

# **Comprehensive Annual Financial Report**

of the

## **City of Bay City, Texas**

**Fiscal Year Ended  
September 30, 2009**



### **Officials Issuing Report**

**Richard Knapik  
Mayor**

**Gary Gratzner, CPA  
Finance Director**

# CITY OF BAY CITY, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

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# CITY OF BAY CITY, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

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# CITY OF BAY CITY

**RICHARD KNAPIK**  
MAYOR



**CITY COUNCIL**  
**BRENT MARCEAUX**  
MAYOR PRO TEM

**RHONDA CLEGG**  
CITY SECRETARY

**GARY GRATZER**  
FINANCE DIRECTOR

**JOSEPH D. ENOCH**  
**ANTHONY HAWKINS**

**CLARENCE FENNER**  
**CAROLYN THAMES**

March 25, 2010

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

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, the comprehensive annual financial report of the City of Bay City, Texas (the "City") for the fiscal year ended September 30, 2009, is hereby submitted.

The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. The report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by **Sandersen Knox & Co., L.L.P.**, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended September 30, 2009, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes a Management's Discussion and Analysis (MD&A), basic financial statements, other required supplementary information and combining and individual fund statements and schedules, as well as the auditors' report on the governmental activities, business-type activities, major funds, and the aggregate remaining fund information, as well as budgetary

comparison information and combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The MD&A is a narrative introduction, overview and analysis to accompany the basic financial statements. The letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Bay City's MD&A can be found immediately following the report of our independent auditors.

In addition to the MD&A described above, this annual report includes government-wide financial statements, prepared using accrual accounting for all of our financial activities.

These government-wide financial statements help users:

- Assess the finances of the government in its entirety, including the year's operating results
- Determine whether the government's overall financial position improved or deteriorated
- Evaluate whether the government's current-year revenues were sufficient to pay for current-year services
- See the cost of providing services to its citizenry
- See how the government finances its programs—through user fees and other program revenues versus general tax revenues
- Understand the extent to which the government has invested in capital assets, including streets, bridges, and other infrastructure assets
- Make better comparisons between governments.

## **PROFILE OF THE GOVERNMENT**

The City, incorporated in 1902, is located in Matagorda County, currently occupies a land area 8.92 square miles and serves a population of 18,381. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, if deemed appropriate by the City Council.

The City of Bay City has adopted a Mayor-Council form of government. The Council, vested with policy-making and legislative authority, is comprised of a Mayor and five Council members. The Mayor is elected to a three-year term and Council members are elected at large for a two-year term, all with no term limits. The City Council is responsible, among other things, for passing ordinances, adopting the budget and the hiring of the City's management and attorney.

The City provides a full range of municipal services: public safety (police and fire protection), public improvements, water and wastewater utilities, repair and maintenance of infrastructure, recreation and general administrative services. In addition, the City owns and operates a general aviation airport. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board, the City reports all funds for which the City, as the primary government, is accountable.

The annual budget serves as the foundation for the City's financial planning and control. Department heads are required to submit requests for appropriation to the city treasurer in June or July of each year. The city treasurer then presents the proposed budget to the Council for review. The Council is required

to hold a public hearing on the proposed final budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department (e.g. police). Department heads make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of Council. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City has adopted a budget for the General and certain Special Revenue Funds, but not the Capital Projects Funds. Quarterly reports are required from budget managers to aid in accomplishing budgetary control.

## **LOCAL ECONOMY**

The City of Bay City is home to a diversified group of industries. Major industries and business activities in the area include nuclear power generation, healthcare, metals, oil and gas services and a variety of general retail operations. This diversification is evident in the fact that no single taxpayer represents more than 1.4% of assessed valuation in the City.

The City is also a major retail trade area for antiques, building materials, general merchandise, food stores, automotive, and restaurants.

Net taxable value for all residential and commercial property in the City exceeded \$602 million for fiscal year 2009, which is a 10.9% increase from fiscal year 2008.

## **ACCOUNTING SYSTEMS AND BUDGETING CONTROL**

### **Accounting Systems**

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

Consideration of adequate internal accounting controls has been made in designing the City's accounting system. Internal accounting controls, instituted by the Finance Department as part of the accounting system, are designed to provide reasonable assurances that assets are properly safeguarded against loss from unauthorized use or disposition, that financial records used in preparation of the financial statements are reliable, and that accountability for the City's assets is maintained. The concept of reasonable assurance in relation to internal controls recognizes that the cost of a control process should not exceed the benefits derived from the performance of related procedures and that the City's management must make estimates and judgments in evaluating the cost and benefit relationships relating to internal control processes and procedures that become a part of the City's accounting system.

### **Budgetary Compliance**

Because budgetary compliance is significant in managing governmental activities, budgetary compliance controls are critical. The objective of these controls is to ensure compliance with legal spending limits in annual or project appropriated budgets approved by City Council. The City Charter provides that the City Council shall adopt annual or project budgets every fiscal year for all City funds. The budgets are prepared and maintained by the city management.

The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Council. Annual appropriated budgets are adopted for the general and debt service funds. The original budget is adopted by the City Council prior to the beginning

of the fiscal year. Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

### **Budgetary Controls**

During the year, expenditure controls are maintained by each department with review of the budget provided by the City Treasurer and overall control exercised by City Council. Constant review of revenue and expenditure estimates is performed to assure the integrity of the adopted budget and to assure funds are available to meet current obligations. As a result of this review, it is possible to exercise administrative budgetary controls throughout the year. As demonstrated by the financial statements presented in this report, the City continues to meet its responsibility for sound financial management.

## **FINANCIAL CONDITION**

### **Cash Management**

Cash temporarily idle during the year is deposited into various types of investments. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

### **Risk Management**

The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the cost of insurance.

Risk control techniques have been established to reasonably assure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned or under the control of the City.

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

The established long-range policies regarding financial management are to retain a sound financial condition, strive to retain the best possible ratings on bonds, and provide future generations with the ability to borrow capital for construction of facilities, street, and drainage improvements without a severed financial burden.

## **AWARDS AND ACKNOWLEDGEMENTS**

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. It is anticipated that the City will apply for this prestigious award in the future.

In closing, without the dedication of the employees and the direction of the members of the City Council, preparation of this report would not have been possible. We would like to express our sincere appreciation to our employees, who have continually demonstrated their professionalism and abilities in the management of the finance function. We also want to thank the Members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

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Richard Knapik  
Mayor

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Gary L. Gratzner, CPA  
Finance Director

# CITY OF BAY CITY, TEXAS

## PRINCIPAL OFFICIALS

September 30, 2009

<u>City Officials</u>	<u>Elective Position</u>	<u>Term Expires</u>
Richard Knapik	Mayor	2010
Anthony "Andy" Hawkins	Council Member - Position 1,	2010
Joseph Enoch	Council Member - Position 2	2010
Brent Marceaux	Council Member - Position 3, Mayor Pro-Tem	2011
Clarence Fenner	Council Member - Position 4	2011
Carolyn Thames	Council Member - Position 5	2011
<u>Key Staff</u>	<u>Position</u>	
Bill Pendergraft	City Attorney	
Clark Young	Public Works Director	
Gary L. Gratzler CPA	City Treasurer	
Roger Barker	Police Chief	
Rhonda Clegg	City Secretary	
Suzan Thompson Jeannette Bell	Municipal Court Judges	

**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bay City, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City of Bay City, Texas' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bay City, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Bay City Gas Company, a discretely presented component unit of the City, which represents 100% of the assets, liabilities, net assets, revenues and expenses of the discretely presented component unit. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, each major fund and the aggregate remaining fund information of the City of Bay City, Texas, as of September 30, 2009, and the respective changes in financial position and cash flows where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2010, on our consideration of the City of Bay City, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information on pages 5 to 12 and pages 48 to 51, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bay City, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

A handwritten signature in cursive script that reads "Sugar Land & Co." with a stylized flourish at the end.

Sugar Land, Texas  
February 25, 2010

## Management's Discussion and Analysis

As management of Bay City, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2009.

### FINANCIAL HIGHLIGHTS

- The assets of the City, excluding component units, exceeded its liabilities at the close of the most recent fiscal year by \$27,164,984 (net assets). Of this amount, \$2,242,985 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets, excluding component units, increased by \$423,287.
- As of September 30, 2009, the City's governmental funds reported an ending fund balance of \$5,136,415, an increase of \$1,785,704 in comparison with the prior year.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was \$1,622,414, or 20.3 percent of total General Fund expenditures.
- The City's total debt increased by \$3,503,022 during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements present functions of the City that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 15-17 of this report.

### FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two groups (1) *Governmental Funds* (the General Fund, Special Revenue Funds and Capital Projects Funds), and (2) *Proprietary Funds* (three primary entity enterprise funds and one component unit enterprise fund).

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the 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 financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 18-21 of this report.

**Proprietary Funds** - The City's proprietary funds are all *Enterprise Funds* and used to report the same functions presented as *business-type activities* in the government-wide financial statements. The primary city entity has historically used enterprise funds to account for its Water & Sewer operations and also its Municipal Airport. During fiscal 2009 city management decided to resume direct sanitation services (both residential and commercial), and formed a third enterprise fund for this purpose. The newly created Sanitation Fund (currently in the development stage) will begin providing services in October 2009. The City also has a discretely presented component, operating as an enterprise fund, and providing natural gas sales and distribution.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basis proprietary fund financial statements can be found on pages 22-25 of this report.

## **NOTES TO THE 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 to the financial statements can be found on pages 27 through 46 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund and major special revenue fund budgets and the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 48-51 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, excluding component units, assets exceeded liabilities by \$27,164,984 as of September 30, 2009.

The largest portion of the City's net assets (76.9 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

The second largest portion a portion of the City's net assets (14.8 percent) represents resources that are subject to restrictions on how they may be used.

Additionally, a portion of the City's net assets (8.3 percent) represents unrestricted financial resources available for future operations.

**SUMMARY OF STATEMENT OF NET ASSETS**

**As of September 30, 2009 and 2008**

**(amounts expressed in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 5,998	\$ 3,835	\$ 3,828	\$ 2,464	\$ 9,826	\$ 6,299
Capital assets, net	23,207	22,851	16,562	13,357	39,769	36,208
<b>Total Assets</b>	<b>29,205</b>	<b>26,686</b>	<b>20,390</b>	<b>15,821</b>	<b>49,595</b>	<b>42,507</b>
Long-term liabilities	11,939	9,954	7,788	6,372	19,727	16,326
Other liabilities	710	432	1,992	630	2,702	1,062
<b>Total Liabilities</b>	<b>12,649</b>	<b>10,386</b>	<b>9,780</b>	<b>7,002</b>	<b>22,429</b>	<b>17,388</b>
Net Assets:						
Invested in capital assets, net of debt	11,508	13,059	9,390	7,523	20,898	20,582
Restricted	3,494	2,328	530	565	4,024	2,893
Unrestricted	1,554	913	689	731	2,243	1,644
<b>Total Net Assets</b>	<b>\$ 16,556</b>	<b>\$ 16,300</b>	<b>\$ 10,609</b>	<b>\$ 8,819</b>	<b>\$ 27,165</b>	<b>\$ 25,119</b>

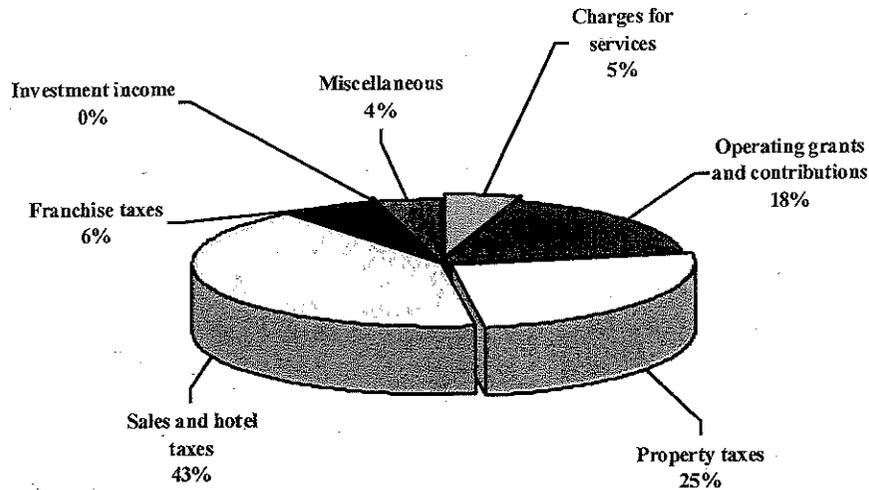
Net assets of the City, excluding component units, increased by \$423,287. Key elements of the increase are as follows:

**CHANGES IN NET ASSETS**  
**For the Fiscal Years Ended September 30, 2009 and 2008**  
 (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 611	\$ 574	\$ 5,721	\$ 5,469	\$ 6,332	\$ 6,043
Operating grants and contributions	2,172	2,041	361	14	2,533	2,055
General revenues:						
Property taxes, penalties and interest	3,060	2,762			3,060	2,762
Sales and hotel taxes	5,059	5,218			5,059	5,218
Mixed beverage taxes	18	21			18	21
Franchise taxes	757	771			757	771
Investment income	27	55	10	36	37	91
Miscellaneous	514	1,559	185	60	699	1,619
<b>Total Revenues</b>	<b>12,218</b>	<b>13,001</b>	<b>6,277</b>	<b>5,579</b>	<b>18,495</b>	<b>18,580</b>
<b>Expenses</b>						
General government	2,473	1,942			2,473	1,942
Public safety	4,100	3,331			4,100	3,331
Public works	2,849	2,053			2,849	2,053
Public activities and recreation	1,789	1,259			1,789	1,259
Cultural arts and public benefits	1,260	1,991			1,260	1,991
Water and sewer			4,707	4,924	4,707	4,924
Sanitation			114		114	
Airport			397	420	397	420
Interest on long-term debt	382	464			382	464
<b>Total Expenses</b>	<b>12,853</b>	<b>11,040</b>	<b>5,218</b>	<b>5,344</b>	<b>18,071</b>	<b>16,384</b>
<b>Increase in Net Asset Before Transfers</b>	<b>(635)</b>	<b>1,961</b>	<b>1,059</b>	<b>235</b>	<b>424</b>	<b>2,196</b>
Transfers	(842)	61	842	(61)		
<b>Change in Net Assets</b>	<b>(1,477)</b>	<b>2,022</b>	<b>1,901</b>	<b>174</b>	<b>424</b>	<b>2,196</b>
Net assets, Beginning	18,033	14,278	8,708	8,645	26,741	22,923
<b>Net Assets, Ending</b>	<b>\$ 16,556</b>	<b>\$ 16,300</b>	<b>\$ 10,609</b>	<b>\$ 8,819</b>	<b>\$ 27,165</b>	<b>\$ 25,119</b>

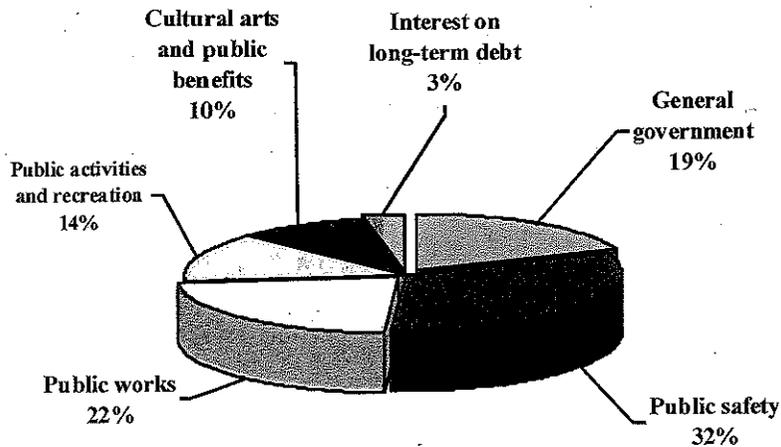
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

### GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2009, revenues from governmental activities totaled \$12.2 million.

### GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended September 30, 2009, expenses for governmental activities totaled \$12.9 million.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed below:

**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, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2009, the City's governmental funds, which consist of a general fund, special revenue funds and capital projects funds reported an ending fund balance of \$5,136,415, which is an increase of \$1,785,704 from last year's total of \$3,350,711. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 20.3 percent of total General Fund expenditures.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2009 fiscal year, there were no significant changes between the original budget and final amended budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** - The City's investment in capital assets as of September 30, 2009 amounts to \$39,768,587 (net of accumulated depreciation). This investment in capital assets includes land, buildings and water and sewer system, machinery and equipment (including vehicles), and infrastructure.

#### SCHEDULE OF CAPITAL ASSETS (amounts expressed in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
<b>Non-Depreciable Assets</b>						
Land	\$ 1,732	\$ 911	\$ 381	\$ 455	\$ 2,113	\$ 1,366
Construction in progress	537	251	924	686	1,461	937
<b>Other Capital Assets</b>						
Buildings and system	7,958	7,751	819	815	8,777	8,566
Machinery and equipment	5,801	4,766	6,019	3,031	11,820	7,797
Infrastructure	22,702	22,241	22,359	21,723	45,061	43,964
Accumulated depreciation on other capital assets	(15,523)	(13,069)	(13,940)	(13,353)	(29,463)	(26,422)
<b>Totals</b>	<b>\$ 23,207</b>	<b>\$ 22,851</b>	<b>\$ 16,562</b>	<b>\$ 13,357</b>	<b>\$ 39,769</b>	<b>\$ 36,208</b>

Additional information on the City's capital assets can be found in Note 6 in the notes to financial statements.

### LONG-TERM DEBT

At the end of the current fiscal year, the City, excluding component units, had total bonds, certificates of obligation, bond issuance premiums, notes payable, capital lease obligations and compensated absences of \$14.7 million. Of this amount, \$10.1 million is general obligation debt.

**SCHEDULE OF LONG-TERM DEBT**  
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 4,920	\$ 5,155	\$ 5,220	\$ 6,305	\$ 10,140	\$ 11,460
Certificates of obligation	2,500		2,500			
Bond issuance premiums	51		51			
Notes payable	4,180	4,434			4,180	4,434
Capital leases	170	221			170	221
Compensated absences	169	144	68	67	237	211
<b>Total</b>	<b>\$ 11,990</b>	<b>\$ 9,954</b>	<b>\$ 7,839</b>	<b>\$ 6,372</b>	<b>\$ 14,727</b>	<b>\$ 16,326</b>

In June 2009, the city issued Certificates of Obligation in the face amount of \$5,000,000. Half of this issue was dedicated to a newly created enterprise fund for providing sanitation services, for the purchase of related equipment, and accordingly classified under the business-type column in the above schedule. The other half was placed in a newly created capital projects fund for the acquisition and construction of various governmental-type assets. This portion of the new debt will be serviced by a dedicated debt service tax, to be controlled in a debt service fund that will be established in connection with the tax levy in fiscal 2010.

Additional information on the City's long-term debt can be found in Note 7 in the notes to financial statements.

**GENERAL FUND HIGHLIGHTS**

- Unreserved fund balance in the General Fund amounted to \$1,622,414. This represents a 70% increase over the fiscal 2008 amount of \$922,593. The prior year 2008 also reported a substantial increase to the General Fund, unreserved fund balance, increasing 94% from \$491,835 reported at the end of fiscal 2007.
- The current year increase to fund balance occurred during the first downturn in sales tax revenues in the previous five years. The increasing reserve balances are attributed to; (1) specific budgeting targeted for building reserves, (2) continued business growth and property valuations, and (3) enhanced budgetary expenditure controls.

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

- A nation-wide economic downturn has impacted consumer spending resulted in state-wide reductions in sales tax revenues. The city's budget is anticipating a decline in this particular revenue for 2010, approximating the state-wide average of nine percent.
- Through an analysis of municipal court operations, and resulting changes and enhancements to operating procedures management anticipates it will double related fine and fee revenues. Property valuations have continued to increase, providing additional revenues. These increases should be sufficient to offset the reduction in sales tax revenues.
- The City has also implemented an aggressive restructuring program, consolidating and eliminating departments and positions. The City's central public works warehouse has been significantly expanded via the 2009 debt issuance. This renovated facility will now house a central Municipal Services Operations, serving general public works, code enforcement, inspections, permitting, parks and recreation, and equipment maintenance.
- The 2010 budget includes the City's first ever dedicated debt service tax (three cent rate), thereby establishing a Debt Service Fund to provide funding toward payment of the 2009 debt issue.

- Several services that have previously been out-sourced will now be performed by the City, including residential and commercial sanitation and area-wide mowing services. The sanitation services also have new facilities, constructed on the same grounds as the Municipal Services Facility. The sanitation division was initiated as a development stage enterprise in August 2009 with state-of-the-art fully automated equipment. Sanitation services will commence on October 1, 2009. These changes will control costs, add to City employment, and provide new revenue sources for the City.
- The 2010 budget also provides for adjustments enhancing the existing water and sewer utility rate structure. These changes will be phased-in incrementally during fiscal 2010, with increases to rates, the addition of a late charge (not previously assessed), and the implementation of a Disaster Recovery Fee which will fund a restricted reserve to be used in Council designated emergencies, such as potential storm recovery.

### **REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

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# CITY OF BAY CITY, TEXAS

Exhibit A-1

## STATEMENT OF NET ASSETS

September 30, 2009

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Bay City Gas Company 3/31/2009</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,322,465	\$ 1,617,852	\$ 5,940,317	\$ 1,320,546
Investments	212,288		212,288	1,562,151
Receivables, net of related allowance for uncollectibles	838,399	1,023,652	1,862,051	248,892
Internal balances	503,853		503,853	
Prepaid items				52,885
Inventory		40,188	40,188	29,094
Deferred charges	121,443	599,329	720,772	
Restricted assets:				
Cash and cash equivalents		547,019	547,019	385,615
Capital assets, net of accumulated depreciation:				
Land	1,731,627	381,117	2,112,744	
Buildings and system improvements other than buildings	5,627,721	300,955	5,928,676	263,750
Machinery and equipment	1,971,833	3,363,124	5,334,957	953,282
Infrastructure	13,338,889	11,592,548	24,931,437	663,205
Construction in progress	536,634	924,139	1,460,773	
<b>Total Assets</b>	<b>29,205,152</b>	<b>20,389,923</b>	<b>49,595,075</b>	<b>5,479,420</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	570,849	786,143	1,356,992	512,056
Accrued interest payable	20,016	23,375	43,391	
Customer deposits	16,398	446,377	462,775	
Internal balances		503,853	503,853	
Due to others	51,832		51,832	
Unamortized bond premiums	50,974	50,974	101,948	
Unearned revenue		182,236	182,236	
Long-term liabilities due within one year	825,599	1,429,417	2,255,016	
Long-term liabilities due in more than one year	11,113,796	6,358,252	17,472,048	
<b>Total Liabilities</b>	<b>12,649,464</b>	<b>9,780,627</b>	<b>22,430,091</b>	<b>512,056</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	11,507,535	9,390,238	20,897,773	1,880,237
Restricted for:				
Capital improvements	1,912,964		1,912,964	
Debt service		530,241	530,241	
Economic development	1,581,021		1,581,021	
Unrestricted	1,554,168	688,817	2,242,985	3,087,127
<b>Total Net Assets</b>	<b>\$ 16,555,688</b>	<b>\$ 10,609,296</b>	<b>\$ 27,164,984</b>	<b>\$ 4,967,364</b>

See Notes to Financial Statements.

# CITY OF BAY CITY, TEXAS

## STATEMENT OF ACTIVITIES

Year Ended September 30, 2009

Functions/Programs	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 2,473,385	\$ 254,034	\$ 722,919
Public safety	4,099,853	72,011	26,536
Public works	2,849,343	13,033	
Public activities and recreation	1,788,850	191,462	335
Cultural arts and public benefits	1,259,694	80,088	1,422,597
Interest on long-term debt	381,608		
<b>Total Governmental Activities</b>	<b>12,852,733</b>	<b>610,628</b>	<b>2,172,387</b>
<b>Business-type Activities</b>			
Water and sewer	4,706,783	5,561,610	350,000
Sanitation	113,933		
Airport	397,202	159,161	11,082
<b>Total Business-type Activities</b>	<b>5,217,918</b>	<b>5,720,771</b>	<b>361,082</b>
<b>Total Primary Government</b>	<b>\$ 18,070,651</b>	<b>\$ 6,331,399</b>	<b>\$ 2,533,469</b>
<b>Component Units</b>			
Bay City Gas Company	\$ 3,152,837	\$ 3,124,961	\$
<b>Total Component Unit</b>	<b>\$ 3,152,837</b>	<b>\$ 3,124,961</b>	<b>\$</b>

**General Revenues:**

Taxes

Property taxes

Sales taxes

Mixed beverage

Franchise taxes

Investment earnings

Miscellaneous

Transfers

**Total General Revenues and Transfers**

**Change in Net Assets**

Net Assets, Beginning

Net Assets, Ending

0.\*

18,070,651 ÷

18,350.\* =

984.78\*

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Bay City Gas Company 3/31/2009
\$ (1,496,432)	\$	(1,496,432)	\$
(4,001,306)		(4,001,306)	
(2,836,310)		(2,836,310)	
(1,597,053)		(1,597,053)	
242,991		242,991	
(381,608)		(381,608)	
<u>(10,069,718)</u>		<u>(10,069,718)</u>	
	1,204,827	1,204,827	
	(113,933)	(113,933)	
	(226,959)	(226,959)	
	<u>863,935</u>	<u>863,935</u>	
<u>\$ (10,069,718)</u>	<u>\$ 863,935</u>	<u>\$ (9,205,783)</u>	
			(27,876)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (27,876)</u>
\$ 3,059,879	\$	\$ 3,059,879	\$
5,058,673		5,058,673	
17,984		17,984	
756,851		756,851	
26,809	9,639	36,448	33,938
514,177	185,058	699,235	
(842,299)	842,299		
<u>8,592,074</u>	<u>1,036,996</u>	<u>9,629,070</u>	<u>33,938</u>
(1,477,644)	1,900,931	423,287	6,062
18,033,332	8,708,365	26,741,697	4,961,302
<u>\$ 16,555,688</u>	<u>\$ 10,609,296</u>	<u>\$ 27,164,984</u>	<u>\$ 4,967,364</u>

**CITY OF BAY CITY, TEXAS**

Exhibit A-3

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

**September 30, 2009**

	<u>General</u>	<u>Community Development Corporation</u>	<u>Community Construction Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 1,607,636	\$ 1,020,828	\$ 642,633	\$ 1,051,368	\$ 4,322,465
Investments		212,288			212,288
Receivables:					
Taxes	404,226	80,137		43,721	528,084
Accounts	40,424				40,424
Intergovernmental		84,028	174,298		258,326
Other		11,565			11,565
Due from other funds	503,853		128,435	395,373	1,027,661
<b>Total Assets</b>	<b>\$ 2,556,139</b>	<b>\$ 1,408,846</b>	<b>\$ 945,366</b>	<b>\$ 1,490,462</b>	<b>\$ 6,400,813</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Accounts payable and accrued liabilities	\$ 436,841	\$ 722	\$ 112,863	\$ 20,423	\$ 570,849
Security deposits				16,398	16,398
Due to other funds	395,373			128,435	523,808
Due to others		51,832			51,832
Deferred revenue	101,511				101,511
<b>Total Liabilities</b>	<b>933,725</b>	<b>52,554</b>	<b>112,863</b>	<b>165,256</b>	<b>1,264,398</b>
<b><u>Fund Balances</u></b>					
Fund Balances:					
Reserved		1,356,292	832,503	1,325,206	3,514,001
Unreserved	1,622,414				1,622,414
<b>Total Fund Balances</b>	<b>1,622,414</b>	<b>1,356,292</b>	<b>832,503</b>	<b>1,325,206</b>	<b>5,136,415</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,556,139</b>	<b>\$ 1,408,846</b>	<b>\$ 945,366</b>	<b>\$ 1,490,462</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	23,206,705
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	101,511
Some liabilities, including bonds payable (\$7,420,000) less deferred charge for issuance costs \$121,442, interest payable (\$20,016), unamortized bond premiums (\$50,974), notes payable (\$4,179,741), capital leases payable(\$169,897), and accrued compensated absences payable (\$169,757) are not reported as liabilities in the governmental funds.	(11,888,943)
<b>Net Assets of Governmental Activities</b>	<b>\$ 16,555,688</b>

See Notes to Financial Statements.

**CITY OF BAY CITY, TEXAS**

Exhibit A-4

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

**For the Year Ended September 30, 2009**

	<b>General</b>	<b>Community Development Corporation</b>	<b>Community Construction Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>					
Taxes:					
Property	\$ 3,059,302	\$	\$	\$	\$ 3,059,302
Sales	3,455,757	1,151,812		451,104	5,058,673
Mixed beverage	17,984				17,984
Franchise	756,851				756,851
Licenses and permits	13,033				13,033
Fines and forfeitures	254,034				254,034
Fees and charges for services	183,385			80,088	263,473
Intergovernmental	180,652		219,089		399,741
Investment earnings	10,626	13,344		2,839	26,809
Other	996,865	241,037	1,203,843	5,207	2,446,952
<b>Total Revenues</b>	<b>8,928,489</b>	<b>1,406,193</b>	<b>1,422,932</b>	<b>539,238</b>	<b>12,296,852</b>
<b><u>Expenditures</u></b>					
Current:					
General government	1,730,277	228,135		90,169	2,048,581
Public safety	3,301,382				3,301,382
Public works	1,071,482				1,071,482
Public activities and recreation	1,158,364				1,158,364
Cultural arts and public benefits	144,610	393,312		518,542	1,056,464
Capital Outlay		157,863	1,566,505	778,004	2,502,372
Debt Service:					
Principal retirement	320,377	209,470			529,847
Interest and fiscal charges	246,440	182,341			428,781
Bond issuance costs				122,550	122,550
<b>Total Expenditures</b>	<b>7,972,932</b>	<b>1,171,121</b>	<b>1,566,505</b>	<b>1,509,265</b>	<b>12,219,823</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>955,557</b>	<b>235,072</b>	<b>(143,573)</b>	<b>(970,027)</b>	<b>77,029</b>
<b><u>Other Financing Sources (Uses)</u></b>					
Proceeds from debt issuance				2,500,000	2,500,000
Premium on bonds				50,974	50,974
Transfers from other funds	94,947		92,289	252,000	439,236
Transfers (to) other funds	(383,683)	(83,500)		(814,352)	(1,281,535)
<b>Total Other Financing Sources (Uses)</b>	<b>(288,736)</b>	<b>(83,500)</b>	<b>92,289</b>	<b>1,988,622</b>	<b>1,708,675</b>
<b>Net Change in Fund Balance</b>	<b>666,821</b>	<b>151,572</b>	<b>(51,284)</b>	<b>1,018,595</b>	<b>1,785,704</b>
Fund Balances - Beginning	955,593	1,204,720	883,787	306,611	3,350,711
<b>Fund Balances - Ending</b>	<b>\$ 1,622,414</b>	<b>\$ 1,356,292</b>	<b>\$ 832,503</b>	<b>\$ 1,325,206</b>	<b>\$ 5,136,415</b>

See Notes to Financial Statements.

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# CITY OF BAY CITY, TEXAS

Exhibit A-5

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

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

Net change in fund balances - total governmental funds	\$ 1,785,704
Governmental funds report capital outlays 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. This is the amount by which depreciation (\$2,176,464) exceeded capital outlays (\$800,737) in the current period.	(1,375,727)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	577
The issuance of long-term debt (e.g., bonds, leases, 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these differences in the treatment of long-term debt and related items, and consists of new debt issuance (\$2,500,000), principal repayments on bonds (\$235,000), notes (\$254,426), capital leases (\$51,237), and bond premiums (\$50,974).	(1,908,363)
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. This adjustment reflects the net change in amortization of issuance costs (\$1,009), interest payable (\$47,173) and accrued compensated absences (\$25,999).	<u>20,165</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ (1,477,644)</u></u>

See Notes to Financial Statements.

**CITY OF BAY CITY, TEXAS**

Exhibit A-6

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

**September 30, 2009**

	Business-type Activities - Enterprise Funds			Totals
	Water & Sewer Fund	Sanitation Fund	Airport Fund	
<b><u>Assets</u></b>				
<b><u>Current Assets:</u></b>				
Cash and cash equivalents	\$ 851,674	\$ 762,516	\$ 3,662	\$ 1,617,852
Restricted cash and cash equivalents	547,019			547,019
Receivables:				
Accounts, net of allowance account	974,376	5,000	44,276	1,023,652
Due from other funds		182,236		182,236
Inventories			40,188	40,188
<b>Total Current Assets</b>	<b>2,373,069</b>	<b>949,752</b>	<b>88,126</b>	<b>3,410,947</b>
<b><u>Noncurrent Assets:</u></b>				
Deferred charges, net	494,202	105,127		599,329
Capital assets:				
Land	357,155		23,962	381,117
Construction in progress	798,700	125,439		924,139
Machinery and equipment	3,400,185	2,541,380	77,515	6,019,080
Buildings and system	484,008		335,415	819,423
Infrastructure	20,279,822		2,078,669	22,358,491
Less accumulated depreciation	(12,411,462)	(337)	(1,528,568)	(13,940,367)
<b>Total Noncurrent Assets</b>	<b>13,402,610</b>	<b>2,771,609</b>	<b>986,993</b>	<b>17,161,212</b>
<b>Total Assets</b>	<b>15,775,679</b>	<b>3,721,361</b>	<b>1,075,119</b>	<b>20,572,159</b>
<b><u>Liabilities</u></b>				
<b><u>Current Liabilities:</u></b>				
Accounts payable	261,054	520,204	4,885	786,143
Compensated absences	66,066		1,603	67,669
Due to other funds	186,089	500,000		686,089
Unamortized bond premiums		50,974		50,974
Unearned revenue		182,236		182,236
Payable from restricted assets:				
Deposits	441,907		4,470	446,377
Accrued interest payable	16,778	6,597		23,375
Bonds and notes payable	1,195,000	217,500		1,412,500
<b>Total Current Liabilities</b>	<b>2,166,894</b>	<b>1,477,511</b>	<b>10,958</b>	<b>3,655,363</b>
<b><u>Noncurrent Liabilities:</u></b>				
Bonds and notes payable	4,025,000	2,282,500		6,307,500
<b>Total Noncurrent Liabilities</b>	<b>4,025,000</b>	<b>2,282,500</b>		<b>6,307,500</b>
<b>Total Liabilities</b>	<b>6,191,894</b>	<b>3,760,011</b>	<b>10,958</b>	<b>9,962,863</b>
<b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	8,182,610	220,635	986,993	9,390,238
Restricted for debt service	530,241			530,241
Unrestricted	870,934	(259,285)	77,168	688,817
<b>Total Net Assets</b>	<b>\$ 9,583,785</b>	<b>\$ (38,650)</b>	<b>\$ 1,064,161</b>	<b>\$ 10,609,296</b>

See Notes to Financial Statements.

**CITY OF BAY CITY, TEXAS**

Exhibit A-7

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS**

**For the Year Ended September 30, 2009**

	Business-type Activities - Enterprise Funds			Totals
	Water & Sewer Fund	Sanitation Fund	Airport Fund	
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 5,561,610	\$	\$ 159,161	\$ 5,720,771
Miscellaneous	107,798		3,340	111,138
<b>Total Operating Revenues</b>	<b>5,669,408</b>		<b>162,501</b>	<b>5,831,909</b>
<b><u>Operating Expenses</u></b>				
Cost of sales and services	3,790,836	80,612	273,925	4,145,373
Depreciation and amortization	651,971	337	123,277	775,585
<b>Total Operating Expenses</b>	<b>4,442,807</b>	<b>80,949</b>	<b>397,202</b>	<b>4,920,958</b>
<b>Operating Income (Loss)</b>	<b>1,226,601</b>	<b>(80,949)</b>	<b>(234,701)</b>	<b>910,951</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Investment earnings	8,276	1,363		9,639
Grant revenue	350,000		11,082	361,082
Loss on sale of capital assets	(12,878)			(12,878)
Interest and fiscal charges	(251,098)	(32,984)		(284,082)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>94,300</b>	<b>(31,621)</b>	<b>11,082</b>	<b>73,761</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,320,901</b>	<b>(112,570)</b>	<b>(223,619)</b>	<b>984,712</b>
Capital contributions		73,920		73,920
Transfers in	890,246		102,000	992,246
Transfers (out)	(149,947)			(149,947)
<b>Change in Net Assets</b>	<b>2,061,200</b>	<b>(38,650)</b>	<b>(121,619)</b>	<b>1,900,931</b>
Net Assets, Beginning	7,522,585		1,185,780	8,708,365
<b>Net Assets, Ending</b>	<b>\$ 9,583,785</b>	<b>\$ (38,650)</b>	<b>\$ 1,064,161</b>	<b>\$ 10,609,296</b>

**CITY OF BAY CITY, TEXAS**

Exhibit A-8 (Page 1 of 2)

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

**For the Year Ended September 30, 2009**

	Business-type Activities - Enterprise Funds			Totals
	Water & Sewer Fund	Sanitation Fund	Airport Fund	
<b><u>Cash Flows From Operating Activities</u></b>				
Receipts from customers and users	\$ 5,434,977	\$	\$ 128,114	\$ 5,563,091
Receipts from interfund services provided	186,089			186,089
Payments to suppliers	(1,792,795)	(37,492)	(162,974)	(1,993,261)
Payments to employees	(1,874,222)	(26,957)	(85,246)	(1,986,425)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,954,049</b>	<b>(64,449)</b>	<b>(120,106)</b>	<b>1,769,494</b>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>				
Transfers from other funds	890,246		102,000	992,246
Transfers (to) other funds	(149,947)			(149,947)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>740,299</b>		<b>102,000</b>	<b>842,299</b>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>				
Proceeds from capital debt		2,500,000		2,500,000
Proceeds from grant revenues	350,000		11,082	361,082
Acquisition and construction of capital assets	(1,382,208)	(1,593,858)		(2,976,066)
Prepaid bond issuance costs	(75,000)	(54,153)		(129,153)
Principal paid on capital debt	(1,085,000)			(1,085,000)
Interest paid in capital debt	(255,707)	(26,387)		(282,094)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(2,447,915)</b>	<b>825,602</b>	<b>11,082</b>	<b>(1,482,078)</b>
<b><u>Cash Flows From Investing Activities</u></b>				
Interest received	8,276	1,363		9,639
<b>Net Cash Provided by Investing Activities</b>	<b>8,276</b>	<b>1,363</b>		<b>9,639</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>254,709</b>	<b>762,516</b>	<b>(7,024)</b>	<b>1,010,201</b>
Cash and Cash Equivalents, Beginning	1,143,984		10,686	1,154,670
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 1,398,693</b>	<b>\$ 762,516</b>	<b>\$ 3,662</b>	<b>\$ 2,164,871</b>

**CITY OF BAY CITY, TEXAS**

Exhibit A-8 (Page 2 of 2)

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

**For the Year Ended September 30, 2009**

	Business-type Activities - Enterprise Funds			Totals
	Water & Sewer Fund	Sanitation Fund	Airport Fund	
<b>Reconciliation of Operating Income (Loss) to</b>				
<b>Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 1,226,601	\$ (80,949)	\$ (234,701)	\$ 910,951
Adjustments to reconcile operating income to net cash used by operating activities				
Depreciation and amortization	651,971	337	123,277	775,585
(Increase) in accounts receivable	(234,431)		(34,387)	(268,818)
(Increase) in due from other funds		(182,236)		(182,236)
Decrease in inventories			48,317	48,317
Increase (decrease) in accounts payable	100,497	16,163	(22,476)	94,184
Increase in due to other funds	186,089			186,089
Increase in accrued compensated absences	1,557		(819)	738
Increase in unearned revenue		182,236		182,236
Increase in customer deposits	21,765		683	22,448
Total adjustments	<u>727,448</u>	<u>16,500</u>	<u>114,595</u>	<u>858,543</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,954,049</b>	<b>\$ (64,449)</b>	<b>\$ (120,106)</b>	<b>\$ 1,769,494</b>
<b>Breakdown of Restricted and Unrestricted Cash and Cash Equivalents:</b>				
Restricted for debt payments	547,019			547,019
Unrestricted	851,674	762,516	3,662	1,617,852
Total	<u>\$ 1,398,693</u>	<u>\$ 762,516</u>	<u>\$ 3,662</u>	<u>\$ 2,164,871</u>

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# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by 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. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### Blended Component Unit

##### Bay City Community Development Corporation

The Bay City Community Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. In 1994, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, and developing commercial, industrial and manufacturing enterprises and to promote and encourage employment and public welfare within the City. The Board of Directors consists of seven members, four of which are appointed by the City Council. Services provided by the Corporation almost exclusively benefit the City in that the development of the area within the community increases the tax bases, resulting in additional tax revenue to the City. City Council approval is required for

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

annual budgets and bonded debt issuance. In the event of dissolution, net assets of the Corporation shall be conveyed to the City. The operations of the Corporation are presented as a governmental fund type.

### Discretely Presented Component Unit

#### Bay City Gas Company

The Bay City Gas Company (the "Gas Company") has been included in the reporting entity as a discretely presented component unit. The Gas Company provides for the distribution of natural gas services throughout the City, is controlled by a permanent three-person board, which was originally appointed Victor LeTulle, who contributed the gas distribution system to the City in 1938. The board is comprised of two lifetime members with the City's mayor serving as the third member. The board is self-perpetuating with the lifetime members appointing their successors. The board is responsible for the daily operations and policies of the gas utility. The Gas Company is not separately incorporated and utilizes the City's municipal exemption from property, income and sales tax.

Historically, the Gas Company has made contributions from its profits to the City for capital improvements. Also included as part of these contributions are gas services to City facilities and volunteer firemen, which are not billed by the Gas Company. For the year ended March 31, 2009, these contributions totaled \$404,000. Complete financial statements for the Gas Company may be obtained from its administrative offices.

### **B. Financial Statement Presentation**

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the City's governmental and business type activities.
- Fund financial statements focusing on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets and a statement of activities. It requires the reclassification of net assets into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### **C. Government-wide and Fund Financial Statements**

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

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

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

In September 1993, the Governmental Accounting Standards Board issued Statement No. 29, “Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Use Proprietary Fund Accounting” which are effective for the City’s financial statements for the year ended September 30, 2009. This statement provides guidance on accounting and financial reporting for business type and enterprise fund activities. The City has elected alternative number one (1) from those provided by this standard. This alternative method elects to apply all GASB pronouncements as well as FASB pronouncements that were issued after November 30, 1989.

### **D. Measurement Focus and Basis of Accounting**

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

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. 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 government 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 are recorded only when payment is due.

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

The government reports the following major governmental funds:

### General Fund

The General Fund accounts for the resources used to finance the fundamental operations of the City. The principal sources of revenue of the General Fund are property taxes, sales and use and hotel taxes, franchise taxes, fines and forfeitures and permits and fees. Expenditures are for general government, public safety, public works, public activities and recreation, and cultural arts and public benefits.

### Bay City Community Development Corporation Fund

The Bay City Community Development Corporation Fund accounts for the resources used to finance community and economic development projects within the City. The principal source of revenue of this fund are sales taxes.

### Community Construction Projects Fund

The Community Construction Projects Fund accounts for the construction of various community projects within the City.

The government reports the following major proprietary funds:

### Water and Sewer Fund

The Water and Sewer Fund accounts for the operations of the City's water and sewer activities. The principal sources of revenue of the Water and Sewer Fund are charges for services. Expenses are for the costs of services related to the water and sewer operations.

### Sanitation Fund

The Sanitation Fund accounts for the operations of the City's sanitation activities.

### Airport Fund

The Airport Fund accounts for the operations of the City-owned airport. The principal sources of revenue of this fund are fuel sales and hangar rentals.

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **E. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. No encumbrances were outstanding at year-end.

### **F. Cash and Cash Equivalents**

Cash and cash equivalents include cash and temporary investments as disclosed in Note 3. These cash and investments are generally available for the City's disbursement needs and have a maturity of three months or less from the date of acquisition.

### **G. Investments**

Investments for the City, as well as for its component units, are reported at fair value.

### **H. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### **I. Inventories**

Inventories are stated at cost. The City uses the FIFO method of accounting for inventories. Inventories consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method).

### **J. Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide Statement of Net Assets and are classified as "due from other funds" or "due to other funds" in the fund financial statements.

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	39 years
Building improvements	39 years
Public domain infrastructure	25-50 years
System infrastructure	25-50 years
Vehicles	3-5 years
Machinery and equipment	5-15 years

### L. Compensated Employee Absences

The City's employees earn vacation which may either be taken or accumulated, up to certain amounts. Only earned leave is paid upon termination or retirement. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The City accrues vacation based on criteria established by the Governmental Accounting Standards Board. For all funds, this liability reflects amounts attributable to cumulative employee services previously rendered, where the payment is probable and can be reasonably estimated.

### M. Long-term Obligations

In the 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

The fund financial statements report 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, net

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

of issuance costs. Premiums or discounts associated with the debt are reported as other financing uses.

### **N. Fund Equity**

Reserved equity balances represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Unreserved fund balances represent available balances for the City's future use.

### **O. Reclassifications**

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

### **P. 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 and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **Q. Date of Management's Review**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through February 25, 2010, the date that the financial statements were available to be issued.

## NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### **A. Budgets**

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

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

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

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

### **B. Deficit Net Assets**

As of September 30, 2009, the Sanitation Fund reports a deficit net assets in the amount of \$38,650. The Sanitation Fund was established at the end of fiscal year 2009 for the purpose of providing sanitation services to the City, as opposed to outsourcing this service as has been done in the past. In addition, the Sanitation Fund has issued \$2.5 million in debt to fund its operations. On October 1, 2009, as services begin to be provided and revenues are collected, this deficit will be eliminated.

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to state statutes. The depository bank deposits, for safekeeping and trust with the City's agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

The Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act (Chapter 2256 Texas Government Code). The investments of the City are in compliance with the Council's investment policies. It is the City's policy to restrict its investments to direct obligations of the U.S. Government, commercial paper, fully collateralized certificates of deposit and other interest-bearing time and demand deposits, and other instruments and investments in public funds investment pools such as the Texas Local Government Investment Pool (TEXPOOL).

### **Cash and Cash Equivalents**

The City's cash and cash equivalents, including blended and discretely presented component units, consist of cash on hand, demand deposits and TexPool. The City's cash and cash equivalents at September 30, 2009 (March 31, 2009 for the Gas Company), are shown below.

	<u>Amount</u>	<u>Value</u>
Cash and demand deposits	\$ 3,498,848	\$ 3,498,848
TexPool	4,694,649	4,694,649
<b>Total Cash and Cash Equivalents</b>	<u>\$ 8,193,497</u>	<u>\$ 8,193,497</u>

### **Custodial Credit Risk - Deposits**

For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 102% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

and its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the City's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the City during the year.

The City's cash deposits, at September 30, 2009, were entirely guaranteed by FDIC insurance or by pledged collateral held by the City's agent bank. The deposits were collateralized in accordance with state law.

### Investments

As of September 30, 2009 (March 31, 2009 for the Gas Company), the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
U.S. Government Agency Notes	\$ 209,168	220
Certificates of deposit	1,526,200	215
TexPool	4,694,649	1
Mutual funds	39,071	1
<b>Total Investments</b>	<u>6,469,088</u>	437
Investments classified as cash equivalents	<u>(4,694,649)</u>	
<b>Total Investments per Balance Sheet</b>	<u>\$ 1,774,439</u>	

The fair values of the U.S. Government and Agency Securities are based on quoted market prices. The investments are reported at Fair Value in accordance with Governmental Accounting Standards Board Statement (GASB) No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The increase or decrease in the fair value of investments is recorded in investment income. The amount of increase or decrease in the fair value of investments during the year ended September 30, 2009, was not significant.

### Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation.

### Credit Risk - Investments

In accordance with its investment policy, the City minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. All of the City's U.S. Agency investments are insured, registered, or the City's agent holds the securities in the City's name; therefore the City is not exposed to custodial credit risk. As of September 30, 2009, TexPool investments are rated AAAM by Standard and Poors.

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### Restricted Cash and Cash Equivalents

As of September 30, 2009, the Water and Sewer Fund held restricted cash and temporary investments for the following purposes:

Debt service	\$	547,019
<b>Total</b>	<b>\$</b>	<b>547,019</b>

### NOTE 4 - PROPERTY TAXES

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

Property taxes are levied for operations and based on rates adopted for the year of the levy. For the current year, the City levied property taxes on \$0.5057 per \$100 of assessed valuation. The resulting adjusted tax levy was \$3,046,390 on the total adjusted taxable valuation of \$602,410,597 for the 2008 tax year.

Property taxes receivable, all of which relates to the General Fund, at September 30, 2009, consists of the following:

<u>Tax Year</u>	<u>General Fund</u>
2008	\$ 118,214
2007	56,920
2006	27,716
2005	18,019
2004	15,139
2003 and prior	172,502
	<u>\$ 408,510</u>

### NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

**CITY OF BAY CITY, TEXAS**

Exhibit A-9

**NOTES TO FINANCIAL STATEMENTS**

**Primary Government:**

	<u>Governmental Activities</u>					<u>Total</u>
	<u>General</u>	<u>Community Development Corporation</u>	<u>Various Community Projects Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Business- type Activities</u>	
Receivables:						
Property taxes	\$ 408,510	\$	\$	\$	\$	\$ 408,510
Sales and hotel taxes	302,716	80,137		43,721		426,574
Accounts	40,424	11,565			1,081,884	1,133,873
Intergovernmental		84,028	174,298			258,326
Gross receivables	751,650	175,730	174,298	43,721	1,081,884	2,227,283
Less: allowance for uncollectibles	(307,000)				(58,232)	(365,232)
<b>Net Total Receivables</b>	<b>\$ 444,650</b>	<b>\$ 175,730</b>	<b>\$ 174,298</b>	<b>\$ 43,721</b>	<b>\$ 1,023,652</b>	<b>\$ 1,862,051</b>

**Component Unit:**

	<u>Bay City Gas Company March 31, 2009</u>
Receivables:	
Accounts	\$ 248,892
<b>Total</b>	<b>\$ 248,892</b>

All of the component unit's receivables are considered collectible.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - General Fund	\$ 101,511	\$

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2009:

	Balance Oct. 1, 2008	Increases	(Decreases)	Balance Sept. 30, 2009
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,651,769	\$ 79,858	\$	\$ 1,731,627
Construction in progress	412,899	620,846	(497,111)	536,634
Total capital assets not being depreciated	<u>2,064,668</u>	<u>700,704</u>	<u>(497,111)</u>	<u>2,268,261</u>
Capital assets being depreciated:				
Buildings	7,958,159			7,958,159
Machinery and equipment	5,360,868	603,808	(163,761)	5,800,915
Infrastructure	22,631,313	71,030		22,702,343
Total capital assets being depreciated	<u>35,950,340</u>	<u>674,838</u>	<u>(163,761)</u>	<u>36,461,417</u>
Less accumulated depreciation for:				
Buildings	(1,544,432)	(786,006)		(2,330,438)
Machinery and equipment	(3,216,989)	(695,813)	83,720	(3,829,082)
Infrastructure	(8,668,809)	(694,645)		(9,363,454)
Total accumulated depreciation	<u>(13,430,230)</u>	<u>(2,176,464)</u>	<u>83,720</u>	<u>(15,522,974)</u>
Total capital assets being depreciated, net	<u>22,520,110</u>	<u>(1,501,626)</u>	<u>(80,041)</u>	<u>20,938,443</u>
Governmental activities capital assets, net	<u>\$ 24,584,778</u>	<u>\$ (800,922)</u>	<u>\$ (577,152)</u>	<u>\$ 23,206,704</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 381,117	\$	\$	\$ 381,117
Construction in progress	524,995	794,122	(394,978)	924,139
Total capital assets not being depreciated	<u>906,112</u>	<u>794,122</u>	<u>(394,978)</u>	<u>1,305,256</u>
Capital assets being depreciated:				
Buildings and system	819,423			819,423
Infrastructure	22,116,991	241,500		22,358,491
Machinery and equipment	3,559,234	2,648,238	(188,392)	6,019,080
Total capital assets being depreciated	<u>26,495,648</u>	<u>2,889,738</u>	<u>(188,392)</u>	<u>29,196,994</u>
Less accumulated depreciation for:				
Buildings and system	(505,274)	(13,194)		(518,468)
Infrastructure	(10,154,802)	(611,141)		(10,765,943)
Machinery and equipment	(2,732,020)	(99,450)	175,514	(2,655,956)
Total accumulated depreciation	<u>(13,392,096)</u>	<u>(723,785)</u>	<u>175,514</u>	<u>(13,940,367)</u>
Total capital assets being depreciated, net	<u>13,103,552</u>	<u>2,165,953</u>	<u>(12,878)</u>	<u>15,256,627</u>
Business-type activities capital assets, net	<u>\$ 14,009,664</u>	<u>\$ 2,960,075</u>	<u>\$ (407,856)</u>	<u>\$ 16,561,883</u>

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

Depreciation was charged to functions of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 25,654
Police	120,771
Fire	47,530
Public works	1,573,242
Public activities and recreation	409,267
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$ 2,176,464</b>
 <b>Business-type Activities:</b>	
Water and sewer	\$ 584,628
Sanitation	337
Airport	138,820
<b>Total Depreciation Expense-Business-type Activities</b>	<b>723,785</b>

### Construction Commitments

Construction in progress for the various projects and remaining commitments under these construction contracts September 30, 2009, are as follows:

Project Description	Total In Progress	Remaining Commitment
<b>Governmental Activities:</b>		
16th Pool Project	\$ 4,076	\$ 120,000
Radio Rebanding	178,513	24,000
Nile Valley Road	1,134	79,000
Warehouse Expansion	173,119	241,000
Duncan Park	45,291	8,200
Hardeman Park	130,345	19,400
Letulle Park	4,156	46,000
<b>Totals</b>	<b>\$ 536,634</b>	<b>\$ 537,600</b>
 <b>Business-type Activities:</b>		
Whitson Tower Project	\$ 708,564	\$ 70,000
Water System Improvements	90,136	30,000
Sanitation Building	125,439	50,000
<b>Totals</b>	<b>\$ 924,139</b>	<b>\$ 150,000</b>

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### Discretely Presented Component Unit

The following is a summary of changes in capital assets for the Gas Company for the year ended March 31, 2009:

	Balance Apr. 1, 2008	Increases	(Decreases)	Balance Mar. 31, 2009
Capital assets not being depreciated:				
Construction in progress	\$	\$	\$	\$
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings	522,800			522,800
Improvements other than buildings	2,072,448	3,877		2,076,325
Machinery and equipment	1,486,513	72,367	(94,208)	1,464,672
Total capital assets being depreciated	4,081,761	76,244	(94,208)	4,063,797
Less accumulated depreciation for:				
Buildings	(245,810)	(13,240)		(259,050)
Improvements other than buildings	(1,071,148)	(51,895)		(1,123,043)
Machinery and equipment	(828,467)	(67,208)	94,208	(801,467)
Total accumulated depreciation	(2,145,425)	(132,343)	94,208	(2,183,560)
Total capital assets being depreciated, net	1,936,336	(56,099)		1,880,237
Gas Company capital assets, net	\$ 1,936,336	\$ (56,099)	\$	\$ 1,880,237

### NOTE 7 - LONG-TERM DEBT

#### General Obligation Bonds and Certificates of Obligation

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

The following is a summary of general obligation bonds and certificates of obligation outstanding as of September 30, 2009.

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>Governmental Activities:</b>				
<b>General Obligation Bonds</b>				
Series 2004 general obligation refunding bonds	\$ 6,000,000	2024	3.0-4.5	\$ 4,920,000
<b>Certificates of Obligation</b>				
Series 2009 certificates of obligation	2,500,000	2019	3.0-3.5	2,500,000
<b>Total Governmental Activities</b>				<b>\$ 7,420,000</b>
<b>Business-type Activities:</b>				
Series 2003 general obligation refunding bonds	4,500,000	2013	2.0-3.0	\$ 1,445,000
Series 2009 general obligation refunding bonds	3,825,000	2014	3.0	3,775,000
Series 2009 certificates of obligation	2,500,000	2019	3.0-3.5	2,500,000
<b>Total Business-type Activities</b>				<b>\$ 7,720,000</b>

The annual requirements to amortize all primary government general obligation bonds and certificates of obligation outstanding as of September 30, 2009 are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 462,500	\$ 285,031	\$ 1,412,500	\$ 235,668
2011	480,000	268,706	1,455,000	228,457
2012	495,000	251,118	1,495,000	149,738
2013	512,500	232,293	1,542,500	104,863
2014	530,000	212,793	470,000	58,612
2015-2019	2,950,000	776,164	1,345,000	140,425
2020-2024	1,990,000	272,079		
	<b>\$ 7,420,000</b>	<b>\$ 2,298,184</b>	<b>\$ 7,720,000</b>	<b>\$ 917,763</b>

During the 2009 fiscal year, the City refunded the General Obligation Refunding Bonds, Series 1999. The refunding provided gross savings of \$134,988 and an average annual savings of \$24,937. Also, the net present value savings was \$127,000 with a present value as a percentage of the refunded bonds of 3.39%.

During the 2009 fiscal year, the City issued the Tax and Revenue Certificates of Obligation, Series 2009, in the amount of \$5 million. Half of these proceeds will be used for governmental purposes of capital asset acquisition and construction. The other half of the proceeds will be used to fund a new venture into providing sanitation services to the City, instead of outsourcing these services as in the past.

The following is a summary of changes in the City's total governmental and business-type long-term liabilities for the year ended September 30, 2009.

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

	Balance Oct. 1, 2008	Additions	(Reductions)	Balance Sept. 30, 2009	Amounts Due within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 5,155,000	\$	\$ (235,000)	\$ 4,920,000	\$ 245,000
Certificates of obligation		2,500,000		2,500,000	217,500
Bond issuance premiums		50,974		50,974	5,098
Total bonds payable	<u>5,155,000</u>	<u>2,550,974</u>	<u>(235,000)</u>	<u>7,470,974</u>	<u>467,598</u>
Notes payable	4,434,167		(254,426)	4,179,741	266,815
Capital leases	221,134		(51,237)	169,897	53,845
Compensated absences	143,758	25,999		169,757	42,439
<b>Total Governmental Activities</b>	<u>\$ 9,954,059</u>	<u>\$ 2,576,973</u>	<u>\$ (540,663)</u>	<u>\$ 11,990,369</u>	<u>\$ 830,697</u>
<b>Business-type Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 6,305,000	\$ 3,825,000	\$ (4,910,000)	\$ 5,220,000	\$ 1,195,000
Certificates of obligation		2,500,000		2,500,000	217,500
Bond issuance premiums		50,974		50,974	5,098
Compensated absences	66,931	738		67,669	16,917
<b>Total Business-type Activities</b>	<u>\$ 6,371,931</u>	<u>\$ 6,376,712</u>	<u>\$ (4,910,000)</u>	<u>\$ 7,838,643</u>	<u>\$ 1,434,515</u>

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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

### Notes Payable

The City has entered into a note payable agreement with Prosperity Bank. The proceeds from this note payable were used to renovate the 16<sup>th</sup> Street Swimming Pool. Annual installments on this note are \$53,288. This note bears an interest rate of 5.074% and has an outstanding principal balance of \$342,585 at September 30, 2009. The City has entered into an inter-local agreement with Bay City Independent School District, in which Bay City Independent School District is responsible for paying \$16,000 annually of these installments.

The City has entered into an additional note payable agreement with Prosperity Bank. The proceeds from this note payable were used to purchase computer equipment. Monthly installments on this note are \$16,523. This note bears an interest rate of 5.4% and has an outstanding principal balance of \$97,483 at September 30, 2009.

The City has entered into a promissory note agreement with Wells Fargo Bank. The proceeds from this promissory note were used to renovate a training facility. Quarterly installments on this note are \$391,812. This note bears an interest rate of 4.71% and has an outstanding principal balance of \$3,739,673 at September 30, 2009. The Community Development Corporation, a component unit of the City, is responsible for paying the installments on this note.

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### Capital Lease Obligations

The City has entered into a capital lease agreement in order to purchase a fire truck. The capital lease obligation is paid out of the General Fund.

Following is a summary of future lease payments due on this equipment:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Lease Obligations</u>
2010	\$ 53,845	\$ 8,648	\$ 62,493
2011	56,586	5,907	62,493
2012	59,466	3,027	62,493
<b>Total</b>	<b>\$ 169,897</b>	<b>\$ 17,582</b>	<b>187,479</b>
			(17,582)
			<b>\$ 169,897</b>
	<b>Less interest portion</b>		
	<b>Obligations under Capital Leases</b>		

### NOTE 8 - EMPLOYEE RETIREMENT SYSTEM

#### Texas Municipal Retirement System

##### Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS's website at [www.TMRS.com](http://www.TMRS.com).

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:

	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase	70% of CPI Repeating	70% of CPI Repeating

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contributions rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Three year trend information is presented below:

	2009	2008	2007
Annual Required Contributions(ARC)	\$ 529,444	\$ 489,207	\$ 433,075
Percentage of ARC Contributed	100%	100%	100%
Net Pension Obligation at the End of Period	\$ 0	\$ 0	\$ 0

Because the actuary determines contribution rates on an annual basis and the City pays the calculated rate each month, the City will always have a net pension obligation (NPO) of zero at the beginning and end of the period, and the annually required contributions (ARC) will always equal contributions made.

The required contribution rates for the 2009 fiscal year were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

	Valuation Date		
	12/31/06	12/31/07	12/31/08
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 Years; Open Period	30 Years; Closed Period	29 Years; Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.5%
Projected Salary Increases *	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
* - Includes Inflation at Cost-of-Living Adjustments	3.00% N/A	3.00% 2.1%	3.00% 2.1%

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plane assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

### Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the 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 City 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 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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal years ending September 30, 2009, 2008 and 2007 were \$6,245, \$5,485 and \$4,688, respectively, which equaled the required contributions for each year.

### NOTE 9 - INTERFUND TRANSACTIONS

Interfund balances due to/from as of September 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General Fund	Sanitation Fund	\$ 500,000
General Fund	Water & Sewer Fund	3,853
Sanitation Fund	Water & Sewer Fund	182,236
		<u>\$ 686,089</u>

The outstanding balances between funds primarily result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

# CITY OF BAY CITY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2009, interfund transfers consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Community Development Corporation Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$	\$	\$ 74,947	\$ 20,000	\$ 94,947
Community Construction Projects Fund	17,289	37,500		37,500	92,289
Nonmajor Governmental Funds	152,000	25,000	75,000		252,000
Water and Sewer Fund	112,394	21,000		756,852	890,246
Airport Fund	102,000				102,000
<b>Total</b>	<b>\$ 383,683</b>	<b>\$ 83,500</b>	<b>\$ 149,947</b>	<b>\$ 814,352</b>	<b>\$ 1,431,482</b>

Transfers are used to move revenues from the fund with collection authorization to other funds to finance various programs and projects of the City.

### NOTE 10 - RESERVED FUND BALANCE

The City's Community Development Corporation (Major Special Revenue Fund) Fund equity is reserved in the amount of \$1,356,292 at September 30, 2009 for general government purposes.

The City's Nonmajor Governmental Fund equity of \$1,325,206 at September 30, 2009, is reserved for general government, public activities and recreation and capital outlay purposes.

### NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The City has not significantly reduced insurance coverage or had settlements, which exceeded coverage amounts for the past three fiscal years.

The City had no material unpaid claims liabilities at the end of the current or prior year.

### NOTE 12 - RESTATEMENTS

During the 2009 fiscal year, the City performed a complete inventory of its capital assets and, as a result of this inventory, the City has restated its beginning net assets. Governmental activities beginning net assets were increased by \$1,733,595. In addition, the business-type activities beginning net assets were decreased by \$111,008. Of this \$111,008 decrease, \$107,220 relates to the Water & Sewer Fund and \$3,788 relates to the Airport Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER THAN MANAGEMENT'S**  
**DISCUSSION AND ANALYSIS**

# CITY OF BAY CITY, TEXAS

Exhibit B-1

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Taxes:				
Property	\$ 3,057,685	\$ 3,057,685	\$ 3,059,302	\$ 1,617
Sales	3,600,000	3,475,000	3,455,757	(19,243)
Mixed beverage	18,000	21,000	17,984	(3,016)
Franchise	760,000	755,000	756,851	1,851
Licenses and permits	4,500	9,800	13,033	3,233
Fines and forfeitures	240,200	251,500	254,034	2,534
Fees and charges for services	176,000	175,700	183,385	7,685
Intergovernmental	2,000	180,320	180,652	332
Interest on investments	20,000	12,000	10,626	(1,374)
Other	946,855	1,010,098	996,865	(13,233)
<b>Total Revenues</b>	<u>8,825,240</u>	<u>8,948,103</u>	<u>8,928,489</u>	<u>(19,614)</u>
<b><u>Expenditures</u></b>				
Current:				
General government	1,947,140	2,145,811	1,730,277	415,534
Public safety	3,355,146	3,317,089	3,301,382	15,707
Public works	1,134,694	1,129,079	1,071,482	57,597
Public activities and recreation	1,158,206	1,210,078	1,158,364	51,714
Cultural arts and public benefits	139,160	146,660	144,610	2,050
Debt Service:				
Principal retirement	347,981	317,896	320,377	(2,481)
Interest and fiscal charges	259,401	248,923	246,440	2,483
<b>Total Expenditures</b>	<u>8,341,728</u>	<u>8,515,536</u>	<u>7,972,932</u>	<u>542,604</u>
<b>Excess of Revenues Over Expenditures</b>	483,512	432,567	955,557	522,990
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers from other funds	74,947	94,947	94,947	
Transfers (to) other funds	(260,394)	(383,683)	(383,683)	
<b>Total Other Financing Sources (Uses)</b>	<u>(185,447)</u>	<u>(288,736)</u>	<u>(288,736)</u>	
<b>Net Change in Fund Balance</b>	298,065	143,831	666,821	522,990
Fund balances - beginning	955,593	955,593	955,593	
<b>Fund Balances - Ending</b>	<u>\$ 1,253,658</u>	<u>\$ 1,099,424</u>	<u>\$ 1,622,414</u>	<u>\$ 522,990</u>

# CITY OF BAY CITY, TEXAS

Exhibit B-2

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL COMMUNITY DEVELOPMENT CORPORATION FUND

Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Sales taxes	\$ 1,180,000	\$ 1,180,000	\$ 1,151,812	\$ (28,188)
Interest on investments	20,000	20,000	13,344	(6,656)
Other	306,000	306,000	241,037	(64,963)
<b>Total Revenues</b>	<u>1,506,000</u>	<u>1,506,000</u>	<u>1,406,193</u>	<u>(99,807)</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General government	248,973	248,973	228,135	20,838
Cultural arts and public activities	659,547	659,547	393,312	266,235
<b>Debt Service:</b>				
Principal retirement			209,470	(209,470)
Interest and fiscal charges	182,341	182,341	182,341	
<b>Capital Outlay</b>				
<b>Total Expenditures</b>	<u>1,090,861</u>	<u>1,090,861</u>	<u>1,171,121</u>	<u>(80,260)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	415,139	415,139	235,072	(180,067)
<b><u>Other Financing (Uses)</u></b>				
Transfers (to) other funds			(83,500)	(83,500)
<b>Total Other Financing (Uses)</b>			<u>(83,500)</u>	<u>(83,500)</u>
<b>Net Change in Fund Balance</b>	415,139	415,139	151,572	(263,567)
Fund balances - beginning	<u>1,204,720</u>	<u>1,204,720</u>	<u>1,204,720</u>	
<b>Fund Balances - Ending</b>	<u>\$ 1,619,859</u>	<u>\$ 1,619,859</u>	<u>\$ 1,356,292</u>	<u>\$ (263,567)</u>

# CITY OF BAY CITY, TEXAS

Exhibit B-3

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### A. Budgets and Budgetary Accounting

Annual appropriated budgets are adopted for the General and Special Revenue Funds on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

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

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

### B. Excess of Expenditures over Appropriations

For the year ended September, 30, 2009, expenditures exceeded appropriations in the fire department (the legal level of budgetary control) of the General Fund by \$4,985. These overexpenditures were funded by available fund balance.

# CITY OF BAY CITY, TEXAS

Exhibit B-4

## TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF FUNDING PROGRESS

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL As A Percentage of Covered Payroll</u>
12/31/2006	\$ 11,966,670	\$ 15,066,481	79.4%	\$ 3,099,811	\$ 4,851,045	63.9%
12/31/2007 *	11,448,750	16,546,570	69.2%	5,097,820	5,436,124	93.8%
12/31/2008	11,436,920	16,659,204	68.7%	5,222,284	5,501,961	94.9%

\* - New actuarial cost method and assumptions were adopted by the TMRS Board of Trustees at their December 2007 meeting, to be effective for the 12/31/2007 valuation.

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**COMBINING AND INDIVIDUAL FUND**  
**STATEMENTS AND SCHEDULES**

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## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

These funds are used to account for specific revenues that are legally restricted for particular purposes.

**Civic and Cultural Arts Fund** - This fund is used to account for the revenues from the Hotel Occupancy Tax and expenditures for the promotion of tourism within the City.

**RCDI Grant Fund** - This fund was used in prior years to account for monies used to provide a program of financial and technical assistance to undertake projects related to housing, community facilities, or community & economic development in rural areas. This State of Texas sponsored program was closed-out in October 2008.

### **CAPITAL PROJECTS FUNDS**

These funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities and are financed principally by general revenues, capital grants and bond proceeds.

**2009 Capital Acquisition Fund** - This fund is used to account for the 2009 debt proceeds being used for various capital acquisitions and construction projects.

**Street Maintenance Fund** - This fund was established to separately control monies earmarked for a street maintenance and minor construction program within the City's Department of Public Works; in accordance with Ordinance #1313 which stipulates annual, incrementally increasing funding, provided by transfers from the City's General and Utility Enterprise Funds.

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

Exhibit C-1

**September 30, 2009**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Total Non-major Governmental Funds</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 217,700	\$ 833,668	\$ 1,051,368
Receivables:			
Sales taxes	43,721		43,721
Due from other funds		395,373	395,373
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 261,421</b>	<b>\$ 1,229,041</b>	<b>\$ 1,490,462</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Accounts payable	\$ 20,294	\$ 129	\$ 20,423
Due to other funds		128,435	128,435
Security deposits	16,398		16,398
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>36,692</b>	<b>128,564</b>	<b>165,256</b>
<b><u>Fund Balances</u></b>			
<b>Reserved</b>			
Public activities and recreation	224,729		224,729
Capital projects		1,100,477	1,100,477
	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>224,729</b>	<b>1,100,477</b>	<b>1,325,206</b>
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 261,421</b>	<b>\$ 1,229,041</b>	<b>\$ 1,490,462</b>

# CITY OF BAY CITY, TEXAS

Exhibit C-2

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

Year Ended September 30, 2009

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Total Non-major Governmental Funds</u>
<b>Revenues</b>			
Hotel occupancy tax	\$ 451,104	\$	\$ 451,104
Fees and charges for services	80,088		80,088
Investment earnings	930	1,909	2,839
Other	5,207		5,207
<b>Total Revenues</b>	<u>537,329</u>	<u>1,909</u>	<u>539,238</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	90,169		90,169
Cultural arts and public benefits	518,542		518,542
<b>Capital outlay</b>		778,004	778,004
<b>Debt service:</b>			
Bond issuance costs		122,550	122,550
<b>Total Expenditures</b>	<u>608,711</u>	<u>900,554</u>	<u>1,509,265</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	(71,382)	(898,645)	(970,027)
<b>Other Financing Sources (Uses)</b>			
Proceeds from debt issuance		2,500,000	2,500,000
Premium on bonds		50,974	50,974
Transfers from other funds	27,000	225,000	252,000
Transfers (to) other funds	(37,500)	(776,852)	(814,352)
<b>Total Other Financing Sources (Uses)</b>	<u>(10,500)</u>	<u>1,999,122</u>	<u>1,988,622</u>
<b>Net Change in Fund Balance</b>	(81,882)	1,100,477	1,018,595
Fund Balances, beginning of year	<u>306,611</u>		<u>306,611</u>
<b>Fund Balances, End of Year</b>	<u>\$ 224,729</u>	<u>\$ 1,100,477</u>	<u>\$ 1,325,206</u>

**CITY OF BAY CITY, TEXAS**

Exhibit C-3

**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**

September 30, 2009

	<u>Civic and Cultural Arts Fund</u>	<u>RCDI Grant Fund</u>	<u>Total Non-major Special Revenue Funds</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 217,700	\$	\$ 217,700
Sales tax receivable	43,721		43,721
<b>Total Assets</b>	<b>\$ 261,421</b>	<b>\$</b>	<b>\$ 261,421</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Accounts payable	\$ 20,294	\$	\$ 20,294
Security deposits	16,398		16,398
<b>Total Liabilities</b>	<b>36,692</b>		<b>36,692</b>
<b><u>Fund Balances</u></b>			
Reserved			
Public activities and recreation	224,729		224,729
<b>Total Fund Balances</b>	<b>224,729</b>		<b>224,729</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 261,421</b>	<b>\$</b>	<b>\$ 261,421</b>

# CITY OF BAY CITY, TEXAS

Exhibit C-4

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

Year Ended September 30, 2009

	<u>Civic and Cultural Arts Fund</u>	<u>RCDI Grant Fund</u>	<u>Total Non-major Special Revenue Funds</u>
<b>Revenues</b>			
Hotel occupancy tax	\$ 451,104	\$	\$ 451,104
Fees and charges for services	80,088		80,088
Investment earnings	930		930
Other	5,207		5,207
<b>Total Revenues</b>	<u>537,329</u>		<u>537,329</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government		90,169	90,169
Cultural arts and public benefits	518,542		518,542
<b>Total Expenditures</b>	<u>518,542</u>	<u>90,169</u>	<u>608,711</u>
<b>Excess (Deficiency) of Revenues   Over (Under) Expenditures</b>	<u>18,787</u>	<u>(90,169)</u>	<u>(71,382)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from other funds	27,000		27,000
Transfers (to) other funds	(37,500)		(37,500)
<b>Total Other Financing Sources (Uses)</b>	<u>(10,500)</u>		<u>(10,500)</u>
<b>Net Change in Fund Balance</b>	<u>8,287</u>	<u>(90,169)</u>	<u>(81,882)</u>
Fund Balances, beginning of year	<u>216,442</u>	<u>90,169</u>	<u>306,611</u>
<b>Fund Balances, End of Year</b>	<u>\$ 224,729</u>	<u>\$</u>	<u>\$ 224,729</u>

**CITY OF BAY CITY, TEXAS**

Exhibit C-5

**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**

**September 30, 2009**

	<b>2009 Capital Acquisition Fund</b>	<b>Street Maintenance Fund</b>	<b>Total Non-major Capital Projects Funds</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 831,536	\$ 2,132	\$ 833,668
Due from other funds	395,373		395,373
<b>Total Assets</b>	<b>\$ 1,226,909</b>	<b>\$ 2,132</b>	<b>\$ 1,229,041</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Accounts payable	\$ 129	\$	\$ 129
Due to other funds	128,435		128,435
<b>Total Liabilities</b>	<b>128,564</b>		<b>128,564</b>
<b><u>Fund Balances</u></b>			
Reserved			
Capital projects	1,098,345	2,132	1,100,477
<b>Total Fund Balances</b>	<b>1,098,345</b>	<b>2,132</b>	<b>1,100,477</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,226,909</b>	<b>\$ 2,132</b>	<b>\$ 1,229,041</b>

**CITY OF BAY CITY, TEXAS**

Exhibit C-6

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS**

**Year Ended September 30, 2009**

	2009 Capital Acquisition Fund	Street Maintenance Fund	Total Non-major Capital Projects Funds
<b><u>Revenues</u></b>			
Investment earnings	\$ 1,909	\$	\$ 1,909
<b>Total Revenues</b>	<b>1,909</b>		<b>1,909</b>
<b><u>Expenditures</u></b>			
Capital outlay	309,187.73 <del>630,136</del>	147,868	778,004
Debt service:			
Bond issuance costs	72,576.55 <del>122,550</del>		122,550
<b>Total Expenditures</b>	<b>752,686</b>	<b>147,868</b>	<b>900,554</b>
 (Deficiency) of Revenues (Under) Expenditures	 (750,777)	 (147,868)	 (898,645)
<b><u>Other Financing Sources (Uses)</u></b>			
Proceeds from debt issuance	2,500,000		2,500,000
Premium on bonds	50,974		50,974
Transfers from other funds	75,000	150,000	225,000
Transfers (to) other funds	<del>(776,852)</del>		<del>(776,852)</del>
<b>Total Other Financing Sources (Uses)</b>	<b>1,849,122</b>	<b>150,000</b>	<b>1,999,122</b>
 Net Change in Fund Balance	 1,098,345	 2,132	 1,100,477
 Fund Balances, beginning of year			
<b>Fund Balances, End of Year</b>	<b>\$ 1,098,345</b>	<b>\$ 2,132</b>	<b>\$ 1,100,477</b>

# CITY OF BAY CITY, TEXAS

Exhibit C-7

## COMPARATIVE BALANCE SHEETS GENERAL FUND

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,607,636	\$ 805,097
Receivables:		
Taxes	404,226	456,522
Other	40,424	45,144
Due from other funds	503,853	51,119
<b>Total Assets</b>	<u>\$ 2,556,139</u>	<u>\$ 1,357,882</u>
<u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 436,841	\$ 301,206
Due to other funds	395,373	149
Deferred revenue	101,511	100,934
<b>Total Liabilities</b>	<u>933,725</u>	<u>402,289</u>
<u>Fund Balance</u>		
<b>Fund Balance:</b>		
Unreserved and undesignated	1,622,414	955,593
<b>Total Fund Balance</b>	<u>1,622,414</u>	<u>955,593</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,556,139</u>	<u>\$ 1,357,882</u>

# CITY OF BAY CITY, TEXAS

Exhibit C-8 Page 1 of 5

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

Year Ended September 30, 2009  
with Comparative Actual Balances for the Year Ended September 30, 2008

	2009		Variance Positive (Negative)	2008 Actual
	Budget	Actual		
<b>Revenues</b>				
Property taxes	\$ 3,057,685	\$ 3,059,302	\$ 1,617	\$ 2,783,174
Sales taxes	3,475,000	3,455,757	(19,243)	3,639,901
Mixed beverage taxes	21,000	17,984	(3,016)	21,045
Franchise taxes	755,000	756,851	1,851	770,588
Licenses and permits	9,800	13,033	3,233	6,335
Fines and forfeitures	251,500	254,034	2,534	207,903
Fees and charges for services	175,700	183,385	7,685	277,951
Intergovernmental	180,320	180,652	332	42,388
Interest on investments	12,000	10,626	(1,374)	22,895
Other	1,010,098	996,865	(13,233)	860,625
<b>Total Revenues</b>	8,948,103	8,928,489	(19,614)	8,632,805
<b>Expenditures</b>				
<b>City Secretary:</b>				
Personnel services	77,485	71,064	6,421	73,508
Supplies	8,050	5,076	2,974	6,782
Repairs and maintenance				325
Other services and charges	4,950	6,235	(1,285)	3,604
<b>Total City Secretary</b>	90,485	82,375	8,110	84,219
<b>City General Services:</b>				
Personnel services	79,340	83,212	(3,872)	111,263
Supplies	13,300	10,262	3,038	7,143
Repairs and maintenance	17,000	12,995	4,005	11,175
Other services and charges	1,070,000	680,849	389,151	568,416
<b>Total City General Services</b>	1,179,640	787,318	392,322	697,997
<b>Administration/Council:</b>				
Personnel services	160,996	159,384	1,612	156,092
Supplies	6,300	4,725	1,575	4,312
Repairs and maintenance	1,000	1,243	(243)	449
Other services and charges	5,700	5,845	(145)	8,979
<b>Total Administration/Council</b>	173,996	171,197	2,799	169,832

# CITY OF BAY CITY, TEXAS

Exhibit C-8 Page 2 of 5

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended September 30, 2009  
with Comparative Actual Balances for the Year Ended September 30, 2008

	<u>2009</u>		<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
<b><u>Expenditures (continued)</u></b>				
<b>Human Resources:</b>				
Personnel services	121,516	118,082	3,434	105,891
Supplies	4,600	5,996	(1,396)	10,453
Other services and charges	1,680	1,979	(299)	1,980
<b>Total Human Resources</b>	<u>127,796</u>	<u>126,057</u>	<u>1,739</u>	<u>118,324</u>
<b>Municipal Court:</b>				
Personnel services	240,079	239,361	718	214,263
Supplies	8,600	8,530	70	7,923
Repairs and maintenance	3,000	2,651	349	3,903
Other services and charges	58,500	58,115	385	55,711
<b>Total Municipal Court</b>	<u>310,179</u>	<u>308,657</u>	<u>1,522</u>	<u>281,800</u>
<b>Finance:</b>				
Personnel services	243,550	243,318	232	206,714
Supplies	6,600	5,389	1,211	4,357
Repairs and maintenance	500	579	(79)	930
Other services and charges	8,065	5,387	2,678	15,707
Capital outlay	5,000		5,000	1,438
<b>Total Finance</b>	<u>263,715</u>	<u>254,673</u>	<u>9,042</u>	<u>229,146</u>
<b>Total General Government</b>	<u>2,145,811</u>	<u>1,730,277</u>	<u>415,534</u>	<u>1,581,318</u>
<b>Public Safety:</b>				
<b>Police:</b>				
Personnel services	2,736,424	2,711,123	25,301	2,591,002
Supplies	44,412	42,867	1,545	19,792
Repairs and maintenance	34,529	26,393	8,136	30,124
Other services and charges	231,383	238,856	(7,473)	241,698
Capital outlay	31,320	41,943	(10,623)	117,231
<b>Total Police</b>	<u>3,078,068</u>	<u>3,061,182</u>	<u>16,886</u>	<u>2,999,847</u>
<b>Fire:</b>				
Personnel services	36,470	36,142	328	30,197
Supplies	11,500	10,982	518	11,290
Repairs and maintenance	51,500	46,219	5,281	44,180
Other services and charges	55,800	66,912	(11,112)	55,158
Capital outlay				184
<b>Total Fire</b>	<u>155,270</u>	<u>160,255</u>	<u>(4,985)</u>	<u>141,009</u>

**CITY OF BAY CITY, TEXAS**

Exhibit C-8 Page 3 of 5

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**Year Ended September 30, 2009**  
**with Comparative Actual Balances for the Year Ended September 30, 2008**

	2009		Variance Positive (Negative)	2008 Actual
	Budget	Actual		
<b><u>Expenditures (continued)</u></b>				
<b>Animal Impoundment:</b>				
Personnel services	68,193	66,992	1,201	48,959
Supplies	4,800	3,875	925	3,699
Repairs and maintenance	2,358	1,850	508	3,210
Other services and charges	8,400	7,228	1,172	8,954
<b>Total Animal Impoundment</b>	<b>83,751</b>	<b>79,945</b>	<b>3,806</b>	<b>64,822</b>
<b>Total Public Safety</b>	<b>3,317,089</b>	<b>3,301,382</b>	<b>15,707</b>	<b>3,205,678</b>
<b>Public Works:</b>				
<b>Streets:</b>				
Personnel services	840,384	795,945	44,439	672,500
Supplies	85,420	72,069	13,351	131,665
Repairs and maintenance	138,000	141,987	(3,987)	123,832
Other services and charges	65,275	61,481	3,794	30,913
Capital outlay				20,820
<b>Total Streets</b>	<b>1,129,079</b>	<b>1,071,482</b>	<b>57,597</b>	<b>979,730</b>
<b>Total Public Works</b>	<b>1,129,079</b>	<b>1,071,482</b>	<b>57,597</b>	<b>979,730</b>
<b>Public Activities and Recreation:</b>				
<b>City Service Center:</b>				
Personnel services	34,410	34,012	398	32,140
Supplies	3,840	3,280	560	2,643
Repairs and maintenance	3,000	1,895	1,105	2,883
Other services and charges	16,680	17,206	(526)	15,269
<b>Total City Service Center</b>	<b>57,930</b>	<b>56,393</b>	<b>1,537</b>	<b>52,935</b>
<b>Parks and Recreation:</b>				
Personnel services	347,630	346,705	925	323,644
Supplies	33,500	42,363	(8,863)	43,210
Repairs and maintenance	64,400	64,314	86	55,987
Other services and charges	251,495	238,044	13,451	213,555
Capital outlay				32,783
<b>Total Parks and Recreation</b>	<b>697,025</b>	<b>691,426</b>	<b>5,599</b>	<b>669,179</b>

**CITY OF BAY CITY, TEXAS**

Exhibit C-8 Page 4 of 5

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**Year Ended September 30, 2009**  
**with Comparative Actual Balances for the Year Ended September 30, 2008**

	2009		Variance	2008
	Budget	Actual	Positive (Negative)	Actual
<b><u>Expenditures (continued)</u></b>				
<b>Riverside Park:</b>				
Personnel services	82,175	75,552	6,623	72,578
Supplies	9,350	9,413	(63)	9,926
Repairs and maintenance	18,200	8,499	9,701	23,803
Other services and charges	41,800	36,457	5,343	53,492
Capital outlay				29,835
<b>Total Riverside Park</b>	<b>151,525</b>	<b>129,921</b>	<b>21,604</b>	<b>189,634</b>
<b>Library:</b>				
Personnel services	265,790	245,740	20,050	243,999
<b>Total Library</b>	<b>265,790</b>	<b>245,740</b>	<b>20,050</b>	<b>243,999</b>
<b>Teen Court:</b>				
Personnel services	31,808	29,579	2,229	31,035
Other services and charges	6,000	5,305	695	3,181
<b>Total Teen Court</b>	<b>37,808</b>	<b>34,884</b>	<b>2,924</b>	<b>34,216</b>
<b>Total Public Activities and Recreation</b>	<b>1,210,078</b>	<b>1,158,364</b>	<b>51,714</b>	<b>1,189,963</b>
<b>Cultural Arts and Public Benefits:</b>				
<b>Public Benefits:</b>				
Other services and charges	146,660	144,610	2,050	138,804
<b>Total Public Benefits</b>	<b>146,660</b>	<b>144,610</b>	<b>2,050</b>	<b>138,804</b>
<b>Total Cultural Arts and Public Benefits</b>	<b>146,660</b>	<b>144,610</b>	<b>2,050</b>	<b>138,804</b>

**CITY OF BAY CITY, TEXAS**

Exhibit C-8 Page 5 of 5

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**Year Ended September 30, 2009**  
**with Comparative Actual Balances for the Year Ended September 30, 2008**

	<u>2008</u>		<u>Variance</u>	<u>2008</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
<b><u>Expenditures (continued)</u></b>				
<b>Debt Service:</b>				
Principal	317,896	320,377	(2,481)	306,201
Interest and fiscal charges	248,923	246,440	2,483	256,571
<b>Total Debt Service</b>	<u>566,819</u>	<u>566,817</u>	<u>2</u>	<u>562,772</u>
<b>Total Expenditures</b>	<u>8,515,536</u>	<u>7,972,932</u>	<u>542,604</u>	<u>7,658,265</u>
<b>Excess of Revenues</b>				
<b>Over Expenditures</b>	<u>432,567</u>	<u>955,557</u>	<u>522,990</u>	<u>974,540</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers from other funds	94,947	94,947		74,499
Transfers (to) other funds	(383,683)	(383,683)		(585,281)
<b>Total Other Financing</b>				
<b>Sources (Uses)</b>	<u>(288,736)</u>	<u>(288,736)</u>		<u>(510,782)</u>
<b>Net Change in Fund Balance</b>	143,831	666,821	522,990	463,758
Fund balances - Beginning	955,593	955,593		491,835
<b>Fund Balances - Ending</b>	<u>\$ 1,099,424</u>	<u>\$ 1,622,414</u>	<u>\$ 522,990</u>	<u>\$ 955,593</u>

**CITY OF BAY CITY, TEXAS**

Exhibit C-9

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CIVIC AND CULTURAL ARTS FUND**

**Year Ended September 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance from Final Positive (Negative)</u>
<b><u>Revenues</u></b>			
Hotel occupancy tax	\$ 445,000	\$ 451,104	\$ 6,104
Fees and charges for services	70,000	80,088	10,088
Interest on investments	1,700	930	(770)
Other	4,485	5,207	722
<b>Total Revenues</b>	<u>521,185</u>	<u>537,329</u>	<u>16,144</u>
<b><u>Expenditures</u></b>			
<b>Current:</b>			
Cultural arts and public benefits	477,335	518,542	(41,207)
<b>Total Expenditures</b>	<u>477,335</u>	<u>518,542</u>	<u>(41,207)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	43,850	18,787	(25,063)
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers from other funds	27,000	27,000	
Transfers (to) other funds		(37,500)	(37,500)
<b>Total Other Financing Sources (Uses)</b>	<u>27,000</u>	<u>(10,500)</u>	<u>(37,500)</u>
<b>Net Change in Fund Balance</b>	70,850	8,287	(62,563)
Fund balances - beginning	216,442	216,442	
<b>Fund Balances - Ending</b>	<u>\$ 287,292</u>	<u>\$ 224,729</u>	<u>\$ (62,563)</u>

## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	70
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	76
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	84
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities takes place.	88
<b>Operating Information</b> 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.	91

**Sources** - Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

# CITY OF BAY CITY, TEXAS

## NET ASSETS BY COMPONENT

Last Six Fiscal Years \*  
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental Activities</b>			
Invested in capital assets, net of related debt	\$ (337,486)	\$ 2,619,884	\$ 7,499,745
Restricted	2,899,091	2,418,928	1,441,232
Unrestricted	1,914,826	193,976	485,118
<b>Total Governmental Activities Net Assets</b>	<u>\$ 4,476,431</u>	<u>\$ 5,232,788</u>	<u>\$ 9,426,095</u>
<b>Business-type Activities</b>			
Invested in capital assets, net of related debt	\$ 5,658,337	\$ 4,980,993	\$ 4,957,372
Restricted		210,219	210,088
Unrestricted	303,268	1,089,017	2,147,890
<b>Total Business-type Activities Net Assets</b>	<u>\$ 5,961,605</u>	<u>\$ 6,280,229</u>	<u>\$ 7,315,350</u>
<b>Primary Government</b>			
Invested in capital assets, net of related debt	\$ 5,320,851	\$ 7,600,877	\$ 12,457,117
Restricted	2,899,091	2,629,147	1,651,320
Unrestricted	2,218,094	1,282,993	2,633,008
<b>Total Primary Government Net Assets</b>	<u>\$ 10,438,036</u>	<u>\$ 11,513,017</u>	<u>\$ 16,741,445</u>

\* The requirement for statistical data is ten years; only six years are available at this time.

Table 1

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 12,496,157	\$ 13,059,039	\$ 11,507,535
1,345,964	2,327,929	3,493,985
435,647	912,769	1,554,168
<u>\$ 14,277,768</u>	<u>\$ 16,299,737</u>	<u>\$ 16,555,688</u>
\$ 6,655,233	\$ 7,522,741	\$ 9,390,238
542,632	564,651	530,241
1,447,433	731,981	688,817
<u>8,645,298</u>	<u>8,819,373</u>	<u>10,609,296</u>
\$ 19,151,390	\$ 20,581,780	\$ 20,897,773
1,888,596	2,892,580	4,024,226
1,883,080	1,644,750	2,242,985
<u>\$ 22,923,066</u>	<u>\$ 25,119,110</u>	<u>\$ 27,164,984</u>

# CITY OF BAY CITY, TEXAS

## CHANGES IN NET ASSETS

Last Six Fiscal Years \*  
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>			
<b>Governmental Activities</b>			
General government	\$ 1,472,500	\$ 1,473,292	\$ 760,200
Public safety	2,783,990	2,971,661	2,861,918
Public works	924,633	871,458	962,368
Public activities and recreation	949,557	1,303,909	579,782
Cultural arts and public benefits	1,280,443	1,088,079	2,190,512
Interest and fiscal agent fees on long-term debt	156,324	272,091	251,275
<b>Total Governmental Activities Expenses</b>	<u>7,567,447</u>	<u>7,980,490</u>	<u>7,606,055</u>
<b>Business-type activities</b>			
Water and sewer	4,749,791	4,445,354	4,133,097
Sanitation			
Airport	248,234	441,272	467,058
<b>Total Business-type Activities Expenses</b>	<u>4,998,025</u>	<u>4,886,626</u>	<u>4,600,155</u>
<b>Total Primary Government Expenses</b>	<u>\$ 12,565,472</u>	<u>\$ 12,867,116</u>	<u>\$ 12,206,210</u>
<b>Program Revenues</b>			
<b>Governmental Activities</b>			
Charges for services			
General government	\$ 6,960	\$ 190,963	\$ 171,382
Public safety	185,219	55,218	67,067
Public works		5,710	4,618
Public activities and recreation	138,747	167,209	201,303
Cultural arts and public benefits	54,682		
Operating grants and contributions	100,939	1,289,235	1,306,157
Capital grants and contributions	851,610		
<b>Total Governmental Activities Program Revenues</b>	<u>1,338,157</u>	<u>1,708,335</u>	<u>1,750,527</u>
<b>Business-type Activities</b>			
Charges for services:			
Water and sewer	4,043,847	4,575,948	5,361,790
Airport	197,696	293,455	287,323
Operating grants and contributions	139,263	105,638	19,965
<b>Total Business-type Activities Program Revenues</b>	<u>4,380,806</u>	<u>4,975,041</u>	<u>5,669,078</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 5,718,963</u>	<u>\$ 6,683,376</u>	<u>\$ 7,419,605</u>
<b>Net (Expense)/Revenue</b>			
Governmental activities	\$ (6,229,290)	\$ (6,272,155)	\$ (5,855,528)
Business-type activities	(617,219)	88,415	1,068,923
<b>Total Primary Government Net Expense</b>	<u>\$ (6,846,509)</u>	<u>\$ (6,183,740)</u>	<u>\$ (4,786,605)</u>

\* The requirement for statistical data is ten years; only six years are available at this time.

Table 2 (Page 1 of 2)

2007	2008	2009
\$ 1,702,393	\$ 1,942,008	\$ 2,473,385
3,133,963	3,331,324	4,099,853
2,706,333	2,052,743	2,849,343
1,096,893	1,258,628	1,788,850
3,095,223	1,990,500	1,259,694
332,332	464,827	381,608
<u>12,067,137</u>	<u>11,040,030</u>	<u>12,852,733</u>
4,563,790	4,923,927	4,706,783
		113,933
324,101	420,223	397,202
<u>4,887,891</u>	<u>5,344,150</u>	<u>5,217,918</u>
<u>\$ 16,955,028</u>	<u>\$ 16,384,180</u>	<u>\$ 18,070,651</u>
\$ 150,025	\$ 207,903	\$ 254,034
65,799	67,302	72,011
4,425	6,335	13,033
209,571	292,469	191,462
		80,088
794,498	2,041,285	2,172,387
<u>1,224,318</u>	<u>2,615,294</u>	<u>2,783,015</u>
5,310,276	5,282,569	5,561,610
147,004	186,511	159,161
350,747	13,869	361,082
<u>5,808,027</u>	<u>5,482,949</u>	<u>6,081,853</u>
<u>\$ 7,032,345</u>	<u>\$ 8,098,243</u>	<u>\$ 8,864,868</u>
\$ (10,842,819)	\$ (8,424,736)	\$ (10,069,718)
920,136	138,799	863,935
<u>\$ (9,922,683)</u>	<u>\$ (8,285,937)</u>	<u>\$ (9,205,783)</u>

# CITY OF BAY CITY, TEXAS

## CHANGES IN NET ASSETS

Last Six Fiscal Years \*  
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Revenues and Other</b>			
<b>Changes in Net Assets:</b>			
<b>Governmental Activities</b>			
Taxes			
Property taxes	\$ 2,219,056	\$ 2,278,325	\$ 2,492,991
Sales taxes	3,601,228	3,681,595	3,951,087
Franchise taxes	709,515	854,694	701,272
Investment earnings	62,784	108,794	107,901
Miscellaneous	432,600		
Transfers	(225,723)	(206,482)	100,990
<b>Total Governmental Activities</b>	<u>6,799,460</u>	<u>6,716,926</u>	<u>7,354,241</u>
<b>Business-type Activities</b>			
Investment earnings	8,501	23,727	67,188
Miscellaneous	25,186		
Transfers	225,723	206,482	(100,990)
<b>Total Business-type Activities</b>	<u>259,410</u>	<u>230,209</u>	<u>(33,802)</u>
<b>Total Primary Government</b>	<u>\$ 7,058,870</u>	<u>\$ 6,947,135</u>	<u>\$ 7,320,439</u>
<b>Change in Net Assets</b>			
Governmental activities	\$ 570,170	\$ 444,771	\$ 1,498,713
Business-type activities	(357,809)	318,624	1,035,121
<b>Total Primary Government</b>	<u>\$ 212,361</u>	<u>\$ 763,395</u>	<u>\$ 2,533,834</u>

\* The requirement for statistical data is ten years; only six years are available at this time.

Table 2 (Page 2 of 2)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	2,594,281	\$ 2,761,842	\$ 3,059,879
	4,817,754	5,239,480	5,076,657
	773,840	770,588	756,851
	125,914	54,491	26,809
	1,031,784	1,558,912	514,177
	(160,842)	61,392	(842,299)
	<u>9,182,731</u>	<u>10,446,705</u>	<u>8,592,074</u>
	61,157	36,317	9,639
	187,813	60,351	185,058
	160,842	(61,392)	842,299
	<u>409,812</u>	<u>35,276</u>	<u>1,036,996</u>
\$	<u>9,592,543</u>	<u>\$ 10,481,981</u>	<u>\$ 9,629,070</u>
\$	(1,660,088)	\$ 2,021,969	\$ (1,477,644)
	1,329,948	174,075	1,900,931
\$	<u>(330,140)</u>	<u>\$ 2,196,044</u>	<u>\$ 423,287</u>

**CITY OF BAY CITY, TEXAS**

Table 3

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**

**Last Six Fiscal Years \***  
**(accrual basis of accounting)**

<b>Function</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008**</b>	<b>2009</b>
Property taxes	\$ 2,219,056	\$ 2,278,325	\$ 2,492,991	\$ 2,594,281	\$ 2,761,842	\$ 3,059,879
Sales taxes	3,601,228	3,681,595	3,951,087	4,817,754	5,218,435	5,058,673
Mixed beverage taxes					21,045	17,984
Franchise taxes	709,515	854,694	701,272	773,840	770,588	756,851
<b>Total</b>	<b>\$ 6,529,799</b>	<b>\$ 6,814,614</b>	<b>\$ 7,145,350</b>	<b>\$ 8,185,875</b>	<b>\$ 8,771,910</b>	<b>\$ 8,893,387</b>

\* The requirement for statistical data is ten years; only six years are available at this time.

\*\* Prior to fiscal year 2008, the City reported mixed beverage taxes with sales taxes.

**CITY OF BAY CITY, TEXAS**

Table 4

**FUND BALANCES OF GOVERNMENTAL FUNDS**

**Last Six Fiscal Years \***  
**(modified accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General Fund</b>						
Reserved	\$ 11,704	\$ 50,000	\$	\$	\$	\$
Unreserved	367,126	333,661	504,295	491,835	955,593	1,622,414
<b>Total General Fund</b>	<u>\$ 378,830</u>	<u>\$ 383,661</u>	<u>\$ 504,295</u>	<u>\$ 491,835</u>	<u>\$ 955,593</u>	<u>\$ 1,622,414</u>
<b>All Other Governmental Funds</b>						
Reserved	\$ 4,451,524	\$ 2,438,477	\$ 1,459,149	\$ 1,393,297	\$ 2,395,118	\$ 3,514,001
<b>Total All Other Governmental Funds</b>	<u>\$ 4,451,524</u>	<u>\$ 2,438,477</u>	<u>\$ 1,459,149</u>	<u>\$ 1,393,297</u>	<u>\$ 2,395,118</u>	<u>\$ 3,514,001</u>

\* The requirement for statistical data is ten years; only six years are available at this time.

**CITY OF BAY CITY, TEXAS**

Table 5

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

**Last Six Fiscal Years \***  
**(modified accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>						
Taxes	\$ 6,505,942	\$ 6,780,467	\$ 7,087,728	\$ 8,247,870	\$ 8,793,242	\$ 8,892,810
Licenses and permits	6,960	6,310	4,993	4,425	6,335	13,033
Fines and forfeitures	185,219	190,963	171,382	150,025	207,903	254,034
Fees and charges for services	193,429	221,828	267,995	275,369	359,771	263,473
Intergovernmental	952,549	472,716	321,043	572,709	610,382	399,741
Investment earnings	62,784	108,794	107,901	125,914	54,491	26,809
Other revenues	338,001	816,518	985,113	1,253,574	2,989,815	2,446,952
<b>Total Revenues</b>	<b>8,244,884</b>	<b>8,597,596</b>	<b>8,946,155</b>	<b>10,629,886</b>	<b>13,021,939</b>	<b>12,296,852</b>
<b>Expenditures</b>						
General government	1,489,747	1,447,739	1,571,107	1,734,186	1,903,178	2,048,581
Public safety	2,861,435	2,848,285	2,847,401	3,111,551	3,205,678	3,301,382
Public works	929,531	796,747	848,987	964,075	979,730	1,071,482
Public activities and recreation	949,157	1,295,179	1,403,702	1,046,249	1,189,963	1,158,364
Cultural arts and benefits	1,281,451	1,137,233	2,174,859	1,083,632	988,541	1,056,464
Capital outlay	3,788,578	2,304,762	901,429	6,031,745	2,548,637	2,502,372
Debt service						
Principal	336,733	308,308	315,447	327,694	357,054	529,847
Interest and fiscal charges	207,048	261,077	252,907	302,916	444,971	428,781
Bond issuance costs				20,174		122,550
<b>Total Expenditures</b>	<b>11,843,680</b>	<b>10,399,330</b>	<b>10,315,839</b>	<b>14,622,222</b>	<b>11,617,752</b>	<b>12,219,823</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(3,598,796)</b>	<b>(1,801,734)</b>	<b>(1,369,684)</b>	<b>(3,992,336)</b>	<b>1,404,187</b>	<b>77,029</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from debt issuance	6,000,000		410,000	4,127,000		2,500,000
Premium on bonds				-		50,974
Transfers in	823,201	458,630	1,140,669	5,379,746	1,214,833	439,236
Transfers out	(954,325)	(665,112)	(1,039,679)	(5,540,588)	(1,153,441)	(1,281,535)
<b>Total Other Financing Sources (Uses)</b>	<b>5,868,876</b>	<b>(206,482)</b>	<b>510,990</b>	<b>3,966,158</b>	<b>61,392</b>	<b>1,708,675</b>
<b>Net Change in Fund Balances</b>	<b>\$ 2,270,080</b>	<b>\$ (2,008,216)</b>	<b>\$ (858,694)</b>	<b>\$ (26,178)</b>	<b>\$ 1,465,579</b>	<b>\$ 1,785,704</b>
Debt service as a percentage of noncapital expenditures	6.8%	7.0%	6.0%	7.3%	8.8%	9.9%

\* The requirement for statistical data is ten years; only six years are available at this time.

# CITY OF BAY CITY, TEXAS

Table 6

## GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

Last Six Fiscal Years \*  
(modified accrual basis of accounting)

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008**</u>	<u>2009</u>
Property taxes	\$ 2,195,199	\$ 2,244,178	\$ 2,435,370	\$ 2,656,276	\$ 2,783,174	\$ 3,059,302
Sales taxes	3,601,228	3,681,595	3,951,087	4,817,754	5,218,435	5,058,673
Mixed beverage taxes					21,045	17,984
Franchise taxes	709,515	854,694	701,271	773,840	770,588	756,851
<b>Total</b>	<b>\$ 6,505,942</b>	<b>\$ 6,780,467</b>	<b>\$ 7,087,728</b>	<b>\$ 8,247,870</b>	<b>\$ 8,793,242</b>	<b>\$ 8,892,810</b>

\* The requirement for statistical data is ten years; only six years are available at this time.

\*\* Prior to fiscal year 2008, the City reported mixed beverage taxes with sales taxes.

# CITY OF BAY CITY, TEXAS

Table 7

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

### Last Ten Fiscal Years

<u>Fiscal Year Ended Sept. 30,</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>	<u>Less: Tax-Exempt Real Property</u>	<u>Total Taxable Assessed Value (1)</u>	<u>Total Direct Tax Rate</u>
2000	\$ 242,841,700	\$ 141,411,590	\$ 59,222,967	\$ 71,153,376	\$ 372,322,881	\$ 0.51079
2001	243,480,950	145,788,010	62,902,680	73,333,478	378,838,162	0.51036
2002	250,454,173	156,471,389	64,855,232	81,034,121	390,746,673	0.51036
2003	252,195,082	156,827,930	65,545,234	81,415,894	393,152,352	0.51132
2004	281,112,399	185,476,173	65,328,960	112,321,188	419,596,344	0.51132
2005	282,892,640	186,052,492	64,969,467	107,349,527	426,565,072	0.51132
2006	302,070,059	198,116,842	63,450,950	111,205,955	452,431,896	0.51132
2007	324,883,782	229,169,949	63,687,770	118,880,723	498,860,778	0.51132
2008	297,803,190	269,820,743	78,319,795	109,393,757	536,549,971	0.51132
2009	299,647,821	331,396,398	82,412,631	111,046,253	602,410,597	0.50570

Source - Matagorda Central Appraisal District.

(1) Property is assessed at actual value; therefore, the assessed values are equal to actual value.  
Tax rates are per \$100 of assessed value.

**CITY OF BAY CITY, TEXAS**

Table 8

**PROPERTY TAX RATES -  
DIRECT AND OVERLAPPING GOVERNMENTS**

**Last Ten Fiscal Years**

Fiscal Year	Tax Year	Direct Rate		Overlapping Rates (1)		
		City of Bay City	Bay City ISD	Matagorda County	Port of Bay City	
<b>Tax Rates (*)</b>						
2000	1999	\$ 0.51079	\$ 1.48700	\$ 0.30700	\$ 0.04000	
2001	2000	0.51036	1.52790	0.30700	0.04000	
2002	2001	0.51036	1.65000	0.29340	0.03947	
2003	2002	0.51132	1.65000	0.32160	0.04237	
2004	2003	0.51132	1.65000	0.31837	0.04138	
2005	2004	0.51132	1.65000	0.31837	0.04047	
2006	2005	0.51132	1.65000	0.30852	0.03607	
2007	2006	0.51132	1.52000	0.26829	0.03269	
2008	2007	0.51132	1.32000	0.27590	0.03475	
2009	2008	0.50570	1.31380	0.27518	0.03420	

Fiscal Year	Tax Year	Overlapping Rates (1)				Total
		Matagorda County Hospital District	Matagorda County Drainage District #1	Matagorda County Conservation & Reclamation District		
<b>Tax Rates (*)</b>						
2000	1999	\$ 0.13135	\$ 0.14578	\$ 0.00763	\$ 2.62955	
2001	2000	0.13135	0.14100	0.00741	2.66502	
2002	2001	0.12524	0.14235	0.00710	2.76792	
2003	2002	0.15070	0.14235	0.00729	2.82563	
2004	2003	0.16140	0.13549	0.00713	2.82509	
2005	2004	0.20999	0.13500	0.00682	2.87197	
2006	2005	0.21240	0.12241	0.00604	2.84676	
2007	2006	0.17214	0.10355	0.05080	2.65879	
2008	2007	0.17724	0.09919	0.00525	2.42365	
2009	2008	0.17864	0.09221	0.00521	2.40494	

Source - Tax Department records of the various taxing authorities and Matagorda Central Appraisal District.

(\*) Per \$100 of assessed valuation.

(1) Overlapping rates are those of local and county governments that apply within the City of Bay City. Not all overlapping rates apply to all City of Bay City property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

**CITY OF BAY CITY, TEXAS**

Table 9

**PRINCIPAL PROPERTY TAXPAYERS**

**Current Year and Eight Years Ago**

Taxpayer	2009 (2008 Tax Year)			2001 (2000 Tax Year)		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
AEP Texas Central Company	\$ 8,158,220	1	1.35 %	\$ 7,256,500	2	3.31 %
Wal-Mart Real Estate Business	8,068,270	2	1.34			
Wal-Mart Store #01-1405	7,858,060	3	1.30	6,195,620	3	2.83
Nichols Square Partners LLC	4,913,340	4	0.82			
WRH Bay City Ltd.	4,088,890	5	0.68	4,486,880	4	2.05
1700 Baywood BC LLC	3,958,700	6	0.66			
H E Butt Grocery Co	3,828,490	7	0.64	1,705,470	9	0.78
H E Butt Grocery Company	3,596,290	8	0.60	4,448,280	5	2.03
Barrets Minerals Inc.	3,498,750	9	0.58			
Bay City Cable Vision	3,016,480	10	0.50			
Sterling Court LLC				16,484,600	1	7.52
Saloman Brothers Realty Co.				1,749,490	8	0.80
Southwestern Bell Telephone				3,744,310	6	1.71
Batwood Square of Bay City Ltd.				1,904,560	7	0.87
Don Davis Buick Pontiac				1,518,960	10	0.69
Subtotal	50,985,490		8.46	49,494,670		22.59
Other taxpayers	551,425,107		91.54	169,599,680		77.41
Total	<u>\$ 602,410,597</u>		<u>100.00</u>	<u>\$ 219,094,350</u>		<u>100.00</u>

Source - Matagorda Central Appraisal District.

\* The requirement for statistical data is ten years; only six years are available at this time.

**CITY OF BAY CITY, TEXAS**

Table 10

**PROPERTY TAX LEVIES AND COLLECTIONS**

**Last Ten Fiscal Years**

Fiscal Year	Tax Rate	Total Tax Levy and Adjust.	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	% of Levy		Amount	% of Levy
2000	\$ 0.51079	\$ 1,901,788	\$ 1,837,984	95.7 %	\$ 54,798	\$ 1,892,782	99.4 %
2001	0.51036	1,933,457	1,839,122	95.1	53,996	1,893,118	97.9
2002	0.51036	1,987,016	1,899,843	95.6	72,633	1,972,476	99.3
2003	0.51132	2,006,448	1,917,271	95.6	73,050	1,990,321	99.2
2004	0.51132	2,148,702	2,057,688	95.8	75,510	2,133,198	99.3
2005	0.51132	2,177,164	2,089,984	96.0	68,991	2,158,975	99.2
2006	0.51132	2,304,160	2,223,093	96.5	55,869	2,278,962	98.9
2007	0.51132	2,551,184	2,466,712	96.7	44,905	2,511,617	98.4
2008	0.51132	2,743,380	2,638,943	96.2	76,995	2,715,938	99.0
2009	0.50575	3,181,671	2,930,352	92.1	n/a	n/a	n/a

n/a - information not available.

Source - Tax assessor/collector's records.

**CITY OF BAY CITY, TEXAS**

Table 11

**RATIOS OF OUTSTANDING DEBT BY TYPE**

**Last Six Fiscal Years \***

Fiscal Year Ended Sept. 30,	Governmental Activities				Business-type Activities			Total Primary Government	% of Personal Income **	Per Capita **
	General Obligation Bonds	Notes Payable	Certificates of Obligation	Capital Leases	General Obligation Bonds	Certificates of Obligation	Notes Payable			
2004	\$ 6,000,000	\$ 198,900		\$ 402,439	\$ 10,410,000		\$ 189,548	\$ 17,200,887	n/a	936
2005	5,800,000	132,600		360,431	9,420,000		111,744	15,824,775	n/a	861
2006	5,595,000	476,300		316,284	8,405,000		34,851	14,827,435	n/a	807
2007	5,380,000	4,527,837		269,890	7,375,000			17,552,727	n/a	955
2008	5,155,000	4,434,167		221,134	6,305,000			16,115,301	n/a	877
2009	4,920,000	4,179,741	2,500,000	169,897	5,220,000	2,500,000		19,489,638	3.4%	1,044

n/a - information not available.

Source - Tax assessor/collector's records.

\* The requirement for statistical data is ten years; only six years are available at this time.

\*\* See the Schedule of Demographic and Economic Statistics (Table 15) for personal income and population data.

**CITY OF BAY CITY, TEXAS**

Table 12

**RATIO OF NET GENERAL BONDED DEBT OUTSTANDING**

**Last Six Fiscal Years \***

<b>Fiscal Year Ended Sept. 30,</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>% of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2004	\$ 6,000,000		\$ 6,000,000	1.43%	\$ 326
2005	5,800,000		5,800,000	1.36%	316
2006	5,595,000		5,595,000	1.24%	304
2007	5,380,000		5,380,000	1.08%	293
2008	5,155,000		5,155,000	1.14%	280
2009	4,920,000		4,920,000	0.82%	264

n/a - information not available.

\* The requirement for statistical data is ten years; only six years are available at this time.

**CITY OF BAY CITY, TEXAS**

Table 13

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**September 30, 2009**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>City of Bay City Share of Debt</u>
Bay City ISD	\$ 26,336,883	52.00 %	\$ 13,695,179
Matagorda County	1,105,000	17.00	<u>187,850</u>
Subtotal, overlapping debt			13,883,029
<b>City Direct Debt</b>			<u>11,769,638</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 25,652,667</u></u>

Source - Matagorda County & Bay City Independent School District.

**Note** - Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

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

**CITY OF BAY CITY, TEXAS**

Table 14

**LEGAL DEBT MARGIN INFORMATION**

**Last Six Fiscal Years \***

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 41,959,634	\$ 42,656,507	\$ 45,243,190	\$ 49,886,078	\$ 53,654,997	\$ 60,241,060
Total net debt applicable to limit	6,000,000	5,800,000	5,595,000	5,380,000	5,155,000	4,920,000
Legal debt margin	<u>\$ 35,959,634</u>	<u>\$ 36,856,507</u>	<u>\$ 39,648,190</u>	<u>\$ 44,506,078</u>	<u>\$ 48,499,997</u>	<u>\$ 55,321,060</u>
Total net debt applicable to the limit as a percentage of debt limit	14.30%	13.60%	12.37%	10.78%	9.61%	8.17%
<b>Legal Debt Margin Calculation</b>						
<b>by Fiscal Year</b>						
Assessed value	\$ 419,596,344	\$ 426,565,072	\$ 452,431,896	\$ 498,860,778	\$ 536,549,971	\$ 602,410,597
Debt limit (10% of assessed value)	41,959,634	42,656,507	45,243,190	49,886,078	53,654,997	60,241,060
Debt applicable to limit:						
General obligation bonds	6,000,000	5,800,000	5,595,000	5,380,000	5,155,000	4,920,000
Less: amount set aside for repayment of general obligation debt						
Total net debt applicable to limit	<u>6,000,000</u>	<u>5,800,000</u>	<u>5,595,000</u>	<u>5,380,000</u>	<u>5,155,000</u>	<u>4,920,000</u>
Legal debt margin	<u>\$ 35,959,634</u>	<u>\$ 36,856,507</u>	<u>\$ 39,648,190</u>	<u>\$ 44,506,078</u>	<u>\$ 48,499,997</u>	<u>\$ 55,321,060</u>

**Note** - Under state finance law, the City of Bay City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

\* The requirement for statistical data is ten years; only six years are available at this time.

# CITY OF BAY CITY, TEXAS

Table 15

## DEMOGRAPHIC AND ECONOMIC STATISTICS

### Last Ten Fiscal Years

<u>Fiscal Year Ended Sept. 30,</u>	<u>Population (1)</u>	<u>Personal Income (4)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2000	18,667	\$ 396,710,881	\$ 21,252	30	1,458	3.6%
2001	18,667	440,347,895	23,590	30	1,390	4.1%
2002	18,667	469,197,855	25,135	30	1,426	5.0%
2003	18,667	494,866,864	26,510	30	1,420	5.9%
2004	18,381	521,219,237	28,356	30	1,388	5.1%
2005	18,381	548,254,974	29,827	30	1,343	5.2%
2006	18,822	561,413,093	29,827	32	4,140	7.0%
2007	19,273	574,887,007	29,829	32	4,410	5.9%
2008	19,735	588,684,295	29,829	32	4,140	7.0%
2009	18,667	568,335,482	30,446	32	4,140	11.2%

**Data sources:**

- (1) Bureau of the Census
- (2) Bay City Independent School District
- (3) Texas Workforce Commission - data prior to 2000 is not available
- (4) Personal income information is a total for the year

# CITY OF BAY CITY, TEXAS

Table 16

## PRINCIPAL EMPLOYERS

### Current Year and Eight Years Ago

<u>Employer</u>	<u>2009</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Bay City ISD	946	1	n/a %	\$ 634	1	8.45 %
Matagorda County Hospital	308	2	n/a	n/a	n/a	n/a
Wal-Mart	284	3	n/a	n/a	n/a	n/a
City of Bay City	189	4	n/a	153	2	2.04
<b>Total</b>	<u>1,727</u>		<u>n/a %</u>	<u>\$ 787</u>		<u>10.49 %</u>

n/a - information not available.

**Source :**

BCISD

MGHD

Wal-Mart

City of Bay City Human Resources

**CITY OF BAY CITY, TEXAS**

Table 17

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

**Last Ten Fiscal Years**

<b>Function</b>	<b>Full-time Equivalent Employees as of September 30</b>									
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
General government	44	44	44	44	45	46	46	51	35	35
Public safety										
Police										
Officers	30	30	30	30	31	31	31	30	37	37
Civilians	12	12	12	12	14	14	14	21	18	18
Fire										
Firefighters	41	45	44	46	46	44	44	35	37	36
Civilians	4	4	4	4	4	4	4	3	1	1
Public works										
Streets/maintenance	23	23	23	21	20	20	20	24	18	35
Public activities and recreation	8	8	8	8	8	8	8	5	11	11
Water and sewer	22	22	22	22	21	21	21	23	32	29
Sanitation										10
<b>Total</b>	<b>184</b>	<b>188</b>	<b>187</b>	<b>187</b>	<b>189</b>	<b>188</b>	<b>188</b>	<b>192</b>	<b>189</b>	<b>212</b>

**Source :**

Bay City Human Resource Department and Bay City Fire Department.

**CITY OF BAY CITY, TEXAS**

Table 18

**OPERATING INDICATORS BY FUNCTION**

**Last Six Fiscal Years \***

<b>Function</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Police</b>						
Arrests	3,011	3,321	2,539	1,846	1,399	1,513
Accident reports	677	638	514	566	235	425
Citations	5,324	3,689	1,404	2,522	2,175	2,791
Offense reports	4,593	4,273	3,534	4,259	2,827	7,222
Calls for service	18,762	17,801	15,622	26,557	22,461	27,968
<b>Fire</b>						
Emergency responses	265	283	237	282	264	219
Fire incidents	80	83	80	83	112	133
Service calls and other calls	155	167	138	135	95	75
Automatic aid, mutual aid given	30	33	19	63	57	19
<b>Water</b>						
Average daily consumption (millions of gallons)	77.254	75.138	66.572	2.141	2.323	2.500
Total Consumption (millions of gallons)	927.058	906.138	798.873	781.199	860.144	913.700
Peak daily consumption (millions of gallons)	89.108	88.865	79.544	3.757	3.478	5.500
<b>Sewer</b>						
Average daily sewage treatment (millions of gallons)	69.806	70.864	73.506	2.988	2.405	2.100
Total Consumption (millions of gallons)	837.680	850.374	882.079	1,098.387	729.502	785.700
Peak daily consumption (millions of gallons)	101.521	101.075	92.629	17.123	7.117	5.100

Source - Various City departments.

\* The requirement for statistical data is ten years; only six years are available at this time.

**CITY OF BAY CITY, TEXAS**

Table 19

**CAPITAL ASSETS STATISTICS BY FUNCTION**

**Last Ten Fiscal Years**

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	27	27	27	28	28	28	29	30	30	32
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Collection trucks	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	11
Streets (miles)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	95
Parks and recreation										
Parks acreage	187	187	187	187	187	187	207	207	207	186
Parks	19	19	19	19	19	19	20	20	20	22
Water and sewer										
Water mains (miles)	n/a	n/a	n/a	n/a	n/a	n/a	90	90	90	94
Fire hydrants	n/a	n/a	n/a	n/a	n/a	n/a	600	600	600	600
Maximum daily capacity (thousands of gallons)	n/a	n/a	n/a	n/a	n/a	n/a	4	4	4	4
Sanitary sewers (miles)	n/a	n/a	n/a	n/a	n/a	n/a	85	85	85	88
Storm sewers (miles)	n/a	n/a	n/a	n/a	n/a	n/a	70	70	70	80
Maximum daily treatment capacity (thousands of gallons)	n/a	n/a	n/a	n/a	n/a	n/a	4	4	4	4

n/a - information not available.

Source - Various City departments.

Note - No capital asset indicators are available for the general government function.