

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

CITY OF NASSAU BAY, TEXAS

**For the Year Ended
September 30, 2019**

CITY MANAGER

Jason Reynolds

Prepared by:

**Csilla Ludanyi, CGFO
Finance Director**

**Jaime Vasquez
Senior Accountant/Utility Billing Supervisor**

**Julia Mendoza
Accountant**

**Cynthia Martinez
Customer Service/Utility Billing Coordinator**

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CITY OF NASSAU BAY, TEXAS

TABLE OF CONTENTS

September 30, 2019

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Transmittal Letter	3
Organizational Chart	7
Certificate of Achievement for Excellence in Financial Reporting	9
Principal Officials	11
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	15
Management's Discussion and Analysis (Required Supplementary Information)	21
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Position	30
Statement of Activities	32
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet – Governmental Funds	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39
Proprietary Fund Financial Statements	
Statement of Net Position	41
Statement of Revenues, Expenses, and Changes in Fund Net Position	43
Statement of Cash Flows	44
Notes to Financial Statements	47
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Tourism Fund	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue and Grants Fund	83
Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System	84
Schedule of Changes in Total OPEB Liability and Related Ratios – Texas Municipal Retirement System	87
Schedule of Contributions – Texas Municipal Retirement System	88

CITY OF NASSAU BAY, TEXAS

TABLE OF CONTENTS (Continued)

September 30, 2019

<u>COMBINING STATEMENTS AND SCHEDULES</u>	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	93
Combining Balance Sheet – Nonmajor Governmental Funds	94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	95
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Special Revenue Fund	97
 <u>STATISTICAL SECTION</u>	
Net Position by Component	100
Changes in Net Position	102
Tax Revenues by Source, Governmental Activities	106
Fund Balances, Governmental Funds	108
Changes in Fund Balances, Governmental Funds	110
Assessed Value and Estimated Actual Value of Taxable Property	112
Property Tax Rates – Direct and Overlapping Governments	114
Principal Property Taxpayers	117
Property Tax Levies and Collections	118
Ratios of Outstanding Debt by Type	120
Ratios of Net Bonded Debt to Assessed Value, Net Bonded Debt Per Capita, and Assessed and Estimated Actual Value of Taxable Property	122
Direct and Overlapping Governmental Activities Debt	125
Legal Debt Margin Information	126
Pledged-Revenue Coverage	128
Demographic and Economic Statistics	131
Principal Employers	133
Full-Time Equivalent City Government Employees by Function/Program	135
Operating Indicators by Function/Program	136
Capital Asset Statistics by Function/Program	138

INTRODUCTORY SECTION

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March 3, 2020

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

The Comprehensive Annual Financial Report (CAFR) of the City of Nassau Bay, Texas (the “City”) for the fiscal year ended September 30, 2019 is hereby submitted. The report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management.

We believe the data presented is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial activities have been included. Please direct your attention to the Management’s Discussion and Analysis section immediately following the independent auditors’ report for a comprehensive look at the City’s financial activities.

As required by the City’s charter, the annual audit was completed by an independent auditor selected by the City Council. The firm, Belt Harris Pechacek, LLLP, Certified Public Accountants, has issued an unmodified opinion on the City’s financial statements for the fiscal year ended September 30, 2019. The independent auditors’ report is located at the front of the financial section of this report.

Profile of the Government

The City of Nassau Bay, Texas was incorporated in 1970 as a Texas General Law City. Eight years later, in 1978, the citizens of Nassau Bay adopted a Charter and reorganized as a Texas Home Rule City with a Council-Manager form of government. The legislature and governing body of the City is the City Council, which consists of a Mayor and six Council members. The Mayor and Council members are elected at-large for two-year terms with a term limitation of four consecutive terms. The City Council appoints a City Manager who shall be the Chief Administrative Officer of the City and who shall be responsible for the administration of all affairs of the City. The City Manager directs and supervises the administration of all departments, offices, and agencies of the City except as otherwise provided by the Charter or by law.

The City provides a full range of municipal services. This includes public safety protection (police, fire, EMS, and emergency management), public works (parks, street maintenance, and storm water drainage), public services (permitting and code enforcement), general government services (City administration), and utilities (water and wastewater treatment, distribution, and collection). This report is presented to reflect these categories of services. Additionally, the City has several component units: the Nassau Bay Economic Development Corporation (presented discretely under separate cover), the Nassau Bay TIRZ #1 and

Redevelopment Authority (presented as blended component units within this report), and the NASA Area Management District (discrete presentation).

Local Economy

The local economy is entirely reliant on the economic activity in the Houston Metro Area, specifically those industries which are active on the East and Southeast sides of Houston. The economic fortunes of the Nassau Bay community are closely tied to success and expansion in the Houston Ship Channel, the energy and petrochemical industries as impacted by the price of oil, and healthcare and biomedical industries focused on the ongoing expansion of Houston Methodist Clear Lake Hospital and its potential impact on the exempt portion of the City's tax base.

In a very intimate way, the City's local economy is married to the aerospace industry. The City was originally created to support the housing needs of the employees at NASA's Johnson Space Center which is located directly adjacent to the north border of the community. The City continues to participate in regional efforts to increase federal funding to NASA Johnson Space Center and the many contractors that play a key role in our local economy. Decreases in NASA's federal funding or programs often have very tangible impacts on the City's property values and sales tax revenue.

Finally, in the past ten years, the City has seen an increase in the impact of the tourism and retail industries. The City's revenues from these industries have mirrored the Texas economy's recovery in retail sales after the recession and the last four years have seen marked improvement in tourism industry related activity as well.

Long-term Financial Planning & Major Initiatives

In planning for the long-term financial future of the City, capital project planning has been one of the main priorities of City leadership. In 2013, the City issued a Tax Note and Certificates of Obligation. In 2015, the City issued Certificates of Obligation. In 2017, the City issued Certificates of Obligation. These debt issuances provided the City with funding for capital projects to include the construction of the new City Hall/Conference Center and a new Fire and EMS Station. With these issuances, the City also focused on storm sewer drainage issues, park rehabilitation projects, and public safety apparatus and equipment. The City plans its debt issuance such that annual debt service obligation should not exceed 20% of the annual general fund expenditures.

In the Water and Sewer enterprise fund, the City issued debt in 2011 to rehabilitate the sewer plant. Since this issuance, the City has chosen to cash flow the relevant projects that have taken priority. The City finalized a 15-year plan to renew all the water and sewer transmission and collection lines. The City adopted new utility rates in 2018 and will finance the water and sewer transmission and collection line project through the Texas Water Development Board.

The City's current forecast of capital improvements is captured as a part of the annual budget. This 5-year plan provides guidance regarding the projected infrastructure needs of the community along with the anticipated cost of these improvements. Each year, the City examines the entirety of this plan and determines the continued needs and priorities of the organization.

The City's primary source of revenue is property tax representing about 59.5% of the total general fund budget. In order to best provide expected services and ensure a stable tax rate for the residents, the City works to maintain a steady debt service tax rate. Additionally, the City continues to partner with various

community organizations to encourage growth in commercial property values and to maintain stable residential property values.

Since 2009, the City has experienced an average increase of 7% per year and 2019 saw a 91% increase in Sales Tax revenue over 2009. In FY2019, the City experienced nearly a 21% increase in sales tax revenue compared to the previous year. This unprecedented increase was welcome but received with caution and not expected to be a trend. The City continues to explore opportunities to expand and bolster its sales tax base.

Relevant Financial Policies

The fiscal, budget, and accounting year of the City begins on the first day of October and ends the last day of September.

No payment is made or obligation incurred against any appropriation unless the City Manager, or his designee, first certifies that there is a sufficient unencumbered balance to meet that obligation.

During the course of the budget year, should the adopted appropriations cease to correctly reflect the City's necessary revenue or expenditure activity, the City Manager or his designee will notify City Council of the need for a Budget Amendment. The City Manager's level of control allows for the transfer of unencumbered appropriation balance at the department level (meaning within a department). Transfers or changes to appropriations between departments or funds must be accepted at the City Council level of control via ordinance approval that meets the standards of a budget adoption ordinance.

The basis of budgeting for all funds is modified accrual. The basis of accounting for all funds except the Water and Sewer Fund (Proprietary Fund) is also modified accrual. The Water and Sewer Fund accounting is done on accrual basis. Audited financials for the City utilize accrual basis for the government-wide statements and modified accrual for the fund financials.

The City has established a comprehensive framework of internal controls to ensure completeness and reliability of the information contained in this CAFR. The cost of internal controls should not exceed anticipated benefits; therefore, the objective of these guidelines is to provide reasonable, not absolute, assurance that the provided information is free of material misstatements. The annual audit reviews the internal controls and verifies that the adopted budget has been implemented and administered within the guidelines of applicable laws and regulations.

It is the policy of the City to maintain an unassigned general fund balance of no less than 25% of the budgeted annual expenditures.

Awards & Acknowledgments

This is the fourth CAFR the City has completed. In years previous to FY2016, the City simply completed an annual audit and financial report. The City will submit this CAFR to the Government Finance Officers' Association for consideration for the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended September 30, 2019.

The City received the Government Finance Officers' Association Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2018. The City has received this award for the past 7 consecutive budgets having been judged proficient as a policy document, a financial plan, an operations guide, and as a communication device.

Many thanks to the Mayor, City Council, and the City Manager for their leadership and support of the Finance team. Thank you to the entire Finance department and the various departments throughout the City who assisted and helped with the preparation and research required to complete this report.

Respectfully,

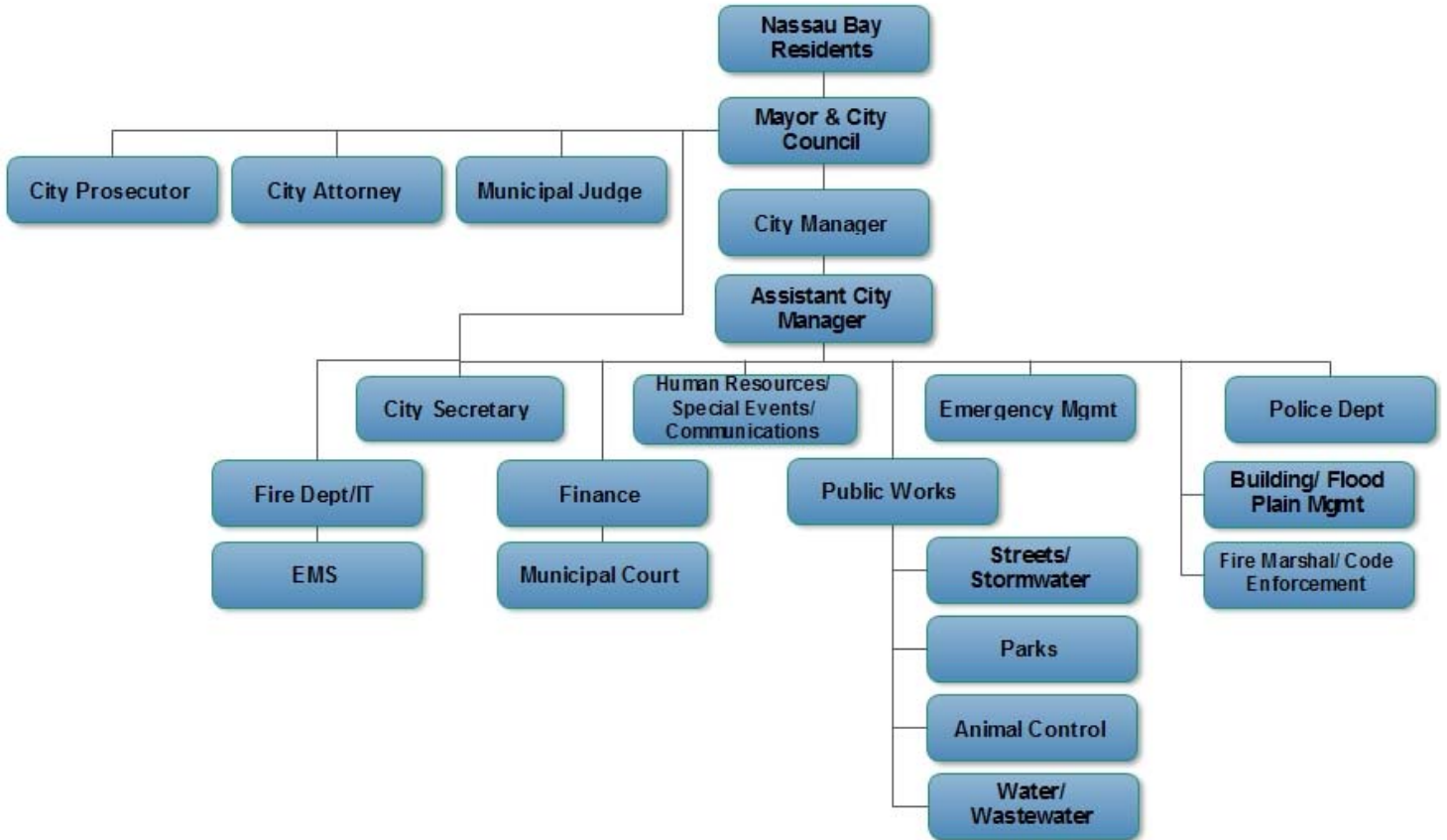


Csilla Ludanyi, CGFO
Finance Director

CITY OF NASSAU BAY, TEXAS

ORGANIZATIONAL CHART

September 30, 2019



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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Nassau Bay
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morill

Executive Director/CEO

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CITY OF NASSAU BAY, TEXAS
PRINCIPAL OFFICIALS
September 30, 2019

City Officials	Elective Position	Term Expires
Mark Denman	Mayor	05/2020
Don Matter	Council Member	05/2021
Ashley Graves	Council Member	05/2020
John Mahon	Council Member	05/2021
Bryce Klug	Council Member	05/2020
Bob Warters	Council Member	05/2021
Mark Prior	Council Member	05/2020

Key Staff	Position
Jason Reynolds	City Manager
Mary Chambers	Assistant City Manager
Csilla Ludanyi	Director of Finance
Sandra Ham	City Secretary
Tim Cromie	Chief of Police
Paul Lopez	Public Works Director
Tom George	Fire Department and EMS Administrator/IT Manager
Mark Stelly	Building Official/Floodplain Administrator
Dena Mahan	Emergency Management Coordinator
Chani Honeycutt	Human Resources/Special Events & Communications
Dick H. Gregg, Jr. Esq.	City Attorney

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Nassau Bay, Texas (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the NASA Area Management District, which represent 50 percent, 37 percent, and 28 percent, respectively of the assets, net position, and revenues of the discretely presented component units. These statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the NASA Area Management District, 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or

on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 3, 2020

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

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CITY OF NASSAU BAY, TEXAS

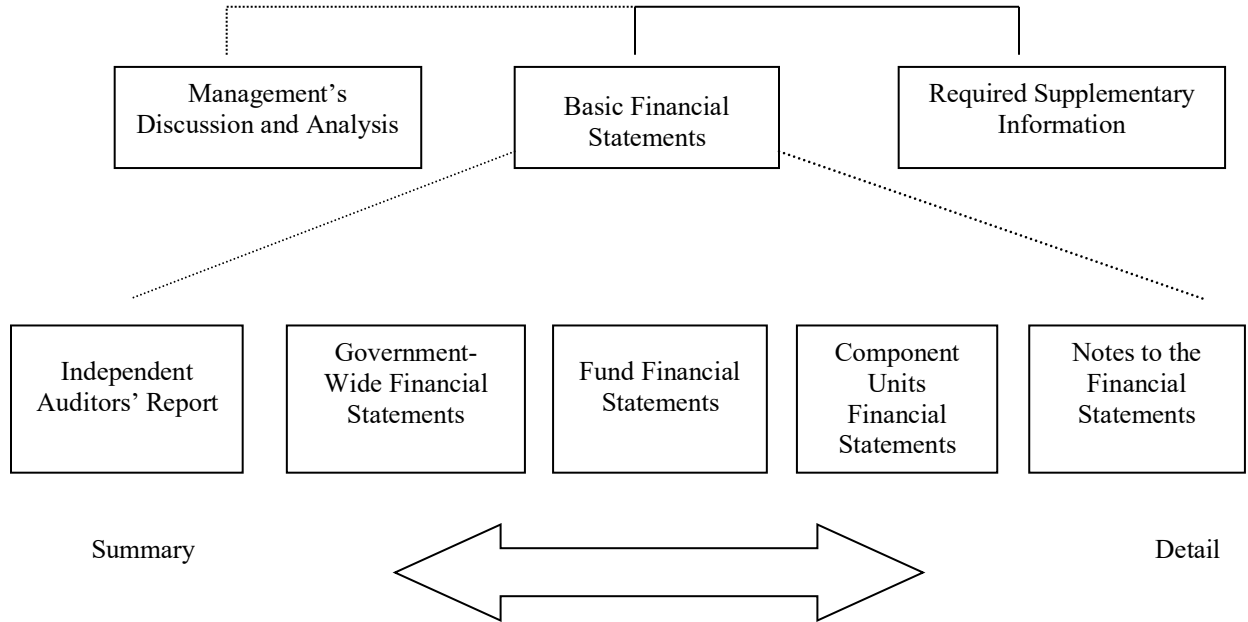
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2019

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Nassau Bay, Texas (the "City") for the year ended September 30, 2019. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



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

Government-Wide Statements

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

CITY OF NASSAU BAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows using the accrual method rather than modified accrual that is used in the fund level statements.

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

1. *Governmental Activities* – Most of the City's basic services are reported here including general government, public safety, public works, public services, economic development, and tourism. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution and wastewater collection/treatment.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, the Nassau Bay Economic Development Corporation, and a legally separate management district, the NASA Area Management District, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Tax Increment Reinvestment Zone #1 (TIRZ #1) and the Nassau Bay Redevelopment Authority, although also legally separate, function for all practical purposes as departments of the City and, therefore, have been included as an integral part of the primary government.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance

CITY OF NASSAU BAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund (considered a nonmajor fund for reporting purposes, but the City has elected to present as major due to its significance), the tourism fund, the special revenue and grants fund, and the TIRZ #1 fund (also considered a nonmajor fund for reporting purposes, but the City has elected to present as major due to its significance), which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general, debt service, special revenue and grants, tourism, and streets funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains one type of proprietary fund, an enterprise fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water distribution and wastewater collection/treatment. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general fund, tourism fund, and the special revenue and grants fund, as well as schedules of changes in net pension and total other postemployment benefit liability and ratios, and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows by \$18,765,934 as of year end in the primary government. This compares with \$16,884,229 from the prior fiscal year. The largest portion of the City's net position, 75 percent, reflects its investments in capital assets (e.g., land, City hall, fleet equipment, streets, and drainage systems) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF NASSAU BAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 8,630,430	\$ 9,938,935	\$ 1,065,499	\$ 1,110,857	\$ 9,695,929	\$ 11,049,792
Capital assets, net	16,960,136	16,702,851	6,268,804	5,993,318	23,228,940	22,696,169
Total Assets	25,590,566	26,641,786	7,334,303	7,104,175	32,924,869	33,745,961
Deferred outflows - pensions	612,222	314,700	190,103	92,315	802,325	407,015
Deferred outflows - OPEB	3,112	7,101	847	1,934	3,959	9,035
Total Deferred Outflows of Resources	615,334	321,801	190,950	94,249	806,284	416,050
Long-term liabilities	10,258,089	10,675,993	2,614,452	2,572,266	12,872,541	13,248,259
Other liabilities	1,680,260	3,559,861	376,506	204,644	2,056,766	3,764,505
Total Liabilities	11,938,349	14,235,854	2,990,958	2,776,910	14,929,307	17,012,764
Deferred inflows - pensions	25,393	219,809	9,073	45,209	34,466	265,018
Deferred inflows - OPEB	1,137	-	309	-	1,446	-
Total Deferred Inflows of Resources	26,530	219,809	9,382	45,209	35,912	265,018
Net Position:						
Net investment in capital assets	9,510,836	8,416,808	4,568,804	4,188,318	14,079,640	12,605,126
Restricted	3,422,337	3,160,101	-	-	3,422,337	3,160,101
Unrestricted	1,307,848	931,015	(43,891)	187,987	1,263,957	1,119,002
Total Net Position	\$ 14,241,021	\$ 12,507,924	\$ 4,524,913	\$ 4,376,305	\$ 18,765,934	\$ 16,884,229

A portion of the primary government's net position, \$3,422,337 or 18 percent, represents resources that are subject to restrictions on how they may be used. The remaining balance is unrestricted net position of \$1,263,957 or seven percent. Net position increased by \$1,881,705 compared to the prior year. There was an increase in total net position of \$1,733,097 for governmental activities and an increase of \$148,608 for business-type activities.

The primary government's capital assets increased \$532,771 primarily as a result of an increase in construction projects and improvements to the Southeast Water Purification Plant (SEWPP) for a joint venture agreement. Long-term liabilities decreased \$375,718 primarily due to debt service payments. Other liabilities decreased \$1,707,739 primarily due to a decrease in unearned revenue related to Federal Emergency Management Agency (FEMA) elevation grants.

CITY OF NASSAU BAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

Statement of Activities

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 996,505	\$ 948,661	\$ 2,210,184	\$ 2,170,914	\$ 3,206,689	\$ 3,119,575
Operating grants and contributions	2,937,259	3,500,750	24,064	16,791	2,961,323	3,517,541
Capital grants and contributions	185,952	359,008	-	-	185,952	359,008
General revenues:						
Property taxes	4,766,664	4,637,368	-	-	4,766,664	4,637,368
Sales taxes	999,226	828,287	-	-	999,226	828,287
Other taxes	1,385,253	1,449,162	-	-	1,385,253	1,449,162
Investment earnings	166,482	128,037	14,981	5,147	181,463	133,184
Other revenues	39,751	123,525	240	14,919	39,991	138,444
Total Revenues	11,477,092	11,974,798	2,249,469	2,207,771	13,726,561	14,182,569
Expenses						
General government	1,630,997	1,660,409	-	-	1,630,997	1,660,409
Public safety	2,753,671	2,334,408	-	-	2,753,671	2,334,408
Public works	1,387,190	1,752,898	-	-	1,387,190	1,752,898
Public services	2,752,547	3,263,510	-	-	2,752,547	3,263,510
Economic development/tourism	1,009,657	973,329	-	-	1,009,657	973,329
Interest on long-term debt	209,933	231,606	-	-	209,933	231,606
Water and sewer	-	-	2,100,861	2,283,690	2,100,861	2,283,690
Total Expenses	9,743,995	10,216,160	2,100,861	2,283,690	11,844,856	12,499,850
Increase (Decrease) in Net Position Before Transfers	1,733,097	1,758,638	148,608	(75,919)	1,881,705	1,682,719
Transfers	-	(27,240)	-	27,240	-	-
Change in Net Position	1,733,097	1,731,398	148,608	(48,679)	1,881,705	1,682,719
Beginning net position	12,507,924	10,776,526	4,376,305	4,424,984	16,884,229	15,201,510
Ending Net Position	\$ 14,241,021	\$ 12,507,924	\$ 4,524,913	\$ 4,376,305	\$ 18,765,934	\$ 16,884,229

For the year ended September 30, 2019, revenues from governmental activities totaled \$11,477,092. Revenues experienced a net decrease of four percent in total. This decrease was primarily the result of a decrease in operating grants and contributions received for FEMA elevation grants and a decrease in capital grants and contributions due to less contributions received from the Nassau Bay Economic Development Corporation for capital projects. Property tax revenue increased due to an increase in assessed values and sales tax revenue increased as a result of increased economic growth within the City.

For the year ended September 30, 2019, expenses for governmental activities totaled \$9,743,995. Total expenses decreased by five percent from the prior year. Expenses related to public services experienced a decrease as a result of less expenses related to the FEMA elevation grants. Public works expenses decreased due to less street improvement projects in the current year. Public safety expenses increased due to an increase in depreciation expense for the new EMS and fire station.

CITY OF NASSAU BAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

For the year ended September 30, 2019, revenues from business-type activities totaled \$2,249,469, which was comparable to the prior year. Expenses decreased approximately eight percent compared to the prior year primarily due to the application of a credit balance from the City of Houston via Clear Lake Water Authority.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of \$6,502,289. Of this, \$454,843 is restricted for debt service, \$2,171,106 is restricted for enabling legislation, \$855,419 is restricted for various projects, and \$3,020,921 is unassigned.

The general fund had an increase in fund balance of \$557,832 for the year. Compared to the prior year, revenues increased \$528,379 mainly due to increases in property tax revenues resulting from a change in allocation of the overall property tax rate and an increase in the assessed values of properties, intergovernmental revenue from an increase in contributions for a FEMA public assistance grant, sales tax revenue from increased economic growth, and additional investment earnings. Expenditures increased \$320,583 compared to the prior year, mainly due to an increase in general government cost. General government expenditures increased primarily due to an increase in Hurricane Harvey expenses related to a FEMA public assistance grant, an increase in the City's cost share for federal grants, and an increase in equipment maintenance.

The debt service fund had a decrease in fund balance of \$3,467 as a result of a decrease in property tax revenues due to a change in allocation of the overall property tax rate.

The tourism fund had an increase in fund balance of \$201,642 as a result of revenues in excess of expenditures.

The special revenue and grants fund had a decrease in fund balance of \$97,088. The majority of the fund's revenues and expenditures are related to FEMA elevation grants. This grant funds flood mitigation projects to reduce or eliminate the long-term risk of flood damage to properties under the National Flood Insurance Program.

The TIRZ #1 fund experienced an increase in revenues in comparison to the prior year due to increases in property values within the zone. All of the fund's revenues were transferred to the City's blended component unit, the Nassau Bay Redevelopment Authority, in accordance with an agreement to facilitate and carry out the TIRZ plan. More information can be found in the notes to the financial statements.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded final budgeted revenues by a net \$72,518 during the year primarily due to higher than expected revenues from fines and forfeitures and charges for services. General fund expenditures were under the final budget by \$530,964 during the year due to lower than expected expenditures across all departments.

CITY OF NASSAU BAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2019

CAPITAL ASSETS

At the end of the year, the City had invested \$23,228,940 in a variety of capital assets, net of accumulated depreciation. This represents a net increase of \$532,771. Major capital asset events during the current year included the following:

- Completion of fire and EMS station for \$272,693
- Construction in progress for Nassau Bay gateway art feature for \$172,674
- Construction in progress for Nassau Bay pavilion improvements for \$306,111
- Construction in progress for pump improvement project for \$180,364
- Improvements to SEWPP joint venture for \$317,322
- Completion of rehabilitation ground storage tank project for \$301,861

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

LONG-TERM DEBT

At the end of the current year, the City had total certificates of obligation, general obligation debt, contracted revenue bonds, and capital leases outstanding of \$9,208,331. Of this amount, \$7,695,000 represents certificates of obligation, \$105,000 represents general obligation debt, \$1,330,000 represents contracted revenue bonds, and \$78,331 represents capital leases.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved a \$15.6 million budget for the 2019-2020 fiscal year. The tax rate adopted for the fiscal year 2019-2020 budget decreased to \$0.732120. The 2020 budget will raise more revenue from property taxes than last year's budget by an amount of \$1,041,583, which is a 21.48 percent increase from the 2019 budget. Budgeted property tax receipts comprise 25 percent of all City-wide revenue sources and 62 percent of the general fund revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Csilla Ludanyi, Finance Director, City of Nassau Bay, 1800 Space Park Drive, Suite 200, Nassau Bay, Texas, 77058; by telephone at 281.333.4211; or by email at finance.office@nassaubay.com.

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BASIC FINANCIAL STATEMENTS

CITY OF NASSAU BAY, TEXAS

STATEMENT OF NET POSITION

September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Nassau Bay Economic Dev. Corp.
Assets				
Cash and cash equivalents	\$ 5,607,352	\$ 793,665	\$ 6,401,017	\$ 609,208
Investments	1,645,364	-	1,645,364	-
Receivables, net	1,191,753	271,918	1,463,671	61,646
Due from component units	67,596	-	67,596	-
Internal balances	84	(84)	-	-
Prepays	118,281	-	118,281	-
Capital assets:				
Nondepreciable	1,679,577	43,459	1,723,036	-
Net depreciable	15,280,559	6,225,345	21,505,904	-
Total Assets	25,590,566	7,334,303	32,924,869	670,854
Deferred Outflows of Resources				
Deferred outflows - pensions	612,222	190,103	802,325	-
Deferred outflows - OPEB	3,112	847	3,959	-
Total Deferred Outflows of Resources	615,334	190,950	806,284	-
Liabilities				
Accounts payable and accrued liabilities	741,596	277,306	1,018,902	2,209
Customer deposits	-	85,314	85,314	-
Unearned revenue	909,905	-	909,905	-
Accrued interest payable	28,759	13,886	42,645	-
Due to primary government	-	-	-	66,054
Noncurrent liabilities:				
Long-term liabilities due within one year	1,304,593	154,480	1,459,073	-
Long-term liabilities due in more than one year	8,953,496	2,459,972	11,413,468	-
Total Liabilities	11,938,349	2,990,958	14,929,307	68,263
Deferred Inflows of Resources				
Deferred inflows - pensions	25,393	9,073	34,466	-
Deferred inflows - OPEB	1,137	309	1,446	-
Total Deferred Inflows of Resources	26,530	9,382	35,912	-
Net Position				
Net investment in capital assets	9,510,836	4,568,804	14,079,640	-
Restricted for:				
Debt service	454,843	-	454,843	-
Enabling legislation	2,171,106	-	2,171,106	-
Special projects	614,272	-	614,272	-
Capital projects	182,116	-	182,116	-
Nassau Bay Economic Development	-	-	-	602,591
NASA Area Management District	-	-	-	-
Unrestricted	1,307,848	(43,891)	1,263,957	-
Total Net Position	\$ 14,241,021	\$ 4,524,913	\$ 18,765,934	\$ 602,591

See Notes to Financial Statements.

**Component
Unit
NASA Area
Management
District**

\$ 204,764
-
23,820
-
-
-
-
437,731
666,315

-
-
-

6,012
-
-
1,237
1,481

30,000
280,000
318,730

-
-
-

127,731

-
-
-
-
-
219,854
-
\$ 347,585

CITY OF NASSAU BAY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,630,997	\$ 635,235	\$ 448,715	\$ -
Public safety	2,753,671	115,005	21,539	185,952
Public works	1,387,190	246,265	95,106	-
Public services	2,752,547	-	2,367,976	-
Economic development/tourism	1,009,657	-	3,923	-
Interest and fiscal agent fees on long-term debt	209,933	-	-	-
Total Governmental Activities	<u>9,743,995</u>	<u>996,505</u>	<u>2,937,259</u>	<u>185,952</u>
Business-Type Activities				
Water and sewer	2,100,861	2,210,184	24,064	-
Total Business-Type Activities	<u>2,100,861</u>	<u>2,210,184</u>	<u>24,064</u>	<u>-</u>
Total Primary Government	<u>\$ 11,844,856</u>	<u>\$ 3,206,689</u>	<u>\$ 2,961,323</u>	<u>\$ 185,952</u>
Component Units				
Nassau Bay Economic Development Corp.	\$ 317,014	\$ -	\$ -	\$ -
NASA Area Management District	111,144	-	-	-
Total Component Units	<u>\$ 428,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Other taxes
- Investment earnings
- Other revenues
- Gain on sale of capital assets

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component Units	
Primary Government			Nassau Bay	NASA Area
Governmental	Business-Type	Total	Economic	Management
Activities	Activities		Dev. Corp.	District
\$ (547,047)	\$ -	\$ (547,047)	\$ -	\$ -
(2,431,175)	-	(2,431,175)	-	-
(1,045,819)	-	(1,045,819)	-	-
(384,571)	-	(384,571)	-	-
(1,005,734)	-	(1,005,734)	-	-
(209,933)	-	(209,933)	-	-
<u>(5,624,279)</u>	<u>-</u>	<u>(5,624,279)</u>	<u>-</u>	<u>-</u>
-	133,387	133,387	-	-
-	133,387	133,387	-	-
<u>(5,624,279)</u>	<u>133,387</u>	<u>(5,490,892)</u>	<u>-</u>	<u>-</u>
-	-	-	(317,014)	-
-	-	-	-	(111,143)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(317,014)</u>	<u>(111,143)</u>
4,766,664	-	4,766,664	-	-
999,226	-	999,226	399,691	161,394
1,385,253	-	1,385,253	-	-
166,482	14,981	181,463	12,134	2,062
39,452	240	39,692	-	-
299	-	299	-	-
<u>7,357,376</u>	<u>15,221</u>	<u>7,372,597</u>	<u>411,825</u>	<u>163,456</u>
1,733,097	148,608	1,881,705	94,811	52,313
12,507,924	4,376,305	16,884,229	507,780	295,272
<u>\$ 14,241,021</u>	<u>\$ 4,524,913</u>	<u>\$ 18,765,934</u>	<u>\$ 602,591</u>	<u>\$ 347,585</u>

CITY OF NASSAU BAY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2019

	General	Debt Service	Tourism	Special Revenue and Grants
<u>Assets</u>				
Cash and cash equivalents	\$ 1,711,967	\$ 148,631	\$ 1,321,369	\$ 1,116,370
Investments	1,018,503	-	469,242	-
Receivables, net	667,938	1,057	177,695	4,240
Due from other funds	68,787	3,712	-	-
Due from component units	67,596	-	-	-
Prepays	59,250	-	-	-
Total Assets	\$ 3,594,041	\$ 153,400	\$ 1,968,306	\$ 1,120,610
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 305,237	\$ -	\$ 126,951	\$ 302,073
Due to other funds	3,712	-	42	-
Unearned revenue	98,588	-	-	801,453
Total Liabilities	407,537	-	126,993	1,103,526
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - ambulance	154,407	-	-	-
Unavailable revenue - property taxes	11,176	1,057	-	-
Total Deferred Inflows of Resources	165,583	1,057	-	-
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	152,343	-	-
Enabling legislation	-	-	1,841,313	17,084
Capital projects	-	-	-	-
Special projects	-	-	-	-
Unassigned	3,020,921	-	-	-
Total Fund Balances	3,020,921	152,343	1,841,313	17,084
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,594,041	\$ 153,400	\$ 1,968,306	\$ 1,120,610

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

- Capital assets - nondepreciable
- Capital assets - net depreciable

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

- Property taxes
- Ambulance services

Other long-term assets are not available to pay for current period expenditures

- Intergovernmental receivable

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

- Accrued interest payable
- Deferred inflows - pensions
- Deferred outflows - pensions
- Deferred inflows - OPEB
- Deferred outflows - OPEB
- Noncurrent liabilities due in one year
- Noncurrent liabilities due in more than one year

Net Position of Governmental Activities

See Notes to Financial Statements.

<u>TIRZ #1</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,309,015	\$ 5,607,352
-	157,619	1,645,364
-	30,823	881,753
-	-	72,499
-	-	67,596
-	59,031	118,281
<u>\$ -</u>	<u>\$ 1,556,488</u>	<u>\$ 8,392,845</u>
\$ -	\$ 7,335	\$ 741,596
-	68,661	72,415
-	9,864	909,905
<u>-</u>	<u>85,860</u>	<u>1,723,916</u>
-	-	154,407
-	-	12,233
<u>-</u>	<u>-</u>	<u>166,640</u>
-	302,500	454,843
-	312,709	2,171,106
-	241,147	241,147
-	614,272	614,272
-	-	3,020,921
<u>-</u>	<u>1,470,628</u>	<u>6,502,289</u>
<u>\$ -</u>	<u>\$ 1,556,488</u>	
	1,679,577	
	<u>15,280,559</u>	
		16,960,136
	12,233	
	<u>154,407</u>	
		166,640
		310,000
	(28,759)	
	(25,393)	
	612,222	
	(1,137)	
	3,112	
	(1,304,593)	
	<u>(8,953,496)</u>	
		(9,698,044)
		<u>\$ 14,241,021</u>

CITY OF NASSAU BAY, TEXAS

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

For the Year Ended September 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Tourism</u>	<u>Special Revenue and Grants</u>
Revenues				
Property taxes	\$ 3,468,638	\$ 283,548	\$ -	\$ -
Sales taxes	799,381	-	-	-
Franchise fees and other local taxes	452,062	-	916,173	17,018
Licenses and permits	246,265	-	-	-
Fines and forfeitures	102,596	-	-	12,409
Charges for services	710,051	-	-	-
Intergovernmental	452,638	32,724	3,923	2,389,515
Investment earnings	92,745	1,158	32,402	1,569
Other revenues	31,732	-	-	7,720
Total Revenues	<u>6,356,108</u>	<u>317,430</u>	<u>952,498</u>	<u>2,428,231</u>
Expenditures				
Current:				
General government	1,734,271	-	-	-
Public safety	2,320,863	-	-	49,974
Public works	1,082,222	-	-	-
Public services	270,540	-	-	2,475,345
Economic development/tourism	-	-	750,856	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	685,000	-	-
Interest and fiscal charges	-	156,467	-	-
Total Expenditures	<u>5,407,896</u>	<u>841,467</u>	<u>750,856</u>	<u>2,525,319</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>948,212</u>	<u>(524,037)</u>	<u>201,642</u>	<u>(97,088)</u>
Other Financing Sources (Uses)				
Transfers in	-	520,570	-	-
Transfers (out)	(390,380)	-	-	-
Sale of capital assets	-	-	-	-
Capital lease	-	-	-	-
Total Other Financing Sources (Uses)	<u>(390,380)</u>	<u>520,570</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	557,832	(3,467)	201,642	(97,088)
Beginning fund balances	2,463,089	155,810	1,639,671	114,172
Ending Fund Balances	<u>\$ 3,020,921</u>	<u>\$ 152,343</u>	<u>\$ 1,841,313</u>	<u>\$ 17,084</u>

See Notes to Financial Statements.

<u>TIRZ #1</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 1,013,670	\$ -	\$ 4,765,856
-	199,845	999,226
-	-	1,385,253
-	-	246,265
-	-	115,005
-	-	710,051
-	83,459	2,962,259
-	38,608	166,482
-	-	39,452
<u>1,013,670</u>	<u>321,912</u>	<u>11,389,849</u>
-	-	1,734,271
-	-	2,370,837
-	3,293	1,085,515
-	-	2,745,885
-	423,666	1,174,522
-	408,587	408,587
-	348,287	1,033,287
-	57,253	213,720
<u>-</u>	<u>1,241,086</u>	<u>10,766,624</u>
<u>1,013,670</u>	<u>(919,174)</u>	<u>623,225</u>
-	1,243,110	1,763,680
(1,013,670)	(359,630)	(1,763,680)
-	299	299
-	42,793	42,793
<u>(1,013,670)</u>	<u>926,572</u>	<u>43,092</u>
-	7,398	666,317
-	1,463,230	5,835,972
<u>\$ -</u>	<u>\$ 1,470,628</u>	<u>\$ 6,502,289</u>

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CITY OF NASSAU BAY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

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

Net changes in fund balances - total governmental funds	\$	666,317
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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.

Capital outlay		901,690
Capital contributions		185,952
Depreciation expense		(830,357)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		808
Ambulance services		(74,816)
Intergovernmental receivable		(25,000)

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Capital leases		(42,793)
Principal expenditures		1,033,287

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 the governmental funds. In addition, pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are accounted for in the Statement of Activities.

Net pension liability		(521,329)
Total OPEB liability		(2,549)
Deferred inflows - pensions		18,544
Deferred outflows - pensions		473,394
Deferred inflows - OPEB		(7,763)
Deferred outflows - OPEB		2,637
Accrued interest		3,787
Compensated absences		(48,712)

Change in Net Position of Governmental Activities	\$	<u>1,733,097</u>
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See Notes to Financial Statements.

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CITY OF NASSAU BAY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2019

	<u>Business-Type Activities</u> <u>Water and Sewer</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 793,665
Receivables, net	271,918
Total Current Assets	1,065,583
Noncurrent assets:	
Capital assets:	
Land	43,459
Water and sewer system	11,305,385
Water rights, SEWPP	2,607,897
Machinery and equipment	318,352
Less: accumulated depreciation	(8,006,289)
Total Capital Assets, Net of Accumulated Depreciation	6,268,804
Total Noncurrent Assets	6,268,804
Total Assets	7,334,387
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	190,103
Deferred outflows - OPEB	847
Total Deferred Outflows of Resources	190,950
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	277,306
Accrued interest payable	13,886
Due to other funds	84
Customer deposits	85,314
Bond payable, due in one year	110,000
Compensated absences due in one year	44,480
Total Current Liabilities	531,070
Noncurrent liabilities:	
Bond's payable due in more than one year	1,590,000
Compensated absences due in more than one year	4,942
Net pension liability	838,266
Total OPEB liability	26,764
Total Noncurrent Liabilities	2,459,972
Total Liabilities	2,991,042
<u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	9,073
Deferred inflows - OPEB	309
Total Deferred Inflows of Resources	9,382
<u>Net Position</u>	
Net investment in capital assets	4,568,804
Unrestricted	(43,891)
Total Net Position	\$ 4,524,913

See Notes to Financial Statements.

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CITY OF NASSAU BAY, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2019

	<u>Business-Type Activities</u> <u>Water and Sewer</u>
<u>Operating Revenues</u>	
Water charges	\$ 1,148,302
Sewer charges	1,046,621
Penalties and reconnect fees	15,261
Other revenues	240
Total Operating Revenues	<u>2,210,424</u>
<u>Operating Expenses</u>	
General and administrative	1,210,776
Water expenses	199,552
Sewer expenses	213,511
Depreciation	391,898
Total Operating Expenses	<u>2,015,737</u>
Operating Income	<u>194,687</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment earnings	14,981
Intergovernmental	24,064
Interest expense	(85,124)
Total Nonoperating (Expenses)	<u>(46,079)</u>
Change in Net Position	148,608
Beginning net position	<u>4,376,305</u>
Ending Net Position	<u>\$ 4,524,913</u>

See Notes to Financial Statements.

CITY OF NASSAU BAY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2019

	<u>Business-Type Activities</u>
	<u>Water and Sewer</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 2,256,868
Payments to suppliers	(384,854)
Payments to employees	(1,068,186)
Net Cash Provided by Operating Activities	<u>803,828</u>
<u>Cash Flow from Noncapital Financing Activities</u>	
Intergovernmental grant	24,064
Net Cash Provided by Noncapital Activities	<u>24,064</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(667,384)
Principal paid on debt	(105,000)
Interest and fiscal charges	(85,124)
Net Cash (Used) by Capital and Related Financing Activities	<u>(857,508)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	14,981
Net Cash Provided by Investing Activities	<u>14,981</u>
Net (Decrease) in Cash and Cash Equivalents	(14,635)
Beginning cash and cash equivalents	<u>808,300</u>
Ending Cash and Cash Equivalents	<u>\$ 793,665</u>

CITY OF NASSAU BAY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2019

	<u>Business-Type Activities</u>
	<u>Water and Sewer</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income	\$ 194,687
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	391,898
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	14,197
Due from other funds	30,606
Deferred outflows - pensions	(97,788)
Deferred outflows - OPEB	1,087
Increase (Decrease) in:	
Accounts payable and accrued liabilities	170,221
Due to other funds	(14,080)
Compensated absences	4,567
Customer deposits	1,641
Net pension liability	141,925
Total OPEB liability	694
Deferred inflows - pensions	(36,136)
Deferred inflows - OPEB	309
Net Cash Provided by Operating Activities	\$ 803,828

See Notes to Financial Statements.

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CITY OF NASSAU BAY, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Nassau Bay, Texas (the “City”) was incorporated in June 1970 and adopted a “Home Rule Charter” in April 1973. The City operates under a Council-Manager form of government. The Mayor and six City Council Members are elected from the City at-large serving two-year terms. Currently, the City Charter provides for a term limitation of four terms. The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible for the administration of all affairs of the City. The City Manager is responsible for law enforcement, appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget. The Mayor presides at meetings of the City Council and can vote.

The City provides the following services: public safety, public works, public services, economic development, tourism, water and sewer services, and general administration.

The City is an independent political subdivision of the State and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component units as listed below, although legally separate, are considered part of the reporting entity. 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 a legally separate entity, 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.

Discretely Presented Component Units

Nassau Bay Economic Development Corporation

Nassau Bay Economic Development Corporation (the “Corporation”) has been included in the reporting entity as a discretely presented component unit. The citizens of Nassau Bay approved an additional one-half of one percent sales and use tax on November 4, 1997. The Corporation was created to encourage the retention of business enterprises and the promotion and development of new and expanded business enterprises within the City. The Board of Directors is appointed by the City Council and includes the Mayor, three City Council members, and three residents not affiliated with the City government. City Council approval is required for annual budgets. In the event of

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

dissolution, net position of the Corporation shall be conveyed to the City. Separate financial statements of the Corporation may be obtained from the Finance Department of the City.

NASA Area Management District

NASA Area Management District (the “District”) has been included in the reporting entity as a discretely presented component unit. The District was created to develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety, and the public welfare in the District territory. The Board of Directors is appointed by the City Council. The District began collecting a sales tax in March 2008 to finance these activities.

Blended Component Units

Tax Increment Reinvestment Zone #1

During fiscal year 2008, the City passed an ordinance creating a Tax Increment Reinvestment Zone #1 (TIRZ), in accordance with Section 311.005 of the Texas Tax Code, for the purpose of tax increment financing in order to facilitate the development of a mixed-use commercial development, which may include a hotel, office buildings, residential units, and retail developments. The TIRZ includes participation by a developer and District. Under this arrangement, increases in property tax revenue will be utilized to pay for certain infrastructure costs. Such tax revenue is controlled by a Board of Directors appointed by the City managing the TIRZ and accounted for as a special revenue fund with the City’s financial oversight. The TIRZ almost exclusively benefits the primary government as it was created to finance infrastructure cost and accordingly, has been blended for financial presentation purposes.

Nassau Bay Redevelopment Authority

Nassau Bay Redevelopment Authority (RDA) has been included in the reporting entity as a blended component unit. The RDA has been created to assist and act on behalf of the City in the performance of the City’s governmental and proprietary functions with respect to the common good and general welfare of the area included in the TIRZ. During fiscal year 2010, the City passed a formal agreement (the “Agreement”) between the City, the RDA, and the TIRZ in which the RDA will facilitate the implementation of the TIRZ plan and assist the City with reimbursement to the developer participating in the TIRZ. Reimbursement to the developer will be made through the issuance of bonds and with certain other monies available to the RDA but only after consent of the City Council. Efforts of the RDA will be financed using the TIRZ tax increment as outlined in the Agreement. Such taxes are controlled by a Board of Directors appointed by the City managing the RDA and accounted for as a special revenue fund with the City’s financial oversight. RDA has been blended for financial presentation purposes as it almost exclusively benefits the primary government.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary*

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes and franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and public services. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund did not meet the technical criteria to be presented as a major fund for reporting purposes, but the City has elected to present it as major due to its significance.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include tourism, special revenue and grants, RDA, streets, and TIRZ #1. The tourism, special revenue and grants, and TIRZ #1 funds are considered major funds for reporting purposes while the RDA and streets funds are considered nonmajor funds. TIRZ#1 did not meet the technical criteria to be presented as major; however, the City has elected to present it as a major fund due to its significance. The tourism fund is used to account for the receipt of hotel/motel tax dollars restricted for expenditures that promote tourism. The special revenue and grant fund is used to account for grant activity and other revenues that are restricted by enabling legislation. The TIRZ #1 fund is used to account for property tax generated within the reinvestment zone to be used to finance activities related to development in the zone.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The *capital projects fund* is used to account for the expenditures of resources accumulated from certificates of obligation and tax notes, as well as related interest earnings for capital improvement projects. The capital projects fund is considered nonmajor for reporting purposes.

The City reports the following enterprise fund:

The *water and sewer fund* is used to account for the operations that provide water and wastewater collection and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

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

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash and investments account for all funds of the City. Each fund's positive equity in the pooled cash account is presented as cash and cash equivalents or investments. Interest income is allocated to each respective individual fund monthly based on their representative account balances.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. The fair values of the position's in the investment pools are the same as the value of the pool shares. Investment income from the pools are allocated back to the respective funds based on each fund's equity in the pools. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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

- Obligations of the U.S. Treasury
- Fully collateralized certificates of deposit and money market accounts with local depository banks
- Local government investment pools
- Repurchase agreements

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Restricted Assets

Certain proceeds of long-term debt, as well as other financing sources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants for repayment of debt and to finance construction projects.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Machinery and equipment	3 to 20 years
Buildings and improvements	10 to 50 years
Water and sewer system	10 to 45 years

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

6. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

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

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

7. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation up to a maximum of 40 days. Compensatory time not used can also be accumulated. Vacation and compensatory time amounts accumulated may be paid to employees upon termination of employment or at retirement. The City also allows employees to accumulate unused sick leave up to a maximum of 100 days. Upon severance, any full-time employee will receive a percentage of the accumulated sick leave paid at the employee's current rate of compensation based on years of service with the City. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

8. Long-Term Obligations

In 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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

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

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City strives to maintain an unassigned fund balance of not less than 90 days of expenditures. The purpose of the unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provision of services to citizens. If unassigned fund balance falls below the goal or has a deficiency, the City will seek to reduce expenditures prior to increasing revenues to replenish fund balance within a reasonable timeframe.

12. Estimates

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

13. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

14. Other Postemployment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied on October 1 of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, and select special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year. Encumbrance accounting is not utilized. The tourism fund, special revenue and grants fund, and the streets fund are all special revenue funds that have adopted budgets.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of year end, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
LOGIC	4,422,958	0.12
TexPool	218,300	0.13
Certificates of deposit	1,643,798	1.62
Money market funds	12,282	0.00
Total Fair Value	\$ 6,297,338	
Portfolio weighted average maturity		0.51

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

Credit risk. The City’s investment policy limits investments in money market mutual funds rated as to investment quality not less than “AAA” by at least one nationally recognized rating service. As of September 30, 2019, the City’s investments in TexPool and LOGIC were rated “AAAm” by Standard & Poor’s. The City’s investment policy also requires repurchase agreements to be fully collateralized as described in the Public Funds Investment Act (PFIA). The purchased securities shall have a minimum market value, including accrued interest, of 102 percent of the dollar value of the transaction.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of September 30, 2019, the fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

TexPool

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

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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

LOGIC

Local Government Investment Cooperative (LOGIC) was organized to conform to the Texas Government Code – Interlocal Cooperation Act, Chapter 791 and the PFIA, Chapter 2256. LOGIC's governing body is a five-member Board of Directors comprised of three government officials or employees and two other persons with expertise in public finance representing the general manager of LOGIC. LOGIC is required by the PFIA to maintain an "AAA" rating. It has an "AAAm" rating from Standard & Poor's, which monitors LOGIC's compliance with its rating requirements.

LOGIC states all investments at amortized cost and seeks to maintain a stable net asset value of \$1.00 per unit, which generally approximates the market value of the assets and has been deemed to be a proxy for fair value. The fair value of the position in LOGIC is the same as the value of LOGIC shares. LOGIC has a redemption notice of one day that may be redeemed daily. LOGIC may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects the LOGIC's liquidity. The City has no unfunded commitments related to LOGIC.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

B. Receivables

The following comprise receivable balances at year end:

	Governmental Funds					Proprietary Fund
	Special				Nonmajor Governmental	Enterprise
	General	Debt Service	Revenue and Grants	Tourism		
Accounts	\$ 11,895	\$ -	\$ -	\$ -	\$ -	\$ 274,732
Property taxes	111,757	10,572	-	-	-	-
Sales taxes	123,292	-	-	-	30,823	-
Other taxes	82,200	-	-	177,695	-	-
Grants	284,968	-	4,240	-	-	-
Ambulance billing	1,177,853	-	-	-	-	-
Less:						
Allowances	(1,124,027)	(9,515)	-	-	-	(2,814)
	<u>\$ 667,938</u>	<u>\$ 1,057</u>	<u>\$ 4,240</u>	<u>\$ 177,695</u>	<u>\$ 30,823</u>	<u>\$ 271,918</u>
	Component Units					
	Nassau Bay	NASA Area				
	Economic Dev.	Management				
	Corp.	District				
Sales taxes	<u>\$ 61,646</u>	<u>\$ 23,820</u>				

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year end is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 961,057	\$ -	\$ -	\$ 961,057
Construction in progress	4,625,236	931,843	(4,838,559)	718,520
Total capital assets not being depreciated	5,586,293	931,843	(4,838,559)	1,679,577
Other capital assets:				
Buildings	4,339,391	4,717,825	-	9,057,216
Improvements other than buildings	10,805,283	67,351	-	10,872,634
Machinery and equipment	3,951,065	209,182	(13,000)	4,147,247
Total other capital assets	19,095,739	4,994,358	(13,000)	24,077,097
Less accumulated depreciation for:				
Buildings	(548,088)	(199,744)	-	(747,832)
Improvements other than buildings	(4,886,780)	(383,285)	-	(5,270,065)
Machinery and equipment	(2,544,313)	(247,328)	13,000	(2,778,641)
Total accumulated depreciation	(7,979,181)	(830,357)	13,000	(8,796,538)
Other capital assets, net	11,116,558	4,164,001	-	15,280,559
Governmental Activities Capital Assets, Net	\$ 16,702,851	\$ 5,095,844	\$ (4,838,559)	16,960,136
Less associated debt				(7,508,331)
Plus unspent bond proceeds				59,031
Net Investment in Capital Assets				\$ 9,510,836

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component units' capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	\$ 149,481
Public safety	348,050
Public works	282,644
Public services	3,417
Economic development	46,765
Total Governmental Activities Depreciation Expense	\$ 830,357

The City has an active governmental activities construction project as follows:

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Nassau Bay Gateway Art Feature	\$ 411,000	\$ 146,524	\$ 264,476

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2019:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 43,459	\$ -	\$ -	\$ 43,459
Construction in progress	7,150	301,861	(309,011)	-
Total capital assets not being depreciated	50,609	301,861	(309,011)	43,459
Other capital assets:				
Water and sewer system	10,948,173	357,212	-	11,305,385
Water rights, SEWPP	2,290,575	317,322	-	2,607,897
Machinery and equipment	318,352	-	-	318,352
Total other capital assets	13,557,100	674,534	-	14,231,634
Less accumulated depreciation for:				
Water and sewer system	(6,140,871)	(308,291)	-	(6,449,162)
Water rights, SEWPP	(1,208,580)	(70,349)	-	(1,278,929)
Machinery and equipment	(264,940)	(13,258)	-	(278,198)
Total accumulated depreciation	(7,614,391)	(391,898)	-	(8,006,289)
Other capital assets, net	5,942,709	282,636	-	6,225,345
Business-Type Activities Capital Assets, Net	\$ 5,993,318	\$ 584,497	\$ (309,011)	6,268,804
			Less associated debt	(1,700,000)
			Net Investment in Capital Assets	\$ 4,568,804

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 391,898
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CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The following is a summary of changes in capital assets for the District for the year ended September 30, 2019.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
NASA Area Management District:				
Capital assets not being depreciated:				
Construction in progress	\$ 444,129	\$ -	\$ (444,129)	\$ -
Total capital assets not being depreciated	<u>444,129</u>	<u>-</u>	<u>(444,129)</u>	<u>-</u>
Other capital assets:				
Street lighting	-	460,770	-	460,770
Total other capital assets	<u>-</u>	<u>460,770</u>	<u>-</u>	<u>460,770</u>
Less accumulated depreciation for:				
Street lighting	-	(23,039)	-	(23,039)
Total accumulated depreciation	<u>-</u>	<u>(23,039)</u>	<u>-</u>	<u>(23,039)</u>
Other capital assets, net	<u>-</u>	<u>437,731</u>	<u>-</u>	<u>437,731</u>
Component Unit Capital Assets, Net	<u>\$ 444,129</u>	<u>\$ 437,731</u>	<u>\$ (444,129)</u>	<u>\$ 437,731</u>
			Less associated debt	(310,000)
			Net Investment in Capital Assets	<u>\$ 127,731</u>

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2019. In general, the City uses the general and debt service funds to liquidate long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Direct borrowings/placements:					
Certificates of obligation	\$ 6,575,000	\$ -	\$ 580,000	\$ 5,995,000	\$ 595,000
General obligation bonds	210,000	-	105,000	105,000	105,000
Contract revenue bonds	1,635,000	-	305,000	1,330,000	315,000
Capital leases	78,825	42,793	43,287	78,331	35,952
Total	<u>8,498,825</u>	<u>42,793</u>	<u>1,033,287</u>	<u>7,508,331</u> **	<u>1,050,952</u>
Net pension liability	1,848,303	521,329	-	2,369,632	-
Total OPEB liability	95,751	2,549	-	98,300	-
Compensated absences	233,114	253,734	205,022	281,826	253,641
Total	<u>2,177,168</u>	<u>777,612</u>	<u>205,022</u>	<u>2,749,758</u>	<u>253,641</u>
Total Governmental Activities	<u>\$ 10,675,993</u>	<u>\$ 820,405</u>	<u>\$ 1,238,309</u>	<u>\$ 10,258,089</u>	<u>\$ 1,304,593</u>
			Long-Term Liabilities Due In More Than One Year	<u>\$ 8,953,496</u>	
			**Debt Associated with Capital Assets	<u>\$ 7,508,331</u>	

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Direct borrowings/placements:					
Certificates of obligation	\$ 1,805,000	\$ -	\$ 105,000	\$ 1,700,000 *	\$ 110,000
Net pension liability	696,341	141,925	-	838,266	-
Total OPEB liability	26,070	694	-	26,764	-
Compensated absences	44,855	17,878	13,311	49,422	44,480
Total Business-Type Activities	<u>\$ 2,572,266</u>	<u>\$ 160,497</u>	<u>\$ 118,311</u>	<u>\$ 2,614,452</u>	<u>\$ 154,480</u>
Long-Term Liabilities Due In More Than One Year				<u>\$ 2,459,972</u>	
				<u>\$ 1,700,000</u>	

*Debt Associated with Capital Assets

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. The governmental activities' compensated absences, pension, and total OPEB liabilities are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

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

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Balance</u>
Governmental Activities		
Certificates of Obligation		
Series 2013	2.64	\$ 1,300,000
Series 2015	2.44	1,200,000
Series 2017	2.39	3,495,000
Total Certificates of Obligation		<u>5,995,000</u>
General obligation bonds		
Tax Notes, Series 2013	1.62	105,000
Total General Obligation Bonds		<u>105,000</u>
Contract revenue bonds		
RDA Tax Increment Contract Revenue Bonds	3.30	1,330,000
Total Contract Revenue Bonds		<u>1,330,000</u>
Capital leases		
2016 Tahoe	4.34	4,727
2017 Police Interceptors	4.39	34,025
2019 Police Interceptor	5.54	39,579
Total Capital Leases		<u>78,331</u>
Total Governmental Activities Long-Term Debt		<u>\$ 7,508,331</u>

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The annual requirements to amortize direct borrowings/placements at year end are as follows:

Year Ending Sept. 30	Certificates of Obligation		General Obligation		Contract Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 595,000	\$ 139,955	\$ 105,000	\$ 851	\$ 315,000	\$ 44,010
2021	605,000	125,196	-	-	325,000	33,495
2022	615,000	110,192	-	-	340,000	22,770
2023	625,000	94,942	-	-	350,000	11,550
2024	640,000	79,381	-	-	-	-
2025-2029	2,915,000	162,535	-	-	-	-
Total	\$ 5,995,000	\$ 712,201	\$ 105,000	\$ 851	\$ 1,330,000	\$ 111,825

Year Ending Sept. 30	Capital Leases	
	Principal	Interest
2020	\$ 35,952	\$ 3,065
2021	23,391	1,562
2022	11,182	772
2023	7,806	163
Total	\$ 78,331	\$ 5,562

Capital Leases

Vehicles acquired under current capital lease obligations totaled \$160,330, with accumulated depreciation of \$62,419. This includes a purchase of a 2016 Tahoe, two 2017 Police Interceptors, and a 2019 Police Interceptor.

Operating Leases

The City leases certain fleet vehicles for the provision of public works and fire services. Total operating lease costs were \$32,542 for the year ended September 30, 2019. The future minimum lease payments for these leases are as follows:

Year Ending Sept. 30	Fleet Vehicles
2020	\$ 40,796
2021	38,464
2022	32,232
2023	19,810
2024	8,254
Total	\$ 139,556

Contract Revenue Bonds

In July 2013, the RDA issued Tax Increment Contract Revenue Bonds, series 2013, with the authorization and approval of the City and the TIRZ in the amount of \$3,025,000. The bonds were

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

issued to reimburse a developer for certain public improvement project costs and pay the costs of issuance. The bonds are the limited obligation of the RDA, payable solely from pledged revenues. The pledged revenues consist of tax increments from the TIRZ payable to the RDA as specified in a tri-party agreement between the City, the TIRZ, and the RDA. The City is not obligated to make payments on the series 2013 bonds. The RDA must maintain a debt service reserve in the amount of \$302,500 for final payment upon maturity in 2023.

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

Description	Interest Rates (%)	Balance
<u>Business-Type Activities</u>		
Certificates of Obligation		
Series 2011	3.34-5.29	\$ 1,700,000
Total Certificates of Obligation		<u>\$ 1,700,000</u>

The annual requirements to amortize direct placements outstanding at year end are as follows:

Year Ending Sept. 30	Certificates of Obligation		
	Principal	Interest	Total
2020	\$ 110,000	\$ 81,038	\$ 191,038
2021	115,000	76,265	191,265
2022	115,000	71,188	186,188
2023	125,000	65,707	190,707
2024	130,000	59,758	189,758
2025-2029	745,000	194,070	939,070
2030-2031	360,000	19,265	379,265
Total	<u>\$ 1,700,000</u>	<u>\$ 567,291</u>	<u>\$ 2,267,291</u>

Certificates of obligation and general obligation tax notes are direct obligations of the City for which its full faith and credit are pledged. Repayment is from taxes levied on all taxable property located within the City and from the water and sewer system revenues.

In February 2017, the City entered into an interlocal agreement with the District for a joint project to include the purchase and installation of decorative lighting along NASA Parkway and Saturn Lane (the "Project"). The City and the District determined the most economical means of financing the Project was to include the costs as a part of the 2017 series certificates of obligation and agree for the District to reimburse the City for that portion of the debt service attributable to the Project. Accordingly, the District has pledged to reimburse the City from sales tax dollars annually until the debt service has been paid in full. In any year there may be insufficient sales tax dollars to cover the debt service, such amount shall be paid the following year.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The pledge is as follows:

Year Ending Sept. 30	Interlocal Agreement		
	Principal	Interest	Total
2020	\$ 30,000	\$ 7,065	\$ 37,065
2021	30,000	6,347	36,347
2022	30,000	5,628	35,628
2023	30,000	4,910	34,910
2024	30,000	4,191	34,191
2025-2029	160,000	9,939	169,939
Total	\$ 310,000	\$ 38,080	\$ 348,080

D. Interfund Transactions

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

Transfer Out	Transfer In	Amounts
TIRZ #1	Nonmajor governmental	\$ 1,013,670
Nonmajor governmental	Debt Service	359,630
General	Debt Service	160,940
General	Nonmajor governmental	229,440
		<u>\$ 1,763,680</u>

Amounts transferred between the general fund, nonmajor governmental funds, and the debt service fund relate to amounts collected by other funds for debt payments. The amount transferred between the TIRZ #1 and the nonmajor governmental fund relates to a transfer of revenue from the TIRZ to the RDA as part of a tri-party agreement between the two funds and the City.

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

Receivable Fund	Payable Fund	Amounts
Debt Service	General	\$ 3,712
General	Water and sewer	84
General	TIRZ #1	68,661
General	Tourism	42
		<u>\$ 72,499</u>

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

E. Fund Equity

As of September 30, 2019, \$2,232,262 of the City's total fund balance is restricted by enabling legislation.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

IV. OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

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

The City and a Developer entered into a Development Agreement in which the City agreed to reimburse the Developer for the construction of certain public improvements constructed within the TIRZ plus interest. The TIRZ and RDA then entered into a subsequent Reimbursement Agreement with the Developer in which the City has committed to contribute 90% of its tax increment realized from the Developer's Project and Property within the TIRZ to finance reimbursement of the Developer. RDA is obligated to reimburse the Developer from first available funds from either available tax increment or bond proceeds. The Developer incurred construction costs of \$5,684,848 plus interest of \$1,087,660 through September 10, 2015. As of September 30, 2019, the Developer has been reimbursed a total of \$4,515,830.

C. Pension Plans

Texas Municipal Retirement System

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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

Benefits Provided

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

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

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

	<u>2019</u>	<u>2018</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	50% Repeating	50% Repeating
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to, but not yet receiving, benefits	34
Active employees	<u>40</u>
Total	<u><u>101</u></u>

Contributions

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

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The required contribution rates for the City were 16.07 percent and 15.66 percent in calendar years 2018 and 2019, respectively. Beginning in January 2019, the City

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

elected to pay a higher rate of 16.06. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$445,880, which were more than the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the three percent floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rate are based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.30%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.39%
Real return	10.0%	3.78%
Real estate	10.0%	4.44%
Absolute return	10.0%	3.56%
Private equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 435,158	\$ -	\$ 435,158
Interest	695,869	-	695,869
Difference between expected and actual experience	(857)	-	(857)
Changes of assumptions	-	-	-
Contributions - employer	-	520,505	(520,505)
Contributions - employee	-	183,169	(183,169)
Net investment income	-	(232,049)	232,049
Benefit payments, including refunds of employee contributions	(372,417)	(372,417)	-
Administrative expense	-	(4,475)	4,475
Other changes	-	(234)	234
Net Changes	<u>757,753</u>	<u>94,499</u>	<u>663,254</u>
Balance at December 31, 2017	10,277,798	7,733,154	2,544,644
Balance at December 31, 2018	<u>\$ 11,035,551</u>	<u>\$ 7,827,653</u>	<u>\$ 3,207,898</u>

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	<u>\$ 4,870,787</u>	<u>\$ 3,207,898</u>	<u>\$ 1,853,812</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$583,280.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 27,480	\$ 34,466
Changes in actuarial assumptions	23,271	-
Net difference between projected and actual investment earnings	401,573	-
Contributions subsequent to the measurement date	350,001	-
Total	\$ 802,325	\$ 34,466

\$350,001 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Pension Expense
2020	\$ 149,807
2021	66,590
2022	50,705
2023	150,757
Total	\$ 417,858

D. Other Postemployment Benefits

TMRS – Supplemental Death Benefit

Plan Description

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

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

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2018 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to, but not yet receiving, benefits	7
Active employees	40
Total	<u><u>68</u></u>

Total OPEB Liability

The City's total OPEB liability of \$125,064 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rate are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

Changes in the Total OPEB Liability

		<u>Total OPEB Liability</u>
Changes for the year:		
Service cost	\$	5,757
Interest		4,115
Difference between expected and actual experience		3,997
Changes of assumptions		(9,841)
Benefit payments*		(785)
	Net Changes	<u>3,243</u>
Beginning balance		<u>121,821</u>
	Ending Balance	<u><u>\$ 125,064</u></u>

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

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

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

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

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

	<u>1% Decrease in Discount Rate (2.71%)</u>	<u>Discount Rate (3.71%)</u>	<u>1% Increase in Discount Rate (4.71%)</u>
City's Total OPEB Liability	<u>\$ 151,641</u>	<u>\$ 125,064</u>	<u>\$ 104,681</u>

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$10,551. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ -	\$ 1,446
Difference in expected and actual experience	3,352	-
Contributions subsequent to the measurement date	607	-
Total	\$ 3,959	\$ 1,446

\$607 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the of total OPEB liability for the fiscal year ending September 30, 2020. Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense
2020	\$ 678
2021	678
2022	678
2023	678
2024	(618)
Thereafter	(188)
Total	\$ 1,906

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the “Plan”) created in accordance with the Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Plan’s trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions.

F. Joint Ventures

Southeast Water Purification Plant

On February 24, 1988, the City entered into a joint venture agreement (the “Venture”) with the City of Houston, Gulf Coast Water Authority (the City of Galveston and the City of League City), the City of Webster, Clear Brook City Municipal Utility District, the LaPorte Area Water Authority, the Harris County Municipal Utility District No. 55, the City of Pasadena, the City of South Houston, the City of Friendswood, and Baybrook Municipal Utility District No. 1 for the construction and

CITY OF NASSAU BAY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2019

operation of the Southeast Water Purification Plant (SEWPP). The City of Houston acts as the managing participant in the Venture. Members of the Venture are entitled to their proportionate share of the SEWPP's water production and share its operating costs on the same basis. The City's percentage of ownership in SEWPP is 1.95 MGD, or 0.975 percent. As of September 30, 2019, the City's investment in SEWPP totaled \$2,607,898. The net investment reported is \$1,328,968, which includes accumulated depreciation of \$1,278,930.

G. Economic Development/Tax Abatements

In accordance with Article III, Chapter 52-a of the Texas Constitution, the Code, and the Act, the Corporation entered into an economic development agreement (the "Agreement") as of March 7, 2017 with a quick service restaurant owner (the "Developer"). As a part of the Agreement, the Developer will make certain improvements, add certain infrastructure, and incur development costs to operate a quick service restaurant within City limits. In consideration of such infrastructure and development costs, the Corporation has agreed to pay the Developer 100 percent of the Corporation's 0.25 percent sales tax proceeds from sales at the restaurant for a period beginning on the date the restaurant opens for business and ending on the earlier of the seventh anniversary of the opening date or the date the Developer receives a total of \$165,000. The opening date was January 2018. The Corporation has recognized \$12,988 in related expenditures to this Agreement during the fiscal year ended September 30, 2019. As of September 30, 2019, the Corporation has paid \$21,100 to the Developer.

In accordance with Article III, Chapter 52-a of the Texas Constitution, the Code, and the Act, the District entered into an economic development agreement (the "Agreement") as of March 7, 2017 with a quick service restaurant owner (the "Developer"). As a part of the Agreement, the Developer will make certain improvements, add certain infrastructure, and incur development costs to operate a quick service restaurant within City limits. In consideration of such infrastructure and development costs, the District has agreed to pay the Developer 100 percent of the District's 0.25 percent sales tax proceeds from sales at the restaurant for a period beginning on the date the restaurant opens for business and ending on the earlier of the seventh anniversary of the opening date or the date the Developer receives a total of \$65,000. The opening date was January 2018. The District has recognized \$12,988 in related expenditures to this Agreement during the fiscal year ended September 30, 2019. As of September 30, 2019, the District has paid \$21,100 to the Developer.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF NASSAU BAY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
Revenues				
Property taxes	\$ 3,462,540	\$ 3,462,540	\$ 3,468,638	\$ 6,098
Sales taxes	600,390	799,000	799,381	381
Other taxes	465,320	465,320	452,062	(13,258)
Licenses and permits	149,510	253,400	246,265	(7,135)
Fines and forfeitures	85,620	85,620	102,596	16,976
Charges for services	620,460	657,460	710,051	52,591
Intergovernmental	25,000	450,600	452,638	2,038
Investment income	38,000	83,000	92,745	9,745
Other revenues	9,000	26,650	31,732	5,082
Total Revenues	<u>5,455,840</u>	<u>6,283,590</u>	<u>6,356,108</u>	<u>72,518</u>
Expenditures				
Current:				
General government:				
General and administrative	770,350	786,900	766,046	20,854
Contingency department	99,500	607,990	462,415	145,575
Information services	346,000	373,270	366,369	6,901
Municipal court	79,930	95,320	93,639	1,681
Planning and development	39,500	39,500	762	38,738
Conference center	45,690	45,690	45,040	650
Public safety:				
Emergency management	121,680	121,680	65,040	56,640
Fire department	288,420	323,860	321,335	2,525
Police department	1,539,750	1,552,250	1,403,047	149,203
Emergency medical service	522,110	531,590	531,441	149
Public works:				
Public works	494,400	494,400	432,587	61,813
Parks department	415,840	415,840	406,794	9,046
Sanitation and recycling	243,210	243,210	242,841	369
Public services:				
Building department	164,250	198,380	192,651	5,729
Animal control	37,130	37,930	37,220	710
Fire marshal	71,050	71,050	40,669	30,381
Total Expenditures	<u>5,278,810</u>	<u>5,938,860</u>	<u>5,407,896</u>	<u>530,964</u>
Excess of Revenues Over Expenditures	<u>177,030</u>	<u>344,730</u>	<u>948,212</u>	<u>603,482</u>
Other Financing Sources (Uses)				
Transfers (out)	(390,380)	(390,380)	(390,380)	-
Total Other Financing (Uses)	<u>(390,380)</u>	<u>(390,380)</u>	<u>(390,380)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (213,350)</u>	<u>\$ (45,650)</u>	<u>557,832</u>	<u>\$ 603,482</u>
Beginning fund balance			<u>2,463,089</u>	
Ending Fund Balance			<u>\$ 3,020,921</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF NASSAU BAY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TOURISM FUND

For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
<u>Revenues</u>				
Other taxes	\$ 868,910	\$ 868,910	\$ 916,173	\$ 47,263
Intergovernmental	-	3,920	3,923	3
Investment earnings	18,000	30,000	32,402	2,402
Total Revenues	<u>886,910</u>	<u>902,830</u>	<u>952,498</u>	<u>49,668</u>
<u>Expenditures</u>				
Current:				
Economic development/tourism	1,492,750	1,510,250	750,856	759,394
Total Expenditures	<u>1,492,750</u>	<u>1,510,250</u>	<u>750,856</u>	<u>759,394</u>
Net Change in Fund Balance	<u>\$ (605,840)</u>	<u>\$ (607,420)</u>	201,642	<u>\$ 809,062</u>
Beginning fund balance			<u>1,639,671</u>	
Ending Fund Balance			<u>\$ 1,841,313</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF NASSAU BAY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE AND GRANTS FUND
For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Budget as Amended</u>		
<u>Revenues</u>				
Other taxes	\$ 18,500	18,500	\$ 17,018	(1,482)
Fines and forfeitures	8,300	11,350	12,409	1,059
Intergovernmental	25,200	2,393,170	2,389,515	(3,655)
Investment earnings	400	1,100	1,569	469
Other revenues	2,100	4,680	7,720	3,040
Total Revenues	<u>54,500</u>	<u>2,428,800</u>	<u>2,428,231</u>	<u>(569)</u>
<u>Expenditures</u>				
Current:				
Public safety	69,280	69,880	49,974	19,906
Public services	1,689,730	2,492,540	2,475,345	17,195
Total Expenditures	<u>1,759,010</u>	<u>2,562,420</u>	<u>2,525,319</u>	<u>37,101</u>
Net Change in Fund Balance	<u>\$ (1,704,510)</u>	<u>\$ (133,620)</u>	(97,088)	<u>\$ 36,532</u>
Beginning fund balance			<u>114,172</u>	
Ending Fund Balance			<u>\$ 17,084</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF NASSAU BAY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2019

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 406,337	\$ 436,989	\$ 446,261	\$ 452,582
Interest (on the total pension liability)	512,438	558,633	593,520	648,296
Difference between expected and actual experience	(68,726)	(1,773)	68,699	(51,522)
Change of assumptions	-	94,873	-	-
Benefit payments, including refunds of employee contributions	(150,030)	(260,880)	(301,001)	(299,293)
Net Change in Total Pension Liability	<u>700,019</u>	<u>827,842</u>	<u>807,479</u>	<u>750,063</u>
Beginning total pension liability	<u>7,192,395</u>	<u>7,892,414</u>	<u>8,720,256</u>	<u>9,527,735</u>
Ending Total Pension Liability	<u><u>\$ 7,892,414</u></u>	<u><u>\$ 8,720,256</u></u>	<u><u>\$ 9,527,735</u></u>	<u><u>\$ 10,277,798</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 338,342	\$ 404,988	\$ 406,054	\$ 500,704
Contributions - employee	178,209	186,406	186,386	190,046
Net investment income	274,825	8,030	390,645	895,223
Benefit payments, including refunds of employee contributions	(150,030)	(260,880)	(301,001)	(299,293)
Administrative expense	(2,868)	(4,890)	(4,407)	(4,634)
Other	(236)	(241)	(237)	(234)
Net Change in Plan Fiduciary Net Position	<u>638,242</u>	<u>333,413</u>	<u>677,440</u>	<u>1,281,812</u>
Beginning plan fiduciary net position	<u>4,802,247</u>	<u>5,440,489</u>	<u>5,773,902</u>	<u>6,451,342</u>
Ending Plan Fiduciary Net Position	<u><u>\$ 5,440,489</u></u>	<u><u>\$ 5,773,902</u></u>	<u><u>\$ 6,451,342</u></u>	<u><u>\$ 7,733,154</u></u>
Net Pension Liability	<u><u>\$ 2,451,925</u></u>	<u><u>\$ 2,946,354</u></u>	<u><u>\$ 3,076,393</u></u>	<u><u>\$ 2,544,644</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.93%	66.21%	67.71%	75.24%
Covered Payroll	\$ 2,545,847	\$ 2,662,944	\$ 2,662,653	\$ 2,714,950
Net Pension Liability as a Percentage of Covered Payroll	96.31%	110.64%	115.54%	93.73%

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

**Measurement
Year***

2018

\$ 435,158
695,869

(857)
-

(372,417)
757,753

10,277,798

\$ 11,035,551

\$ 520,505
183,169
(232,049)

(372,417)
(4,475)
(234)

94,499

7,733,154

\$ 7,827,653

\$ 3,207,898

70.93%

\$ 2,616,706

122.59%

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CITY OF NASSAU BAY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2019

	Measurement Year*	
	2017	2018
Total OPEB Liability		
Service cost	\$ 5,158	\$ 5,757
Interest (on the total OPEB liability)	3,992	4,115
Difference between expected and actual experience	-	3,997
Changes in assumptions	10,050	(9,841)
Benefit payments**	(814)	(785)
Net Change in Total OPEB Liability	18,386	3,243
Beginning total OPEB liability	103,435	121,821
Ending Total OPEB Liability	\$ 121,821	\$ 125,064
Covered Payroll	\$ 2,714,950	\$ 2,616,706
Total OPEB Liability as a Percentage of Covered Payroll	4.49%	4.78%

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

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

Notes to Required Supplementary Information:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation.
Discount rate	3.71%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018. Changes in assumptions include the annual change in the municipal bond index rate. There were no benefit changes during the year.

CITY OF NASSAU BAY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2019

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 329,869	\$ 389,470	\$ 423,806	\$ 420,643
Contributions in relation to the actuarially determined contribution	329,869	389,470	423,806	420,643
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,509,737	\$ 2,652,708	\$ 2,781,028	\$ 2,699,713
Contributions as a percentage of covered payroll	13.14%	14.68%	15.24%	15.58%

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

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*	
2018	2019
\$ 424,576	\$ 412,785
424,576	445,880
<u>\$ -</u>	<u>\$ (33,095)</u>
\$ 2,656,700	\$ 2,620,299
15.98%	17.02%

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COMBINING STATEMENTS AND SCHEDULES

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

For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
Revenues				
Property taxes	\$ 287,130	\$ 287,130	\$ 283,548	\$ (3,582)
Intergovernmental	32,720	32,720	32,724	4
Investment earnings	800	1,030	1,158	128
Total Revenues	<u>320,650</u>	<u>320,880</u>	<u>317,430</u>	<u>(3,450)</u>
Expenditures				
Current:				
Principal	685,000	685,000	685,000	-
Interest and fiscal charges	156,960	156,960	156,467	493
Total Expenditures	<u>841,960</u>	<u>841,960</u>	<u>841,467</u>	<u>493</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(521,310)</u>	<u>(521,080)</u>	<u>(524,037)</u>	<u>(2,957)</u>
Other Financing Sources (Uses)				
Transfers in	520,570	520,570	520,570	-
Total Other Financing Sources	<u>520,570</u>	<u>520,570</u>	<u>520,570</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (740)</u>	<u>\$ (510)</u>	<u>(3,467)</u>	<u>\$ (2,957)</u>
Beginning fund balance			<u>155,810</u>	
Ending Fund Balance			<u>\$ 152,343</u>	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF NASSAU BAY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2019

	Special Revenue Funds			Total Nonmajor Governmental Funds
	RDA	Streets	Capital Projects	
<u>Assets</u>				
Cash and cash equivalents	\$ 526,251	\$ 583,449	\$ 199,315	\$ 1,309,015
Investments	157,619	-	-	157,619
Receivables, net	-	30,823	-	30,823
Restricted assets	-	-	59,031	59,031
Total Assets	\$ 683,870	\$ 614,272	258,346	\$ 1,556,488
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 7,335	\$ 7,335
Due to other funds	68,661	-	-	68,661
Unearned revenue	-	-	9,864	9,864
Total Liabilities	68,661	-	17,199	85,860
<u>Fund Balances</u>				
Restricted for:				
Debt service	302,500	-	-	302,500
Enabling legislation	312,709	-	-	312,709
Special projects	-	614,272	-	614,272
Capital projects	-	-	241,147	241,147
Total Fund Balances	615,209	614,272	241,147	1,470,628
Total Liabilities and Fund Balances	\$ 683,870	\$ 614,272	\$ 258,346	\$ 1,556,488

CITY OF NASSAU BAY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>RDA</u>	<u>Streets</u>	<u>Capital Projects</u>	
Revenues				
Sales taxes	\$ -	\$ 199,845	\$ -	\$ 199,845
Investment earnings	17,320	11,274	10,014	38,608
Intergovernmental	-	-	83,459	83,459
Total Revenues	<u>17,320</u>	<u>211,119</u>	<u>93,473</u>	<u>321,912</u>
Expenditures				
Public works	-	3,293	-	3,293
Economic development/tourism	423,666	-	-	423,666
Capital outlay	-	-	408,587	408,587
Debt service:				
Principal	305,000	-	43,287	348,287
Interest and fiscal charges	53,902	-	3,351	57,253
Total Expenditures	<u>782,568</u>	<u>3,293</u>	<u>455,225</u>	<u>1,241,086</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(765,248)</u>	<u>207,826</u>	<u>(361,752)</u>	<u>(919,174)</u>
Other Financing Sources (Uses)				
Transfers in	1,013,670	-	229,440	1,243,110
Transfers (out)	(359,630)	-	-	(359,630)
Sale of capital asset	-	-	299	299
Capital lease	-	-	42,793	42,793
Total Other Financing Sources	<u>654,040</u>	<u>-</u>	<u>272,532</u>	<u>926,572</u>
Net Change in Fund Balances	<u>(111,208)</u>	<u>207,826</u>	<u>(89,220)</u>	<u>7,398</u>
Beginning fund balances	726,417	406,446	330,367	1,463,230
Ending Fund Balances	<u>\$ 615,209</u>	<u>\$ 614,272</u>	<u>\$ 241,147</u>	<u>\$ 1,470,628</u>

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CITY OF NASSAU BAY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2019

Streets Fund				Variance with Final Budget Positive (Negative)
		Budgeted Amounts		
		Original Budget	Budget as Amended	Actual
Revenues				
Sales taxes		\$ 150,100	\$ 150,100	\$ 199,845
Investment earnings		8,000	8,000	11,274
Total Revenues		158,100	158,100	211,119
Expenditures				
Current:				
Public works		330,000	330,000	3,293
Total Expenditures		330,000	330,000	3,293
Net Change in Fund Balance		\$ (171,900)	\$ (171,900)	207,826
Beginning fund balance				406,446
Ending Fund Balance				\$ 614,272

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	100
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	112
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, property tax.</i>	
Debt Capacity	120
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	131
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	135
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the governments provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports from the relevant year.

CITY OF NASSAU BAY, TEXAS

NET POSITION BY COMPONENT

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	\$ 6,350,194	\$ 6,985,480	7,681,196	4,512,805
Restricted	1,145,364	1,256,636	1,523,828	2,354,949
Unrestricted	1,219,364	1,562,979	1,315,180	1,353,603
Total Governmental Activities Net Position	\$ 8,714,922	\$ 9,805,095	\$ 10,520,204	\$ 8,221,357
Business-Type Activities				
Net investment in capital assets	\$ 3,209,669	\$ 2,934,570	3,079,172	1,865,447
Unrestricted	243,557	1,085,987	1,424,732	3,240,913
Total Business-Type Activities Net Position	\$ 3,453,226	\$ 4,020,557	\$ 4,503,904	\$ 5,106,360
Primary Government				
Net investment in capital assets	\$ 9,559,863	\$ 9,920,050	\$ 10,760,368	\$ 6,378,252
Restricted	1,145,364	1,256,636	1,523,828	2,354,949
Unrestricted	1,462,921	2,648,966	2,739,912	4,594,516
Total Primary Government Net Position	\$ 12,168,148	\$ 13,825,652	\$ 15,024,108	\$ 13,327,717

Fiscal Year

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 6,831,355	\$ 7,291,614	\$ 7,637,130	\$ 7,270,224	\$ 8,416,808	\$ 9,510,836
1,395,857	2,857,782	2,863,343	2,795,768	3,160,101	3,422,337
62,872	(947,381)	(266,464)	791,344	931,015	1,307,848
<u>\$ 8,290,084</u>	<u>\$ 9,202,015</u>	<u>\$ 10,234,009</u>	<u>\$ 10,857,336</u>	<u>\$ 12,507,924</u>	<u>\$ 14,241,021</u>
\$ 3,684,228	\$ 4,195,001	\$ 4,054,928	\$ 4,365,590	\$ 4,188,318	\$ 4,568,804
938,469	403,607	521,661	81,396	187,987	(43,891)
<u>\$ 4,622,697</u>	<u>\$ 4,598,608</u>	<u>\$ 4,576,589</u>	<u>\$ 4,446,986</u>	<u>\$ 4,376,305</u>	<u>\$ 4,524,913</u>
\$ 10,515,583	\$ 11,486,615	\$ 11,692,058	\$ 11,635,814	\$ 12,605,126	\$ 14,079,640
1,395,857	2,857,782	2,863,343	2,795,768	3,160,101	3,422,337
1,001,341	(543,774)	255,197	872,740	1,119,002	1,263,957
<u>\$ 12,912,781</u>	<u>\$ 13,800,623</u>	<u>\$ 14,810,598</u>	<u>\$ 15,304,322</u>	<u>\$ 16,884,229</u>	<u>\$ 18,765,934</u>

CITY OF NASSAU BAY, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental Activities				
General government	\$ 848,567	\$ 984,489	\$ 1,201,252	\$ 1,100,756
Public safety	2,191,543	2,063,988	1,868,604	1,546,368
Public works	1,468,257	1,103,608	989,822	1,486,490
Public services	324,004	349,625	429,492	497,859
Economic development/tourism	674,001	622,197	583,579	3,549,936
Interest on long-term debt	105,936	101,875	79,802	262,400
Total Governmental Activities Expenses	5,612,308	5,225,782	5,152,551	8,443,809
Business-Type Activities				
Utilities	1,937,922	1,656,566	1,894,837	1,851,303
Total Business-Type Activities Expenses	1,937,922	1,656,566	1,894,837	1,851,303
Total Primary Government Expenses	\$ 7,550,230	\$ 6,882,348	\$ 7,047,388	\$ 10,295,112
Program Revenues				
Governmental Activities				
Charges for services	\$ 757,357	\$ 902,190	687,688	\$ 522,189
Operating grants and contributions	215,725	319,109	608,633	71,480
Capital grants and contributions	1,378,569	457,920	126,495	575,438
Total Governmental Activities Program Revenues	2,351,651	1,679,219	1,422,816	1,169,107
Business-Type Activities				
Utilities				
Charges for services	1,604,649	2,278,665	2,238,553	2,230,644
Operating grants and contributions	-	-	-	-
Total Business-Type Activities Program Revenues	1,604,649	2,278,665	2,238,553	2,230,644
Total Primary Government Program Revenues	\$ 3,956,300	\$ 3,957,884	\$ 3,661,369	\$ 3,399,751
Net (Expense)/Revenue				
Governmental activities	\$ (3,260,657)	\$ (3,546,563)	\$ (3,729,735)	\$ (7,274,702)
Business-type activities	(333,273)	622,099	343,716	379,341
Total Primary Government Net Expense	\$ (3,593,930)	\$ (2,924,464)	\$ (3,386,019)	\$ (6,895,361)

Fiscal Year

	2014	2015	2016	2017	2018	2019
\$	1,215,114	\$ 1,024,855	\$ 1,412,510	\$ 1,826,036	\$ 1,660,409	\$ 1,630,997
	1,998,147	2,304,147	2,378,327	2,538,598	2,334,408	2,753,671
	1,040,699	1,219,340	1,319,924	1,500,941	1,752,898	1,387,190
	445,293	2,943,891	1,360,663	501,492	3,263,510	2,752,547
	1,144,305	879,909	723,618	1,019,805	973,329	1,009,657
	251,585	236,349	203,754	263,145	231,606	209,933
	<u>6,095,143</u>	<u>8,608,491</u>	<u>7,398,796</u>	<u>7,650,017</u>	<u>10,216,160</u>	<u>9,743,995</u>
	1,934,791	2,072,722	2,051,548	2,217,070	2,283,690	2,100,861
	<u>1,934,791</u>	<u>2,072,722</u>	<u>2,051,548</u>	<u>2,217,070</u>	<u>2,283,690</u>	<u>2,100,861</u>
\$	<u>8,029,934</u>	<u>\$ 10,681,213</u>	<u>\$ 9,450,344</u>	<u>\$ 9,867,087</u>	<u>\$ 12,499,850</u>	<u>\$ 11,844,856</u>
\$	566,988	\$ 830,489	\$ 887,312	\$ 932,952	\$ 948,661	\$ 996,505
	62,619	2,807,265	1,221,945	198,866	3,500,750	2,937,259
	1,236,165	-	28,800	514,347	359,008	185,952
	<u>1,865,772</u>	<u>3,637,754</u>	<u>2,138,057</u>	<u>1,646,165</u>	<u>4,808,419</u>	<u>4,119,716</u>
	2,210,220	2,211,244	2,190,466	2,188,959	2,170,914	2,210,184
	-	-	-	-	16,791	24,064
	<u>2,210,220</u>	<u>2,211,244</u>	<u>2,190,466</u>	<u>2,188,959</u>	<u>2,187,705</u>	<u>2,234,248</u>
\$	<u>4,075,992</u>	<u>\$ 5,848,998</u>	<u>\$ 4,328,523</u>	<u>\$ 3,835,124</u>	<u>\$ 6,996,124</u>	<u>\$ 6,353,964</u>
\$	(4,229,371)	\$ (4,970,737)	\$ (5,260,739)	\$ (6,003,852)	\$ (5,407,741)	\$ (5,624,279)
	275,429	138,522	138,918	(28,111)	(95,985)	133,387
\$	<u>(3,953,942)</u>	<u>\$ (4,832,215)</u>	<u>\$ (5,121,821)</u>	<u>\$ (6,031,963)</u>	<u>\$ (5,503,726)</u>	<u>\$ (5,490,892)</u>

CITY OF NASSAU BAY, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
General Revenues and Other				
Changes in Net Position				
Governmental Activities				
Taxes				
Property taxes	\$ 2,744,903	\$ 2,977,296	\$ 2,958,107	\$ 3,374,678
Sales and use taxes	475,983	510,714	611,090	615,496
Franchise fees	430,004	477,456	465,226	457,179
Other taxes	478,955	463,331	492,865	601,071
Investment revenue	4,592	5,852	11,635	11,838
Other revenues	91,226	84,277	121,825	121,652
Gain on sale of capital assets	-	62,325	3,000	9,323
Transfers and contributions	-	55,485	(181,752)	(215,382)
Total Governmental Activities	<u>4,225,663</u>	<u>4,636,736</u>	<u>4,481,996</u>	<u>4,975,855</u>
Business-Type Activities				
Investment earnings	252	717	5,532	7,733
Other revenues	-	-	-	-
Transfers and contributions	-	(55,485)	181,752	215,382
Total Business-Type Activities	<u>252</u>	<u>(54,768)</u>	<u>187,284</u>	<u>223,115</u>
Total Primary Government	<u>\$ 4,225,915</u>	<u>\$ 4,581,968</u>	<u>\$ 4,669,280</u>	<u>\$ 5,198,970</u>
Change in Net Position				
Governmental activities	\$ 965,006	\$ 1,090,173	\$ 752,261	\$ (2,298,847)
Business-type activities	(333,021)	567,331	531,000	602,456
Total Primary Government	<u>\$ 631,985</u>	<u>\$ 1,657,504</u>	<u>\$ 1,283,261</u>	<u>\$ (1,696,391)</u>

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 3,630,690	\$ 3,781,172	\$ 4,106,778	\$ 4,297,637	\$ 4,637,368	\$ 4,766,664
654,575	706,251	764,911	688,792	828,287	999,226
460,570	450,905	449,270	477,046	463,625	452,062
667,257	691,122	717,089	885,349	985,537	933,191
11,696	7,601	19,247	69,126	128,037	166,482
257,804	22,929	72,668	103,899	123,525	39,452
-	58,078	-	-	-	299
197,170	164,610	162,770	105,330	(27,240)	-
<u>5,879,762</u>	<u>5,882,668</u>	<u>6,292,733</u>	<u>6,627,179</u>	<u>7,139,139</u>	<u>7,357,376</u>
5,172	1,999	1,833	3,838	5,147	14,981
-	-	-	-	14,919	240
(197,170)	(164,610)	(162,770)	(105,330)	27,240	-
<u>(191,998)</u>	<u>(162,611)</u>	<u>(160,937)</u>	<u>(101,492)</u>	<u>47,306</u>	<u>15,221</u>
<u>\$ 5,687,764</u>	<u>\$ 5,720,057</u>	<u>\$ 6,131,796</u>	<u>\$ 6,525,687</u>	<u>\$ 7,186,445</u>	<u>\$ 7,372,597</u>
\$ 1,650,391	\$ 911,931	\$ 1,031,994	\$ 623,327	\$ 1,731,398	\$ 1,733,097
83,431	(24,089)	(22,019)	(129,603)	(48,679)	148,608
<u>\$ 1,733,822</u>	<u>\$ 887,842</u>	<u>\$ 1,009,975</u>	<u>\$ 493,724</u>	<u>\$ 1,682,719</u>	<u>\$ 1,881,705</u>

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

Function	Fiscal Year			
	2010	2011	2012	2013
Property	\$ 2,744,903	\$ 2,977,296	\$ 2,958,107	\$ 3,374,678
Sales and use	475,983	510,714	611,090	615,496
Franchise fees	430,004	477,456	465,226	457,179
Other taxes	478,955	463,331	492,865	601,071
	<u>\$ 4,129,845</u>	<u>\$ 4,428,797</u>	<u>\$ 4,527,288</u>	<u>\$ 5,048,424</u>

Fiscal Year						Change
2014	2015	2016	2017	2018	2019	2018-2019
\$ 3,630,690	\$ 3,781,172	\$ 4,106,778	\$ 4,297,637	\$ 4,637,368	\$ 4,766,664	2.8%
654,575	706,251	764,911	688,792	828,287	999,226	20.6%
460,570	450,905	449,270	477,046	463,625	452,062	-2.5%
667,257	691,122	717,089	885,349	985,537	933,191	-5.3%
<u>\$ 5,413,092</u>	<u>\$ 5,629,450</u>	<u>\$ 6,038,048</u>	<u>\$ 6,348,824</u>	<u>\$ 6,914,817</u>	<u>\$ 7,151,143</u>	3.4%

CITY OF NASSAU BAY, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(Modified Accrual Basis of Accounting)

		Fiscal Year			
		2010	2011	2012	2013
General Fund					
Nonspendable		\$ 2,014	\$ -	\$ -	\$ -
Unassigned		1,161,639	1,544,841	1,622,907	1,894,325
Total General Fund		\$ 1,163,653	\$ 1,544,841	\$ 1,622,907	\$ 1,894,325
All Other Governmental Funds					
Nonspendable		\$ -	\$ -	\$ -	\$ -
Restricted		1,160,952	1,273,895	1,523,293	2,373,965
Unassigned		-	-	-	-
Total All Other Governmental Funds		\$ 1,160,952	\$ 1,273,895	\$ 1,523,293	\$ 2,373,965

Fiscal Year

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,728,292	2,015,209	2,021,044	2,009,143	2,463,089	3,020,921
<u>\$ 1,728,292</u>	<u>\$ 2,015,209</u>	<u>\$ 2,021,044</u>	<u>\$ 2,009,143</u>	<u>\$ 2,463,089</u>	<u>\$ 3,020,921</u>
\$ -	\$ -	\$ 1,780	\$ -	\$ -	\$ -
1,395,857	2,859,566	3,165,843	6,838,481	3,372,883	3,481,368
-	-	-	(954)	-	-
<u>\$ 1,395,857</u>	<u>\$ 2,859,566</u>	<u>\$ 3,167,623</u>	<u>\$ 6,837,527</u>	<u>\$ 3,372,883</u>	<u>\$ 3,481,368</u>

CITY OF NASSAU BAY, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Taxes	\$ 4,105,296	\$ 4,464,151	\$ 4,599,994	\$ 5,044,219
Permits, licenses, and fees	95,070	226,076	138,673	59,642
Fines and forfeitures	141,030	147,815	201,408	163,636
Charges for services	601,450	495,002	278,193	321,083
Intergovernmental	1,594,294	777,029	735,128	646,918
Investment earnings	4,592	5,852	11,635	11,838
Other revenues	91,226	84,277	121,825	121,652
Total Revenues	<u>6,632,958</u>	<u>6,200,202</u>	<u>6,086,856</u>	<u>6,368,988</u>
Expenditures				
General government	849,472	978,976	1,180,065	916,990
Public safety	3,451,167	2,367,017	2,516,001	1,992,963
Public works	1,316,692	1,130,304	823,189	1,334,002
Public services	285,479	346,376	424,960	538,876
Economic development/tourism	592,392	540,588	501,970	3,468,327
Capital outlay	177,705	166,800	40,100	223,382
Debt service:				
Principal	365,286	386,776	393,339	501,927
Interest and fiscal fees	99,699	86,819	71,752	103,716
Issuance costs	-	-	-	139,668
Total Expenditures	<u>7,137,892</u>	<u>6,003,656</u>	<u>5,951,376</u>	<u>9,219,851</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(504,934)	196,546	135,480	(2,850,863)
Other Financing Sources (Uses)				
Transfers in	307,512	460,873	476,312	590,796
Transfers out	(307,512)	(227,888)	(247,328)	(392,166)
Bonds issued	-	-	-	3,725,000
Capital leases	29,309	-	-	-
Sale of capital assets	-	64,600	3,000	9,323
Total Other Financing Sources	<u>29,309</u>	<u>297,585</u>	<u>231,984</u>	<u>3,932,953</u>
Net Change in Fund Balances	<u>\$ (475,625)</u>	<u>\$ 494,131</u>	<u>\$ 367,464</u>	<u>\$ 1,082,090</u>
Debt service as a percentage of noncapital expenditures	0.08	0.09	0.09	0.08

Fiscal Year

	2014	2015	2016	2017	2018	2019
\$	5,411,994	\$ 5,638,116	\$ 6,032,925	\$ 6,348,116	\$ 6,913,789	\$ 7,150,335
	108,295	116,485	170,539	192,989	176,387	246,265
	137,943	96,551	100,348	93,071	89,053	115,005
	328,314	591,167	623,511	624,041	636,683	710,051
	62,619	2,807,265	1,221,945	198,866	3,525,750	2,962,259
	11,696	7,601	19,247	69,126	128,037	166,482
	257,804	22,929	72,668	103,899	123,525	39,452
	<u>6,318,665</u>	<u>9,280,114</u>	<u>8,241,183</u>	<u>7,630,108</u>	<u>11,593,224</u>	<u>11,389,849</u>
	904,097	955,682	1,224,221	1,254,036	1,501,563	1,734,271
	1,959,446	2,280,795	2,161,188	2,238,448	2,370,376	2,370,837
	1,254,706	944,194	1,043,795	1,012,274	1,470,680	1,085,515
	522,575	2,936,101	1,349,334	484,845	3,310,907	2,745,885
	1,068,913	809,004	647,752	951,562	985,723	1,174,522
	2,802,791	317,023	496,553	1,125,024	3,763,659	408,587
	893,695	921,119	1,010,332	842,284	1,006,352	1,033,287
	254,253	201,538	198,922	201,375	239,862	213,720
	-	35,895	-	62,587	-	-
	<u>9,660,476</u>	<u>9,401,351</u>	<u>8,132,097</u>	<u>8,172,435</u>	<u>14,649,122</u>	<u>10,766,624</u>
	(3,341,811)	(121,237)	109,086	(542,327)	(3,055,898)	623,225
	1,321,557	895,514	1,156,047	1,576,267	1,455,130	1,763,680
	(1,124,387)	(730,904)	(993,277)	(1,470,937)	(1,482,370)	(1,763,680)
	2,000,000	1,600,000	-	4,095,000	-	-
	-	49,175	42,036	-	72,440	42,793
	500	58,078	-	-	-	299
	<u>2,197,670</u>	<u>1,871,863</u>	<u>204,806</u>	<u>4,200,330</u>	<u>45,200</u>	<u>43,092</u>
\$	<u>(1,144,141)</u>	<u>\$ 1,750,626</u>	<u>\$ 313,892</u>	<u>\$ 3,658,003</u>	<u>\$ (3,010,698)</u>	<u>\$ 666,317</u>
	0.22	0.13	0.16	0.15	0.12	0.13

CITY OF NASSAU BAY, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

	Fiscal Year			
	2010	2011	2012	2013
Residential Property	\$ 296,512,981	\$ 328,141,520	\$ 334,573,450	\$ 324,685,776
Commercial Property	232,157,787	196,088,970	168,147,126	212,719,493
Less: Tax Exempt Property	<u>103,301,308</u>	<u>92,677,278</u>	<u>87,075,805</u>	<u>93,287,489</u>
Total Taxable Assessed Value (1)	<u>\$ 425,369,460</u>	<u>\$ 431,553,212</u>	<u>\$ 415,644,771</u>	<u>\$ 444,117,780</u>
Total Direct Tax Rate	\$ 0.64212	\$ 0.69212	\$ 0.69212	\$ 0.73212

Source: Harris County Certified Tax Rolls

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

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 317,822,076	\$ 320,526,062	\$ 343,776,981	\$ 387,588,932	\$ 420,939,940	\$ 429,505,298
228,682,283	228,373,090	248,129,671	251,607,851	264,899,667	192,942,136
<u>92,373,734</u>	<u>92,569,956</u>	<u>92,665,907</u>	<u>95,732,583</u>	<u>96,877,008</u>	<u>18,532,039</u>
<u>\$ 454,130,625</u>	<u>\$ 456,329,196</u>	<u>\$ 499,240,745</u>	<u>\$ 543,464,200</u>	<u>\$ 588,962,599</u>	<u>\$ 603,915,395</u>
\$ 0.73212	\$ 0.74212	\$ 0.74212	\$ 0.74212	\$ 0.74212	\$ 0.74212

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

	Fiscal Year			
	2010	2011	2012	2013
City of Nassau Bay By Fund:				
Operating	\$ 0.539340	\$ 0.650927	\$ 0.650720	\$ 0.690788
Debt service	0.102780	0.041193	0.041400	0.041332
Total Direct Rates	<u>0.642120</u>	<u>0.692120</u>	<u>0.692120</u>	<u>0.732120</u>
Clear Creek Independent School District	1.360000	1.360000	1.360000	1.360000
Harris County	0.392240	0.388050	0.391170	0.400210
Harris County Flood Control	0.292200	0.029300	0.028090	0.028090
Port of Houston Authority	0.163600	0.020540	0.018560	0.019520
Harris County Hospital District	0.192160	0.192160	0.192160	0.182160
Harris County Education Department	0.006050	0.006580	0.006580	0.006617
Total Direct and Overlapping Rates (1)	<u>\$ 3.048370</u>	<u>\$ 2.688750</u>	<u>\$ 2.688680</u>	<u>\$ 2.728717</u>

Tax rates per \$100 of assessed valuation

Source: Harris County Appraisal District and Clear Creek Independent School District

(1) Overlapping rates are those of local and county governments that apply within the City of Nassau Bay.

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 0.672120	\$ 0.673173	\$ 0.662834	\$ 0.697300	\$ 0.694113	\$ 0.697967
0.060000	0.068947	0.079286	0.044820	0.048007	0.044153
<u>0.732120</u>	<u>0.742120</u>	<u>0.742120</u>	<u>0.742120</u>	<u>0.742120</u>	<u>0.742120</u>
1.400000	1.400000	1.400000	1.400000	1.400000	1.400000
0.414550	0.417310	0.419230	0.416560	0.418010	0.418580
0.028270	0.027360	0.027330	0.028290	0.028310	0.028770
0.017160	0.051310	0.013420	0.013340	0.012560	0.011550
0.170000	0.170000	0.170000	0.171790	0.171100	0.171080
0.006358	0.005999	0.005422	0.005200	0.005195	0.005190
<u>\$ 2.768458</u>	<u>\$ 2.814099</u>	<u>\$ 2.777522</u>	<u>\$ 2.777300</u>	<u>\$ 2.777295</u>	<u>\$ 2.777290</u>

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CITY OF NASSAU BAY, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Passco Voyager DST	\$ 47,350,000	1	8%	\$ -	n/a	-
Griffin Partners Nassau Bay	22,548,571	2	4%	4,332,371	9	1%
New Clear Lake Hotel LP	21,282,283	3	4%	-	n/a	-
SM Investments NB LLC	13,353,297	4	2%	-	n/a	-
Sunbelt CNB LLC	11,718,145	5	2%	-	n/a	-
Remington Acquisition Ltd.	-	n/a	-	20,060,624	1	5%
Cambridge Nassau Bay LP	10,940,000	6	2%	9,202,153	3	2%
Shamrock Clear Lake V LLC	9,863,657	7	2%	-	n/a	-
Dojo Bay House LLC	8,966,124	8	1%	-	n/a	-
Keener Nassau Bay LLC	7,954,131	9	1%	-	n/a	-
BLW Interests LP	7,800,000	10	1%	8,000,000	4	2%
SJH Medical Office Partners	-	n/a	-	6,154,100	5	1%
IDEV Technologies Inc	-	n/a	-	4,195,943	10	1%
AP Nassau Bay Funding Company I	-	n/a	-	12,886,500	2	3%
JLW Real Estate Ltd.	-	n/a	-	5,100,000	8	1%
B&R 1120 NASA Parkway LP	-	n/a	-	5,700,000	6	1%
Comunidad Balboa LLC	-	n/a	-	5,462,500	7	1%
Subtotal	<u>161,776,208</u>		<u>27%</u>	<u>81,094,191</u>		<u>19%</u>
Other Taxpayers	<u>442,139,187</u>		<u>73%</u>	<u>344,275,269</u>		<u>81%</u>
Total	<u>\$ 603,915,395</u>		<u>100%</u>	<u>\$ 425,369,460</u>		<u>100%</u>

Source: Harris County Tax Assessor-Collector's records

CITY OF NASSAU BAY, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	Fiscal Year			
	2010	2011	2012	2013
Tax levy	\$ 2,766,416	\$ 3,033,202	\$ 3,074,248	\$ 3,390,687
Current tax collected	\$ 2,711,227	\$ 2,982,604	\$ 3,017,464	\$ 3,334,752
Percentage of current tax collections	98.01%	98.33%	98.15%	98.35%
Delinquent tax collections	<u>50,494</u>	<u>45,837</u>	<u>51,751</u>	<u>50,619</u>
Total tax collections	<u>\$ 2,761,721</u>	<u>\$ 3,028,441</u>	<u>\$ 3,069,215</u>	<u>\$ 3,385,371</u>
Total collections as a percentage of current levy	99.83%	99.84%	99.84%	99.84%
Outstanding delinquent taxes	\$ 4,695	\$ 4,761	\$ 4,761	\$ 5,316
Outstanding delinquent taxes as percentage of current levy	0.17%	0.16%	0.15%	0.16%

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 3,642,514	\$ 3,787,970	\$ 4,101,405	\$ 4,317,396	\$ 4,617,038	\$ 4,760,046
\$ 3,592,813	\$ 3,763,470	\$ 4,077,378	\$ 4,314,439	\$ 4,581,968	\$ 4,728,018
98.64%	99.35%	99.41%	99.93%	99.24%	99.33%
41,128	13,153	-	-	-	-
<u>\$ 3,633,941</u>	<u>\$ 3,776,623</u>	<u>\$ 4,077,378</u>	<u>\$ 4,314,439</u>	<u>\$ 4,581,968</u>	<u>\$ 4,728,018</u>
99.76%	99.70%	99.41%	99.93%	99.24%	99.33%
\$ 8,573	\$ 11,347	\$ 24,027	\$ 28,271	\$ 35,070	\$ 32,028
0.24%	0.30%	0.59%	0.65%	0.76%	0.67%

CITY OF NASSAU BAY, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Fiscal Year			
	2010	2011	2012	2013
Primary Government				
Governmental Activities:				
Certificates of obligation	\$ 2,271,791	\$ 1,950,015	\$ 1,621,676	\$ 1,281,698
General obligation bonds	200,000	135,000	70,000	700,000
Contract revenue bonds	-	-	-	3,025,000
Capital leases	591,232	494,046	399,207	307,258
Subtotal	3,063,023	2,579,061	2,090,883	5,313,956
Business-Type Activities:				
Certificates of obligation	-	2,445,000	2,360,000	2,275,000
Total Primary Government	\$ 3,063,023	\$ 5,024,061	\$ 4,450,883	\$ 7,588,956
 Personal Income	 \$ 305,544,696	 \$ 290,297,076	 \$ 301,622,736	 \$ 292,049,952
Debt as a Percentage of Personal Income	1.00%	1.73%	1.48%	2.60%
Population	4,002	4,002	4,002	4,002
Debt per Capita	\$ 765	\$ 1,255	\$ 1,112	\$ 1,896

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

(1) US Census Bureau-American Community Survey and Census 2000, Business in Texas, & TexasSiteSearch

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 2,830,000	\$ 3,985,000	\$ 3,480,000	\$ 7,145,000	\$ 6,575,000	\$ 5,995,000
610,000	510,000	410,000	310,000	210,000	105,000
2,770,000	2,500,000	2,220,000	1,930,000	1,635,000	1,330,000
210,261	153,317	70,021	47,737	78,825	78,331
<u>6,420,261</u>	<u>7,148,317</u>	<u>6,180,021</u>	<u>9,432,737</u>	<u>8,498,825</u>	<u>7,508,331</u>
2,185,000	2,095,000	2,000,000	1,905,000	1,805,000	1,700,000
<u>\$ 8,605,261</u>	<u>\$ 9,243,317</u>	<u>\$ 8,180,021</u>	<u>\$ 11,337,737</u>	<u>\$ 10,303,825</u>	<u>\$ 9,208,331</u>
\$ 241,676,778	\$ 278,410,500	\$ 278,410,500	\$ 303,030,872	\$ 292,642,080	\$ 295,332,444
3.56%	3.32%	2.94%	3.74%	3.52%	3.12%
4,002	4,100	4,100	4,099	4,080	4,041
\$ 2,150	\$ 2,254	\$ 1,995	\$ 2,766	\$ 2,525	\$ 2,279

CITY OF NASSAU BAY, TEXAS
RATIO OF NET BONDED DEBT TO ASSESSED VALUE,
NET BONDED DEBT PER CAPITA, AND ASSESSED
AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

	Fiscal Year			
	2010	2011	2012	2013
Net Taxable Assessed Value				
All property	\$ 425,369,460	\$ 431,553,212	\$ 415,644,771	\$ 444,117,780
Net Bonded Debt				
Gross bonded debt (1)	\$ 2,471,791	\$ 2,085,015	\$ 1,691,676	\$ 1,981,698
Less debt service funds	195,952	193,966	208,935	181,879
Net Bonded Debt	<u>\$ 2,275,839</u>	<u>\$ 1,891,049</u>	<u>\$ 1,482,741</u>	<u>\$ 1,799,819</u>
Ratio of Net Bonded Debt to Assessed Value	0.54%	0.44%	0.36%	0.41%
Population	4,002	4,002	4,002	4,002
Net Bonded Debt Per Capita	\$ 569	\$ 473	\$ 371	\$ 450

Note:

(1) Gross bonded debt excludes revenue bonds

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 454,130,625	\$ 456,329,196	\$ 499,240,745	\$ 543,464,200	\$ 588,962,599	\$ 603,915,395
\$ 3,440,000 162,598	\$ 4,495,000 186,554	\$ 3,890,000 235,878	\$ 7,455,000 135,638	\$ 6,785,000 155,810	\$ 6,100,000 152,343
<u>\$ 3,277,402</u>	<u>\$ 4,308,446</u>	<u>\$ 3,654,122</u>	<u>\$ 7,319,362</u>	<u>\$ 6,629,190</u>	<u>\$ 5,947,657</u>
0.72%	0.94%	0.73%	1.35%	1.13%	0.98%
4,002	4,100	4,100	4,099	4,080	4,041
\$ 819	\$ 1,051	\$ 891	\$ 1,786	\$ 1,625	\$ 1,472

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CITY OF NASSAU BAY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2019

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Clear Creek Independent School District	\$ 1,019,030,000	2.66%	\$ 27,106,198
Harris County	\$ 2,042,497,125	0.13%	2,655,246
Harris County Flood Control	\$ 83,075,000	0.13%	107,998
Port of Houston Authority	\$ 593,754,397	0.13%	771,881
Harris County Hospital District	\$ 57,300,000	0.13%	74,490
Harris County Education Department	\$ 6,320,000	0.13%	8,216
Subtotal, overlapping debt			30,724,029
City Direct Debt	\$ 7,508,331	100.00%	7,508,331
Total Direct and Overlapping Debt			\$ 38,232,360

Source: Texas Municipal Report

* The "Estimated Percentage Applicable" is determined by dividing the City's certified taxable value within the taxing jurisdiction by the certified taxable value of the taxing jurisdiction.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account.

CITY OF NASSAU BAY, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	Fiscal Year			
	2010	2011	2012	2013
Debt limit	\$ 974,148	\$ 916,137	\$ 908,839	\$ 905,374
Total net debt applicable to limit	278,166	289,996	279,243	320,048
Legal Debt Margin	\$ 695,982	\$ 626,141	\$ 629,596	\$ 585,326
Total net debt applicable to the limit as a percentage of debt limit	28.55%	31.65%	30.73%	35.35%

Legal Debt Margin Calculation for Fiscal Year 2019

Budgeted expenditures	\$ 6,702,640
Debt limit (20% of budget)	1,340,528
Debt applicable to limit:	
Annual debt service obligation	888,105
Less: amount set aside for repayment of general obligation debt	(152,343)
Total net debt applicable to limit	735,762
Legal Debt Margin	\$ 604,766

Fiscal Year

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 998,326	\$ 1,019,944	\$ 1,078,194	\$ 1,153,062	\$ 1,144,116	\$ 1,340,528
<u>476,097</u>	<u>464,565</u>	<u>494,454</u>	<u>539,197</u>	<u>690,581</u>	<u>735,762</u>
<u>\$ 522,229</u>	<u>\$ 555,379</u>	<u>\$ 583,740</u>	<u>\$ 613,865</u>	<u>\$ 453,535</u>	<u>\$ 604,766</u>
47.69%	45.55%	45.86%	46.76%	60.36%	54.89%

CITY OF NASSAU BAY, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

	Fiscal Year*			
	2010	2011	2012	2013
Gross Revenues (1)	\$ -	\$ 2,279,382	\$ 2,244,085	\$ 2,238,377
Operating Expenses (2)	-	1,377,338	1,487,431	1,495,771
Net Revenues Available for Debt Service	-	902,044	756,654	742,606
Debt Service Requirements				
Principal	-	-	85,000	85,000
Interest	-	37,093	104,321	102,977
Total	\$ -	\$ 37,093	\$ 189,321	\$ 187,977
Coverage	-	24.32	4.00	3.95

(*) No revenue bonds for fiscal year 2010.

(1) Total revenues are a combination of utility and TIRZ/RDA.

(2) Total operating expenses are a combination of utility and TIRZ/RDA less depreciation. TIRZ/RDA debt service payments began in FY2014.

Fiscal Year

	2014	2015	2016	2017	2018	2019
\$	2,808,978	\$ 2,782,001	\$ 2,942,372	\$ 3,030,588	\$ 3,113,321	\$ 3,280,459
	2,170,812	1,967,117	1,765,678	1,824,624	2,183,703	2,047,505
	638,166	814,884	1,176,694	1,205,964	929,618	1,232,954
	345,000	360,000	375,000	385,000	395,000	305,000
	206,447	189,645	178,099	165,579	152,677	53,902
\$	<u>551,447</u>	<u>\$ 549,645</u>	<u>\$ 553,099</u>	<u>\$ 550,579</u>	<u>\$ 547,677</u>	<u>\$ 358,902</u>
	1.16	1.48	2.13	2.19	1.70	3.44

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CITY OF NASSAU BAY, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age (1)	Percentage of Bachelor's Degree or higher	School Enrollment (1)	Unemployment Rate (1)
2010	4,002	\$ 76,348	\$ 19	47.50	47%	654	11.40%
2011	4,002	\$ 72,538	\$ 18	47.70	49%	666	8.00%
2012	4,002	\$ 75,368	\$ 19	48.40	46%	710	7.60%
2013	4,002	\$ 72,976	\$ 18	43.90	43%	752	8.80%
2014	4,002	\$ 60,389	\$ 15	43.20	41%	1,029	8.80%
2015	4,100	\$ 67,905	\$ 17	43.80	50%	1,119	4.00%
2016	4,100	\$ 67,905	\$ 17	43.80	50%	1,119	4.00%
2017	4,099	\$ 73,928	\$ 18	42.40	49%	1,050	4.15%
2018	4,080	\$ 71,726	\$ 18	45.46	50%	988	3.81%
2019	4,041	\$ 73,084	\$ 18	43.00	53%	988	3.77%

Data sources:

(1) US Census Bureau-American Community Survey and Census 2000, Business in Texas, TexasSiteSearch, & ZoomProspector

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CITY OF NASSAU BAY, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2019			2010	
	Estimated Employees	Rank	Total City Employment (%)	Employees	Rank
Houston Methodist Clear Lake	810	1	13.74%	(a)	-
KBR Wyle	375	2	6.36%	(a)	-
MEI Technologies Inc	350	3	5.94%	(a)	-
Centech Staffing	215	4	3.65%	(a)	-
Tech Trans International Inc	155	5	2.63%		-
Anadarko Industries LLC	125	6	2.12%	(a)	-
Hoyer Global Inc	115	7	1.95%	(a)	-
Better Homes and Garden Gary Greene	110	8	1.87%	(a)	-
Hilton Houston NASA Clear Lake	105	9	1.78%	(a)	-
Blackhawk Management Corp.	80	10	1.36%		-
City of Nassau Bay	75	11	1.27%	(a)	-
Luby's	75	12	1.27%	(a)	-
Odyssey Space Research LLC	75	13	1.27%	(a)	-
Primerica Financial Svc	75	14	1.27%	(a)	-
Petromar International Inc	60	15	1.02%		-
Preferred Engineering Lp	60	16	1.02%	(a)	-
Windsor EMS	60	17	1.02%	(a)	-
Chick-Fil-A	35	18	0.59%	(a)	-
Courtyard By Marriott Houston	35	19	0.59%	(a)	-
Science Applications International Corp	35	20	0.59%	(a)	-
Sheila's Angels In Home Care	35	21	0.59%	(a)	-
Teledyne Brown Engineering Inc.	35	22	0.59%	(a)	-
Wendy's	35	23	0.59%	(a)	-
Nassau Engineering Corp	30	24	0.51%	(a)	-
All Other Employers	2,736	25	46.40%	(a)	-
Total	5,896		100.00%		

Source: TexasSiteSearch, Bloomberg, Craft, LinkedIn, Bay Area Houston, & Hospital Data

(a) The historical number of employees is not available.

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CITY OF NASSAU BAY, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
General and Administrative	9.00	8.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00	8.00
Building	2.00	2.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Emergency Management	0.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Fire	1.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works	7.50	6.50	7.00	7.00	7.00	7.00	7.00	7.00	8.50	8.50
Parks	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Police	14.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00	15.00	15.00
Animal Control	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Information Service	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Municipal Court	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	1.50	1.50
EMS	24.00	27.50	27.50	27.50	27.50	27.50	27.50	27.50	29.50	29.50
Fire Marshal	7.00	7.00	7.00	7.00	7.00	6.00	6.00	6.00	1.00	1.00
Code Enforcement	1.00	0.00	0.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00
General Fund Total	73.00	72.00	72.00	74.00	74.00	74.00	73.00	74.00	73.00	72.00
Enterprise Fund:										
General and Administrative	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Enterprise Fund Total	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Total City Positions	77.00	76.00	76.00	78.00	78.00	78.00	77.00	78.00	76.00	75.00
Full-time	39.00	40.00	40.00	42.00	42.00	43.00	42.00	43.00	44.00	43.00
Part-time	11.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00	3.00	3.00
Hourly	27.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	29.00	29.00
Total	77.00	76.00	76.00	78.00	78.00	78.00	77.00	78.00	76.00	75.00

Source: City records

CITY OF NASSAU BAY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Years

Function/Program	Fiscal Year			
	2010	2011	2012	2013
Police				
Arrests	208	228	395	220
Accident reports	75	78	56	62
Citations	1,047	1,075	1,003	930
Offense reports	394	459	499	491
Calls for service	5,590	5,436	5,816	5,335
Fire				
Fire calls	320	281	278	291
Average response time	7.10	7.15	7.51	7.83
Fires	41	38	19	30
Culture and recreation				
Athletic fields	9	9	9	9
Water				
New active accounts	8	18	12	-
Total number of active water accounts	1,466	1,484	1,496	1,492
Average daily consumption (thousands of gallons)	670	860	998	864
Sewer				
Average daily sewage treatment (thousands of gallons)	624	779	917	783

Source: Various City departments

Fiscal Year					
2014	2015	2016	2017	2018	2019
142	190	133	123	107	106
70	93	99	84	72	72
565	706	565	610	586	824
505	487	400	370	372	348
5,038	4,904	5,309	5,258	5,211	5,680
272	309	395	368	359	363
8.11	8.59	8.55	8.20	7.39	6.52
19	25	18	20	14	16
9	9	9	9	9	9
13	6	-	7	3	-
1,505	1511	1503	1510	1513	1513
866	754	808	780	738	718
801	696	751	724	672	674

CITY OF NASSAU BAY, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	Fiscal Year			
	2010	2011	2012	2013
Police				
Stations	1	1	1	1
Patrol units	5	5	5	5
Fire				
Fire station	1	1	1	1
Volunteers	40	40	40	40
Other Public Works				
Streets (miles)	16	16	16	16
Streetlights	209	209	209	209
Parks and recreation				
Parks acreage	30.7	30.7	30.7	30.7
Nature reserve acreage	110.0	110.0	110.0	110.0
Parks	4	4	4	4
Baseball fields	3	3	3	3
Basketball courts	2	2	2	2
Tennis courts	4	4	4	4
Water				
Water wells	3	3	3	3
Water mains (miles)	15.8	15.8	15.8	15.8
Fire hydrants	334	334	334	334
Storage capacity (millions of gallons)	1.1	1.1	1.1	1.1
Sewer				
Sanitary sewers (miles)	20.6	20.6	20.6	20.6
Storm sewers (miles)	10.9	10.9	10.9	10.9
Treatment capacity (million gallons per day)	1.3	1.3	1.3	1.3

Source: Various City departments

Fiscal Year

2014	2015	2016	2017	2018	2019
1	1	1	1	1	1
5	6	6	6	6	6
1	1	1	1	1	1
40	40	40	40	40	40
16	16	16	16	16	16
209	209	209	150	102	46
30.7	30.7	30.7	30.7	30.7	30.7
110.0	110.0	110.0	110.0	110.0	110.0
4	4	4	4	4	4
3	3	3	3	3	3
2	2	2	2	2	2
4	4	4	4	4	4
3	3	3	3	3	3
15.8	15.8	15.8	15.8	15.8	15.8
334	334	334	337	337	337
1.1	1.1	1.1	1.1	1.1	1.1
20.6	20.6	20.6	20.6	20.6	20.6
10.9	10.9	10.9	10.9	10.9	10.9
1.3	1.3	1.3	1.3	1.3	1.3

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