessed valuation
Source: Harris County Appraisal District

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 0.445620	\$ 0.450010	\$ 0.470060	\$ 0.455430	\$ 0.457643	\$ 0.460930
0.376410	0.372020	0.351970	0.366600	0.354387	0.341100
<u>\$ 0.82203</u>	<u>\$ 0.822030</u>	<u>\$ 0.822030</u>	<u>\$ 0.822030</u>	<u>\$ 0.812030</u>	<u>\$ 0.802030</u>
\$ 0.417310	\$ 0.419230	\$ 0.416560	\$ 0.418010	\$ 0.418580	\$ 0.407130
0.027360	0.027330	0.028290	0.028310	0.028770	0.027920
0.015310	0.013420	0.013340	0.012560	0.011550	0.010740
0.170000	0.170000	0.171790	0.171100	0.171080	0.165910
0.005999	0.005422	0.005200	0.005195	0.005190	0.005000
1.431890	1.431890	1.431890	1.431890	1.431800	1.354280
0.260700	0.250200	0.245300	0.250400	0.250100	0.230100
<u>\$ 3.150599</u>	<u>\$ 3.139522</u>	<u>\$ 3.134400</u>	<u>\$ 3.139495</u>	<u>\$ 3.129100</u>	<u>\$ 3.003110</u>

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CITY OF BAYTOWN, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	Fiscal Year					
	2020			2011		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
CenterPoint Energy Inc.	\$ 77,799,177	1	1.77%	\$ 10,917,900	9	0.45%
PML Baytown 384 LP	39,070,204	2	0.89%	-	-	n/a
Exxon Mobil Corp*	35,260,749	3	0.80%	-	-	n/a
HEB Grocery Co LP	34,102,342	4	0.78%	-	-	n/a
LCY Elastomers LP	35,452,141	5	0.81%	23,235,332	1	0.95%
Stanmore Adef Baytown Delaware LLC	33,217,253	6	0.76%	-	-	n/a
619 Rollingbrook Street LP	31,460,236	7	0.72%	-	-	n/a
Kroger Co	29,090,071	8	0.66%	-	-	n/a
SI Group Inc	28,882,331	9	0.66%	-	-	n/a
Drever Watercolor Property LLC ET AL	24,528,176	10	0.56%	-	-	n/a
Wal Mart	-	-	n/a	19,596,962	2	0.80%
Foothills Texas Inc.	-	-	n/a	19,043,635	3	0.78%
Rollingbrook Apts. LP	-	-	n/a	15,422,765	4	0.63%
Camden Property Trust	-	-	n/a	14,245,608	5	0.58%
Comcast of Houston LLC	-	-	n/a	14,036,380	6	0.57%
Verizon Southwest	-	-	n/a	12,849,507	7	0.53%
TPC Group Inc.	-	-	n/a	11,182,165	8	0.46%
Lowes Home Center	-	-	n/a	10,646,012	10	0.44%
Subtotal	368,862,680		8.39%	151,176,266		6.19%
Other Taxpayers	4,028,789,017		91.61%	2,290,546,668		93.81%
Total	\$ 4,397,651,697		100.00%	\$ 2,441,722,934		100.00%

Source: Goose Creek Independent School District Tax Office

*A significant portion of Exxon Mobil Corporation's property was disannexed in fiscal year 2010 and the tax revenue the City receives on such property is now accounted for as industrial district agreement revenue, not property tax revenue.

CITY OF BAYTOWN, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Tax levy	\$ 18,410,303	\$ 19,729,244	\$ 20,166,530	\$ 21,200,763
Current tax collected	\$ 17,632,942	\$ 18,940,167	\$ 19,387,454	\$ 20,487,419
Percentage of current tax collections	95.78%	96.00%	96.14%	96.64%
Delinquent tax collections (1)	660,340	649,189	656,891	590,597
Total Tax Collections	\$ 18,293,282	\$ 19,589,356	\$ 20,044,345	\$ 21,078,016
Total collections as a percentage of current levy	99.36%	99.29%	99.39%	99.42%
Outstanding delinquent taxes (2)	\$ 117,021	\$ 139,888	\$ 122,185	\$ 122,747
Outstanding delinquent taxes as percentage of current levy	0.64%	0.71%	0.61%	0.58%

(1) Total amount of tax collections received in subsequent years.

(2) Outstanding delinquent taxes based on the current levy.

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 22,423,830	\$ 24,611,681	\$ 27,001,086	\$ 29,685,764	\$ 31,563,309	\$ 34,520,007
\$ 21,865,661	\$ 23,892,720	\$ 26,416,758	\$ 28,878,775	\$ 30,729,241	\$ 33,480,249
97.51%	97.08%	97.84%	97.28%	97.36%	96.99%
398,891	517,195	321,690	407,072	328,832	-
\$ 22,264,552	\$ 24,409,915	\$ 26,738,448	\$ 29,285,847	\$ 31,058,073	\$ 33,480,249
99.29%	99.18%	99.03%	98.65%	98.40%	96.99%
\$ 159,278	\$ 201,766	\$ 262,638	\$ 399,917	\$ 505,236	\$ 1,039,758
0.71%	0.82%	0.97%	1.35%	1.60%	3.01%

CITY OF BAYTOWN, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Governmental Activities:				
General obligation bonds	\$ 62,836,800	\$ 78,939,100	\$ 92,419,850	\$ 104,834,650
Certificates of obligation	12,785,000	13,140,000	10,945,000	10,320,000
Alternative minimum tax bonds	375,000	-	-	-
Capital leases	3,150,454	2,874,038	2,667,325	2,579,696
Premiums	860,245	3,014,470	3,077,237	4,702,742
Business-Type Activities:				
Revenue bonds	8,268,200	5,650,900	4,145,150	-
General obligation bonds	-	-	-	2,695,350
Certificates of obligation	87,030,000	73,120,000	85,315,000	83,940,000
Premiums	91,077	78,663	473,537	866,564
Total Primary Government	\$ 175,396,776	\$ 176,817,171	\$ 199,043,099	\$ 209,939,002
Percentage of personal income	11.3%	10.3%	12.5%	11.5%
Per capita	\$ 2,425	\$ 2,409	\$ 2,692	\$ 2,783

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

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 109,014,950	\$ 100,829,041	\$ 92,604,605	\$ 84,852,517	\$ 83,320,072	\$ 74,012,321
16,275,000	33,015,000	31,510,000	53,815,000	43,860,000	46,160,000
-	-	-	-	-	-
2,273,274	1,956,981	1,633,804	1,303,593	966,194	621,452
5,698,278	7,978,804	7,408,272	8,757,473	8,410,157	8,851,148
-	-	-	-	-	-
16,090,050	42,425,959	40,325,395	36,947,483	33,929,928	30,732,680
62,525,000	26,710,000	24,270,000	23,115,000	40,375,000	38,735,000
2,363,321	6,487,181	6,000,949	5,514,717	5,943,039	4,762,837
<u>\$ 214,239,873</u>	<u>\$ 219,402,966</u>	<u>\$ 203,753,025</u>	<u>\$ 214,305,783</u>	<u>\$ 216,804,390</u>	<u>\$ 203,875,438</u>
13.1%	12.4%	10.7%	11.4%	9.0%	8.2%
\$ 2,814	\$ 2,770	\$ 2,434	\$ 2,413	\$ 2,339	\$ 2,193

CITY OF BAYTOWN, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Net Taxable Assessed Value				
All property	\$ 2,441,722,934	\$ 2,408,945,951	\$ 2,490,463,236	\$ 2,619,762,574
Net Bonded Debt				
Gross bonded debt	76,857,045	95,093,570	106,442,087	119,857,392
Less debt service funds	292,736	1,229,116	3,715,519	5,418,953
Total Net Bonded Debt	<u>\$ 76,564,309</u>	<u>\$ 93,864,454</u>	<u>\$ 102,726,568</u>	<u>\$ 114,438,439</u>
Ratio of Net Bonded Debt to Assessed Value	3.14%	3.90%	4.12%	4.37%
Population	72,339	73,413	73,950	75,424
Net Bonded Debt per Capita	\$ 1,058	\$ 1,279	\$ 1,389	\$ 1,517

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 2,762,640,123	\$ 3,026,608,465	\$ 3,333,784,968	\$ 3,680,049,725	\$ 3,961,604,388	\$ 4,397,651,697
130,988,228	141,822,845	131,522,877	147,424,990	135,590,229	129,023,469
4,895,113	2,940,258	2,632,347	3,816,355	5,050,333	6,269,499
<u>\$ 126,093,115</u>	<u>\$ 138,882,587</u>	<u>\$ 128,890,530</u>	<u>\$ 143,608,635</u>	<u>\$ 130,539,896</u>	<u>\$ 122,753,970</u>
4.56%	4.59%	3.87%	3.90%	3.30%	2.79%
76,127	79,215	83,724	88,830	92,679	92,984
\$ 1,656	\$ 1,753	\$ 1,539	\$ 1,617	\$ 1,409	\$ 1,320

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CITY OF BAYTOWN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
For the Year Ended September 30, 2020

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Harris County (2)	\$ 1,720,772,125	0.86%	\$ 14,798,640
Harris County Dept. of Education	6,320,000	0.86%	54,352
Harris County MUD #459	11,860,000	100.00%	11,860,000
Harris County Flood Control	83,075,000	0.86%	714,445
Harris County Hospital District	86,050,000	0.86%	740,030
Goose Creek Independent School District	665,386,000	28.66%	190,699,628
Lee College District	39,460,000	27.24%	10,748,904
Port of Houston Authority	492,439,397	0.86%	4,234,979
Chambers County (2)	51,335,000	1.84%	944,564
Subtotal, overlapping debt	3,156,697,522		234,795,542
City direct debt	129,644,921	100.00%	129,644,921
Total Direct and Overlapping Debt			\$ 364,440,463

Source: Goose Creek Consolidated Independent School District

- (1) Estimated percentage applicable obtained from Municipal Advisory Council of Texas. The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the City's boundaries and dividing it by the City's total taxable assessed value.
- (2) The City of Baytown is located within two counties. A resident would either live in Harris County or Chambers County, not both.

CITY OF BAYTOWN, TEXAS
PLEDGED REVENUE COVERAGE (WATER AND SEWER FUND)
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Gross Revenues	\$ 33,456,570	\$ 35,369,368	\$ 34,022,544	\$ 35,990,349
Operating Expenses (1)	20,866,590	22,553,420	22,570,370	23,234,448
Net Revenues Available for Debt Service	<u>\$ 12,589,980</u>	<u>\$ 12,815,948</u>	<u>\$ 11,452,174</u>	<u>\$ 12,755,901</u>
Debt Service Requirements (2)				
Principal	\$ 2,617,300	\$ 1,505,750	\$ 1,620,000	\$ -
Interest	4,025,737	3,274,771	3,123,765	-
Total	<u>\$ 6,643,037</u>	<u>\$ 4,780,521</u>	<u>\$ 4,743,765</u>	<u>\$ -</u>
Coverage	1.90	2.68	2.41	N/A

(1) Total operating expenses less depreciation

(2) Includes revenue bonds only

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 39,044,709	\$ 40,811,009	\$ 40,998,750	\$ 43,301,862	\$ 42,415,981	\$ 46,051,831
<u>24,953,929</u>	<u>25,981,703</u>	<u>28,327,663</u>	<u>28,264,773</u>	<u>26,043,889</u>	<u>29,416,895</u>
<u>\$ 14,090,780</u>	<u>\$ 14,829,306</u>	<u>\$ 12,671,087</u>	<u>\$ 15,037,089</u>	<u>\$ 16,372,092</u>	<u>\$ 16,634,936</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>					
N/A	N/A	N/A	N/A	N/A	N/A

CITY OF BAYTOWN, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Population (1)	72,339	73,413	73,950	75,424
Personal income	\$ 1,546,318,464	\$ 1,709,495,118	\$ 1,588,963,650	\$ 1,822,625,836
Per capita personal income (2)	\$ 21,376	\$ 23,286	\$ 21,487	\$ 24,165
Median age (3)	31.0	31.0	31.0	31.0
Education level in years of schooling (3)	14.8	14.8	14.8	14.8
School enrollment (4)	21,516	21,793	21,663	21,723
Unemployment rate (5)	11.60%	9.50%	8.60%	6.40%

Data sources:

- (1) Prior years from either Census or City Planning Department. FY17 provided by Applied Geographic Solutions (AGS).
FY19 from Population.us. FY20 from Official Statement
- (2) City of Baytown's per capita personal income in Houston-Sugarland-Baytown MSA figures for years 2001 to 2008.
Years 2009 to 2017 - American FactFinder. FY18&19 US Census Bureau (Quickfacts)
- (3) Wikipedia - Baytown, Texas
- (4) Texas Education Agency
- (5) Texas Workforce Commission

Fiscal Year					
2015	2016	2017	2018	2019	2020
76,127	79,215	83,724	88,830	92,679	92,984
\$1,631,325,483	\$1,773,069,345	\$1,912,591,056	\$1,875,937,700	\$2,421,331,554	\$2,474,769,160
\$ 21,429	\$ 22,383	\$ 22,844	\$ 24,425	\$ 26,126	\$ 26,615
31.0	31.0	32.9	32.4	32.7	32.8
19.5	14.8	14.8	14.8	14.8	14.8
22,915	22,320	23,748	23,795	23,837	23,926
6.00%	6.40%	10.40%	8.10%	6.60%	9.60%

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CITY OF BAYTOWN, TEXAS

PRINCIPAL EMPLOYERS

Current Fiscal Year and Nine Years Ago

Employer	Fiscal Year					
	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Exxon Mobil-Baytown Complex	3,785	1	6.91%	3,785	1	12.71%
Goose Creek Consolidated Independent School District	3,015	2	5.50%	2,928	2	9.83%
Houston Methodist Baytown Hospital	1,699	3	3.10%	1,621	3	5.44%
Covestro	1,100	4	2.01%	967	4	3.25%
Chevron Phillips	980	5	1.79%	637	6	2.14%
City of Baytown	875	6	1.60%	743	5	2.49%
Lee College	691	7	1.26%	355	8	1.19%
Wal-Mart Distribution Center	600	8	1.10%	550	7	1.85%
JSW Steel	402	9	0.73%	n/a	n/a	n/a
Borusan Mannesman	206	10	0.38%	n/a	n/a	n/a
Home Depot Distribution Center	-	-	0.00%	319	9	1.07%
TMK-IPSCO	-	-	0.00%	215	10	0.72%
Total	13,353		24.38%	12,120		40.69%

Sources: Baytown Economic Development Foundation, City of Baytown, Goose Creek CISD, and Lee College.

CITY OF BAYTOWN, TEXAS
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
General Fund:				
General government	91.40	92.40	92.40	93.40
Public safety				
Police				
Officers	129.00	131.00	137.00	143.00
Civilians	51.00	49.00	49.00	50.00
Fire				
Firefighters and officers	106.00	106.00	112.00	140.00
Civilians	6.00	6.00	6.00	10.00
Other public safety	50.00	49.00	53.00	26.00
Public works	49.50	44.50	44.50	43.50
Public health	23.00	22.00	23.00	23.00
Parks, recreation, and culture	65.00	64.00	64.00	64.00
General Fund Total	<u>570.90</u>	<u>563.90</u>	<u>580.90</u>	<u>592.90</u>
Hotel/Motel Fund	-	1.00	1.00	2.00
Enterprise Fund:				
Aquatics	-	2.00	2.00	3.00
Water and sewer	113.85	116.85	117.85	122.85
Sanitation	12.50	12.50	12.50	13.50
Storm water utility	3.00	4.00	4.00	4.00
Internal service	12.00	12.00	12.00	12.00
Enterprise Fund Total	<u>141.35</u>	<u>147.35</u>	<u>148.35</u>	<u>155.35</u>
Program Funds:				
Community development block grant	4.50	4.50	4.50	4.50
High intensity drug trafficking area	0.25	0.25	0.25	0.25
Miscellaneous police	3.00	4.00	4.00	4.00
Street maintenance	-	-	-	-
Crime control and prevention district	15.00	15.00	15.00	15.00
Fire control, prevention, and emergency medical services district	1.00	1.00	2.00	2.00
Municipal court special revenue	1.00	-	2.00	2.00
Wetlands education and recreation center	2.00	2.00	2.00	2.00
Capital improvement program	3.00	3.00	3.00	3.00
Capital improvement program fund -water and sewer	-	-	-	1.00
Municipal Development District	-	-	2.00	3.00
Baytown Nature Center	-	-	1.00	1.00
Workers' compensation	1.00	1.00	1.00	1.00
Program Funds Total	<u>30.75</u>	<u>30.75</u>	<u>36.75</u>	<u>38.75</u>
Total	<u><u>743.00</u></u>	<u><u>743.00</u></u>	<u><u>767.00</u></u>	<u><u>789.00</u></u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
94.90	96.90	99.90	107.90	110.90	117.90
150.00	150.00	153.00	157.00	157.00	157.00
49.00	49.00	51.00	49.00	49.00	49.00
147.00	147.00	155.00	156.00	157.00	161.00
9.00	9.00	13.00	13.00	13.00	15.00
26.00	26.00	26.00	26.00	26.00	27.00
43.50	40.50	40.50	41.50	43.00	45.00
23.00	25.00	28.00	30.00	35.00	36.00
63.00	64.00	67.00	70.00	74.00	77.00
<u>605.40</u>	<u>607.40</u>	<u>633.40</u>	<u>650.40</u>	<u>664.90</u>	<u>684.90</u>
2.00	2.00	5.00	3.00	3.00	3.00
4.00	4.00	4.00	4.00	5.00	5.00
122.85	120.85	124.85	124.85	124.85	132.85
13.50	13.50	13.50	13.50	13.00	13.00
4.00	16.00	16.00	21.00	21.00	21.00
12.00	12.00	12.00	12.00	12.00	12.00
<u>156.35</u>	<u>166.35</u>	<u>170.35</u>	<u>175.35</u>	<u>175.85</u>	<u>183.85</u>
4.00	4.00	4.00	4.00	4.00	4.00
0.25	0.25	0.25	0.25	0.25	0.25
4.00	4.00	4.00	4.00	4.00	4.00
-	5.00	7.00	13.00	14.00	18.00
15.00	15.00	15.00	15.00	15.00	15.00
2.00	2.00	3.00	3.00	3.00	3.00
2.00	2.00	2.00	2.00	2.00	2.00
2.00	2.00	2.00	2.00	2.00	2.00
3.00	3.00	3.00	4.00	4.00	4.00
1.00	2.00	2.00	2.00	2.00	3.00
3.00	-	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00	1.00
<u>38.25</u>	<u>41.25</u>	<u>45.25</u>	<u>52.25</u>	<u>53.25</u>	<u>58.25</u>
<u>802.00</u>	<u>817.00</u>	<u>854.00</u>	<u>881.00</u>	<u>897.00</u>	<u>930.00</u>

CITY OF BAYTOWN, TEXAS

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year			
	2011	2012	2013	2014
Police:				
Arrests	6,880	6,806	5,877	5,717
Accident reports	1,900	1,899	1,980	2,207
Citations	15,186	16,120	21,731	17,904
Offense reports	13,352	14,800	15,144	14,911
Calls for service	49,024	46,175	48,988	55,045
Fire:				
Medical responses	3,224	3,700	5,039	9,577
Fire/rescue incidents	1,868	1,596	2,097	2,301
Response times:				
One minute for turnout time	*	*	*	*
Four minutes or less for the arrival of the first arriving engine company for a fire	*	*	*	*
Eight minutes or less for the deployment of a full first alarm assignment at a fire suppression incident	*	*	*	*
Five minutes or less for the arrival of the first arriving engine company for a fire	66.60%	69.65%	65.86%	61.81%
Nine minutes or less for the deployment of a full first alarm assignment at a fire suppression incident	72.54%	86.36%	91.03%	85.44%
Water:				
Number of water customers	21,903	22,104	22,212	22,417
Source	Trinity River	Trinity River	Trinity River	Trinity River
Average daily water usage (millions of gallons)	12.92	12.01	12.58	12.70
Number of million gallons of surface water pumped	5.26	5.14	4.26	4.64
Number of million gallons of well water pumped	8.06	0.60	0.53	2.13
Peak daily consumption (millions of gallons)	24.63	20.92	18.55	17.11
Sewer:				
Number of sewer connections	21,086	21,241	21,316	21,513
Average daily treatment (millions of gallons)	10.30	9.53	12.23	10.44
Total consumption (billions of gallons)	3.76	3.48	4.46	3.81
Peak daily consumption (millions of gallons)	35.39	35.39	40.16	35.95

Data source: various City departments

Fiscal Year

	2015	2016	2017	2018	2019	2020
	5,637	5,584	5,589	5,121	4,882	3,460
	2,594	2,676	2,619	2,402	2,228	2,172
	20,144	23,817	25,878	26,714	22,457	14,431
	14,788	15,014	14,226	14,217	14,148	13,455
	67,765	70,236	71,448	72,639	74,859	70,477
	9,999	10,568	8,992	10,933	11,559	10,866
	2,513	2,345	3,189	2,602	2,767	2,558
	*	*	*	*	*	*
	*	*	*	*	*	*
	*	*	*	*	*	*
	59.82%	59.70%	54.72%	51.60%	59.14%	63.51%
	86.21%	83.52%	84.00%	84.40%	84.95%	56.75%
	22,599	21,398	21,731	21,912	22,148	23,810
Trinity River						
	11.11	11.55	11.61	12.12	11.58	12.32
	4.07	4.23	5.41	5.13	4.23	4.97
	0.19	0.58	0.48	0.52	0.55	0.631
	16.69	18.71	17.37	17.52	19.21	18.35
	21,705	20,553	20,887	21,043	21,276	22,344
	13.28	13.07	11.99	11.67	12.06	10.93
	4.75	4.77	4.34	4.04	4.47	3.70
	56.06	55.49	41.20	39.19	48.27	27.57

CITY OF BAYTOWN, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year			
	2011	2012	2013	2014
Police:				
Stations	3	3	3	3
Patrol units	83	87	87	93
Fire stations	6	6	6	7
Other public works:				
Streets (miles)	409	429	429	431
Streetlights	4,641	4,728	5,098	4,911
Parks and recreation:				
Parks	47	47	47	50
Parks acreage	1,084	1,084	1,084	1,151
Parks - developed	967	967	967	972
Parks - undeveloped	117	117	117	179
Swimming pools	1	-	-	-
Spraygrounds	2	4	4	5
Baseball/softball diamonds	22	22	22	22
Tennis courts	7	4	4	4
Community centers	1	1	1	1
Water parks	2	2	2	2
Quick soccer courts	-	2	2	2
Water:				
Water mains (miles)	383	385	390	398
Fire hydrants	1,860	1,896	1,937	2,003
System capacity (millions of gallons)	26 MGD	26 MGD	26 MGD	26 MGD
Sewer:				
Sanitary sewers (miles)	366	367	372	377
Storm sewers (miles)	169	172	173	174
Treatment plant capacity (millions of gallons)	20.2 MGD	20.2 MGD	20.2 MGD	24.2 MGD

Data source: various City departments

Fiscal Year					
2015	2016	2017	2018	2019	2020
3	3	3	3	3	3
94	100	100	104	111	109
7	8	8	8	8	8
447	468	471	484	499	514
5,124	5,443	5,504	5,617	5,911	6,096
50	52	53	53	53	55
1,151	1,290	1,292	1,292	1,292	1,319
972	1,120	1,122	1,122	1,122	1,123
179	179	170	170	170	196
-	-	-	-	-	-
5	5	6	6	6	6
22	22	2	22	22	22
4	4	4	4	4	4
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	3	3
399	400	402	403	404	420
2,431	2,545	2,618	2,637	2,690	2,850
26 MGD	26 MGD	26 MGD	26 MGD	26.0 MGD	26.0 MGD
382	384	400	397	402	409
175	180	183	186	190	194
24.2 MGD	24.2 MGD	24.2 MGD	24.2 MGD	24.2 MGD	24.2 MGD

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