



# CITY OF BAYTOWN

*Annual Comprehensive  
Financial Report  
Fiscal Year Ending  
September 30, 2021*

2020  
-  
2021



**BETTER**

**BAYTOWN**

***ANNUAL COMPREHENSIVE  
FINANCIAL REPORT***

of the

**CITY OF BAYTOWN, TEXAS**

For the Year Ended  
September 30, 2021

Issued by:

**Finance Department**

**Rick Davis, City Manager  
Kevin Troller, Assistant City Manager  
Nick Woolery, Assistant City Manager  
Victor Brownlees, Director of Finance  
Teresa McKenzie, Controller/Assistant Director of Finance**

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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

June 10, 2022

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

The Annual Comprehensive Financial Report (ACFR) of the City of Baytown, Texas (the “City”), for the fiscal year ended September 30, 2021, 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 ACFR 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 2021 ACFR 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 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 10 (I-10), a major thoroughfare running through the north side of Baytown. The City encompasses an area of 53 square miles with a current estimated population of 83,701.

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 and 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 and the Baytown Municipal Development District are reported separately.

### **Local Economy**

The City's strong industrial tax base provides the foundation for stable economic conditions necessary for maintaining a healthy, vibrant economy. The cornerstones of Baytown's industrial development are the following four world-recognized entities:

- **ExxonMobil**  
The ExxonMobil Baytown Complex is one of the largest integrated and most technologically advanced refining and petrochemical complexes in the world. Founded in 1919, ExxonMobil's Baytown, Texas complex is located on approximately 3,400 acres along the Houston Ship Channel. The Baytown complex is comprised of three manufacturing sites (a refinery, a chemical plant, and an olefins plant), the chemical company's Technology and Engineering Complex, and a regional downstream engineering office.
- **Covestro**  
Another industrial corporate citizen's presence in Baytown, the Covestro Industrial Park, is distinguished by steady expansion. Strategically positioned along Cedar Bayou for barge access, the Baytown plant is located on about 1,700 acres, of which 35% is developed and is home to about 2,000 workers including contract labor and fence-line partners. The Baytown facility is the largest of Covestro's U.S. chemicals operations producing polyurethanes, polycarbonates and coatings, adhesives, and specialties.
- **Chevron Phillips Chemical**  
Chevron Phillips Chemical Company LLC (Chevron Phillips Chemical), with its affiliates, is one of the world's top producers of olefins and polyolefins and a leading supplier of aromatics, alpha olefins, styrenics, specialty chemicals, piping, and proprietary plastics. The company currently has \$15 billion in assets, more than \$8.5 billion in annual revenues, and is owned equally by Chevron Corporation and Phillips 66. Chevron Phillips Chemical's Cedar Bayou plant of approximately 1,700 acres is the largest of the company's domestic manufacturing facilities with approximately 980 employees and 2,000 contractors.
- **Enterprise Products**  
Enterprise Products Partners L.P., one of the largest publicly-traded energy partnerships and a leading North American provider of midstream energy services, constructed a propane dehydrogenation (PDH) unit in Industrial District #2, which produces 1.65 billion pounds per year of Polymer Grade Proylene (PGP). This facility is contracted with average 15-year fee-based contracts with investment grade companies.

The economic impact of continued expansion in the industrial, logistic, and wholesale distribution sectors in and around Baytown has translated into significant valuation growth in the City's tax roll. Private sector investment within the City of Baytown has increased significantly over the past few years, with substantial investment in areas such as health care centers, grocery stores, restaurants, and other large-scale retail developments. Additionally, the City of Baytown, in partnership with Hyatt Regency Hotel Chain, is developing a large-scale hotel/convention center on Bayland Island.

With increases in population due to rapid business expansion, the City of Baytown has undertaken a number of transportation and traffic mitigation initiatives, designed to not only alleviate traffic issues within the City, but to provide further development opportunities along these new or expanded commercial corridors. Mitigation projects include opening a Traffic Management Center to control traffic flow and signal synchronization, employing a registered traffic engineer, and the installation of multiple dedicated right and left turn lanes. Major road projects completed in recent years include: expansion of Hunt Road from two lanes to four lanes beyond the H-E-B grocery super center, and extending it west to John Martin Road; extending Santavy Road both east and west; and entrance and exit ramp rebuilds at I-10 and Garth Road. San Jacinto Boulevard and Hunt Road were unveiled in 2019. San Jacinto Boulevard will ultimately be a multi-mile stretch of new roadway from Interstate 10 going south to Cedar Bayou Lynchburg, splitting the heavily trafficked Garth and John Martin Roads. The project was constructed using a different paving technique to ensure a smoother driving surface. In addition to providing a more pleasurable driving experience, the smoother road should increase the life of the street, saving tax payer dollars for decades to come. Speaking of savings, the road was financed by the Baytown Tax Increment Reinvestment Zone (TIRZ).

One of the most noticeable effects of the ongoing expansions in the industrial, logistic, and wholesale distribution enterprises in and around Baytown is the remarkable growth in residential, multi-family, and commercial development. New residential and commercial permit activity continues to be strong year-over-year. Thousands of multi-family and single-family units have been built over the past five years and thousands more are scheduled for construction over the next five years.

Educational opportunities in Baytown continue to expand and are serving not only Baytown, but neighboring communities, as well. Goose Creek Consolidated Independent School District has completed a number of capital projects to better serve the expanding Pre-K-12 population in the District including three (3) new elementary schools, a new Technology Center, a new Transportation Center, IMPACT Early College High School, and numerous campus upgrades. Lee College, a two-year, public community college located in Baytown, serves an expanded population base by offering a myriad of post-secondary academic, vocational, and technical programs leading to certification or an associate degree. Lee College also provides a number of public service and community outreach programs, as well as cultural and other quality of life services. One of the stated goals of Lee College is to become the preferred provider for training and workforce partnerships.

## **Long-Term Planning**

### **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.

### 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 complemented the Baytown 2025 Comprehensive Plan, but also provides 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.

### **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.

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

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 ACFR for the fiscal year ended September 30, 2020. This was the 30th 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 ACFR. 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 ACFR 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, 2020. 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.

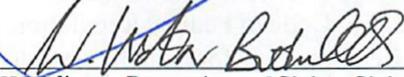
We would like to thank the Mayor and City Council for their trust and support as we endeavor to conduct the City's financial operations in a transparent, responsible, and efficient manner.



Richard L. Davis, ICMA-CM, City Manager

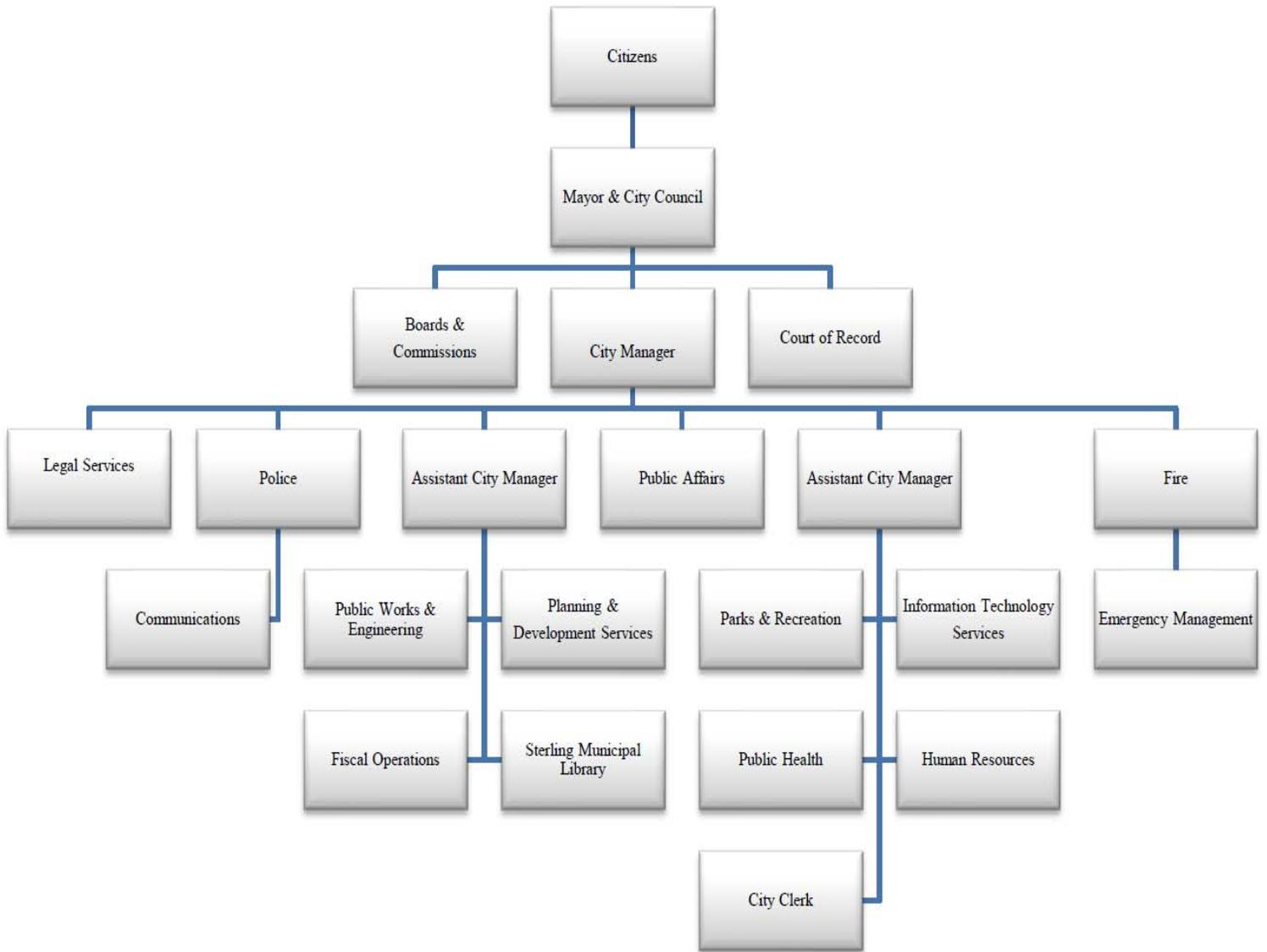


Kevin G. Troller, ICMA-CM, Assistant City Manager



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

**CITY OF BAYTOWN, TEXAS**  
**ORGANIZATIONAL CHART**  
 For the Year Ended September 30, 2021



**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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2020

*Christopher P. Morill*

Executive Director/CEO

# CITY OF BAYTOWN, TEXAS

## CITY OFFICIALS

September 30, 2021

<u>City Council</u>	<u>Elective Position</u>	<u>District</u>
Brandon Capetillo	Mayor	
Laura Alvarado	Council Member	District 1
Chris Presley	Mayor Pro-Tem	District 2
Charles Johnson	Council Member	District 3
Heather Betancourth	Council Member	District 4
Jacob Powell	Council Member	District 5
Mike Lester	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
Teresa McKenzie	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, 2021, 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, 2021, 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 June 10, 2022 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  
June 10, 2022

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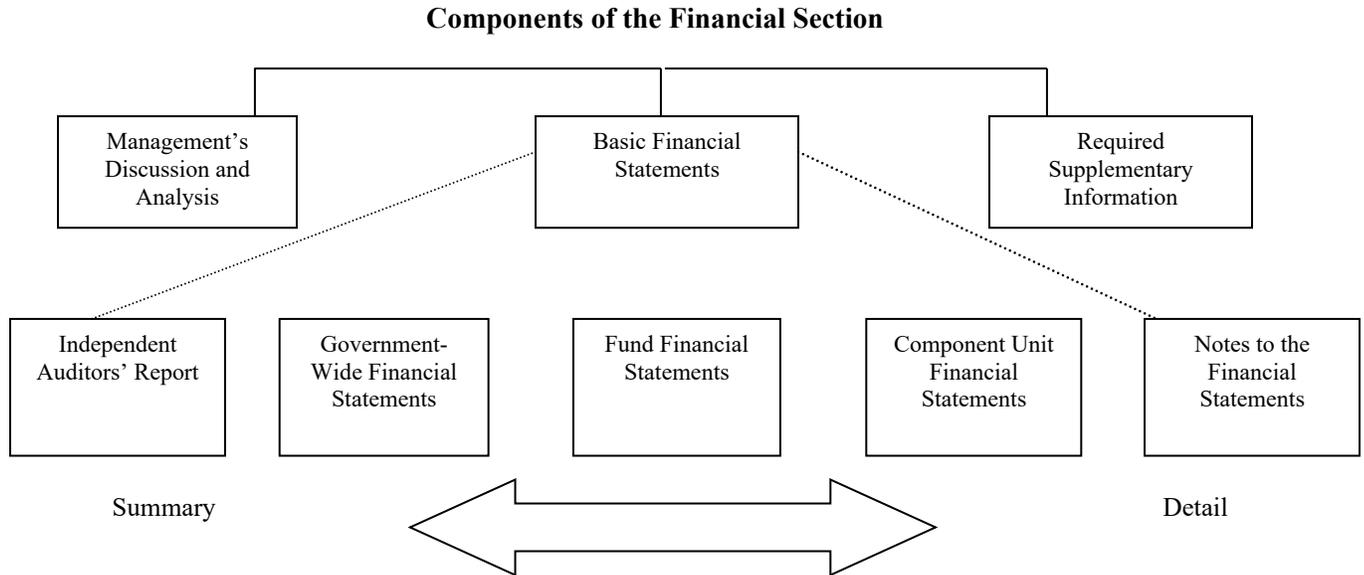
***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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**CITY OF BAYTOWN, TEXAS**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2021**

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, 2021. 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, 2021**

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 14 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, 2021**

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 respective enterprise 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 \$446,634,364 as of September 30, 2021 in the primary government. The largest portion of the City's net position, \$367,014,481, 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, 2021**

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 245,088,076	\$ 187,222,995	\$ 60,648,481	\$ 54,499,367	\$ 305,736,557	\$ 241,722,362
Capital assets, net	285,405,615	279,552,856	240,952,770	247,169,656	526,358,385	526,722,512
<b>Total Assets</b>	<u>530,493,691</u>	<u>466,775,851</u>	<u>301,601,251</u>	<u>301,669,023</u>	<u>832,094,942</u>	<u>768,444,874</u>
Deferred outflows - charge on refunding	925,957	1,587,358	599,849	661,068	1,525,806	2,248,426
Deferred outflows - pensions	9,690,877	10,684,747	1,398,769	1,505,268	11,089,646	12,190,015
Deferred outflows - OPEB	13,382,662	12,082,394	1,865,022	1,678,937	15,247,684	13,761,331
<b>Total Deferred Outflows of Resources</b>	<u>23,999,496</u>	<u>24,354,499</u>	<u>3,863,640</u>	<u>3,845,273</u>	<u>27,863,136</u>	<u>28,199,772</u>
Long-term liabilities	277,070,406	255,991,347	86,101,733	92,660,216	363,172,139	348,651,563
Other liabilities	25,537,191	16,904,273	6,006,313	6,741,786	31,543,504	23,646,059
<b>Total Liabilities</b>	<u>302,607,597</u>	<u>272,895,620</u>	<u>92,108,046</u>	<u>99,402,002</u>	<u>394,715,643</u>	<u>372,297,622</u>
Deferred inflows - charge on refunding	232,251	255,476	-	-	232,251	255,476
Deferred inflows - pensions	8,002,546	8,592,432	928,814	1,014,304	8,931,360	9,606,736
Deferred inflows - OPEB	8,277,543	1,898,726	1,166,917	279,335	9,444,460	2,178,061
<b>Total Deferred Inflows of Resources</b>	<u>16,512,340</u>	<u>10,746,634</u>	<u>2,095,731</u>	<u>1,293,639</u>	<u>18,608,071</u>	<u>12,040,273</u>
<b>Net Position:</b>						
Net investment in capital assets	179,256,695	164,442,016	187,757,786	189,184,366	367,014,481	353,626,382
Restricted	85,604,701	87,344,253	5,390,663	3,966,558	90,995,364	91,310,811
Unrestricted	(29,488,146)	(44,298,173)	18,112,665	11,667,731	(11,375,481)	(32,630,442)
<b>Total Net Position</b>	<u>\$ 235,373,250</u>	<u>\$ 207,488,096</u>	<u>\$ 211,261,114</u>	<u>\$ 204,818,655</u>	<u>\$ 446,634,364</u>	<u>\$ 412,306,751</u>

A portion of the primary government's net position, \$90,995,364, represents resources that are subject to external restriction on how they may be used.

The City's total net position increased by \$34,327,613 during the current fiscal year, an increase of 8 percent in comparison to the prior year. Deferred outflows and deferred inflows of resources related to OPEB 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 \$64,014,195 largely as a result of proceeds from the issuance of debt. Total liabilities increased by \$22,418,021 primarily as a result of the issuance of long-term debt and an increase in unearned revenue. Unearned revenue increased mainly due to American Rescue Plan Act funds received prior to year end that have not been spent.

**CITY OF BAYTOWN, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2021

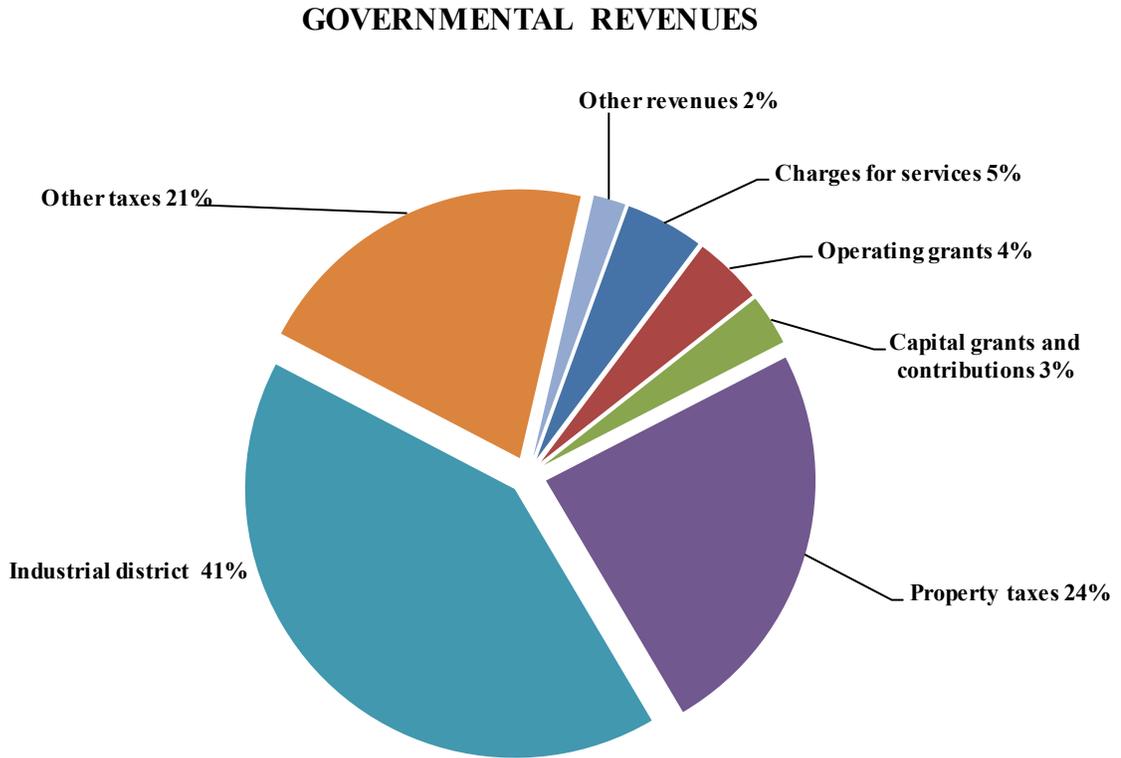
**Statement of Activities**

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 7,447,871	\$ 7,132,164	\$ 60,022,707	\$ 55,470,985	\$ 67,470,578	\$ 62,603,149
Operating grants	6,569,222	12,195,930	1,342,488	1,363,365	7,911,710	13,559,295
Capital grants and contributions	4,873,025	70,945,960	1,910,670	2,260,000	6,783,695	73,205,960
General revenues:						
Property taxes	38,307,300	34,782,426	-	-	38,307,300	34,782,426
Industrial district	65,470,755	65,535,406	-	-	65,470,755	65,535,406
Other taxes	33,324,422	28,624,380	-	-	33,324,422	28,624,380
Other revenues	3,075,361	4,683,521	66,528	513,840	3,141,889	5,197,361
<b>Total Revenues</b>	<u>159,067,956</u>	<u>223,899,787</u>	<u>63,342,393</u>	<u>59,608,190</u>	<u>222,410,349</u>	<u>283,507,977</u>
<b>Expenses</b>						
General government	34,593,112	37,547,850	-	-	34,593,112	37,547,850
Public safety	64,257,206	62,126,552	-	-	64,257,206	62,126,552
Public works	12,222,500	12,912,206	-	-	12,222,500	12,912,206
Public health	3,860,167	3,944,973	-	-	3,860,167	3,944,973
Parks, recreation, and culture	13,866,632	13,655,690	-	-	13,866,632	13,655,690
Interest and fiscal agent fees on long-term debt	5,106,860	4,302,467	-	-	5,106,860	4,302,467
Water and sewer	-	-	41,044,691	40,424,646	41,044,691	40,424,646
Sanitation	-	-	7,099,764	7,006,746	7,099,764	7,006,746
Aquatics	-	-	3,771,985	2,792,302	3,771,985	2,792,302
Bayland Island development	-	-	200,376	207,174	200,376	207,174
Storm water utility	-	-	2,059,443	2,850,413	2,059,443	2,850,413
<b>Total Expenses</b>	<u>133,906,477</u>	<u>134,489,738</u>	<u>54,176,259</u>	<u>53,281,281</u>	<u>188,082,736</u>	<u>187,771,019</u>
<b>Increase in Net Position before Transfers</b>	25,161,479	89,410,049	9,166,134	6,326,909	34,327,613	95,736,958
Transfers	<u>2,723,675</u>	<u>2,482,787</u>	<u>(2,723,675)</u>	<u>(2,482,787)</u>	-	-
<b>Change in Net Position</b>	27,885,154	91,892,836	6,442,459	3,844,122	34,327,613	95,736,958
Beginning net position	<u>207,488,096</u>	<u>115,595,260</u>	<u>204,818,655</u>	<u>200,974,533</u>	<u>412,306,751</u>	<u>316,569,793</u>
<b>Ending Net Position</b>	<u>\$ 235,373,250</u>	<u>\$ 207,488,096</u>	<u>\$ 211,261,114</u>	<u>\$ 204,818,655</u>	<u>\$ 446,634,364</u>	<u>\$ 412,306,751</u>

**CITY OF BAYTOWN, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

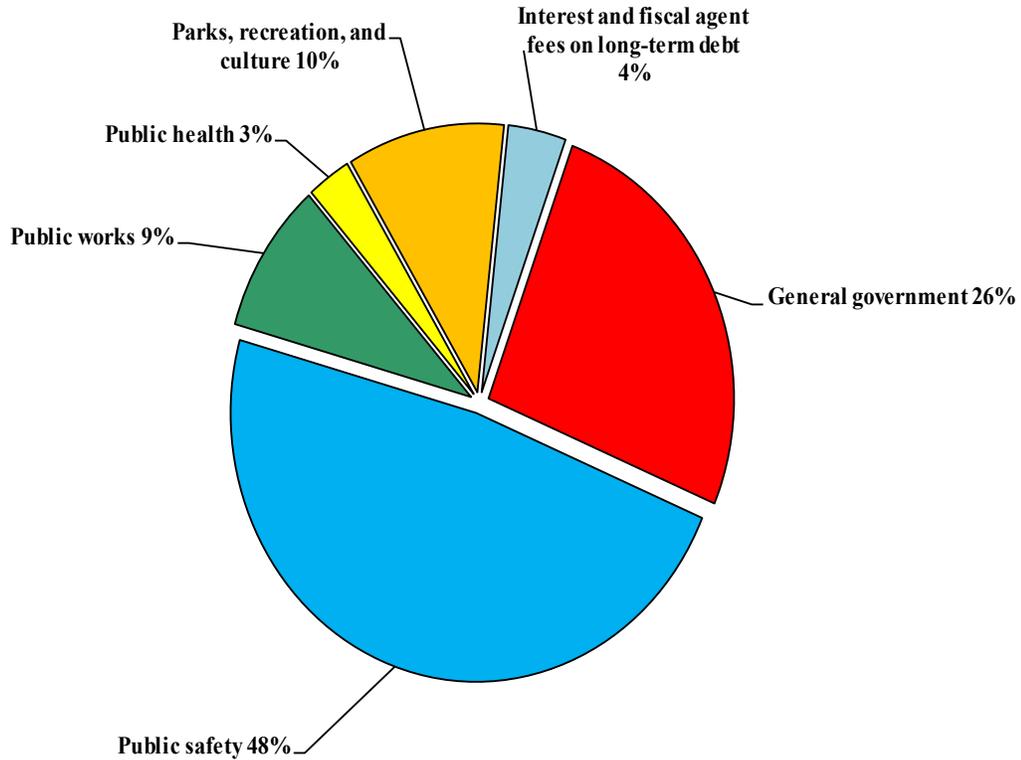
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.



For the year ended September 30, 2021, revenues from governmental activities totaled \$159,067,956. Industrial district payments are the City's largest revenue sources at \$65,470,755 or 41 percent. Property tax revenue had an increase of 10 percent due to an increase in appraised property values. Capital grants and contributions decreased \$66,072,935 or 93 percent primarily due to the City receiving a contribution of \$66 million in the prior year for a public safety facility.

**CITY OF BAYTOWN, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

**GOVERNMENTAL ACTIVITIES EXPENSES**

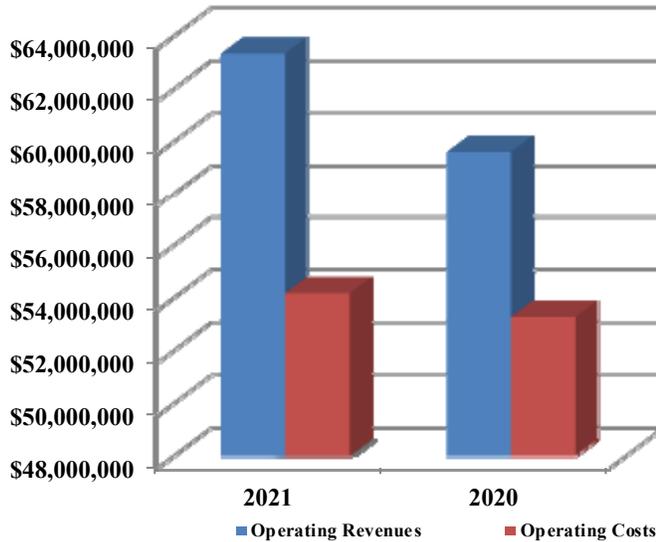


For the year ended September 30, 2021, expenses for governmental activities totaled \$133,906,477. This represents a decrease of \$583,261 from last year, which is comparable to the prior year.

**CITY OF BAYTOWN, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

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 \$3,734,203 or 6 percent, primarily due to an increase in charges for services. The increase in charges for services is primarily due to an increase in impact fees in the water and sewer fund and an increase in Aquatics due to the water park being open during the fiscal year after being closed in the prior year due to the COVID-19 pandemic. Expenses had a net increase of \$894,978 or 2 percent, which is comparable to the prior year. After transfers to governmental activities, total net position increased by \$6,442,459 or 3 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 \$198,894,993. Of the total governmental fund balance, \$4,103 is nonspendable, \$134,419,705 is restricted for various purposes, and \$16,998,695 is assigned for capital projects. The remaining balance of \$47,472,490 is unassigned.

There was a net increase in the combined fund balance of \$44,608,460 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 proceeds from the issuance of long-term debt.

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 \$48,370,973, while total fund balance reached \$48,375,076. 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

**CITY OF BAYTOWN, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

expenditures. Unassigned and total fund balance both represent approximately 48 percent of total general fund expenditures.

The debt service fund has a total fund balance of \$3,144,287, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$3,124,138. This can be attributed to an increase in debt service requirements.

The capital projects fund had a total fund balance of \$134,796,501. The capital projects fund spent approximately \$17,594,089 on capital improvements. The capital projects fund had an increase in fund balance of \$38,992,267, which was primarily a result of proceeds from the issuance of long-term debt.

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

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's original general fund budget included a planned decrease in fund balance in the amount of \$689,104. However, there was a net increase in fund balance of \$10,570,538 resulting in a positive variance of \$11,259,642 from the final budget.

Actual general fund revenues exceeded original and amended budgeted revenues by \$4,391,258. This increase includes the positive variance of \$4,797,593 for taxes, which is primarily due to additional property tax and sales tax revenues.

Total expenditures were lower than budgeted amounts by \$7,087,500 for the fiscal year. This positive variance can be attributed to less expenditures for various departments than what was expected.

### **CAPITAL ASSETS**

At the end of fiscal year 2021, the City's governmental activities had invested \$285,405,615 in a variety of capital assets and infrastructure (net of accumulated depreciation).

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

- The completion of \$55 million in construction in progress for various street projects and the fire training facility.
- The City has a total of \$19 million in construction in progress for the fiscal year 2021 for governmental activities which includes construction of a new animal shelter, public safety facility, and various street and drainage improvements.
- The City also spent \$4 million on vehicles and equipment for all of the City's departments.

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 \$139,803,759. Of this amount, \$69,008,759 was general obligation debt and \$70,795,000 was certificates of obligation. Business-type activities had total refunding bonds and certificates of obligation

**CITY OF BAYTOWN, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

outstanding of \$64,161,242 at year end. During the year, the City had a net increase in long-term debt of \$14,325,000.

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 \$245.2 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 2022. This budget includes a tax rate reduction.

The 2021-2022 budget focuses on the City's priorities within the constraints of available resources. The budget's theme is "Seize the Bay!" 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 2021 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. Successful recruitment of higher-end residential projects
  - b. Baytown's infrastructure projects a positive image of the community
  - c. Elevated aesthetics and cleanliness
  - d. Increasing number of people who work in Baytown also live here
  - e. Improvements in brand and reputation observed in annual citizen survey
  - f. Greater code compliance
2. Infrastructure and Mobility
  - a. Greater connectivity to points of interest
  - b. Expanding trail system
  - c. Increased usage and safety of sidewalks and trails
  - d. Multi-modal transportation options
3. Community Amenities
  - a. Enhanced access and enjoyment of waterfront amenities
  - b. Expanding dining and entertainment options
  - c. More attractions for visitors
  - d. Increased recreational opportunities
  - e. Park improvements that appeal to citizens of all ages and abilities
4. Neighborhood Quality
  - a. Neighborhoods which are well lit, clean, and in good repair
  - b. Vacant and substandard homes have decreased in Baytown
  - c. Baytown has improved its aesthetic appeal by eliminating litter, enhancing landscaping, and generally elevating curb appeal of properties

**CITY OF BAYTOWN, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2021**

- d. Baytown's neighborhood infrastructure is well maintained and visually appealing
  - e. Motorists protect the safety of neighborhoods by adhering to traffic laws
  - f. Baytown attracts and retains residents who contribute to the community's quality of life and who express pride in their community
5. Operational Excellence
- a. Baytown is a visionary city, one that has coalesced around a primary directive
  - b. Baytown is proactive and well planned. We include our elected body, employees, citizens, and other stake holders in planning endeavors
  - c. Baytown is accountable and transparent. We place critical importance on reporting progress and deep responsibility taking
  - d. Baytown promotes and nurtures an environment of dignity, respect, and professionalism. We acknowledge each other's humanity and people are treated/regarded accordingly
  - e. Baytown shares and promotes ownership of our organization and community with and among employees
  - f. Baytown recruits and retains the highest quality municipal employees.
  - g. Baytown embraces and employs state of the art systems to facilitate the efficient and effective delivery of services

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

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 2021, 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.

**CITY OF BAYTOWN, TEXAS**  
***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***  
**For the Year Ended September 30, 2021**

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.

**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 the 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Cash and equity in pooled cash and investments	\$ 227,600,365	\$ 56,076,170	\$ 283,676,535
Receivables, net	12,032,335	7,072,311	19,104,646
Due from component unit	1,956,944	-	1,956,944
Internal balances	2,500,000	(2,500,000)	-
Inventories	692,329	-	692,329
Prepays and other assets	306,103	-	306,103
Restricted assets:			
Cash and cash equivalents - debt service	-	-	-
Cash and cash equivalents - capital improvements	-	-	-
Capital assets:			
Nondepreciable	38,470,838	7,422,472	45,893,310
Depreciable, net	246,934,777	233,530,298	480,465,075
<b>Total Assets</b>	<b>530,493,691</b>	<b>301,601,251</b>	<b>832,094,942</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows - pensions	9,690,877	1,398,769	11,089,646
Deferred outflows - OPEB	13,382,662	1,865,022	15,247,684
Deferred charge on refunding	925,957	599,849	1,525,806
<b>Total Deferred Outflows of Resources</b>	<b>23,999,496</b>	<b>3,863,640</b>	<b>27,863,136</b>
<b><u>Liabilities</u></b>			
Accounts payable	6,879,873	1,809,198	8,689,071
Accrued expenses	5,136,629	56,589	5,193,218
Accrued interest payable	943,828	410,689	1,354,517
Refundable deposits and escrow funds	149,326	3,699,632	3,848,958
Due to primary government	-	-	-
Claims and judgments	2,272,414	-	2,272,414
Unearned revenue	10,155,121	-	10,155,121
Retainage payable	-	30,205	30,205
Noncurrent liabilities:			
Portion due within one year:			
Capital leases payable	269,206	-	269,206
Compensated absences	13,775,451	869,376	14,644,827
Bonds payable	14,456,571	5,568,429	20,025,000
Portion due in more than one year:			
Compensated absences	1,530,606	96,598	1,627,204
Net pension liability	43,575,359	6,875,656	50,451,015
Total OPEB liability	62,531,360	9,194,090	71,725,450
Bonds payable	140,931,853	63,497,584	204,429,437
<b>Total Liabilities</b>	<b>302,607,597</b>	<b>92,108,046</b>	<b>394,715,643</b>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred inflows - pensions	8,002,546	928,814	8,931,360
Deferred inflows - OPEB	8,277,543	1,166,917	9,444,460
Deferred charge on refunding	232,251	-	232,251
<b>Total Deferred Inflows of Resources</b>	<b>16,512,340</b>	<b>2,095,731</b>	<b>18,608,071</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	179,256,695	187,757,786	367,014,481
Restricted for:			
Capital projects	73,415,516	-	73,415,516
Debt service	3,144,287	5,390,663	8,534,950
Special projects	9,044,898	-	9,044,898
Unrestricted	(29,488,146)	18,112,665	(11,375,481)
<b>Total Net Position</b>	<b>\$ 235,373,250</b>	<b>\$ 211,261,114</b>	<b>\$ 446,634,364</b>

See Notes to Financial Statements.

<b>Component Units</b>	
<b>Municipal Development District</b>	<b>Baytown Area Water Authority</b>
\$ 225	\$ 13,425,231
1,342,908	114,512
-	-
-	-
-	-
-	-
5,344,629	2,373,336
69,716,797	-
-	3,061,443
-	97,215,074
<u>76,404,559</u>	<u>116,189,596</u>
-	-
-	-
-	-
-	-
153,330	3,988,026
-	-
178,636	681,896
-	-
401,808	1,555,136
-	-
-	-
-	-
-	-
-	1,835,000
-	-
-	-
-	-
72,775,709	43,444,525
<u>73,509,483</u>	<u>51,504,583</u>
-	-
-	-
-	-
-	-
-	-
-	54,996,992
-	-
-	1,691,440
-	-
2,895,076	7,996,581
<u>\$ 2,895,076</u>	<u>\$ 64,685,013</u>

# CITY OF BAYTOWN, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 34,593,112	\$ 829,628	\$ 2,233,999	\$ -
Public safety	64,257,206	3,523,408	2,960,196	-
Public works	12,222,500	2,691,675	1,245,558	4,867,827
Public health	3,860,167	208,545	-	-
Parks, recreation, and culture	13,866,632	194,615	129,469	5,198
Interest and fiscal agent fees	5,106,860	-	-	-
<b>Total Governmental Activities</b>	<u>133,906,477</u>	<u>7,447,871</u>	<u>6,569,222</u>	<u>4,873,025</u>
<b>Business-Type Activities</b>				
Water and sewer	41,044,691	47,144,502	1,342,488	1,910,670
Sanitation	7,099,764	6,933,639	-	-
Bayland Island development	200,376	55,595	-	-
Aquatics	3,771,985	2,898,040	-	-
Storm water utility	2,059,443	2,990,931	-	-
<b>Total Business-Type Activities</b>	<u>54,176,259</u>	<u>60,022,707</u>	<u>1,342,488</u>	<u>1,910,670</u>
<b>Total Primary Government</b>	<u>\$ 188,082,736</u>	<u>\$ 67,470,578</u>	<u>\$ 7,911,710</u>	<u>\$ 6,783,695</u>
<b>Component Units</b>				
Municipal Development District	\$ 10,586,346	\$ -	\$ 2,380	\$ -
Baytown Area Water Authority	12,720,785	13,866,247	117,227	-
<b>Total Component Units</b>	<u>\$ 23,307,131</u>	<u>\$ 13,866,247</u>	<u>\$ 117,227</u>	<u>\$ -</u>

**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**

<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Municipal Development District</b>	<b>Baytown Area Water Authority</b>
\$ (31,529,485)	\$ -	\$ (31,529,485)	\$ -	\$ -
(57,773,602)	-	(57,773,602)	-	-
(3,417,440)	-	(3,417,440)	-	-
(3,651,622)	-	(3,651,622)	-	-
(13,537,350)	-	(13,537,350)	-	-
(5,106,860)	-	(5,106,860)	-	-
<u>(115,016,359)</u>	<u>-</u>	<u>(115,016,359)</u>	<u>-</u>	<u>-</u>
-	9,352,969	9,352,969	-	-
-	(166,125)	(166,125)	-	-
-	(144,781)	(144,781)	-	-
-	(873,945)	(873,945)	-	-
-	931,488	931,488	-	-
<u>-</u>	<u>9,099,606</u>	<u>9,099,606</u>	<u>-</u>	<u>-</u>
<u>(115,016,359)</u>	<u>9,099,606</u>	<u>(105,916,753)</u>	<u>-</u>	<u>-</u>
-	-	-	(10,583,966)	-
-	-	-	-	1,262,689
<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,583,966)</u>	<u>1,262,689</u>
38,307,300	-	38,307,300	-	-
28,921,685	-	28,921,685	7,902,919	-
4,402,737	-	4,402,737	-	-
65,470,755	-	65,470,755	-	-
318,854	66,528	385,382	2,729	7,465
2,756,507	-	2,756,507	-	-
2,723,675	(2,723,675)	-	-	-
<u>142,901,513</u>	<u>(2,657,147)</u>	<u>140,244,366</u>	<u>7,905,648</u>	<u>7,465</u>
27,885,154	6,442,459	34,327,613	(2,678,318)	1,270,154
207,488,096	204,818,655	412,306,751	5,573,394	63,414,859
<u>\$ 235,373,250</u>	<u>\$ 211,261,114</u>	<u>\$ 446,634,364</u>	<u>\$ 2,895,076</u>	<u>\$ 64,685,013</u>

# CITY OF BAYTOWN, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2021

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
<b><u>Assets</u></b>				
Current assets:				
Cash and equity in pooled cash and investments	\$ 45,392,807	\$ 3,151,305	\$ 132,166,288	\$ 27,290,685
Receivables, net	6,113,082	1,112,065	-	4,807,188
Due from component unit	1,956,944	-	-	-
Due from other funds	1,334,360	-	5,309,708	-
Prepays	4,103	-	-	-
Advances to other funds	2,500,000	-	-	-
<b>Total Assets</b>	<b>\$ 57,301,296</b>	<b>\$ 4,263,370</b>	<b>\$ 137,475,996</b>	<b>\$ 32,097,873</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
Liabilities:				
Accounts payable	\$ 1,337,971	\$ -	\$ 2,679,495	\$ 2,599,221
Accrued expenditures	5,136,629	-	-	-
Due to other funds	-	-	-	6,644,068
Refundable deposits	149,326	-	-	-
Unearned revenue	761,782	-	-	9,393,339
<b>Total Liabilities</b>	<b>7,385,708</b>	<b>-</b>	<b>2,679,495</b>	<b>18,636,628</b>
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	882,116
Unavailable revenue - property taxes	1,540,512	1,119,083	-	-
<b>Total Deferred Inflows of Resources</b>	<b>1,540,512</b>	<b>1,119,083</b>	<b>-</b>	<b>882,116</b>
Fund balances:				
Nonspendable:				
Prepays	4,103	-	-	-
Restricted:				
Debt service	-	3,144,287	-	-
Capital projects	-	-	117,797,806	4,432,714
Special projects	-	-	-	9,044,898
Assigned:				
Capital projects	-	-	16,998,695	-
Unassigned	48,370,973	-	-	(898,483)
<b>Total Fund Balances</b>	<b>48,375,076</b>	<b>3,144,287</b>	<b>134,796,501</b>	<b>12,579,129</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 57,301,296</b>	<b>\$ 4,263,370</b>	<b>\$ 137,475,996</b>	<b>\$ 32,097,873</b>

See Notes to Financial Statements.

**Total  
Funds**

---

\$ 208,001,085  
12,032,335  
1,956,944  
6,644,068  
4,103  
2,500,000  

---

\$ 231,138,535

\$ 6,616,687  
5,136,629  
6,644,068  
149,326  
10,155,121  

---

28,701,831

882,116  
2,659,595  

---

3,541,711

4,103

3,144,287  
122,230,520  
9,044,898

16,998,695  
47,472,490  

---

198,894,993

\$ 231,138,535

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**CITY OF BAYTOWN, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2021**

Total fund balances for governmental funds		\$ 198,894,993
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	38,470,838	
Capital assets, net depreciable	246,934,777	285,405,615
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.		
		3,541,711
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	16,764,794	
Capital assets accounted for in capital assets used in governmental activities	(148,423)	
Compensated absences accounted for in long-term liabilities	109,721	
Deferred outflows - pensions accounted for in governmental activities	(123,118)	
Deferred outflows - OPEB accounted for in governmental activities	(163,498)	
Deferred inflows - pensions accounted for in governmental activities	96,471	
Deferred inflows - OPEB accounted for in governmental activities	100,364	
Net pension liability accounted for in long-term liabilities	631,850	
Ttotal OPEB liability accounted for in long-term liabilities	789,848	18,058,009
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	(155,388,424)	
Deferred outflows - charge on refunding	925,957	
Deferred inflows - charge on refunding	(232,251)	
Capital leases	(269,206)	
Compensated absences	(15,306,057)	
Deferred outflows - pensions	9,690,877	
Deferred inflows - pensions	(8,002,546)	
Net pension liability	(43,575,359)	
Deferred outflows - OPEB	13,382,662	
Deferred inflows - OPEB	(8,277,543)	
Total OPEB liability	(62,531,360)	
Accrued interest payable	(943,828)	(270,527,078)
<b>Net Position of Governmental Activities</b>		<b>\$ 235,373,250</b>

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, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>
<b>Revenues</b>				
Taxes and fees	\$ 110,126,421	\$ 13,658,719	\$ -	\$ 13,121,150
Licenses and permits	2,746,436	-	-	-
Charges for services	2,356,345	-	-	459,849
Fines and forfeitures	1,691,962	-	-	193,279
Intergovernmental	1,801,325	432,674	-	5,796,266
Investment earnings	214,182	20,848	67,391	16,433
Miscellaneous	660,194	-	3,337	2,092,976
<b>Total Revenues</b>	<u>119,596,865</u>	<u>14,112,241</u>	<u>70,728</u>	<u>21,679,953</u>
<b>Expenditures</b>				
Current:				
General government	24,426,499	-	24,909	5,003,126
Public safety	57,000,646	-	-	5,013,154
Public works	5,950,244	-	444,320	614,931
Public health	3,790,467	-	-	-
Parks, recreation, and culture	9,985,591	-	-	2,429,875
Capital outlay	245,653	-	16,684,109	3,457,143
Debt service:				
Principal	352,246	13,828,562	-	-
Interest and fiscal agent fees	10,578	5,284,502	-	-
Issuance costs	-	264,554	440,751	-
<b>Total Expenditures</b>	<u>101,761,924</u>	<u>19,377,618</u>	<u>17,594,089</u>	<u>16,518,229</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>17,834,941</u>	<u>(5,265,377)</u>	<u>(17,523,361)</u>	<u>5,161,724</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,256,686	2,687,841	14,112,442	888,292
Transfers (out)	(9,713,413)	-	(47,065)	(8,687,899)
Debt issued	-	-	36,300,000	-
Refunding debt issued	-	16,555,000	-	-
Premium on debt issued	-	2,595,279	6,150,251	-
Payment to refunded bond escrow agent	-	(19,696,881)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(6,456,727)</u>	<u>2,141,239</u>	<u>56,515,628</u>	<u>(7,799,607)</u>
<b>Net Change in Fund Balances</b>	11,378,214	(3,124,138)	38,992,267	(2,637,883)
Beginning fund balances	36,996,862	6,268,425	95,804,234	15,217,012
<b>Ending Fund Balances</b>	<u>\$ 48,375,076</u>	<u>\$ 3,144,287</u>	<u>\$ 134,796,501</u>	<u>\$ 12,579,129</u>

See Notes to Financial Statements.

**Total  
Funds**

---

\$ 136,906,290  
2,746,436  
2,816,194  
1,885,241  
8,030,265  
318,854  
2,756,507  
155,459,787

29,454,534  
62,013,800  
7,009,495  
3,790,467  
12,415,466  
20,386,905

14,180,808  
5,295,080  
705,305  
155,251,860

207,927

20,945,261  
(18,448,377)  
36,300,000  
16,555,000  
8,745,530

(19,696,881)  
44,400,533

44,608,460

154,286,533

\$ 198,894,993

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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, 2021**

Net change in fund balances – total governmental funds \$ 44,608,460

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	15,163,448
Depreciation	(11,840,555)

Capital contributions from component units and/or developers.	2,529,866
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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	12,980,488
Capital lease principal payment	352,246
Debt issued	(16,555,000)
Refunding debt issued	(36,300,000)
Payment to refunding bond escrow agent	19,696,881
Premium on bonds	(8,745,530)
Amortization of premium on bonds	2,012,013
Amortization of deferred charges	(91,983)

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.	1,078,303
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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	(131,354)
Change in net pension liability	3,332,423
Change in deferred outflows - pensions	(991,697)
Change in deferred outflows - OPEB	1,300,268
Change in deferred inflows - pensions	587,713
Change in deferred inflows - OPEB	(6,378,817)
Change in total OPEB liability	1,732,581
Interest expense on bonds	(178,431)

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.	3,723,831
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 27,885,154</b>
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See Notes to Financial Statements.

**CITY OF BAYTOWN, TEXAS**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**PROPRIETARY FUNDS**  
September 30, 2021

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Aquatics</b>	<b>Sanitation</b>	<b>Nonmajor</b>
<b>Assets</b>				
Current assets:				
Cash and equity and equity in pooled cash and investments	\$ 52,637,961	\$ 654,922	\$ 369,852	\$ 2,413,435
Accounts receivable, net	5,654,539	64,199	1,066,081	287,492
Inventories	-	-	-	-
Prepaid items	-	-	-	-
<b>Total Current Assets</b>	<b>58,292,500</b>	<b>719,121</b>	<b>1,435,933</b>	<b>2,700,927</b>
Noncurrent assets:				
Capital assets:				
Nondepreciable	7,422,472	-	-	-
Depreciable, net	210,257,734	18,073,372	497,943	4,701,249
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>217,680,206</b>	<b>18,073,372</b>	<b>497,943</b>	<b>4,701,249</b>
<b>Total Noncurrent Assets</b>	<b>217,680,206</b>	<b>18,073,372</b>	<b>497,943</b>	<b>4,701,249</b>
<b>Total Assets</b>	<b>\$ 275,972,706</b>	<b>\$ 18,792,493</b>	<b>\$ 1,933,876</b>	<b>\$ 7,402,176</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	599,849	-	-	-
Deferred outflows - pensions	1,083,512	48,296	114,427	152,534
Deferred outflows - OPEB	1,424,537	62,052	158,453	219,980
<b>Total Deferred Outflows of Resources</b>	<b>3,107,898</b>	<b>110,348</b>	<b>272,880</b>	<b>372,514</b>

**Business-Type  
Activities -  
Enterprise  
Funds**

<u>Total Funds</u>	<u>Internal Service</u>
\$ 56,076,170	\$ 19,599,280
7,072,311	-
-	692,329
-	302,000
63,148,481	20,593,609
7,422,472	-
233,530,298	148,423
240,952,770	148,423
240,952,770	148,423
\$ 304,101,251	\$ 20,742,032
599,849	-
1,398,769	123,118
1,865,022	163,498
3,863,640	286,616

**CITY OF BAYTOWN, TEXAS**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**PROPRIETARY FUNDS**  
September 30, 2021

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Aquatics</b>	<b>Sanitation</b>	<b>Nonmajor</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 1,162,848	\$ 45,411	\$ 504,966	\$ 95,973
Accrued expenses	-	-	56,589	-
Compensated absences	698,877	23,735	68,811	77,953
Refundable deposits	3,698,932	-	-	700
Retainage payable	30,205	-	-	-
Accrued interest payable	410,689	-	-	-
Bonds payable - current	5,568,429	-	-	-
Advances from other funds	-	2,500,000	-	-
<b>Total Current Liabilities</b>	<b>11,569,980</b>	<b>2,569,146</b>	<b>630,366</b>	<b>174,626</b>
Noncurrent liabilities:				
Bonds payable, net of premiums	63,497,584	-	-	-
Compensated absences	77,653	2,637	7,646	8,662
Net pension liability	5,842,307	223,443	540,837	269,069
Total OPEB liability	7,178,337	288,835	756,804	970,114
<b>Total Noncurrent Liabilities</b>	<b>76,595,881</b>	<b>514,915</b>	<b>1,305,287</b>	<b>1,247,845</b>
<b>Total Liabilities</b>	<b>88,165,861</b>	<b>3,084,061</b>	<b>1,935,653</b>	<b>1,422,471</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pensions	577,875	36,037	95,139	219,763
Deferred inflows - OPEB	897,792	39,294	96,124	133,707
<b>Total Deferred Inflows of Resources</b>	<b>1,475,667</b>	<b>75,331</b>	<b>191,263</b>	<b>353,470</b>
<b>Net Position</b>				
Net investment in capital assets	164,485,222	18,073,372	497,943	4,701,249
Restricted for:				
Debt service	5,390,663	-	-	-
Unrestricted	19,563,191	(2,329,923)	(418,103)	1,297,500
<b>Total Net Position</b>	<b>\$ 189,439,076</b>	<b>\$ 15,743,449</b>	<b>\$ 79,840</b>	<b>\$ 5,998,749</b>

See Notes to Financial Statements.

**Business-Type  
Activities-  
Enterprise  
Funds**

<u><b>Total Funds</b></u>	<u><b>Internal Service</b></u>
\$ 1,809,198	\$ 263,186
56,589	2,272,414
869,376	101,132
3,699,632	-
30,205	-
410,689	-
5,568,429	-
2,500,000	-
14,944,118	2,636,732
63,497,584	-
96,598	8,589
6,875,656	631,850
9,194,090	789,848
79,663,928	1,430,287
94,608,046	4,067,019
928,814	96,471
1,166,917	100,364
2,095,731	196,835
187,757,786	148,423
5,390,663	-
18,112,665	16,616,371
\$ 211,261,114	\$ 16,764,794

**CITY OF BAYTOWN, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2021

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Aquatics</b>	<b>Sanitation</b>	<b>Nonmajor</b>
<b>Operating Revenues</b>				
Water and sewer sales	\$ 39,113,079	\$ -	\$ -	\$ -
Service charges and other services	8,031,423	2,898,040	-	3,046,526
Solid waste collection	-	-	6,924,988	-
Other revenue	-	-	8,651	-
<b>Total Operating Revenues</b>	<b>47,144,502</b>	<b>2,898,040</b>	<b>6,933,639</b>	<b>3,046,526</b>
<b>Operating Expenses</b>				
Personnel costs	10,906,565	1,547,610	1,030,856	1,247,921
Supplies	13,410,364	459,722	58,923	143,737
Maintenance	2,221,983	493,952	107,949	256,644
Services	3,814,445	232,325	5,811,734	192,775
Claim payments and fees	-	-	-	-
Miscellaneous	-	14,660	-	7,986
Depreciation	8,486,062	1,023,716	90,302	410,756
<b>Total Operating Expenses</b>	<b>38,839,419</b>	<b>3,771,985</b>	<b>7,099,764</b>	<b>2,259,819</b>
<b>Operating Income (Loss)</b>	<b>8,305,083</b>	<b>(873,945)</b>	<b>(166,125)</b>	<b>786,707</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment earnings	66,528	-	-	-
Intergovernmental	3,253,158	-	-	-
Interest expense and other	(2,205,272)	-	-	-
<b>Total Nonoperating Revenues</b>	<b>1,114,414</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Contributions/Transfers</b>	<b>9,419,497</b>	<b>(873,945)</b>	<b>(166,125)</b>	<b>786,707</b>
Capital contributions	366,220	-	181,989	-
Transfers in	131,088	-	250,000	208,870
Transfers (out)	(3,138,754)	(381,088)	(186,500)	(155,500)
<b>Change in Net Position</b>	<b>6,778,051</b>	<b>(1,255,033)</b>	<b>79,364</b>	<b>840,077</b>
Beginning net position	182,661,025	16,998,482	476	5,158,672
<b>Ending Net Position</b>	<b>\$ 189,439,076</b>	<b>\$ 15,743,449</b>	<b>\$ 79,840</b>	<b>\$ 5,998,749</b>

See Notes to Financial Statements.

**Business-Type  
Activities -  
Enterprise  
Funds**

<b>Total Funds</b>	<b>Internal Service</b>
\$ 39,113,079	\$ -
13,975,989	21,879,496
6,924,988	-
8,651	20,590
<u>60,022,707</u>	<u>21,900,086</u>
14,732,952	1,038,389
14,072,746	1,674,970
3,080,528	43,973
10,051,279	60,582
-	16,151,482
22,646	-
10,010,836	56,805
<u>51,970,987</u>	<u>19,026,201</u>
<u>8,051,720</u>	<u>2,873,885</u>
66,528	-
3,253,158	-
<u>(2,205,272)</u>	<u>-</u>
<u>1,114,414</u>	<u>-</u>
9,166,134	2,873,885
548,209	-
589,958	775,000
<u>(3,861,842)</u>	<u>-</u>
6,442,459	3,648,885
204,818,655	13,115,909
<u>\$ 211,261,114</u>	<u>\$ 16,764,794</u>

# CITY OF BAYTOWN, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aquatics	Sanitation	Nonmajor
<b><u>Cash Flows from Operating Activities</u></b>				
Cash received from customers	\$ 47,426,486	\$ 2,833,841	\$ 6,932,409	\$ 3,032,562
Cash received from interfund charges for central services	-	-	-	-
Cash received from interfund charges for risk management services	-	-	-	-
Cash payments for goods and services	(19,654,780)	(1,199,871)	(5,979,124)	(846,695)
Cash payments to employees	(10,824,771)	(1,536,750)	(1,036,920)	(1,341,279)
Other	-	-	8,651	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>16,946,935</b>	<b>97,220</b>	<b>(74,984)</b>	<b>844,588</b>
<b><u>Cash Flows from Noncapital and Related Financing Activities</u></b>				
Transfers in	131,088	-	250,000	208,870
Transfers (out)	(3,138,754)	(381,088)	(186,500)	(155,500)
Operating grants	1,342,488	-	-	-
<b>Net Cash Provided (Used) for Noncapital and Related Financing Activities</b>	<b>(1,665,178)</b>	<b>(381,088)</b>	<b>63,500</b>	<b>53,370</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Acquisition and construction of capital assets	(2,993,686)	-	(51,627)	(200,428)
Capital grants	1,910,670	-	-	-
Principal paid on capital debt	(5,306,438)	-	-	-
Interest and fiscal agent fees paid	(2,703,099)	-	-	-
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(9,092,553)</b>	<b>-</b>	<b>(51,627)</b>	<b>(200,428)</b>
<b><u>Cash Flows from Investing Activities</u></b>				
Interest received	66,528	-	-	-
<b>Net Cash Provided by Investing Activities</b>	<b>66,528</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>6,255,732</b>	<b>(283,868)</b>	<b>(63,111)</b>	<b>697,530</b>
Beginning cash and cash equivalents	46,382,229	938,790	432,963	1,715,905
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 52,637,961</b>	<b>\$ 654,922</b>	<b>\$ 369,852</b>	<b>\$ 2,413,435</b>

See Notes to Financial Statements.

<b>Business-Type Activities - Enterprise Funds</b>	
<b>Total Funds</b>	<b>Internal Service</b>
\$ 60,225,298	\$ 2,040,961
-	1,879,139
-	17,991,986
(27,680,470)	(17,973,049)
(14,739,720)	(1,020,248)
8,651	-
<u>17,813,759</u>	<u>2,918,789</u>
589,958	775,000
(3,861,842)	-
1,342,488	-
<u>(1,929,396)</u>	<u>775,000</u>
(3,245,741)	-
1,910,670	-
(5,306,438)	-
(2,703,099)	-
<u>(9,344,608)</u>	<u>-</u>
66,528	-
<u>66,528</u>	<u>-</u>
6,606,283	3,693,789
<u>49,469,887</u>	<u>15,905,491</u>
<u>\$ 56,076,170</u>	<u>\$ 19,599,280</u>

# CITY OF BAYTOWN, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aquatics	Sanitation	Nonmajor Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 8,305,083	\$ (873,945)	\$ (166,125)	\$ 786,707
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	8,486,062	1,023,716	90,302	410,756
<b>Changes in Operating Assets and Liabilities:</b>				
<b>(Increase) Decrease in Current Assets:</b>				
Prepaid expenses	-	-	-	-
Accounts receivable	527,911	(64,199)	7,421	(13,964)
Inventory	-	-	-	-
Deferred outflows - pensions	69,006	2,656	13,091	21,746
Deferred outflows - OPEB	(144,296)	(6,690)	(14,828)	(20,271)
<b>Increase (Decrease) in Current Liabilities:</b>				
Accounts payable	(186,492)	788	(518)	(245,353)
Accrued expenses	-	-	3,637	-
Retainage payable	(21,496)	-	-	-
Compensated absences	83,502	11,652	(16,286)	(107,009)
Net pension liability	(355,039)	(16,240)	(38,650)	(53,761)
Total OPEB liability	(184,330)	(8,443)	(20,095)	(28,212)
Refundable deposits	(245,927)	-	-	(200)
Deferred inflows - pensions	(65,693)	(3,161)	(6,919)	(9,717)
Deferred inflows - OPEB	678,644	31,086	73,986	103,866
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 16,946,935</b>	<b>\$ 97,220</b>	<b>\$ (74,984)</b>	<b>\$ 844,588</b>
Noncash investing, capital, and financing activities:				
Contributions of capital assets	\$ 366,220	\$ -	\$ 181,989	\$ -

See Notes to Financial Statements.

**Business-Type  
Activities -  
Enterprise  
Funds**

<u>Total Funds</u>	<u>Internal Service</u>
\$ 8,051,720	\$ 2,873,885
10,010,836	56,805
-	12,000
457,169	-
-	(70,186)
106,499	10,747
(186,085)	(16,115)
(431,575)	103,284
3,637	(75,140)
(21,496)	-
(28,141)	15,187
(463,690)	(40,719)
(241,080)	(21,170)
(246,127)	-
(85,490)	(7,731)
<u>887,582</u>	<u>77,942</u>
<u>\$ 17,813,759</u>	<u>\$ 2,918,789</u>
<u>\$ 548,209</u>	<u>\$ -</u>

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**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2021

**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 the 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

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

CCPD has not 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 the 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 Number 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.

**Crossings at Baytown Public Improvement District**

The Crossings at Baytown Public Improvement District (PID) was created pursuant to Chapter 372 of the Texas Local Government Code. The City created the PID as a mechanism to finance public infrastructure improvements within the PID boundaries. These improvements consist of the construction of street and roadway improvements, water lines, sanitary sewer lines, storm sewers, sidewalks, parks, public landscaping, recreational amenities, contingency provisions, engineering services, financing costs, and administrative and legal services for the PID. The City Council found that the improvements would serve to promote the construction of single-family units and confer a special benefit to properties within the PID. Consequently, it would be necessary to apportion the costs of the improvements against property owners in the PID by special assessments. Initially, the public improvements would be prefunded by the developers of the residential subdivisions within the PID. The developers would then be entitled to receive reimbursement of the public improvement costs, subject to limitations contained in their development agreements with the City.

**Bay Creek Public Improvement District**

The Bay Creek Public Improvement District (PID) was created pursuant to Chapter 372 of the Texas Local Government Code. The City created the PID as a mechanism to finance public infrastructure improvements within the PID boundaries. These improvements consist of the construction of street and roadway improvements, water lines, sanitary sewer lines, storm sewers, sidewalks, parks, public landscaping, recreational amenities, contingency provisions, engineering services, financing costs, and administrative and legal services for the PID. The City Council found that the improvements would serve to promote the construction of single-family units and confer a special benefit to properties within the PID. Consequently, it would be necessary to apportion the costs of the improvements against property owners in the PID by special assessments. Initially, the public improvements would be prefunded by the developers of the residential subdivisions within the PID. The developers would

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

then be entitled to receive reimbursement of the public improvement costs, subject to limitations contained in their development agreements with the City.

The CCPD, FCPMSD, TIRZ, and PID 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 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.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

**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.

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

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

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 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.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

**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

**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

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

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:

<b>Asset Description</b>	<b>Estimated Useful Life</b>
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 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

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

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 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.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

**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.

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.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

**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.

**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.

**H. Reclassifications**

Certain prior year amounts have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

**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, 2021, the City Manager approved various budget revisions within departments.

**A. Deficit Fund Balance/Net Position**

The central services fund reported deficit net position of \$130,058 due to activity related to the purchases of fuel for resale in current fiscal year. The community development block grant fund reported a deficit fund balance of \$883,062 due to the deferral of revenue related to federal grant reimbursements that have not been approved yet. The Bay Creek PID reported a negative fund balance of \$15,421 due to administrative expenses related to the creation of the PID.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

**B. Expenditures in Excess of Appropriations**

Expenditures exceeded the appropriations at the legal level of control as follows:

General:	
Fire	\$ 1,128,877
Streets and drainage	\$ 137,763
Traffic control	\$ 60,781
Debt service:	
Issuance costs	\$ 114,554
Payments to refunded bond escrow agent	\$ 18,866,881
Crime Control and Prevention District:	
Public safety	\$ 191,163

While the debt service fund budget was not amended for payment to refunding bond escrow agent and issuance costs, the City Council did authorize the issuance of General Obligation Refunding Bonds, Series 2020.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2021, the City had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)	Credit Risk
Commercial paper	\$ 35,275,279	0.37	A-1/A-1+/P-1/F1/F1+
U.S. government and agencies	31,277,326	0.52	N/A
U.S. Treasury notes	2,641,596	1.04	N/A
Municipal bonds	11,268,098	0.67	Aa1/AAA/Aa3/Aa2/Aaa/AA/AA-
External investment pools			
TexPool	120,128,574	0.10	AAA-m
TexSTAR	63,053,555	0.12	AAA-m
<b>Total</b>	<b>\$ 263,644,428</b>		
Portfolio weighted average maturity		0.22	

**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.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

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.

As of September 30, 2021, the City had the following recurring fair value measurements:

	<u>September 30, 2021</u>	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
<b>Investments by Fair Value Level</b>			
<u>U.S. Government Agency Bonds/Notes</u>			
Federal Home Loan Bank	\$ 12,039,431	\$ 12,039,431	\$ -
Federal Agricultural Mortgage Corp	1,600,000	1,600,000	-
Federal Farm Credit Bank	7,249,045	7,249,045	-
Federal National Mortgage Association	5,142,847	5,142,847	-
Federal Housing Administration	869,941	869,941	-
Federal Home Loan Mortgage Corp	2,759,242	2,759,242	-
Treasury Notes	2,641,596	2,641,596	-
Agency Bond	1,616,820	1,616,820	-
Municipal Bonds	11,268,098	-	11,268,098
<b>Total</b>	<u>\$ 45,187,020</u>	<u>\$ 33,918,922</u>	<u>\$ 11,268,098</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, 2021, 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, 2021 consist of a variety of bonds

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

and discount notes issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, the Federal Agriculture Mortgage Corporation, Federal Housing Administration 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, 2021, 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 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.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

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.

**B. Receivables**

The following comprise receivable balances at year end:

**Governmental Funds**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total Funds</u>
Taxes	\$ 5,288,888	\$ 1,418,046	\$ 1,918,628	\$ 8,625,562
Accounts	1,986,934	-	814,067	2,801,001
Interest	277,397	-	-	277,397
Grants	83,518	-	2,074,493	2,158,011
Less allowance	(1,523,655)	(305,981)	-	(1,829,636)
	<u>\$ 6,113,082</u>	<u>\$ 1,112,065</u>	<u>\$ 4,807,188</u>	<u>\$ 12,032,335</u>

**Proprietary Funds**

	<u>Water and Sewer</u>	<u>Aquatics</u>	<u>Sanitation</u>	<u>Nonmajor</u>	<u>Total Funds</u>
Accounts	\$ 6,151,818	\$ 64,199	\$ 1,066,081	\$ 287,492	7,569,590
Less allowance	(497,279)	-	-	-	(497,279)
	<u>\$ 5,654,539</u>	<u>\$ 64,199</u>	<u>\$ 1,066,081</u>	<u>\$ 287,492</u>	<u>\$ 7,072,311</u>

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

**C. Capital Assets**

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

**1. Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Reclassifications/ (Decreases)</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 18,597,678	\$ 648,476	\$ -	\$ 19,246,154
Construction in progress	59,690,819	14,864,336	(55,330,471)	19,224,684
<b>Total Capital Assets Not Being Depreciated</b>	78,288,497	15,512,812	(55,330,471)	38,470,838
Capital assets being depreciated:				
Buildings	79,586,549	13,257,530	-	92,844,079
Improvements other than buildings	21,624,146	726,858	-	22,351,004
Machinery and equipment	61,869,315	4,010,724	(2,061,266)	63,818,773
Infrastructure	198,791,355	39,550,597	-	238,341,952
<b>Total Capital Assets Being Depreciated</b>	361,871,365	57,545,709	(2,061,266)	417,355,808
Less accumulated depreciation for:				
Buildings	(31,183,033)	(2,240,712)	-	(33,423,745)
Improvements other than buildings	(7,018,823)	(829,323)	-	(7,848,146)
Machinery and equipment	(47,018,569)	(3,693,728)	2,026,530	(48,685,767)
Infrastructure	(75,386,581)	(5,076,792)	-	(80,463,373)
<b>Total Accumulated Depreciation</b>	(160,607,006)	(11,840,555)	2,026,530	(170,421,031)
<b>Total Capital Assets, Net Governmental Activities</b>	201,264,359	45,705,154	(34,736)	246,934,777
<b>Capital Assets, Net</b>	\$ 279,552,856	\$ 61,217,966	\$ (55,365,207)	285,405,615
			Less associated debt	(155,657,630)
			Plus deferred charge on refunding	693,706
			Unspent bond proceeds	48,815,004
			<b>Net Investment in Capital Assets</b>	<b>\$ 179,256,695</b>

Depreciation was charged to governmental functions as follows:

General government	\$ 652,028
Public safety	3,349,673
Public works	5,936,728
Public health	174,087
Recreation and culture	1,671,234
Capital assets held by the City's internal service funds are charged to various functions based on their usage of the assets	56,805
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 11,840,555</b>

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

**2. Construction Commitments – Governmental Activities**

The City has active governmental activities construction projects as of September 30, 2021. 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	\$ 407,083	\$ 242,917
Fire Training Props and Thermal Lining	808,000	763,750	44,250
Reconstruction of Rollingbrook	2,256,677	1,329,721	926,956
Animal Services Adoption Shelter	6,532,984	3,955,445	2,577,539
<b>Total</b>	<u>\$ 10,247,661</u>	<u>\$ 6,455,999</u>	<u>\$ 3,791,662</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, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ (Decreases)</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,898,968	\$ -	\$ -	\$ 1,898,968
Construction in progress	4,661,141	3,198,429	(2,336,066)	5,523,504
<b>Total Capital Assets Not Being Depreciated</b>	<u>6,560,109</u>	<u>3,198,429</u>	<u>(2,336,066)</u>	<u>7,422,472</u>
Capital assets being depreciated:				
Buildings and systems	63,445,772	-	-	63,445,772
Improvements other than buildings	298,295,853	2,336,068	-	300,631,921
Machinery and equipment	12,579,900	595,519	(265,100)	12,910,319
<b>Total Capital Assets Being Depreciated</b>	<u>374,321,525</u>	<u>2,931,587</u>	<u>(265,100)</u>	<u>376,988,012</u>
Less accumulated depreciation for:				
Buildings and systems	(56,481,603)	(1,286,748)	-	(57,768,351)
Improvements other than buildings	(68,442,914)	(7,933,562)	-	(76,376,476)
Machinery and equipment	(8,787,461)	(790,526)	265,100	(9,312,887)
<b>Total Accumulated Depreciation</b>	<u>(133,711,978)</u>	<u>(10,010,836)</u>	<u>265,100</u>	<u>(143,457,714)</u>
<b>Total Capital Assets, Net Business-Type Activities</b>	<u>240,609,547</u>	<u>(7,079,249)</u>	<u>-</u>	<u>233,530,298</u>
<b>Capital Assets, Net</b>	<u>\$ 247,169,656</u>	<u>\$ (3,880,820)</u>	<u>\$ (2,336,066)</u>	<u>240,952,770</u>
				(69,066,013)
				599,849
				15,271,180
				<u>187,757,786</u>

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 8,486,062
Sanitation	90,302
Bayland Island	181,912
Storm water	228,844
Aquatics	1,023,716
<b>Total Business-Type Activities Depreciation Expense</b>	<b><u>\$ 10,010,836</u></b>

**4. Construction Commitments – Business-Type Activities**

The City has active business-type activities construction projects as of September 30, 2021. The projects include the following:

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
<b>Business-type activities:</b>			
Annual Waterline Rehabilitation	\$ 1,000,000	\$ 252,959	\$ 747,041
Annual Sanitary Sewer Rehabilitation	1,000,000	181,028	818,972
Goose Creek Lift Station Rehabilitation	4,761,106	170,100	4,591,006
<b>Total</b>	<b><u>\$ 6,761,106</u></b>	<b><u>\$ 604,087</u></b>	<b><u>\$ 6,157,019</u></b>

**5. Discretely Presented Component Unit**

The following is a summary of changes in capital assets for BAWA for the year ended September 30, 2021:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,877,960	\$ -	\$ -	\$ 2,877,960
Construction in progress	66,285,816	2,193,325	(68,295,658)	183,483
<b>Total Capital Assets Not Being Depreciated</b>	<b><u>69,163,776</u></b>	<b><u>2,193,325</u></b>	<b><u>(68,295,658)</u></b>	<b><u>3,061,443</u></b>
Capital assets, being depreciated:				
Buildings	1,021,268	57,163,102	-	58,184,370
Improvements other than buildings	47,781,672	11,132,554	-	58,914,226
Machinery and equipment	6,929,580	161,381	(14,642)	7,076,319
<b>Total Capital Assets Being Depreciated</b>	<b><u>55,732,520</u></b>	<b><u>68,457,037</u></b>	<b><u>(14,642)</u></b>	<b><u>124,174,915</u></b>
<b>Total Capital Assets</b>	<b><u>124,896,296</u></b>	<b><u>70,650,362</u></b>	<b><u>(68,310,300)</u></b>	<b><u>127,236,358</u></b>
Less accumulated depreciation for:				
Buildings	(753,777)	(494,105)	-	(1,247,882)
Improvements other than buildings	(19,968,950)	(1,295,911)	-	(21,264,861)
Machinery and equipment	(4,009,353)	(452,387)	14,642	(4,447,098)
<b>Total Accumulated Depreciation</b>	<b><u>(24,732,080)</u></b>	<b><u>(2,242,403)</u></b>	<b><u>14,642</u></b>	<b><u>(26,959,841)</u></b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b><u>31,000,440</u></b>	<b><u>66,214,634</u></b>	<b><u>-</u></b>	<b><u>97,215,074</u></b>
<b>Discretely Presented Component Unit</b>				
<b>Capital Assets, Net</b>	<b><u>\$ 100,164,216</u></b>	<b><u>\$ 68,407,959</u></b>	<b><u>\$ (68,295,658)</u></b>	<b><u>100,276,517</u></b>
			Less associated debt	<u>(45,279,525)</u>
			<b>Net Investment in Capital Assets</b>	<b><u>\$ 54,996,992</u></b>

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

**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, 2021. 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>
<b>Governmental Activities</b>					
Bonds, notes and other payables:					
General obligation bonds	\$ 74,012,321	\$ 16,555,000	\$ 21,558,562	\$ 69,008,759	\$ 8,986,571
Combination tax and revenue bonds	46,160,000	36,300,000	11,665,000	70,795,000	5,470,000
Plus deferred amounts:					
For premiums	8,851,148	8,745,530	2,012,013	15,584,665	-
Capital leases	621,452	-	352,246	269,206	269,206
<b>Total</b>	<u>129,644,921</u>	<u>61,600,530</u>	<u>35,587,821</u>	<u>155,657,630</u> *	<u>14,725,777</u>
Other liabilities:					
Net pension liability	46,907,782	-	3,332,423	43,575,359	-
Total OPEB liability	64,263,941	-	1,732,581	62,531,360	-
Compensated absences	15,174,703	13,788,586	13,657,232	15,306,057	13,775,451
<b>Total</b>	<u>126,346,426</u>	<u>13,788,586</u>	<u>18,722,236</u>	<u>121,412,776</u>	<u>13,775,451</u>
<b>Total Governmental Activities</b>	<u>\$ 255,991,347</u>	<u>\$ 75,389,116</u>	<u>\$ 54,310,057</u>	<u>\$ 277,070,406</u>	<u>\$ 28,501,228</u>
<b>Long-term debt due in more than one year</b>				<u>\$ 248,569,178</u>	
<b>*Debt associated with capital assets</b>				<u>\$ 155,657,630</u>	

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Business-Type Activities</b>					
Refunding bonds	\$ 30,732,680	\$ -	3,391,438	\$ 27,341,242	\$ 3,593,429
Certificates of obligation	38,735,000	-	1,915,000	36,820,000	1,975,000
Less deferred amounts:					
For premiums	5,423,905	-	519,134	4,904,771	-
<b>Total</b>	<u>74,891,585</u>	<u>-</u>	<u>5,825,572</u>	<u>69,066,013</u> **	<u>5,568,429</u>
Other liabilities:					
Net pension liability	7,339,346	-	463,690	6,875,656	-
Total OPEB liability	9,435,170	-	241,080	9,194,090	-
Compensated absences	994,115	894,704	922,845	965,974	869,376
<b>Total</b>	<u>17,768,631</u>	<u>894,704</u>	<u>1,627,615</u>	<u>17,035,720</u>	<u>869,375</u>
<b>Total Business-Type Activities</b>	<u>\$ 92,660,216</u>	<u>\$ 894,704</u>	<u>\$ 7,453,187</u>	<u>\$ 86,101,733</u>	<u>\$ 6,437,804</u>

**Long-term debt due in more than one year** \$ 79,663,929

**\*\*Debt associated with capital assets** \$ 69,066,013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Discretely Presented Component Units</b>					
Revenue bonds					
BAWA	\$ 44,165,000	\$ -	\$ 1,780,000	\$ 42,385,000 *	\$ 1,835,000
MDD	-	62,765,000	-	62,765,000	-
Total revenue bonds	<u>44,165,000</u>	<u>62,765,000</u>	<u>1,780,000</u>	<u>105,150,000</u>	<u>1,835,000</u>
Less deferred amounts:					
For premiums					
BAWA	3,063,010	-	168,485	2,894,525 *	-
MDD	-	10,010,709	-	10,010,709	-
Total premiums	<u>3,063,010</u>	<u>10,010,709</u>	<u>168,485</u>	<u>12,905,234</u>	<u>-</u>
<b>Total Discretely Presented Component Units</b>	<u>\$ 47,228,010</u>	<u>\$ 72,775,709</u>	<u>\$ 1,948,485</u>	<u>\$ 118,055,234</u>	<u>\$ 1,835,000</u>

**Long-term debt payable in more than one year** \$ 116,220,234

**\*Debt associated with capital assets** \$ 45,279,525 \*

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, \$1,531,419 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

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

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 \$36,300,000 of Combination Tax and Revenue Certificates of Obligation, Series 2020 (the “Certificates”). Proceeds from the sale of the Certificates will be used to provide funds for the (i) construction of improvements to and the equipment of the City’s water and sewer system; (ii) the construction of improvements to roads and related infrastructure, including lighting, signals, signage, and drainage; and (iii) cost of professional services incurred in connection therewith. The Certificates will mature during fiscal year 2040 and have an interest rate ranging from three to five percent.

**Current Refunding**

In the current fiscal year, the City issued \$16,555,000 in General Obligation Refunding Bonds, Series 2020 with interest rates ranging from three to five percent. The proceeds were used to provide for a current refunding of \$19,395,000 of outstanding general obligation and refunding bonds, \$6,050,000 for series 2018 and \$13,345,000 for series 2012 which had interest rates up to five percent. The net proceeds of \$19,696,881 (including a \$2,595,278 premium and after payment of \$245,554 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 2012 and 2018 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 \$175,671 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 \$1,697,516 and resulted in an economic gain of \$1,584,089.

**Revenue Bonds**

In the current fiscal year, MDD issued \$18,055,000 of First-Lien Hotel Revenue Bonds, Series 2021A; \$14,030,000 of Second-Lien Hotel Revenue Bonds, Series 2021B; and \$30,680,000 of Combination Limited Sales Tax Revenue and Third-Lien Hotel Revenue Bonds, Series 2021C (the “Bonds”). The proceeds of the Bonds will be used to (a) finance the costs required to design, acquire, construct, equip, furnish, and open upper-upscale, full-service hotel and City-owned convention center facilities, certain surface parking and certain public facilities and infrastructure; (b) fund capitalized interest; (c) fund debt service reserve funds for the bonds; (d) fund an initial deposit to the project fund; and (e) pay certain costs of issuing the bonds. The Bonds will be repaid from revenues generated from the project and pledged sales taxes with a debt service coverage ratio requirement. The Bonds will mature during fiscal year 2051 and have an interest rate ranging from two and a half to five percent.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

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

Description	Interest Rate (%)	Maturity Date	Original Issue	Net Retirement	Outstanding
<b>General Obligation Bonds:</b>					
Refunding, Series 2012	1.69 - 3.23	2032	\$ 30,225,000	\$ 30,225,000	\$ -
Series 2013	2.00 - 3.375	2033	16,800,000	5,670,000	11,130,000
Refunding, Series 2014	2.00 - 4.00	2034	28,520,000	13,480,000	15,040,000
Series 2015	2.00 - 5.00	2035	11,135,000	3,746,129	7,388,871
Refunding, Series 2016	2.00 - 5.00	2028	8,337,324	2,612,436	5,724,888
Refunding, Series 2019	3.00 - 5.00	2030	5,965,000	945,000	5,020,000
Refunding, Series 2019A	3.00 - 5.00	2031	9,530,000	1,380,000	8,150,000
Refunding, Series 2020	3.00 - 5.00	2032	16,555,000	-	16,555,000
<b>Total General Obligation Bonds</b>			<u>162,347,324</u>	<u>80,448,565</u>	<u>69,008,759</u>
<b>Combination Tax and Certificates of Obligation:</b>					
Series 2015	2.00 - 5.00	2035	6,600,000	1,555,000	5,045,000
Series 2016	2.00 - 5.00	2036	17,635,000	3,205,000	14,430,000
Series 2017	4.00 - 5.00	2027	18,010,000	6,315,000	11,695,000
Series 2018	3.00 - 5.00	2028	7,365,000	7,365,000	-
Series 2019A	3.00 - 4.00	2024	6,925,000	2,115,000	4,810,000
Series 2020	3.00 - 5.00	2040	36,300,000	1,485,000	34,815,000
<b>Total Combination Tax and Revenue Bonds</b>			<u>94,935,000</u>	<u>20,540,000</u>	<u>70,795,000</u>
<b>Total General Bonded Debt</b>			<u>\$ 260,302,324</u>	<u>\$ 104,008,565</u>	<u>\$ 139,803,759</u>
<b>Capital Leases:</b>					
Tax-exempt agreement 2032	2.16	2022	\$ 2,579,696	\$ 2,310,490	\$ 269,206
<b>Total Capital Leases</b>			<u>\$ 2,579,696</u>	<u>\$ 2,310,490</u>	<u>\$ 269,206</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
<b>Water and Sewer Bonds:</b>					
General Obligation and Refunding Series, 2015	2.00 - 5.00	2035	\$ 14,175,000	\$ 4,768,871	\$ 9,406,129
General Obligation and Refunding Series, 2016	2.00 - 5.00	2028	27,192,676	9,257,563	17,935,113
<b>Total Water and Sewer Bonds</b>			<u>41,367,676</u>	<u>14,026,434</u>	<u>27,341,242</u>
Certificates of Obligation, Series 2013	2.00 - 3.38	2033	16,500,000	5,575,000	10,925,000
Certificates of Obligation, Series 2014	2.00 - 4.00	2034	11,715,000	3,160,000	8,555,000
Certificates of Obligation, Series 2019	3.00 - 5.00	2039	18,440,000	1,100,000	17,340,000
<b>Total Certificates of Obligation</b>			<u>46,655,000</u>	<u>9,835,000</u>	<u>36,820,000</u>
<b>Total Bonded Debt</b>			<u>\$ 88,022,676</u>	<u>\$ 23,861,434</u>	<u>\$ 64,161,242</u>

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

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

Description	Interest Rate (%)	Maturity Date	Original Issue	Net Retirement	Outstanding
<b>Revenue Bonds</b>					
<b>BAWA</b>					
Series 2006	2.25 - 2.90	2022	\$ 13,290,000	\$ 12,600,000	\$ 690,000
Series 2012	2.00 - 4.00	2032	8,315,000	4,580,000	3,735,000
Series 2018	4.00 - 5.00	2038	22,040,000	135,000	21,905,000
Series 2019	3.00 - 4.00	2038	17,315,000	1,260,000	16,055,000
<b>MDD</b>					
Series 2021A	2.50 - 4.00	2051	18,055,000	-	18,055,000
Series 2021B	3.50 - 5.00	2051	14,030,000	-	14,030,000
Series 2021C	4.00 - 5.00	2051	30,680,000	-	30,680,000
<b>Total Revenue Bonds</b>			<u>123,725,000</u>	<u>18,575,000</u>	<u>105,150,000</u>
<b>Total Bonded Debt</b>			<u>\$ 123,725,000</u>	<u>\$ 18,575,000</u>	<u>\$ 105,150,000</u>

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

Fiscal Year Ending Sept. 30	Discretely Presented Component Units				Total Primary Government
	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	
2022	\$ 14,456,571	\$ 5,343,731	\$ 5,568,429	\$ 2,343,987	\$ 27,712,718
2023	14,235,080	4,702,290	5,839,920	2,097,516	26,874,806
2024	13,966,289	4,065,831	6,133,711	1,838,125	26,003,956
2025	11,992,498	3,493,318	6,427,502	1,579,463	23,492,781
2026	11,648,268	2,982,281	6,081,732	1,328,887	22,041,168
2027-2031	40,266,413	9,407,958	18,893,588	4,005,989	72,573,948
2032-2036	23,433,640	3,436,250	11,526,360	1,380,622	39,776,872
2037-2040	9,805,000	599,476	3,690,000	186,458	14,280,934
<b>Total</b>	<u>\$ 139,803,759</u>	<u>\$ 34,031,135</u>	<u>\$ 64,161,242</u>	<u>\$ 14,761,047</u>	<u>\$ 252,757,183</u>

Fiscal Year Ending Sept. 30	Discretely Presented Component Units				Total
	MDD		BAWA		
	Principal	Interest	Principal	Interest	
2022	-	\$ 1,548,176	\$ 1,835,000	\$ 1,676,706	\$ 1,548,176
2023	-	2,759,125	1,970,000	1,613,294	2,759,125
2024	-	2,759,125	2,005,000	1,528,994	2,759,125
2025	-	2,759,125	2,040,000	1,442,669	2,759,125
2026	1,025,000	2,739,263	2,080,000	1,354,219	3,764,263
2027-2031	7,315,000	12,911,000	11,315,000	5,383,395	20,226,000
2032-2036	9,935,000	11,024,850	13,750,000	2,894,074	20,959,850
2037-2041	13,070,000	8,316,000	7,390,000	446,950	21,386,000
2042-2046	16,905,000	4,987,550	-	-	21,892,550
2047-2051	14,515,000	1,634,975	-	-	16,149,975
<b>Total</b>	<u>\$ 62,765,000</u>	<u>\$ 51,439,189</u>	<u>\$ 42,385,000</u>	<u>\$ 16,340,301</u>	<u>\$ 114,204,189</u>

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

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.

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

Fiscal Year Ending Sept. 30	Governmental Activities		
	Principal	Interest	Total
2022	\$ 269,206	\$ 2,911	\$ 272,117

The assets acquired through capital leases are as follows:

	Governmental Activities
<b>Assets:</b>	
Machinery and equipment	\$ 3,448,119
Less: Accumulated depreciation	(1,206,842)
<b>Total</b>	<b>\$ 2,241,277</b>

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, 2021

**E. Interfund Transactions**

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Water and sewer	\$ 1,965,586
General	Aquatics	250,000
General	Nonmajor governmental	1,041,100
Debt service	Water and sewer	413,018
Debt service	Nonmajor governmental	2,274,823
Capital projects	General	8,018,286
Capital projects	Water and sewer	380,180
Capital projects	Sanitation	186,500
Capital projects	Nonmajor governmental	5,371,976
Capital projects	Nonmajor enterprise	155,500
Water and sewer	Aquatics	131,088
Sanitation	General	250,000
Internal service	General	400,000
Internal service	Water and sewer	375,000
Nonmajor governmental	General	836,257
Nonmajor governmental	Capital projects	47,065
Nonmajor governmental	Water and sewer	4,970
Nonmajor enterprise	General	208,870
		<u>\$ 22,310,219</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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Nonmajor governmental	\$ 1,334,360
Capital projects	Nonmajor governmental	5,309,708
	<b>Total</b>	<u>\$ 6,644,068</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	\$ 2,500,000

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 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.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

**F. Fund Equity**

As of September 30, 2021, \$2,543,421 of the City’s total fund balance is restricted by enabling legislation.

**G. Restatement of Net Position**

Beginning net position for the water and sewer fund, risk management fund, business-type activities and governmental activities have been restated to account for the South Main sewer contributions in the correct fund. Beginning net position for governmental activities has been restated due to over capitalization of construction in progress projects.

	<u>Water and Sewer</u>	<u>Business-Type Activities</u>	<u>Risk Management</u>	<u>Governmental Activities</u>
<b>Beginning net position, as reported</b>	\$ 180,402,804	\$ 202,560,434	\$ 15,456,977	\$ 213,283,548
Capital assets	-	-	-	(3,537,231)
South Main Sewer contributions	2,258,221	2,258,221	(2,258,221)	(2,258,221)
	<u>\$ 182,661,025</u>	<u>\$ 204,818,655</u>	<u>\$ 13,198,756</u>	<u>\$ 207,488,096</u>

**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 \$1,385,000 as of September 30, 2021.

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 \$887,414. 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.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

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

<b>Reconciliation of Changes in the Aggregate Liabilities for Claims and Judgments:</b>	<b>2021</b>	<b>2020</b>
Unpaid claims, beginning of year	\$ 2,347,554	\$ 2,561,806
Plus: incurred claims (including IBNR)	11,345,525	11,646,189
Less: claim payments	(11,420,665)	(11,860,441)
<b>Unpaid Claims, End of Year</b>	<b>\$ 2,272,414</b>	<b>\$ 2,347,554</b>

**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 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. Pension Plan**

**Texas Municipal Retirement System**

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

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:

	<b>2021</b>	<b>2020</b>
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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	512
Inactive employees entitled to, but not yet receiving, benefits	401
Active employees	869
<b>Total</b>	<b>1,782</b>

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 17.33 percent and 17.67 percent in calendar years 2020 and 2021, respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2021 were \$12,246,744, which were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2020 and the Total Pension Liability (TPL) used to calculate the NPL 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, 2021

Actuarial Assumptions

The TPL in the December 31, 2020 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 postretirement mortality assumption for 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).

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%
<b>Total</b>	<u>100.00%</u>	

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

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 TMRS 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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (A) - (B)</b>
Changes for the year:			
Service cost	\$ 11,508,530	\$ -	\$ 11,508,530
Interest	24,653,471	-	24,653,471
Change of benefit terms	-	-	-
Difference between expected and actual experience	12,778	-	12,778
Changes of assumptions	-	-	-
Contributions - employer	-	11,658,876	(11,658,876)
Contributions - employee	-	4,725,986	(4,725,986)
Net investment income	-	23,745,617	(23,745,617)
Benefit payments, including refunds of employee contributions	(14,951,922)	(14,951,922)	-
Administrative expense	-	(153,594)	153,594
Other changes	-	(5,993)	5,993
<b>Net Changes</b>	<b>21,222,857</b>	<b>25,018,970</b>	<b>(3,796,113)</b>
Balance at December 31, 2019	366,958,305	312,711,177	54,247,128
<b>Balance at December 31, 2020</b>	<b>\$ 388,181,162</b>	<b>\$ 337,730,147</b>	<b>\$ 50,451,015</b>

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:

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's Net Pension Liability	\$ 108,149,549	\$ 50,451,015	\$ 3,290,465

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$8,906,497.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 1,687,774	\$ 70,889
Changes in actuarial assumptions	371,477	-
Difference between projected and actual investment earnings	-	8,860,471
Contributions subsequent to the measurement date	9,030,395	-
<b>Total</b>	<b>\$ 11,089,646</b>	<b>\$ 8,931,360</b>

\$9,030,395 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ended September</b>	<b>Pension Expense</b>
2022	\$ (1,979,084)
2023	598,087
2024	(4,966,040)
2025	(525,072)
<b>Total</b>	<b>\$ (6,872,109)</b>

**E. 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.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

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, 2020 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	384
Inactive employees entitled to, but not yet receiving, benefits	104
Active employees	869
<b>Total</b>	<b>1,357</b>

Total OPEB Liability

The City's total OPEB liability of \$3,208,588 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.0%*
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 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, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2021

Changes in the Total OPEB Liability

		<u>Total OPEB Liability</u>
Changes for the year:		
Service cost	\$	120,789
Interest		74,332
Differences between expected and actual experience		(55,817)
Changes of assumptions		436,778
Benefit payments*		(20,132)
	<b>Net Changes</b>	<u>555,950</u>
Beginning balance		2,652,638
	<b>Ending balance</b>	<u><u>\$ 3,208,588</u></u>

\*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.

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:

	<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Discount Rate (2.00%)</u>	<u>1% Increase in Discount Rate (3.00%)</u>
City's Total OPEB Liability	\$ 3,941,604	\$ 3,208,588	\$ 2,643,898

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$294,147. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 145,562	\$ 360,593
Changes in actuarial assumptions	730,637	87,689
Contributions subsequent to the measurement date	40,890	-
<b>Total</b>	<u>\$ 917,089</u>	<u>\$ 448,282</u>

\$40,890 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, 2022.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

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

<b>Fiscal Year Ended September 30</b>	<b>OPEB Expense</b>
2022	\$ 99,026
2023	99,026
2024	83,594
2025	61,419
2026	57,176
Thereafter	27,676
	<u>\$ 427,917</u>

**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 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, audited GAAP basis postemployment benefit plan report is not available for this Plan.

Participation in the Plan as of December 31, 2020 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	267
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	<u>294</u>
<b>Total</b>	<u><u>561</u></u>

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 \$68,516,862 was measured as of December 31, 2020 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, 2021**

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement period, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.00%*
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 improvement rates in the MP tables to account for future mortality improvements.
Healthcare trends rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.25% after 13 years Post-65: Initial rate of 6.30% 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 is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Changes for the year:	
Service cost	\$ 1,915,956
Interest	1,954,304
Difference between expected and actual experience	(9,960,290)
Changes of assumptions	5,438,103
Benefit payments*	(1,877,684)
	<b>Net Changes</b>
	(2,529,611)
Beginning balance	71,046,473
	<b>Ending Balance</b>
	<b>\$ 68,516,862</b>

Changes in benefit terms were related to the benefits provided to Medicare retirees. Changes of assumptions reflect a change in the discount rate from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020, 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, 2021

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 2.00%, 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:

	<b>1% Decrease in Discount Rate (1.00%)</b>	<b>Discount Rate (2.00%)</b>	<b>1% Increase in Discount Rate (3.00%)</b>
City's Total OPEB Liability	\$ 76,835,597	\$ 68,516,862	\$ 61,399,441

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:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate Assumption</b>	<b>1% Increase</b>
City's Total OPEB Liability	\$ 59,689,240	\$ 68,516,862	\$ 79,360,810

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$5,458,653. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 60,877	\$ 8,365,579
Changes in actuarial assumptions	12,896,573	630,599
Contributions subsequent to the measurement date	1,373,145	-
<b>Total</b>	<b>\$ 14,330,595</b>	<b>\$ 8,996,178</b>

\$1,373,145 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, 2022.

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

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

<b>Fiscal Year Ended September 30</b>	<b>OPEB Expense</b>
2022	\$ 1,588,393
2023	1,527,579
2024	1,059,138
2025	(213,838)
	\$ 3,961,272

**3. Aggregate Total OPEB Expenses/Expenditures**

The City recognized aggregate total OPEB expense/expenditures of \$5,752,800 during the fiscal year ending September 30, 2021 related to the City’s TMRS and City-administered OPEB plans.

**F. 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, 2021, the total amount of taxes abated were \$323,248 for the City and \$126,035 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 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

**CITY OF BAYTOWN, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2021**

projected sales tax revenue from this Project over 20 years is about \$20.3 million. For the year ended September 30, 2021, the total amount of taxes abated was \$419,896 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, 2021, the total amount of taxes abated was \$224,921 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, 2021, the total amount of taxes abated was \$157,753 for the City.

**G. 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.

**H. Subsequent Events**

On December 1, 2021, the City issued General Obligation Refunding Bonds, Series 2021A (the “Bonds”) in the amount of \$17,595,000. Proceeds from the bonds will be used to defease \$10,160,000 of outstanding obligations from Combination Tax and Revenue Certificates of Obligation, Series 2013 and \$10,350,000 of outstanding obligations from General Obligation Bonds, Series 2013. The Bonds will mature during fiscal year 2033 and have an interest rate ranging from four to five percent.

***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, 2021**

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Taxes	\$ 105,328,828	\$ 105,328,828	\$ 110,126,421	\$ 4,797,593
Licenses and permits	2,203,998	2,203,998	2,746,436	542,438
Charges for services	2,327,618	2,327,618	2,356,345	28,727
Fines and forfeitures	2,467,826	2,467,826	1,691,962	(775,864)
Intergovernmental	1,519,048	1,519,048	1,801,325	282,277
Investment earnings	700,425	700,425	214,182	(486,243)
Miscellaneous	657,864	657,864	660,194	2,330
<b>Total Revenues</b>	<u>115,205,607</u>	<u>115,205,607</u>	<u>119,596,865</u>	<u>4,391,258</u>
<b><u>Expenditures</u></b>				
General government:				
General administration	2,097,698	2,097,698	1,830,232	267,466
Fiscal operation	2,641,986	2,641,986	2,306,567	335,419
Legal services	1,222,743	1,222,743	961,960	260,783
Information technology services	3,875,404	3,879,364	3,564,314	315,050
Planning and development	4,685,067	4,685,067	3,721,576	963,491
Human resources	1,493,289	1,493,289	1,344,842	148,447
City clerk	1,275,155	1,275,155	1,051,001	224,154
Municipal court	1,781,016	1,781,016	1,563,158	217,858
City facilities	953,364	953,364	839,046	114,318
General overhead	8,196,449	8,185,449	5,251,159	2,934,290
Public safety:				
Police	28,621,567	28,617,607	27,625,214	992,393
Fire	25,825,362	25,766,441	26,895,318	(1,128,877) *
Emergency management	439,809	439,809	357,319	82,490
Communication	2,074,284	2,144,284	2,122,795	21,489
Public works:				
Public works administration	565,368	568,123	543,982	24,141
Streets and drainage	2,247,492	2,247,492	2,385,255	(137,763) *
Traffic control	1,700,726	1,700,726	1,761,507	(60,781) *
Engineering	1,855,882	1,853,127	1,259,500	593,627
Public health:				
Health and welfare	4,130,152	4,130,152	3,790,467	339,685

**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, 2021**

	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b><u>Expenditures (continued)</u></b>				
Parks, recreation, and culture:				
Parks and recreation	\$ 7,604,902	\$ 7,554,902	\$ 7,422,156	\$ 132,746
Library	2,798,241	2,798,241	2,563,435	234,806
Capital outlay	408,000	457,921	245,653	212,268
Debt service:				
Principal	-	352,246	352,246	-
Interest	-	10,578	10,578	-
<b>Total Expenditures</b>	<b>106,493,956</b>	<b>106,856,780</b>	<b>99,769,280</b>	<b>7,087,500</b>
<b>Excess of Revenues Over Expenditures</b>	<b>8,711,651</b>	<b>8,348,827</b>	<b>19,827,585</b>	<b>11,478,758</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	2,445,062	2,807,886	2,807,886	-
Transfers (out)	(11,845,817)	(11,845,817)	(12,064,933)	(219,116)
<b>Total Other Financing (Uses)</b>	<b>(9,400,755)</b>	<b>(9,037,931)</b>	<b>(9,257,047)</b>	<b>(219,116)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (689,104)</b>	<b>\$ (689,104)</b>	<b>10,570,538</b>	<b>\$ 11,259,642</b>
Beginning fund balance			36,996,862	
Reconciliation of fund balance (GAAP basis)				
Perspective differences:				
Net effect of consolidated sub-fund without an adopted budget			807,676	
<b>Ending Fund Balance</b>			<b>\$ 48,375,076</b>	

**Notes to Required Supplementary Information (RSI):**

1. Annual budgets are adopted on a basis that differs from generally accepted accounting principles (GAAP).
2. Expenditures exceed appropriations at the legal level of control.

**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, 2021**

	Measurement Year*			
	2014	2015	2016	2017
<b>Total Pension Liability</b>				
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)
<b>Net Change in Total Pension Liability</b>	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
<b>Ending Total Pension Liability</b>	<u>\$ 269,322,036</u>	<u>\$ 284,672,271</u>	<u>\$ 304,437,253</u>	<u>\$ 327,536,216</u>
<b>Plan Fiduciary Net Position</b>				
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)
<b>Net Change in Plan Fiduciary Net Position</b>	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
<b>Ending Plan Fiduciary Net Position</b>	<u>\$ 223,966,463</u>	<u>\$ 225,015,252</u>	<u>\$ 241,841,262</u>	<u>\$ 277,270,227</u>
<b>Net Pension Liability</b>	<u>\$ 45,355,573</u>	<u>\$ 59,657,019</u>	<u>\$ 62,595,991</u>	<u>\$ 50,265,989</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	83.16%	79.04%	79.44%	84.65%
<b>Covered Payroll</b>	\$ 44,050,070	\$ 49,770,734	\$ 51,122,246	\$ 56,381,087
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	102.96%	119.86%	122.44%	89.15%

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

**Measurement Year\***

<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 10,127,083	\$ 10,545,309	\$ 11,508,530
21,995,577	23,230,034	24,653,471
(171,679)	813,552	12,778
-	625,913	-
<u>(13,478,701)</u>	<u>(14,264,999)</u>	<u>(14,951,922)</u>
18,472,280	20,949,809	21,222,857
327,536,216	346,008,496	366,958,305
<u>\$ 346,008,496</u>	<u>\$ 366,958,305</u>	<u>\$ 388,181,162</u>

\$ 10,480,633	\$ 11,058,056	\$ 11,658,876
4,194,650	4,413,690	4,725,986
(8,307,740)	41,757,202	23,745,617
(13,478,701)	(14,264,999)	(14,951,922)
(160,519)	(235,850)	(153,594)
(8,387)	(7,085)	(5,993)
<u>(7,280,064)</u>	<u>42,721,014</u>	<u>25,018,970</u>
277,270,227	269,990,163	312,711,177
<u>\$ 269,990,163</u>	<u>\$ 312,711,177</u>	<u>\$ 337,730,147</u>

<u>\$ 76,018,333</u>	<u>\$ 54,247,128</u>	<u>\$ 50,451,015</u>
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78.03%	85.22%	87.00%
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\$ 59,923,569	\$ 62,546,317	\$ 67,105,132
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126.86%	86.73%	75.18%
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**CITY OF BAYTOWN, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**For the Year Ended September 30, 2021**

	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 eight years of information is currently available. The City will build this schedule over the next two-year period.

**Notes to Required Supplementary Information:**

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 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 December 31, 2014 - December 31, 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.

3. Other Information:

There were no benefit changes during the year.

<b>Fiscal Year*</b>			
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 10,405,269	\$ 10,811,996	\$ 11,453,850	\$ 12,246,744
<u>(10,405,269)</u>	<u>(10,811,996)</u>	<u>(11,453,850)</u>	<u>(12,246,744)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 59,592,299	\$ 61,478,073	\$ 65,800,160	\$ 69,676,086
17.46%	17.59%	17.41%	17.58%

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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, 2021**

	Measurement Year*			
	2017	2018	2019	2020
<b>Total OPEB Liability</b>				
Service cost	\$ 73,295	\$ 95,878	\$ 81,310	\$ 120,789
Interest (on the total pension liability)	75,086	76,375	94,941	74,332
Difference between expected and actual experience	-	271,772	(458,161)	(55,817)
Change of assumptions	184,572	(163,718)	425,532	436,778
Benefit payments**	(22,552)	(23,969)	(18,764)	(20,132)
<b>Net Change in Total OPEB Liability</b>	310,401	256,338	124,858	555,950
Beginning total OPEB liability	1,961,041	2,271,442	2,527,780	2,652,638
<b>Ending Total OPEB Liability</b>	<u>\$ 2,271,442</u>	<u>\$ 2,527,780</u>	<u>\$ 2,652,638</u>	<u>\$ 3,208,588</u>
<b>Covered Payroll</b>	\$ 56,381,087	\$ 59,923,569	\$ 62,546,317	\$ 67,105,132
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	4.03%	4.22%	4.24%	4.78%

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

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.0%
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.

3. 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, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period of December 31, 2014 to December 31, 2018.

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, 2021**

	Measurement Year*			
	2017	2018	2019	2020
<b>Total OPEB Liability</b>				
Service cost	\$ 1,861,181	\$ 1,986,766	\$ 1,487,097	\$ 1,915,956
Interest (on the total pension liability)	2,838,019	2,730,655	2,154,784	1,954,304
Changes of benefit terms	-	(23,899,416)	-	-
Difference between expected and actual experience	159,845	(1,239,134)	14,206	(9,960,290)
Change of assumptions	5,418,885	(1,485,071)	11,111,807	5,438,103
Benefit payments	(2,259,781)	(2,404,734)	(2,116,616)	(1,877,684)
<b>Net Change in Total OPEB Liability</b>	8,018,149	(24,310,934)	12,651,278	(2,529,611)
Beginning total OPEB liability	74,687,980	82,706,129	58,395,195	71,046,473
<b>Ending Total OPEB Liability</b>	<b>\$ 82,706,129</b>	<b>\$ 58,395,195</b>	<b>\$ 71,046,473</b>	<b>\$ 68,516,862</b>
 <b>Covered Payroll</b>	 \$ 32,060,676	 \$ 28,787,235	 \$ 29,139,987	 \$ 30,750,114
 <b>Total OPEB Liability as a Percentage of Covered Payroll</b>	 257.97%	 202.85%	 243.81%	 222.82%

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

**Notes to Required Supplementary Information:**

1. Changes in Assumptions:

Changes in assumptions reflect a change in the discount rate from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

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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, 2021

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 15,350,020	\$ 15,350,020	\$ 13,658,719	\$ (1,691,301)
Intergovernmental	1,348,663	1,348,663	432,674	(915,989)
Investment earnings	75,750	75,750	20,848	(54,902)
<b>Total Revenues</b>	16,774,433	16,774,433	14,112,241	(2,662,192)
<b>Expenditures</b>				
Debt service:				
Principal	17,510,000	17,510,000	13,828,562	3,681,438
Interest and fiscal agent fees	6,475,028	6,475,028	5,284,502	1,190,526
Issuance costs	150,000	150,000	264,554	(114,554) *
<b>Total Expenditures</b>	24,135,028	24,135,028	19,377,618	4,757,410
<b>(Deficiency) of Revenues (Under) Expenditures</b>	(7,360,595)	(7,360,595)	(5,265,377)	2,095,218
<b>Other Financing Sources (Uses)</b>				
Transfers in	7,875,495	7,875,495	2,687,841	(5,187,654)
Refunding debt issued	-	-	16,555,000	16,555,000
Bond premium	-	-	2,595,279	2,595,279
Payment to refunding bond escrow agent	(830,000)	(830,000)	(19,696,881)	(18,866,881) *
<b>Total Other Financing Sources</b>	7,045,495	7,045,495	2,141,239	(4,904,256)
<b>Net Change in Fund Balance</b>	\$ (315,100)	\$ (315,100)	(3,124,138)	\$ (2,809,038)
Beginning fund balance			6,268,425	
<b>Ending Fund Balance</b>			\$ 3,144,287	

**Notes to Supplementary Information:**

1. \* Expenditures exceeded the appropriations at the legal level of control. While the debt service fund budget was not amended for payment to refunding bond escrow agent and issuance costs, the City Council did authorize the issuance of General Obligation Refunding Bonds, Series 2020.

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# **CITY OF BAYTOWN, TEXAS**

## ***NONMAJOR GOVERNMENTAL FUNDS***

September 30, 2021

### ***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.

#### ***Crossings at Baytown Public Improvement District (PID)***

This fund is used to track the special assesment revenue and development expenses in the Crossings at Baytown PID.

#### ***Bay Creek Public Improvement District (PID)***

This fund is used to track the special assesment revenue and development expenses in the Bay Creek PID.

#### ***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 (Page 1 of 2)**  
**September 30, 2021**

	<b>Special Revenue Funds</b>			
	<b>Community Development Block Grant</b>	<b>Emergency Management</b>	<b>Library</b>	<b>Crime Control Prevention District</b>
<b>Assets</b>				
Current assets:				
Cash and equity in pooled cash and investments	\$ -	\$ 150,400	\$ 106,163	\$ 161,418
Taxes receivable	-	-	-	373,554
Accounts receivable	1,511,488	305,765	-	-
<b>Total Assets</b>	<b>\$ 1,511,488</b>	<b>\$ 456,165</b>	<b>\$ 106,163</b>	<b>\$ 534,972</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 192,720	\$ 97,322	\$ 2,656	\$ 301,155
Due to other funds	1,319,714	-	-	-
Unearned revenue	-	-	-	-
<b>Total Liabilities</b>	<b>1,512,434</b>	<b>97,322</b>	<b>2,656</b>	<b>301,155</b>
Deferred inflows of resources:				
Unavailable revenue - grants	882,116	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>882,116</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:				
Restricted:				
Capital projects	-	-	-	-
Special projects	-	358,843	103,507	233,817
Unassigned:				
Special projects	(883,062)	-	-	-
<b>Total Fund Balances</b>	<b>(883,062)</b>	<b>358,843</b>	<b>103,507</b>	<b>233,817</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,511,488</b>	<b>\$ 456,165</b>	<b>\$ 106,163</b>	<b>\$ 534,972</b>

**Special Revenue Funds**

<b>Police Grant</b>	<b>Hotel/Motel</b>	<b>Fire Control, Prevention, and EMS District</b>	<b>TIRZ No. 1</b>	<b>Crossings at Baytown PID</b>	<b>Bay Creek PID</b>
\$ 230,217	\$ 6,522,632	\$ 405,129	\$ 3,839,357	\$ 1,313	\$ -
-	369,878	376,392	-	-	-
466,709	-	-	-	-	-
<u>\$ 696,926</u>	<u>\$ 6,892,510</u>	<u>\$ 781,521</u>	<u>\$ 3,839,357</u>	<u>\$ 1,313</u>	<u>\$ -</u>
\$ 267,664	\$ 38,536	\$ 16,183	\$ 90,470	\$ 1,163	\$ 775
-	5,309,708	-	-	-	14,646
-	-	-	-	-	-
<u>267,664</u>	<u>5,348,244</u>	<u>16,183</u>	<u>90,470</u>	<u>1,163</u>	<u>15,421</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
429,262	1,544,266	765,338	3,748,887	150	-
-	-	-	-	-	(15,421)
<u>429,262</u>	<u>1,544,266</u>	<u>765,338</u>	<u>3,748,887</u>	<u>150</u>	<u>(15,421)</u>
\$ 696,926	\$ 6,892,510	\$ 781,521	\$ 3,839,357	\$ 1,313	\$ -



**CITY OF BAYTOWN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)**  
**September 30, 2021**

	<b>Special Revenue Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>	<b>Other Special Revenues</b>	<b>Total Nonmajor Governmental Funds</b>
Current assets:		
Cash and equity in pooled cash and investments	\$ 15,874,056	\$ 27,290,685
Taxes receivable	798,804	1,918,628
Accounts receivable	604,598	2,888,560
<b>Total Assets</b>	<b>\$ 17,277,458</b>	<b>\$ 32,097,873</b>
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 1,590,577	\$ 2,599,221
Due to other funds	-	6,644,068
Unearned revenue	9,393,339	9,393,339
<b>Total Liabilities</b>	<b>10,983,916</b>	<b>18,636,628</b>
 Deferred inflows of resources:		
Unavailable revenue - special assessments	-	882,116
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>882,116</b>
 Fund balances:		
Restricted:		
Capital projects	4,432,714	4,432,714
Special projects	1,860,828	9,044,898
Unassigned:		
Special projects	-	(898,483)
<b>Total Fund Balances</b>	<b>6,293,542</b>	<b>12,579,129</b>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	 <b>\$ 17,277,458</b>	 <b>\$ 32,097,873</b>

**CITY OF BAYTOWN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)**  
**For the Year Ended September 30, 2021**

	Special Revenue Funds			
	Community Development Block Grant	Emergency Management	Library	Crime Control Prevention District
<b>Revenues</b>				
Taxes and fees	\$ -	\$ -	\$ -	\$ 2,246,812
Charges for services	-	-	-	-
Intergovernmental	1,369,916	499,055	-	-
Fine and forfeitures	-	-	-	-
Investment earnings	-	-	4	103
Miscellaneous	22,683	111,280	47,224	-
<b>Total Revenues</b>	<b>1,392,599</b>	<b>610,335</b>	<b>47,228</b>	<b>2,246,915</b>
<b>Expenditures</b>				
Current:				
General government	827,188	-	-	-
Public safety	-	-	-	2,164,912
Public works	-	614,931	-	-
Parks, recreation, and culture	-	-	46,951	-
Capital outlay	1,500,508	-	-	-
<b>Total Expenditures</b>	<b>2,327,696</b>	<b>614,931</b>	<b>46,951</b>	<b>2,164,912</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(935,097)</b>	<b>(4,596)</b>	<b>277</b>	<b>82,003</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	52,035	-	-	-
Transfers (out)	-	-	-	-
<b>Total Other Financing Sources</b>	<b>52,035</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(883,062)</b>	<b>(4,596)</b>	<b>277</b>	<b>82,003</b>
Beginning fund balances	-	363,439	103,230	151,814
<b>Ending Fund Balances</b>	<b>\$ (883,062)</b>	<b>\$ 358,843</b>	<b>\$ 103,507</b>	<b>\$ 233,817</b>

**Special Revenue Funds**

<b>Police Grant</b>	<b>Hotel/Motel</b>	<b>Fire Control, Prevention, and EMS District</b>	<b>TIRZ No. 1</b>	<b>Crossings at Baytown PID</b>	<b>Bay Creek PID</b>
\$ -	\$ 1,474,728	\$ 2,263,349	\$ 2,347,881	\$ -	\$ -
-	-	-	-	-	-
2,461,141	-	-	739,472	-	-
159,428	-	-	-	-	-
851	13,492	326	-	-	-
12,630	1,310,065	-	-	40,000	-
<u>2,634,050</u>	<u>2,798,285</u>	<u>2,263,675</u>	<u>3,087,353</u>	<u>40,000</u>	<u>-</u>
-	-	47,387	381,293	39,850	15,421
2,302,190	-	344,982	-	-	-
-	-	-	-	-	-
-	932,234	-	-	-	-
585,171	-	602,006	-	-	-
<u>2,887,361</u>	<u>932,234</u>	<u>994,375</u>	<u>381,293</u>	<u>39,850</u>	<u>15,421</u>
<u>(253,311)</u>	<u>1,866,051</u>	<u>1,269,300</u>	<u>2,706,060</u>	<u>150</u>	<u>(15,421)</u>
425,267	-	-	-	-	-
-	(5,513,875)	(1,151,300)	(1,460,456)	-	-
<u>425,267</u>	<u>(5,513,875)</u>	<u>(1,151,300)</u>	<u>(1,460,456)</u>	<u>-</u>	<u>-</u>
171,956	(3,647,824)	118,000	1,245,604	150	(15,421)
257,306	5,192,090	647,338	2,503,283	-	-
<u>\$ 429,262</u>	<u>\$ 1,544,266</u>	<u>\$ 765,338</u>	<u>\$ 3,748,887</u>	<u>\$ 150</u>	<u>\$ (15,421)</u>

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**CITY OF BAYTOWN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2021**

	<b>Special Revenue Funds</b>		<b>Total Nonmajor Governmental Funds</b>
<b><u>Revenues</u></b>	<b><u>Other Special Revenues</u></b>		<b><u>Funds</u></b>
Taxes and fees	\$ 4,788,380	\$	13,121,150
Charges for services	459,849		459,849
Intergovernmental	726,682		5,796,266
Fine and forfeitures	33,851		193,279
Investment earnings	1,657		16,433
Miscellaneous	549,094		2,092,976
<b>Total Revenues</b>	<b>6,559,513</b>		<b>21,679,953</b>
<b><u>Expenditures</u></b>			
Current:			
General government	3,691,987		5,003,126
Public safety	201,070		5,013,154
Public works	-		614,931
Parks, recreation, and culture	1,450,690		2,429,875
Capital outlay	769,458		3,457,143
<b>Total Expenditures</b>	<b>6,113,205</b>		<b>16,518,229</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>446,308</b>		<b>5,161,724</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	410,990		888,292
Transfers (out)	(562,268)		(8,687,899)
<b>Total Other Financing Sources</b>	<b>(151,278)</b>		<b>(7,799,607)</b>
<b>Net Change in Fund Balances</b>	<b>295,030</b>		<b>(2,637,883)</b>
Beginning fund balances	5,998,512		15,217,012
<b>Ending Fund Balances</b>	<b>\$ 6,293,542</b>	<b>\$</b>	<b>12,579,129</b>

**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, 2021**

	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Taxes	\$ 1,615,389	\$ 1,615,389	\$ 2,246,812	\$ 631,423
Investment earnings	500	500	103	(397)
<b>Total Revenues</b>	1,615,889	1,615,889	2,246,915	631,026
<b>Expenditures</b>				
Public safety	1,542,057	1,973,749	2,164,912	(191,163) *
Capital outlay	73,832	-	-	-
<b>Total Expenditures</b>	1,615,889	1,973,749	2,164,912	(191,163)
<b>Net Change in Fund Balance</b>	\$ -	\$ (357,860)	82,003	\$ 439,863
Beginning fund balance			151,814	
<b>Ending Fund Balance</b>			\$ 233,817	

**Notes to Supplementary Information:**

- \*Expenditures exceed appropriations at the legal level of control.

**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, 2021**

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
Taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,474,728	\$ 374,728
Investment earnings	20,000	20,000	13,492	(6,508)
Miscellaneous	5,000	5,000	1,310,065	1,305,065
<b>Total Revenues</b>	<u>1,125,000</u>	<u>1,125,000</u>	<u>2,798,285</u>	<u>1,673,285</u>
<b><u>Expenditures</u></b>				
Parks, recreation, and culture:				
Arts	74,166	74,166	35,092	39,074
Promotional	765,927	765,927	551,707	214,220
Historical	344,852	344,852	328,651	16,201
Conference Center	757,759	757,759	16,784	740,975
<b>Total Expenditures</b>	<u>1,942,704</u>	<u>1,942,704</u>	<u>932,234</u>	<u>1,010,470</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(817,704)</u>	<u>(817,704)</u>	<u>1,866,051</u>	<u>2,683,755</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers (out)	(350,000)	(350,000)	(5,513,875)	(5,163,875)
<b>Total Other Financing (Uses)</b>	<u>(350,000)</u>	<u>(350,000)</u>	<u>(5,513,875)</u>	<u>(5,163,875)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,167,704)</u>	<u>\$ (1,167,704)</u>	<u>(3,647,824)</u>	<u>\$ (2,480,120)</u>
Beginning fund balance			<u>5,192,090</u>	
<b>Ending Fund Balance</b>			<u>\$ 1,544,266</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, 2021**

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 1,626,391	\$ 1,626,391	\$ 2,263,349	\$ 636,958
Investment earnings	2,000	2,000	326	(1,674)
<b>Total Revenues</b>	<u>1,628,391</u>	<u>1,628,391</u>	<u>2,263,675</u>	<u>635,284</u>
<b>Expenditures</b>				
General government	60,200	60,200	47,387	12,813
Public safety	442,841	455,841	344,982	110,859
Capital outlay	407,854	1,014,854	602,006	412,848
<b>Total Expenditures</b>	<u>910,895</u>	<u>1,530,895</u>	<u>994,375</u>	<u>536,520</u>
<b>Excess of Revenues Over Expenditures</b>	<u>717,496</u>	<u>97,496</u>	<u>1,269,300</u>	<u>1,171,804</u>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(1,151,300)	(1,151,300)	(1,151,300)	-
<b>Total Other Financing (Uses)</b>	<u>(1,151,300)</u>	<u>(1,151,300)</u>	<u>(1,151,300)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (433,804)</u>	<u>\$ (1,053,804)</u>	118,000	<u>\$ 1,171,804</u>
Beginning fund balance			<u>647,338</u>	
<b>Ending Fund Balance</b>			<u>\$ 765,338</u>	

# **CITY OF BAYTOWN, TEXAS**

## ***NONMAJOR PROPRIETARY FUNDS***

September 30, 2021

### **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, 2021

	Enterprise Funds		
	Bayland Island	Storm Water Utility	Total Funds
<b>Assets</b>			
Current assets:			
Cash and equity in pooled cash and investments	\$ 436,968	\$ 1,976,467	\$ 2,413,435
Accounts receivable	-	287,492	287,492
<b>Total Current Assets</b>	<b>436,968</b>	<b>2,263,959</b>	<b>2,700,927</b>
Noncurrent assets:			
Capital assets, net	3,662,891	1,038,358	4,701,249
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>3,662,891</b>	<b>1,038,358</b>	<b>4,701,249</b>
<b>Total Noncurrent Assets</b>	<b>3,662,891</b>	<b>1,038,358</b>	<b>4,701,249</b>
<b>Total Assets</b>	<b>4,099,859</b>	<b>3,302,317</b>	<b>7,402,176</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pensions	-	152,534	152,534
Deferred outflows - OPEB	-	219,980	219,980
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>372,514</b>	<b>372,514</b>
<b>Liabilities</b>			
Current liabilities:			
Account payable	698	95,275	95,973
Compensated absences	-	77,953	77,953
Refundable deposits	-	700	700
<b>Total Current Liabilities</b>	<b>698</b>	<b>173,928</b>	<b>174,626</b>
Noncurrent liabilities:			
Compensated absences	-	8,662	8,662
Net pension liability	-	269,069	269,069
Total OPEB liability	-	970,114	970,114
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>1,247,845</b>	<b>1,247,845</b>
<b>Total Liabilities</b>	<b>698</b>	<b>1,421,773</b>	<b>1,422,471</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pensions	-	219,763	219,763
Deferred inflows - OPEB	-	133,707	133,707
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>353,470</b>	<b>353,470</b>
<b>Net Position</b>			
Net investment in capital assets	3,662,891	1,038,358	4,701,249
Unrestricted	436,270	861,230	1,297,500
<b>Total Net Position</b>	<b>\$ 4,099,161</b>	<b>\$ 1,899,588</b>	<b>\$ 5,998,749</b>

**CITY OF BAYTOWN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2021**

	<b>Enterprise Funds</b>		
	<b>Bayland Island</b>	<b>Storm Water Utility</b>	<b>Total Funds</b>
<b><u>Operating Revenues</u></b>			
Charges for sales and services	\$ 55,595	\$ 2,990,931	\$ 3,046,526
<b>Total Operating Revenues</b>	<b>55,595</b>	<b>2,990,931</b>	<b>3,046,526</b>
<b><u>Operating Expenses</u></b>			
Personnel costs	-	1,247,921	1,247,921
Supplies	-	143,737	143,737
Maintenance	18,343	238,301	256,644
Services	121	192,654	192,775
Miscellaneous	-	7,986	7,986
Depreciation	181,912	228,844	410,756
<b>Total Operating Expenses</b>	<b>200,376</b>	<b>2,059,443</b>	<b>2,259,819</b>
<b>Income (Loss) before Transfers</b>	<b>(144,781)</b>	<b>931,488</b>	<b>786,707</b>
Transfers in	208,870	-	208,870
Transfers (out)	-	(155,500)	(155,500)
<b>Change in Net Position</b>	<b>64,089</b>	<b>775,988</b>	<b>840,077</b>
Beginning net position	4,035,072	1,123,600	5,158,672
<b>Ending Net Position</b>	<b>\$ 4,099,161</b>	<b>\$ 1,899,588</b>	<b>\$ 5,998,749</b>

**CITY OF BAYTOWN, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
For the Year Ended September 30, 2021

	<b>Enterprise Funds</b>		
	<b>Bayland Island</b>	<b>Storm Water Utility</b>	<b>Total Funds</b>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers and users	\$ 55,595	\$ 2,976,967	\$ 3,032,562
Payments to suppliers	(18,317)	(828,378)	(846,695)
Payments to employees	-	(1,341,279)	(1,341,279)
<b>Net Cash Provided by Operating Activities</b>	<b>37,278</b>	<b>807,310</b>	<b>844,588</b>
<b><u>Cash Flows from Noncapital and Related Financing Activities</u></b>			
Transfers in	208,870	-	208,870
Transfers (out)	-	(155,500)	(155,500)
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<b>208,870</b>	<b>(155,500)</b>	<b>53,370</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition, disposal, and construction of capital assets	-	(200,428)	(200,428)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(200,428)</b>	<b>(200,428)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>246,148</b>	<b>451,382</b>	<b>697,530</b>
Beginning cash and cash equivalents	190,820	1,525,085	1,715,905
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 436,968</b>	<b>\$ 1,976,467</b>	<b>\$ 2,413,435</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (loss)	\$ (144,781)	\$ 931,488	\$ 786,707
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	181,912	228,844	410,756
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in Current Assets:</b>			
Accounts receivable	-	(13,964)	(13,964)
Deferred outflows - pensions	-	21,746	21,746
Deferred outflows - OPEB	-	(20,271)	(20,271)
<b>Increase (Decrease) in Current Liabilities:</b>			
Accounts payable	147	(245,500)	(245,353)
Compensated absences	-	(107,009)	(107,009)
Net pension liability	-	(53,761)	(53,761)
Total OPEB liability	-	(28,212)	(28,212)
Deferred inflows - pensions	-	(9,717)	(9,717)
Deferred inflows - OPEB	-	103,866	103,866
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 37,278</b>	<b>\$ 807,310</b>	<b>\$ 844,588</b>

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# **CITY OF BAYTOWN, TEXAS**

## ***INTERNAL SERVICE FUNDS***

September 30, 2021

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, 2021

	<b>Internal Service Funds</b>		
	<b>Central Services</b>	<b>Risk Management</b>	<b>Total Funds</b>
<b><u>Assets</u></b>			
Current assets:			
Equity in pooled cash and investments	\$ 570,612	\$ 19,028,668	\$ 19,599,280
Prepaid expenses	-	302,000	302,000
Inventories	692,329	-	692,329
<b>Total Current Assets</b>	<b>1,262,941</b>	<b>19,330,668</b>	<b>20,593,609</b>
Noncurrent assets:			
Capital assets:			
Buildings and improvements	167,540	-	167,540
Machinery and equipment	746,232	20,822	767,054
Less: accumulated depreciation	(765,349)	(20,822)	(786,171)
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>148,423</b>	<b>-</b>	<b>148,423</b>
<b>Total Noncurrent Assets</b>	<b>148,423</b>	<b>-</b>	<b>148,423</b>
<b>Total Assets</b>	<b>1,411,364</b>	<b>19,330,668</b>	<b>20,742,032</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows - pensions	113,188	9,930	123,118
Deferred outflows - OPEB	151,039	12,459	163,498
<b>Total Deferred Outflows of Resources</b>	<b>264,227</b>	<b>22,389</b>	<b>286,616</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Account payable	204,468	58,718	263,186
Accrued expenses	-	2,272,414	2,272,414
Compensated absences	101,132	-	101,132
<b>Total Current Liabilities</b>	<b>305,600</b>	<b>2,331,132</b>	<b>2,636,732</b>
Noncurrent liabilities:			
Compensated absences	5,575	3,014	8,589
Net pension liability	540,621	91,229	631,850
Total OPEB liability	768,927	20,921	789,848
<b>Total Noncurrent Liabilities</b>	<b>1,315,123</b>	<b>115,164</b>	<b>1,430,287</b>
<b>Total Liabilities</b>	<b>1,620,723</b>	<b>2,446,296</b>	<b>4,067,019</b>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred inflows - pensions	93,958	2,513	96,471
Deferred inflows - OPEB	90,968	9,396	100,364
<b>Total Deferred Inflows of Resources</b>	<b>184,926</b>	<b>11,909</b>	<b>196,835</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	148,423	-	148,423
Unrestricted	(278,481)	16,894,852	16,616,371
<b>Total Net Position</b>	<b>\$ (130,058)</b>	<b>\$ 16,894,852</b>	<b>\$ 16,764,794</b>

**CITY OF BAYTOWN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2021**

	<b>Internal Service Funds</b>		
	<b>Central Services</b>	<b>Risk Management</b>	<b>Total Funds</b>
<b><u>Operating Revenues</u></b>			
Charges for sales and services	\$ 1,943,351	\$ 19,936,145	\$ 21,879,496
Other revenue	6,202	14,388	20,590
<b>Total Operating Revenues</b>	<b>1,949,553</b>	<b>19,950,533</b>	<b>21,900,086</b>
<b><u>Operating Expenses</u></b>			
Personnel costs	935,434	102,955	1,038,389
Supplies	1,674,970	-	1,674,970
Maintenance	43,973	-	43,973
Services	60,582	-	60,582
Claim payments and fees	-	16,151,482	16,151,482
Depreciation	56,805	-	56,805
<b>Total Operating Expenses</b>	<b>2,771,764</b>	<b>16,254,437</b>	<b>19,026,201</b>
<b>Operating Income (Loss)</b>	<b>(822,211)</b>	<b>3,696,096</b>	<b>2,873,885</b>
<b>Income (Loss) Before Transfers</b>	<b>(822,211)</b>	<b>3,696,096</b>	<b>2,873,885</b>
Transfers in	775,000	-	775,000
<b>Change in Net Position</b>	<b>(47,211)</b>	<b>3,696,096</b>	<b>3,648,885</b>
Beginning net position	(82,847)	13,198,756	13,115,909
<b>Ending Net Position</b>	<b>\$ (130,058)</b>	<b>\$ 16,894,852</b>	<b>\$ 16,764,794</b>

**CITY OF BAYTOWN, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2021**

	Internal Service Funds		
	Central Services	Risk Management	Total Funds
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers and users	\$ 70,414	\$ 1,970,547	\$ 2,040,961
Receipts from interfund charges for central services	1,879,139	-	1,879,139
Receipts from interfund charges for risk management services	-	17,991,986	17,991,986
Payments to suppliers	(1,745,450)	(16,227,599)	(17,973,049)
Payments to employees	(918,739)	(101,509)	(1,020,248)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(714,636)</b>	<b>3,633,425</b>	<b>2,918,789</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfers in	775,000	-	775,000
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>775,000</b>	<b>-</b>	<b>775,000</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>60,364</b>	<b>3,633,425</b>	<b>3,693,789</b>
Beginning cash and cash equivalents	510,248	15,395,243	15,905,491
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 570,612</b>	<b>\$ 19,028,668</b>	<b>\$ 19,599,280</b>
<b>Reconciliation of Operating Income (Loss)</b>			
<b>to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (822,211)	\$ 3,696,096	\$ 2,873,885
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	56,805	-	56,805
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in Current Assets:</b>			
Prepaid expenses	-	12,000	12,000
Inventory	(70,186)	-	(70,186)
Deferred outflows - pensions	9,136	1,611	10,747
Deferred outflows - OPEB	(14,919)	(1,196)	(16,115)
<b>Increase (Decrease) in Current Liabilities:</b>			
Accounts payable	104,261	(977)	103,284
Accrued expenses	-	(75,140)	(75,140)
Compensated absences	14,352	835	15,187
Net pension liability	(36,791)	(3,928)	(40,719)
Total OPEB liability	(18,553)	(2,617)	(21,170)
Deferred inflows - pensions	(6,902)	(829)	(7,731)
Deferred inflows - OPEB	70,372	7,570	77,942
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (714,636)</b>	<b>\$ 3,633,425</b>	<b>\$ 2,918,789</b>

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# ***STATISTICAL SECTION***

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
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<b>Financial Trends</b>	134
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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.*

<b>Revenue Capacity</b>	146
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*These schedules contain information to help the reader assess the City's most significant local revenue source: property tax.*

<b>Debt Capacity</b>	156
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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.*

<b>Demographic and Economic Information</b>	164
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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.*

<b>Operating Information</b>	168
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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			
	2012	2013	2014	2015
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 103,140,238	\$ 108,585,824	\$ 105,468,075	\$ 109,961,720
Restricted	15,805,828	32,167,392	35,688,185	23,773,394
Unrestricted	(1,993,410)	(20,474,460)	(26,434,814)	(40,715,091)
<b>Total Governmental Activities Net Position</b>	<b>116,952,656</b>	<b>120,278,756</b>	<b>114,721,446</b>	<b>93,020,023</b>
 <b>Business-Type Activities</b>				
Net investment in capital assets	133,432,737	136,434,868	152,339,260	158,442,675
Restricted	5,023,851	5,364,616	5,873,007	4,612,543
Unrestricted	20,790,018	18,736,201	18,371,116	16,349,137
<b>Total Business-Type Activities Net Position</b>	<b>159,246,606</b>	<b>160,535,685</b>	<b>176,583,383</b>	<b>179,404,355</b>
 <b>Primary Government</b>				
Net investment in capital assets	236,572,975	245,020,692	257,807,335	268,404,395
Restricted	20,829,679	37,532,008	41,561,192	28,385,937
Unrestricted	18,796,608	(1,738,259)	(8,063,698)	(24,365,954)
<b>Total Primary Government Net Position</b>	<b>\$ 276,199,262</b>	<b>\$ 280,814,441</b>	<b>\$ 291,304,829</b>	<b>\$ 272,424,378</b>

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 124,672,382	\$ 132,729,930	\$ 145,445,182	\$ 157,058,993	\$ 164,442,016	\$ 179,256,695
23,871,650	23,942,473	27,132,868	29,898,189	87,344,253	85,604,701
(49,911,857)	(88,264,838)	(87,917,695)	(67,824,691)	(44,298,173)	(29,488,146)
<u>98,632,175</u>	<u>68,407,565</u>	<u>84,660,355</u>	<u>119,132,491</u>	<u>207,488,096</u>	<u>235,373,250</u>
174,117,286	187,741,777	191,309,418	191,361,951	189,184,366	187,757,786
1,489,416	2,276,610	2,096,080	3,717,286	3,966,558	5,390,663
12,602,126	2,301,381	3,414,173	5,895,296	11,667,731	18,112,665
<u>188,208,828</u>	<u>192,319,768</u>	<u>196,819,671</u>	<u>200,974,533</u>	<u>204,818,655</u>	<u>211,261,114</u>
298,789,668	320,471,707	336,754,600	348,420,944	353,626,382	367,014,481
25,361,066	26,219,083	29,228,948	33,615,475	91,310,811	90,995,364
(37,309,731)	(85,963,457)	(84,503,522)	(61,929,395)	(32,630,442)	(11,375,481)
<u>\$ 286,841,003</u>	<u>\$ 260,727,333</u>	<u>\$ 281,480,026</u>	<u>\$ 320,107,024</u>	<u>\$ 412,306,751</u>	<u>\$ 446,634,364</u>

# CITY OF BAYTOWN, TEXAS

## CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2012	2013	2014	2015
<b>Expenses</b>				
Governmental activities:				
General government	\$ 23,539,249	\$ 22,049,401	\$ 22,600,531	\$ 22,256,413
Public safety	38,976,626	39,297,052	44,295,623	47,791,009
Public works	8,522,846	8,881,876	8,869,974	8,967,472
Public health	2,465,254	2,431,619	2,554,462	2,696,850
Parks, recreation, and culture	8,949,422	8,739,612	9,339,424	9,553,806
Interest and fiscal agent fees on long-term debt	3,229,968	3,749,173	4,111,811	3,989,720
<b>Total Governmental Activities Expenses</b>	<b>85,683,365</b>	<b>85,148,733</b>	<b>91,771,825</b>	<b>95,255,270</b>
Business-type activities:				
Water and sewer	30,344,693	31,539,964	32,762,226	34,320,794
Sanitation	4,396,725	4,685,496	4,742,268	4,709,577
Bayland Island development	146,375	208,078	200,308	265,349
Aquatics	2,051,620	2,245,949	2,917,055	3,052,435
Storm water utility	467,170	436,934	448,681	483,028
<b>Total Business-Type Activities Expenses</b>	<b>37,406,583</b>	<b>39,116,421</b>	<b>41,070,538</b>	<b>42,831,183</b>
<b>Total Primary Government Expenses</b>	<b>\$ 123,089,948</b>	<b>\$ 124,265,154</b>	<b>\$ 132,842,363</b>	<b>\$ 138,086,453</b>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 162,242	\$ 159,520	\$ 183,147	\$ 632,295
Public safety	3,872,740	3,807,789	4,371,773	4,692,058
Public works	1,156,772	1,137,371	1,305,831	1,620,206
Public health	541,518	532,436	611,297	195,057
Parks, recreation, and culture	372,209	365,967	420,172	132,271
Operating grants and contributions	17,002,961	7,903,949	8,007,514	5,946,639
Capital grants and contributions	1,537,175	73,000	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>24,645,617</b>	<b>13,980,032</b>	<b>14,899,734</b>	<b>13,218,526</b>
Business-type activities:				
Charges for services:				
Water and sewer	35,400,103	34,022,544	35,990,349	39,201,196
Sanitation	4,678,089	4,589,026	4,618,491	4,737,391
Bayland Island development	7,716	16,327	49,086	51,052
Aquatics	1,796,262	2,056,711	2,903,853	3,274,726
Storm water	1,174,477	1,217,580	1,226,741	1,245,325
Operating grants and contributions	2,531,225	-	-	3,143,274
Capital grants and contributions	-	2,241,040	4,517,598	1,400,484
<b>Total Business-Type Activities Program Revenues</b>	<b>45,587,872</b>	<b>44,143,228</b>	<b>49,306,118</b>	<b>53,053,448</b>
<b>Total Primary Government Program Revenues</b>	<b>70,233,489</b>	<b>58,123,260</b>	<b>64,205,852</b>	<b>66,271,974</b>
<b>Net (Expense)/Revenue</b>				
Governmental activities	(61,037,748)	(71,168,701)	(76,872,091)	(82,036,744)
Business-type activities	8,181,289	5,026,807	8,235,580	10,222,265
<b>Total Primary Government Net Expense</b>	<b>\$ (52,856,459)</b>	<b>\$ (66,141,894)</b>	<b>\$ (68,636,511)</b>	<b>\$ (71,814,479)</b>

**Fiscal Year**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$	24,398,812	\$ 29,020,563	\$ 35,811,336	\$ 29,574,296	\$ 37,547,850	\$ 34,593,112
	50,793,309	57,510,237	59,520,128	50,702,718	62,126,552	64,257,206
	10,539,608	13,257,500	15,100,450	10,994,322	12,912,206	12,222,500
	2,866,441	3,338,793	3,317,250	3,107,475	3,944,973	3,860,167
	9,904,352	12,156,291	12,697,314	12,405,161	13,655,690	13,866,632
	4,561,801	4,546,195	4,841,986	4,525,617	4,302,467	5,106,860
	<u>103,064,323</u>	<u>119,829,579</u>	<u>131,288,464</u>	<u>111,309,589</u>	<u>134,489,738</u>	<u>133,906,477</u>
	35,865,094	38,149,024	38,422,378	37,007,827	40,424,646	41,044,691
	4,677,436	4,831,088	5,648,915	6,448,858	7,006,746	7,099,764
	251,084	242,443	212,956	203,198	207,174	200,376
	3,393,046	3,873,789	4,161,320	4,064,190	2,792,302	3,771,985
	1,734,694	1,657,138	1,907,273	1,956,790	2,850,413	2,059,443
	<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>54,176,259</u>
\$	<u>148,985,677</u>	<u>168,583,061</u>	<u>181,641,306</u>	<u>160,990,452</u>	<u>187,771,019</u>	<u>188,082,736</u>
\$	710,604	\$ 708,990	\$ 1,946,717	\$ 787,821	\$ 774,175	\$ 829,628
	4,507,258	5,043,397	4,780,753	4,481,288	3,495,226	3,523,408
	2,067,310	2,079,076	2,604,862	2,112,433	2,563,470	2,691,675
	202,134	205,779	206,039	208,890	200,085	208,545
	135,180	124,862	94,772	128,541	99,208	194,615
	4,920,154	5,944,003	12,307,936	7,109,369	12,195,930	6,569,222
	<u>11,230,528</u>	<u>12,396,215</u>	<u>8,394,369</u>	<u>4,444,501</u>	<u>70,945,960</u>	<u>4,873,025</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>	<u>18,890,118</u>
	40,811,009	40,998,750	43,301,862	42,415,981	46,051,831	47,144,502
	4,758,805	5,027,666	5,830,109	5,957,494	6,675,548	6,933,639
	54,443	54,442	56,238	55,041	54,445	55,595
	3,353,347	3,351,968	3,813,735	3,290,996	15,672	2,898,040
	1,556,404	197,162	2,597,711	2,645,147	2,673,489	2,990,931
	-	-	1,362,643	1,365,276	1,363,365	1,342,488
	<u>1,674,116</u>	<u>2,354,725</u>	<u>77,680</u>	<u>129,901</u>	<u>2,260,000</u>	<u>1,910,670</u>
	<u>52,208,124</u>	<u>51,984,713</u>	<u>57,039,978</u>	<u>55,859,836</u>	<u>59,094,350</u>	<u>63,275,865</u>
	<u>75,981,292</u>	<u>78,487,035</u>	<u>87,375,426</u>	<u>75,132,679</u>	<u>149,368,404</u>	<u>82,165,983</u>
	(79,291,155)	(93,327,257)	(100,953,016)	(92,036,746)	(44,215,684)	(115,016,359)
	6,287,770	4,971,231	6,687,136	6,178,973	5,813,069	9,099,606
\$	<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>	<u>(105,916,753)</u>

# CITY OF BAYTOWN, TEXAS

## CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2012	2013	2014	2015
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 20,121,463	\$ 21,128,244	\$ 21,788,376	\$ 22,991,938
Sales and hotel/motel taxes	17,343,951	18,558,609	20,494,629	22,460,619
Franchise fees	3,800,997	3,825,432	4,053,895	4,155,898
Industrial district payments	27,403,488	28,339,356	29,379,711	31,675,333
Investment earnings	238,038	628,564	699,761	332,705
Miscellaneous income	1,496,293	1,777,705	2,469,911	5,209,956
Transfers, net	(16,735,496)	2,750,047	(7,571,502)	3,170,393
<b>Total Governmental Activities</b>	<u>53,668,734</u>	<u>77,007,957</u>	<u>71,314,781</u>	<u>89,996,842</u>
Business-type activities:				
Investment earnings	154,808	265,092	240,616	77,540
Miscellaneous	-	-	-	364,508
Transfers, net	16,735,496	(2,750,047)	7,571,502	(3,170,393)
<b>Total Business-Type Activities</b>	<u>16,890,304</u>	<u>(2,484,955)</u>	<u>7,812,118</u>	<u>(2,728,345)</u>
<b>Total Primary Government</b>	<u>70,559,038</u>	<u>74,523,002</u>	<u>79,126,899</u>	<u>87,268,497</u>
<b>Changes in Net Position</b>				
Governmental activities	(7,369,014)	5,839,256	(5,557,310)	7,960,098
Business-type activities	25,071,593	2,541,852	16,047,698	7,493,920
<b>Total Primary Government</b>	<u>17,702,579</u>	<u>8,381,108</u>	<u>10,490,388</u>	<u>15,454,018</u>
<b>Changes in Net Position</b>	<u>\$ 17,702,579</u>	<u>\$ 8,381,108</u>	<u>\$ 10,490,388</u>	<u>\$ 15,454,018</u>

**Fiscal Year**

<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 24,824,084	\$ 27,274,068	\$ 30,235,501	\$ 31,874,951	\$ 34,782,426	\$ 38,307,300
22,790,624	24,050,819	26,273,237	24,138,407	24,252,318	28,921,685
4,233,571	4,359,389	4,317,509	4,681,762	4,372,062	4,402,737
32,136,165	39,991,747	48,772,964	57,968,306	65,535,406	65,470,755
378,067	753,425	1,722,482	2,723,663	2,084,524	318,854
2,601,488	1,544,848	3,369,646	2,339,954	2,598,997	2,756,507
(2,060,692)	(3,948,300)	2,514,467	2,781,839	2,482,787	2,723,675
<u>84,903,307</u>	<u>94,025,996</u>	<u>117,205,806</u>	<u>126,508,882</u>	<u>136,108,520</u>	<u>142,901,513</u>
135,215	182,128	327,234	743,135	513,840	66,528
320,796	-	-	14,593	-	-
2,060,692	3,948,300	(2,514,467)	(2,781,839)	(2,482,787)	(2,723,675)
<u>2,516,703</u>	<u>4,130,428</u>	<u>(2,187,233)</u>	<u>(2,024,111)</u>	<u>(1,968,947)</u>	<u>(2,657,147)</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>	<u>140,244,366</u>
5,612,152	698,739	16,252,790	34,472,136	91,892,836	27,885,154
8,804,473	9,101,659	4,499,903	4,154,862	3,844,122	6,442,459
<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>	<u>\$ 34,327,613</u>

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

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Property taxes	\$ 20,121,463	\$ 21,128,244	\$ 21,788,376	\$ 22,991,938
Sales and hotel/motel taxes	17,343,951	18,558,609	20,494,629	22,460,619
Franchise fees	3,800,997	3,825,432	4,053,895	4,155,898
Industrial in-lieu-of-taxes	27,403,488	28,339,356	29,379,711	31,675,333
<b>Total</b>	<b>\$ 68,669,899</b>	<b>\$ 71,851,641</b>	<b>\$ 75,716,611</b>	<b>\$ 81,283,788</b>

**Fiscal Year**

<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 24,824,084	\$ 27,274,068	\$ 30,235,501	\$ 31,874,951	\$ 34,782,426	\$ 38,307,300
22,790,624	24,050,819	26,273,237	24,138,407	24,252,318	28,921,685
4,233,571	4,359,389	4,317,509	4,681,762	4,372,062	4,402,737
32,136,165	39,991,747	48,772,964	57,968,306	65,535,406	65,470,755
<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>	<u>\$ 137,102,477</u>

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

	Fiscal Year			
	2012	2013	2014	2015
<b>General fund:</b>				
Nonspendable	\$ 220,522	\$ 2,432	\$ 5,651	\$ 3,109
Unassigned	21,942,516	23,644,132	24,401,167	23,823,197
<b>Total General Fund</b>	<u><u>\$ 22,163,038</u></u>	<u><u>\$ 23,646,564</u></u>	<u><u>\$ 24,406,818</u></u>	<u><u>\$ 23,826,306</u></u>
 <b>All Other Governmental Funds:</b>				
Nonspendable and restricted	\$ 29,983,278	\$ 32,422,912	\$ 35,690,127	\$ 43,613,527
Assigned	-	-	-	-
Unassigned, reported in special revenue funds	-	-	-	-
<b>Total All Other Governmental Funds</b>	<u><u>\$ 29,983,278</u></u>	<u><u>\$ 32,422,912</u></u>	<u><u>\$ 35,690,127</u></u>	<u><u>\$ 43,613,527</u></u>

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 3,475	\$ 2,926	\$ 1,531	\$ 3,355	\$ 5,500	\$ 4,103
18,130,265	17,568,823	21,278,127	27,606,051	36,991,362	48,370,973
<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>	<u>\$ 48,375,076</u>
\$ 52,172,068	\$ 36,709,833	\$ 55,134,251	\$ 45,198,903	\$ 100,290,976	\$ 134,419,705
-	-	-	-	16,998,695	16,998,695
-	-	-	-	-	(898,483)
<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>	<u>\$ 150,519,917</u>

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

	Fiscal Year			
	2012	2013	2014	2015
<b>Revenues</b>				
Taxes and fees	\$ 68,613,205	\$ 71,412,597	\$ 76,037,374	\$ 81,863,957
Licenses and permits	1,261,683	1,487,239	1,665,982	1,721,765
Charges for services	2,167,437	1,862,802	2,446,596	2,643,569
Fines and forfeitures	2,676,361	2,653,042	2,779,642	2,906,553
Intergovernmental	17,002,961	7,976,949	8,007,514	5,946,639
Investment earnings	228,271	628,564	699,601	166,132
Other revenues	1,496,293	1,777,705	2,469,911	6,192,512
Contributions	-	-	-	-
<b>Total Revenues</b>	<u>93,446,211</u>	<u>87,798,898</u>	<u>94,106,620</u>	<u>101,441,127</u>
<b>Expenditures</b>				
General government	18,086,658	22,112,626	22,052,424	20,882,865
Public safety	34,759,167	35,931,532	40,149,536	44,126,002
Public works	6,041,762	12,140,511	7,567,629	9,095,480
Public health	2,097,100	2,157,928	2,211,409	2,345,425
Parks, recreation, and culture	7,287,529	7,232,586	7,737,412	8,088,039
Capital outlay	24,026,301	14,699,587	15,379,097	18,538,657
Debt service:				
Principal	7,025,465	5,720,963	6,607,061	7,906,112
Payment to bond escrow agent	-	-	9,593,273	-
Interest	3,207,221	3,561,552	3,801,444	4,027,127
Issuance costs	306,526	278,160	325,255	226,570
<b>Total Expenditures</b>	<u>102,837,729</u>	<u>103,835,445</u>	<u>115,424,540</u>	<u>115,236,277</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(9,391,518)	(16,036,547)	(21,317,920)	(13,795,150)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	10,884,230	9,207,896	20,118,032	8,098,158
Transfers out	(15,871,347)	(5,131,440)	(24,142,524)	(4,834,270)
Debt issued	-	16,800,000	2,579,696	17,735,000
Refunding debt issued	30,225,000	-	28,520,000	-
Premium on refunded bonds	2,204,993	-	-	-
Premium on bonds	-	283,150	1,864,050	1,322,838
Payment to refunding bond escrow agent	(8,508,111)	-	(3,593,865)	-
<b>Total Other Financing Sources</b>	<u>18,934,765</u>	<u>21,159,606</u>	<u>25,345,389</u>	<u>22,321,726</u>
<b>Net Change in Fund Balances</b>	<u>\$ 9,543,247</u>	<u>\$ 5,123,059</u>	<u>\$ 4,027,469</u>	<u>\$ 8,526,576</u>
<b>Debt service as a percentage of noncapital expenditures</b>	10.75%	11.18%	11.34%	12.78%

<b>Fiscal Year</b>						
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$	84,037,378	\$ 95,832,195	\$ 109,311,548	\$ 118,721,554	\$ 128,711,804	\$ 136,906,290
	2,144,150	2,144,845	2,660,921	2,143,028	2,653,882	2,746,436
	2,786,220	2,951,385	4,122,263	2,907,682	2,585,655	2,816,194
	2,692,116	3,065,874	2,849,959	2,668,263	1,892,627	1,885,241
	13,094,923	16,164,410	15,617,715	8,158,083	13,746,103	8,030,265
	378,067	753,425	1,722,482	2,723,663	2,084,524	318,854
	2,601,488	1,544,848	3,369,646	2,339,954	2,598,997	2,756,507
	-	-	-	-	66,000,000	-
	<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>	<u>155,459,787</u>
	23,036,419	27,118,110	34,201,834	31,655,440	32,017,491	29,454,534
	46,447,222	49,986,911	53,384,757	56,003,676	56,026,717	62,013,800
	6,564,222	8,327,323	9,808,883	6,118,816	7,267,936	7,009,495
	2,501,379	2,907,596	3,016,332	3,374,559	3,705,462	3,790,467
	8,348,940	10,134,050	11,415,502	11,675,270	11,736,303	12,415,466
	27,415,269	29,924,675	19,386,069	19,711,585	18,653,130	20,386,905
	8,914,526	10,052,613	11,152,299	11,479,844	13,222,495	14,180,808
	752,503	-	-	6,377,582	-	-
	4,428,640	4,888,606	5,196,902	5,106,471	4,703,175	5,295,080
	349,520	-	169,700	122,720	294,216	705,305
	<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>	<u>155,251,860</u>
	(21,024,298)	(20,882,902)	(8,077,744)	(11,963,736)	72,646,667	207,927
	14,963,268	12,783,144	15,500,232	15,972,569	18,869,959	20,945,261
	(10,213,657)	(8,464,042)	(12,825,287)	(14,035,659)	(17,420,300)	(18,448,377)
	-	-	25,375,000	-	-	36,300,000
	25,972,324	-	-	5,965,000	16,455,000	16,555,000
	-	-	-	-	-	-
	2,673,873	-	2,159,700	456,226	1,702,378	8,745,530
	(8,965,535)	-	-	-	(10,775,480)	(19,696,881)
	<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>44,400,533</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>	<u>44,608,460</u>
	12.83%	12.83%	12.70%	12.61%	13.44%	13.90%

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

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Property taxes	\$ 20,064,769	\$ 20,694,270	\$ 22,109,139	\$ 23,572,107
Sales and hotel taxes	17,343,951	18,558,609	20,494,629	22,460,619
Franchise fees	3,800,997	3,825,432	4,053,895	4,155,898
Industrial in-lieu-of-taxes	27,403,488	28,334,286	29,379,711	31,675,333
<b>Total</b>	<b>\$ 68,613,205</b>	<b>\$ 71,412,597</b>	<b>\$ 76,037,374</b>	<b>\$ 81,863,957</b>

**Fiscal Year**

<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 24,877,018	\$ 27,430,240	\$ 29,947,838	\$ 31,933,079	\$ 34,552,018	\$ 38,111,113
22,790,624	24,050,819	26,273,237	24,138,407	24,252,318	28,921,685
4,233,571	4,359,389	4,317,509	4,681,762	4,372,062	4,402,737
32,136,165	39,991,747	48,772,964	57,968,306	65,535,406	65,470,755
<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>	<u>\$ 136,906,290</u>

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

	Fiscal Year			
	2012	2013	2014	2015
Real assessed value	\$ 2,926,000,599	\$ 2,939,825,902	\$ 3,014,917,703	\$ 3,183,226,576
Personal assessed value	411,118,921	436,801,409	503,811,955	481,129,714
Total assessed value (1)	3,337,119,520	3,376,627,311	3,518,729,658	3,664,356,290
Less: real property exemptions	(928,173,569)	(886,164,075)	(898,967,084)	(901,716,167)
<b>Taxable Value</b>	<u>\$ 2,408,945,951</u>	<u>\$ 2,490,463,236</u>	<u>\$ 2,619,762,574</u>	<u>\$ 2,762,640,123</u>
<b>Taxable value as a percentage of assessed value</b>	72.2%	73.8%	74.5%	75.4%
Total tax rate	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82203

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

**Fiscal Year**

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 3,543,467,674	\$ 3,920,519,981	\$ 4,463,767,737	\$ 4,325,246,351	\$ 5,132,331,415	\$ 5,599,446,660
<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>	<u>781,518,631</u>
4,021,306,684	4,408,752,923	4,885,557,324	5,216,036,438	5,865,969,148	6,380,965,291
<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>(1,592,961,532)</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>	<u>\$ 4,788,003,759</u>
75.3%	75.6%	75.3%	76.0%	75.0%	75.0%
\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.81203	\$ 0.80203	\$ 0.79515

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

	Fiscal Year			
	2012	2013	2014	2015
City of Baytown by fund				
General fund	\$ 0.42578	\$ 0.43658	\$ 0.43713	\$ 0.445620
Debt service fund	0.39625	0.38545	0.384900	0.376410
<b>Total</b>	<u>\$ 0.82203</u>	<u>\$ 0.82203</u>	<u>\$ 0.82203</u>	<u>\$ 0.82203</u>
Harris County	\$ 0.39117	\$ 0.40021	\$ 0.41455	\$ 0.417310
Harris County Flood Control District	0.02809	0.02809	0.02827	0.027360
Port of Houston Authority	0.01856	0.19216	0.17160	0.015310
Harris County Hospital District	0.19216	0.18216	0.17000	0.170000
Harris County Dept. of Education	0.00568	0.00662	0.00636	0.005999
Goose Creek Independent School District	1.33213	1.33213	1.38679	1.431890
Lee Junior College District	0.25200	0.24100	0.26070	0.260700
<b>Total Direct and Overlapping Rates</b>	<u>\$ 3.04182</u>	<u>\$ 3.20440</u>	<u>\$ 3.26030</u>	<u>\$ 3.150599</u>

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

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 0.450010	\$ 0.470060	\$ 0.455430	\$ 0.457643	\$ 0.460930	\$ 0.484000
0.372020	0.351970	0.366600	0.354387	0.341100	0.311150
<u>\$ 0.822030</u>	<u>\$ 0.822030</u>	<u>\$ 0.822030</u>	<u>\$ 0.812030</u>	<u>\$ 0.802030</u>	<u>\$ 0.795150</u>
\$ 0.419230	\$ 0.416560	\$ 0.418010	\$ 0.418580	\$ 0.407130	\$ 0.391160
0.027330	0.028290	0.028310	0.028770	0.027920	0.031420
0.013420	0.013340	0.012560	0.011550	0.010740	0.009910
0.170000	0.171790	0.171100	0.171080	0.165910	0.166710
0.005422	0.005200	0.005195	0.005190	0.005000	0.004993
1.431890	1.431890	1.431890	1.431800	1.354280	1.341100
0.250200	0.245300	0.250400	0.250100	0.230100	0.230100
<u>\$ 3.139522</u>	<u>\$ 3.134400</u>	<u>\$ 3.139495</u>	<u>\$ 3.129100</u>	<u>\$ 3.003110</u>	<u>\$ 2.970543</u>

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# CITY OF BAYTOWN, TEXAS

## PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	Fiscal Year					
	2021			2012		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
CenterPoint Energy Inc.	\$ 73,623,211	1	1.54%	\$ 10,712,322	1	0.44%
Passco Sapphire Bay Dst	45,503,780	2	0.95%	-	-	N/A
ALTA Baytown Owner LP	39,073,212	3	0.82%	-	-	N/A
Exxon Mobil Corp*	39,026,621	4	0.82%	-	-	N/A
Stanmore Adef Baytown Delaware LLC	37,238,834	5	0.78%	-	-	N/A
HEB Grocery Co LP	35,777,281	6	0.75%	-	-	N/A
619 Rollingbrook Street LP	31,921,068	7	0.67%	-	-	N/A
LCG Thompson 10 LLC	28,745,431	8	0.60%	-	-	N/A
EGW Rollingbrook Investments LP	28,301,092	9	0.59%	-	-	N/A
Abby Baytown LP	28,283,016	10	0.59%	-	-	N/A
Sustainable Power Corp.	-	-	N/A	1,953,437	2	0.08%
Petroleum Wholesale Inc.	-	-	N/A	1,851,690	3	0.08%
PMD Enterprises LLC	-	-	N/A	1,360,310	4	0.06%
Govinji Multiple Business LLC	-	-	N/A	774,000	5	0.03%
Dicus Jimmie	-	-	N/A	723,160	6	0.03%
Oneal Robert	-	-	N/A	705,630	7	0.03%
Rios Pedro M & Mary E	-	-	N/A	576,690	8	0.02%
Grohman Venture W-1 Ltd.	-	-	N/A	565,410	9	0.02%
Dykes Norman	-	-	N/A	563,940	10	0.02%
<b>Subtotal</b>	<b>387,493,546</b>		<b>8.09%</b>	<b>19,786,589</b>		<b>0.82%</b>
Other Taxpayers	4,400,510,213		91.91%	2,389,159,362		99.18%
<b>Total</b>	<b>\$ 4,788,003,759</b>		<b>100.00%</b>	<b>\$ 2,408,945,951</b>		<b>100.00%</b>

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			
	2012	2013	2014	2015
Tax levy	\$ 19,729,244	\$ 20,166,530	\$ 21,200,763	\$ 22,423,830
Current tax collected	\$ 18,940,167	\$ 19,387,454	\$ 20,487,419	\$ 21,865,661
Percentage of current tax collections	96.00%	96.14%	96.64%	97.51%
Delinquent tax collections (1)	649,189	656,891	590,597	398,891
<b>Total Tax Collections</b>	<b>\$ 19,589,356</b>	<b>\$ 20,044,345</b>	<b>\$ 21,078,016</b>	<b>\$ 22,264,552</b>
Total collections as a percentage of current levy	99.29%	99.39%	99.42%	99.29%
Outstanding delinquent taxes (2)	\$ 139,888	\$ 122,185	\$ 122,747	\$ 159,278
Outstanding delinquent taxes as percentage of current levy	0.71%	0.61%	0.58%	0.71%

- (1) Total amount of tax collections received in subsequent years.  
(2) Outstanding delinquent taxes based on the current levy.

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<u>\$ 24,611,681</u>	<u>\$ 27,001,086</u>	<u>\$ 29,685,764</u>	<u>\$ 31,563,309</u>	<u>\$ 34,520,007</u>	<u>\$ 37,433,434</u>
\$ 23,892,720	\$ 26,416,758	\$ 28,878,775	\$ 30,729,241	\$ 33,480,249	\$ 36,420,317
97.08%	97.84%	97.28%	97.36%	96.99%	97.29%
<u>517,195</u>	<u>321,690</u>	<u>487,404</u>	<u>618,605</u>	<u>509,698</u>	<u>749,567</u>
<u>\$ 24,409,915</u>	<u>\$ 26,738,448</u>	<u>\$ 29,366,179</u>	<u>\$ 31,347,846</u>	<u>\$ 33,989,947</u>	<u>\$ 37,169,884</u>
99.18%	99.03%	98.92%	99.32%	98.46%	99.30%
\$ 201,766	\$ 262,638	\$ 319,585	\$ 215,463	\$ 530,060	\$ 263,550
0.82%	0.97%	1.08%	0.68%	1.54%	0.70%

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

	Fiscal Year			
	2012	2013	2014	2015
<b>Governmental Activities:</b>				
General obligation bonds	\$ 78,939,100	\$ 92,419,850	\$ 104,834,650	\$ 109,014,950
Certificates of obligation	13,140,000	10,945,000	10,320,000	16,275,000
Capital leases	2,874,038	2,667,325	2,579,696	2,273,274
Premiums	3,014,470	3,077,237	4,702,742	5,698,278
<b>Business-Type Activities:</b>				
Revenue bonds	5,650,900	4,145,150	-	-
General obligation bonds	-	-	2,695,350	16,090,050
Certificates of obligation	73,120,000	85,315,000	83,940,000	62,525,000
Premiums	78,663	473,537	866,564	2,363,321
<b>Total Primary Government</b>	<b>\$ 176,817,171</b>	<b>\$ 199,043,099</b>	<b>\$ 209,939,002</b>	<b>\$ 214,239,873</b>
Percentage of personal income	10.3%	12.5%	11.5%	13.1%
Per capita	\$ 2,409	\$ 2,692	\$ 2,783	\$ 2,814

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

**Fiscal Year**

<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 100,829,041	\$ 92,604,605	\$ 84,852,517	\$ 83,320,072	\$ 74,012,321	\$ 69,008,759
33,015,000	31,510,000	53,815,000	43,860,000	46,160,000	70,795,000
1,956,981	1,633,804	1,303,593	966,194	621,452	269,206
7,978,804	7,408,272	8,757,473	8,410,157	8,851,148	15,584,665
-	-	-	-	-	-
42,425,959	40,325,395	36,947,483	33,929,928	30,732,680	27,341,242
26,710,000	24,270,000	23,115,000	40,375,000	38,735,000	36,820,000
6,487,181	6,000,949	5,514,717	5,943,039	5,423,905	4,904,771
<u>\$ 219,402,966</u>	<u>\$ 203,753,025</u>	<u>\$ 214,305,783</u>	<u>\$ 216,804,390</u>	<u>\$ 204,536,506</u>	<u>\$ 224,723,643</u>
12.4%	10.7%	11.4%	9.0%	8.3%	9.0%
\$ 2,770	\$ 2,434	\$ 2,413	\$ 2,339	\$ 2,200	\$ 2,389

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

	Fiscal Year			
	2012	2013	2014	2015
<b>Net Taxable Assessed Value</b>				
All property	\$ 2,408,945,951	\$ 2,490,463,236	\$ 2,619,762,574	\$ 2,619,762,574
<b>Net Bonded Debt</b>				
Gross bonded debt	95,093,570	106,442,087	119,857,392	130,988,228
Less debt service funds	1,229,116	3,715,519	5,418,953	4,895,113
<b>Total Net Bonded Debt</b>	<u>\$ 93,864,454</u>	<u>\$ 102,726,568</u>	<u>\$ 114,438,439</u>	<u>\$ 126,093,115</u>
<b>Ratio of Net Bonded Debt to Assessed Value</b>	3.90%	4.12%	4.37%	4.81%
<b>Population</b>	73,413	73,950	75,424	76,127
<b>Net Bonded Debt per Capita</b>	\$ 1,279	\$ 1,389	\$ 1,517	\$ 1,656

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 3,026,608,465	\$ 3,333,784,968	\$ 3,680,049,725	\$ 3,961,604,388	\$ 4,397,651,697	\$ 4,788,003,759
141,822,845	131,522,877	147,424,990	135,590,229	129,023,469	155,388,424
2,940,258	2,632,347	3,816,355	5,050,333	6,268,425	3,144,287
<u>\$ 138,882,587</u>	<u>\$ 128,890,530</u>	<u>\$ 143,608,635</u>	<u>\$ 130,539,896</u>	<u>\$ 122,755,044</u>	<u>\$ 152,244,137</u>
4.59%	3.87%	3.90%	3.30%	2.79%	3.18%
79,215	83,724	88,830	92,679	92,984	94,081
\$ 1,753	\$ 1,539	\$ 1,617	\$ 1,409	\$ 1,320	\$ 1,618

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**CITY OF BAYTOWN, TEXAS**  
***DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT***  
For the Year Ended September 30, 2021

	<u>Net Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Governmental Unit</b>			
<b>Debt repaid with property taxes</b>			
Harris County (2)	\$ 1,723,192,125	45.55%	\$ 784,876,277
Harris County Dept. of Education	20,185,000	0.53%	107,694
Harris County MUD #213B	6,540,000	0.17%	11,305
Harris County MUD #459	11,750,000	0.31%	36,493
Harris County MUD #473	9,335,000	0.25%	23,034
Harris County Flood Control	590,725,000	15.61%	92,236,858
Harris County Hospital District	81,540,000	2.16%	1,757,419
Goose Creek Independent School District	717,413,572	18.96%	136,041,991
Lee College District	37,890,000	1.00%	379,475
Port of Houston Authority	492,439,397	13.02%	64,097,248
Chambers County (2)	92,250,000	2.44%	2,249,399
Subtotal, overlapping debt	3,783,260,094		1,081,817,193
<b>City direct debt</b>	<u>155,657,630</u>	100.00%	<u>155,657,630</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 1,237,474,823</u></u>

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			
	2012	2013	2014	2015
<b>Gross Revenues</b>	\$ 35,369,368	\$ 34,022,544	\$ 35,990,349	\$ 39,044,709
<b>Operating Expenses (1)</b>	22,553,420	22,570,370	23,234,448	24,953,929
<b>Net Revenues Available for Debt Service</b>	<u>\$ 12,815,948</u>	<u>\$ 11,452,174</u>	<u>\$ 12,755,901</u>	<u>\$ 14,090,780</u>
<b>Debt Service Requirements (2)</b>				
Principal	\$ 1,505,750	\$ 1,620,000	\$ -	\$ -
Interest	3,274,771	3,123,765	-	-
<b>Total</b>	<u>\$ 4,780,521</u>	<u>\$ 4,743,765</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Coverage</b>	2.68	2.41	N/A	N/A

(1) Total operating expenses less depreciation

(2) Includes revenue bonds only

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 40,811,009	\$ 40,998,750	\$ 43,301,862	\$ 42,415,981	\$ 46,051,831	\$ 47,144,502
<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>30,353,357</u>
<u><u>\$ 14,829,306</u></u>	<u><u>\$ 12,671,087</u></u>	<u><u>\$ 15,037,089</u></u>	<u><u>\$ 16,372,092</u></u>	<u><u>\$ 16,634,936</u></u>	<u><u>\$ 16,791,145</u></u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</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			
	2012	2013	2014	2015
Population (1)	73,413	73,950	75,424	76,127
Personal income	\$1,709,495,118	\$1,588,963,650	\$1,822,625,836	\$1,631,325,483
Per capita personal income (2)	\$ 23,286	\$ 21,487	\$ 24,165	\$ 21,429
Median age (3)	31.0	31.0	31.0	31.0
Education level in years of schooling (3)	14.8	14.8	14.8	19.5
School enrollment (4)	21,793	21,663	21,723	22,915
Unemployment rate (5)	9.50%	8.60%	6.40%	6.00%

Data sources:

- (1) Prior years from either Census or City Planning Department. FY17 provided by Applied Geographic Solutions (AGS).  
FY19 from Population.us. FY20 - FY21 from Official Statement
- (2) Years 2009 to 2017 - American FactFinder. FY18 - FY21 US Census Bureau (Quickfacts)
- (3) Wikipedia - Baytown, Texas
- (4) Texas Education Agency
- (5) Texas Workforce Commission

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
79,215	83,724	88,830	92,679	92,984	94,081
\$1,773,069,345	\$1,912,591,056	\$1,875,937,700	\$2,421,331,554	\$2,474,769,160	\$2,503,965,815
\$ 22,383	\$ 22,844	\$ 24,425	\$ 26,126	\$ 26,615	\$ 26,615
31.0	32.9	32.4	32.7	32.8	32.9
14.8	14.8	14.8	14.8	14.8	12.4
22,320	23,748	23,795	23,837	23,926	23,318
6.40%	10.40%	8.10%	6.60%	9.60%	10.50%

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# CITY OF BAYTOWN, TEXAS

## PRINCIPAL EMPLOYERS

Current Fiscal Year and Nine Years Ago

Employer	Fiscal Year					
	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Exxon Mobil-Baytown Complex	3,785	1	12.38%	3,785	1	12.01%
Goose Creek Consolidated Independent School District	3,644	2	11.92%	3,012	2	9.56%
Houston Methodist Baytown Hospital	1,750	3	5.72%	1,687	3	5.35%
Covestro	1,110	4	3.63%	N/A	N/A	N/A
Chevron Phillips	990	5	3.24%	743	6	2.36%
City of Baytown	930	6	3.04%	800	5	2.54%
Lee College	691	7	2.26%	600	8	1.90%
Wal-Mart Distribution Center	600	8	1.96%	685	7	2.17%
JSW Steel	378	9	1.24%	N/A	N/A	N/A
Home Depot Distribution Center	325	10	1.06%	355	9	1.13%
Bayer Corporation	-	-	0.00%	1,100	4	3.49%
TMK-IPSCO	-	-	0.00%	325	10	1.03%
<b>Total</b>	<b>14,203</b>		<b>46.46%</b>	<b>13,092</b>		<b>41.54%</b>

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			
	2012	2013	2014	2015
<b>General Fund:</b>				
General government	92.40	92.40	93.40	94.90
Public safety				
Police				
Officers	131.00	137.00	143.00	150.00
Civilians	49.00	49.00	50.00	49.00
Fire				
Firefighters and officers	106.00	112.00	140.00	147.00
Civilians	6.00	6.00	10.00	9.00
Other public safety	49.00	53.00	26.00	26.00
Public works	44.50	44.50	43.50	43.50
Public health	22.00	23.00	23.00	23.00
Parks, recreation, and culture	64.00	64.00	64.00	63.00
<b>General Fund Total</b>	<u>563.90</u>	<u>580.90</u>	<u>592.90</u>	<u>605.40</u>
<b>Hotel/Motel Fund</b>	1.00	1.00	2.00	2.00
<b>Enterprise Fund:</b>				
Aquatics	2.00	2.00	3.00	4.00
Water and sewer	116.85	117.85	122.85	122.85
Sanitation	12.50	12.50	13.50	13.50
Storm water utility	4.00	4.00	4.00	4.00
Internal service	12.00	12.00	12.00	12.00
<b>Enterprise Fund Total</b>	<u>147.35</u>	<u>148.35</u>	<u>155.35</u>	<u>156.35</u>
<b>Program Funds:</b>				
Community development block grant	4.50	4.50	4.50	4.00
High intensity drug trafficking area	0.25	0.25	0.25	0.25
Miscellaneous police	4.00	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	2.00	2.00	2.00
Municipal court special revenue	-	2.00	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	1.00
Municipal Development District	-	2.00	3.00	3.00
Baytown Nature Center	-	1.00	1.00	1.00
Workers' compensation	1.00	1.00	1.00	1.00
<b>Program Funds Total</b>	<u>30.75</u>	<u>36.75</u>	<u>38.75</u>	<u>38.25</u>
<b>Total</b>	<u><u>743.00</u></u>	<u><u>767.00</u></u>	<u><u>789.00</u></u>	<u><u>802.00</u></u>

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
96.90	99.90	107.90	110.90	117.90	117.90
150.00	153.00	157.00	157.00	157.00	157.00
49.00	51.00	49.00	49.00	49.00	49.00
147.00	155.00	156.00	157.00	161.00	165.00
9.00	13.00	13.00	13.00	15.00	12.00
26.00	26.00	26.00	26.00	27.00	27.00
40.50	40.50	41.50	43.00	45.00	45.00
25.00	28.00	30.00	35.00	36.00	36.00
64.00	67.00	70.00	74.00	77.00	77.00
<u>607.40</u>	<u>633.40</u>	<u>650.40</u>	<u>664.90</u>	<u>684.90</u>	<u>685.90</u>
2.00	5.00	3.00	3.00	3.00	3.00
4.00	4.00	4.00	5.00	5.00	5.00
120.85	124.85	124.85	124.85	132.85	132.85
13.50	13.50	13.50	13.00	13.00	13.00
16.00	16.00	21.00	21.00	21.00	21.00
12.00	12.00	12.00	12.00	12.00	12.00
<u>166.35</u>	<u>170.35</u>	<u>175.35</u>	<u>175.85</u>	<u>183.85</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	18.00
15.00	15.00	15.00	15.00	15.00	15.00
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	2.00
3.00	3.00	4.00	4.00	4.00	4.00
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	1.00
<u>41.25</u>	<u>45.25</u>	<u>52.25</u>	<u>53.25</u>	<u>58.25</u>	<u>57.25</u>
<u>817.00</u>	<u>854.00</u>	<u>881.00</u>	<u>897.00</u>	<u>930.00</u>	<u>930.00</u>

# CITY OF BAYTOWN, TEXAS

## OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year			
	2012	2013	2014	2015
<b>Police:</b>				
Arrests	6,806	5,877	5,717	5,637
Accident reports	1,899	1,980	2,207	2,594
Citations	16,120	21,731	17,904	20,144
Offense reports	14,800	15,144	14,911	14,788
Calls for service	46,175	48,988	55,045	67,765
<b>Fire:</b>				
Medical responses	3,700	5,039	9,577	9,999
Fire/rescue incidents	1,596	2,097	2,301	2,513
<b>Response times:</b>				
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	69.65%	65.86%	61.81%	59.82%
Nine minutes or less for the deployment of a full first alarm assignment at a fire suppression incident	86.36%	91.03%	85.44%	86.21%
<b>Water:</b>				
Number of water customers	22,104	22,212	22,417	22,599
Source	Trinity River	Trinity River	Trinity River	Trinity River
Average daily water usage (millions of gallons)	12.01	12.58	12.70	11.11
Number of million gallons of surface water pumped	5.14	4.26	4.64	4.07
Number of million gallons of well water pumped	0.60	0.53	2.13	0.19
Peak daily consumption (millions of gallons)	20.92	18.55	17.11	16.69
<b>Sewer:</b>				
Number of sewer connections	21,241	21,316	21,513	21,705
Average daily treatment (millions of gallons)	9.53	12.23	10.44	13.28
Total consumption (billions of gallons)	3.48	4.46	3.81	4.75
Peak daily consumption (millions of gallons)	35.39	40.16	35.95	56.06

Data source: various City departments

**Fiscal Year**

<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
5,584	5,589	5,121	4,882	3,460	3,404
2,676	2,619	2,402	2,228	2,172	2,040
23,817	25,878	26,714	22,457	14,431	14,373
15,014	14,226	14,217	14,148	13,455	12,360
70,236	71,448	72,639	74,859	70,477	64,307
10,568	8,992	10,933	11,559	10,866	12,379
2,345	3,189	2,602	2,767	2,558	2,956
*	*	*	*	*	43.00%
*	*	*	*	*	72.00%
*	*	*	*	*	81.00%
59.70%	54.72%	51.60%	59.14%	63.51%	*
83.52%	84.00%	84.40%	84.95%	56.75%	*
21,398	21,731	21,912	22,148	23,810	24,067
Trinity River					
11.55	11.61	12.12	11.58	12.32	11.81
4.23	5.41	5.13	4.23	4.97	4.31
0.58	0.48	0.52	0.55	0.63	0.70
18.71	17.37	17.52	19.21	18.35	23.84
20,553	20,887	21,043	21,276	22,344	23,613
13.07	11.99	11.67	12.06	10.93	10.90
4.77	4.34	4.04	4.47	3.70	4.09
55.49	41.20	39.19	48.27	27.57	30.37

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

Function	Fiscal Year			
	2012	2013	2014	2015
Police:				
Stations	3	3	3	3
Patrol units	87	87	93	94
Fire stations	6	6	7	7
Other public works:				
Streets (miles)	429	429	431	447
Streetlights	4,728	5,098	4,911	5,124
Parks and recreation:				
Parks	47	47	50	50
Parks acreage	1,084	1,084	1,151	1,151
Parks - developed	967	967	972	972
Parks - undeveloped	117	117	179	179
Spraygrounds	4	4	5	5
Baseball/softball diamonds	22	22	22	22
Tennis courts	4	4	4	4
Community centers	1	1	1	1
Water parks	2	2	2	2
Quick soccer courts	2	2	2	2
Water:				
Water mains (miles)	385	390	398	399
Fire hydrants	1,896	1,937	2,003	2,431
System capacity (millions of gallons)	26.0 MGD	26.0 MGD	26.0 MGD	26.0 MGD
Sewer:				
Sanitary sewers (miles)	367	372	377	382
Storm sewers (miles)	172	173	174	175
Treatment plant capacity (millions of gallons)	20.2 MGD	20.2 MGD	24.2 MGD	24.2 MGD

Data source: various City departments

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
3	3	3	3	3	3
100	100	104	111	109	109
8	8	8	8	8	8
468	471	484	499	514	514
5,443	5,504	5,617	5,911	6,096	6,096
52	53	53	53	55	53
1,290	1,292	1,292	1,292	1,319	1,251
1,120	1,122	1,122	1,122	1,123	1,061
179	170	170	170	196	190
5	6	6	6	6	6
22	2	22	22	22	18
4	4	4	4	4	8
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	3	3	3
400	402	403	404	420	463
2,545	2,618	2,637	2,690	2,850	3,371
26.0 MGD	26.0 MGD	26.0 MGD	26.0 MGD	26.0 MGD	26.0 MGD
384	400	397	402	409	472
180	183	186	190	194	22
24.2 MGD	24.2 MGD	24.2 MGD	24.2 MGD	24.2 MGD	24.2 MGD

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