# City of Bellaire, Texas

# Comprehensive Annual Financial Report

For Fiscal Year Ended
September 30, 2020

City of Bellaire

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

# CITY OF BELLAIRE, TEXAS

**For the fiscal year ended**
**September 30, 2020**

**Prepared by**
**Finance Department**

**Terrence Beaman**
**Chief Financial Officer**

City of Bellaire

**CITY OF BELLAIRE, TEXAS**
***COMPREHENSIVE ANNUAL FINANCIAL REPORT***
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# INTRODUCTORY SECTION

City of Bellaire

# City of Bellaire
## FINANCE

March 15, 2021

To the Honorable Mayor, Members of the City Council,
City Manager, and Citizens of the
City of Bellaire, Texas

We are pleased to submit the Comprehensive Annual Financial Report of the City of Bellaire, Texas (the "City") for the fiscal year ended September 30, 2020. This report is published to provide the citizens, City Council, City staff, bondholders, and other interested parties detailed information concerning the financial condition of the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and that it is reported in a manner that fairly presents the financial position and results of operations of the City as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

## THE REPORT

In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 34, this report includes a Management's Discussion and Analysis (MD&A) which provides a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A is located immediately following the Independent Auditors' Report. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

## CITY PROFILE

### Location

The City, founded in 1908 and incorporated under the laws of the State of Texas in 1918, is located in southwest Harris County. The City is entirely surrounded by the city of Houston. The City encompasses about 3.6 square miles and has a population of 18,971 as of 2019 per the US Census Bureau estimate. While the City's population has grown considerably - by approximately 21% - since 2010 when the census estimate was 15,642, overall population growth will be limited given the City's enclave status and the extent of developed land in the City. Recent growth reflects larger households with the average household size increasing from 2.58 persons in 2000 to 2.81 in 2018.

### Form of Government

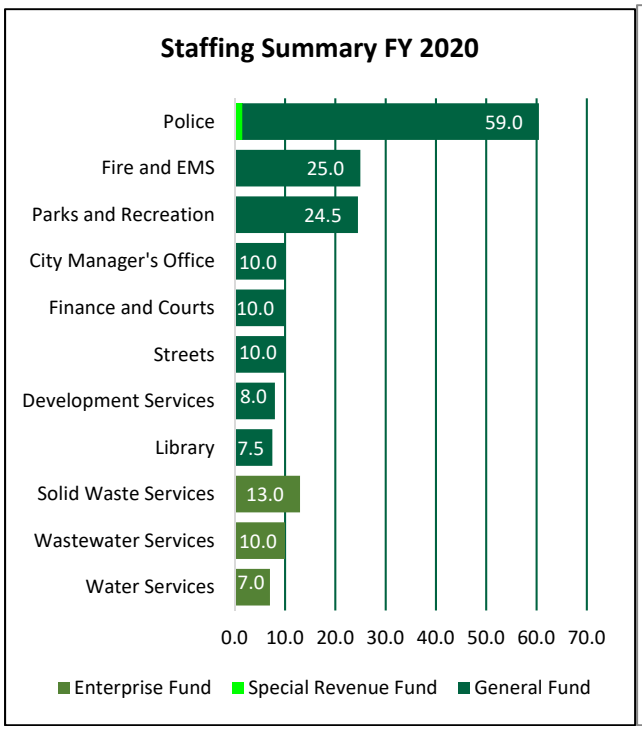
Since 1949, the City has operated under a "Home Rule Charter" which provides for a council-manager form of government. The City Council is comprised of a mayor and six council members. The mayor is elected for a regular term of two years and is limited to four consecutive terms in that position. Council members, all of whom are elected at-large, are elected for a regular term of four years. No council member may serve more than two consecutive terms in that position. The mayor and three council members are elected at each regular election. The City Council appoints a city manager to be responsible for the daily management of the City.

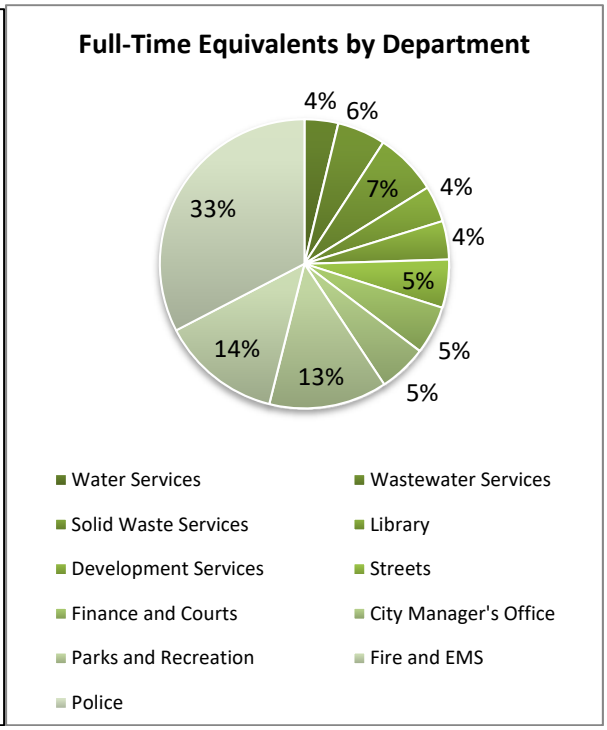
## The Reporting Entity and Services Provided

The basic financial statements of the City cover all of its governmental and business-type activities, including police, fire and emergency medical services, parks and recreation, library services, street maintenance and repair, public improvements, water, sewer and solid waste systems, and general administrative services.

## Staffing (excludes seasonal employees)

The City has 185.5 full-time equivalent (FTE) budgeted positions, including 154.0 FTEs in the general fund, 1.5 FTEs in the special revenue fund, and 30.0 FTEs in the enterprise fund. The police department has the largest number of FTEs (33%) followed by the fire department (14%) and the parks, recreation, and facilities department (13%).




As illustrated in the *Full-Time Equivalent City Government Budgeted Position by Function* schedule in the Unaudited Statistical Section of this annual report, in recent years FTEs have remained relatively constant. The FTE count increased by two from fiscal year 2019 to fiscal year 2020, with one additional FTE in the fire department and one in the police department. To better align the formal FTE count with part-time hours worked in recent years we changed the way we report the fire department FTE count, which resulting in increasing each of the part-time firefighter FTE count and the part-time fire inspector FTE count reported by 0.5. The police department FTE count increased by 1.0 full-time crime victim specialist position funded by a grant.

# ECONOMIC CONDITION AND OUTLOOK

## Economic Condition

As an enclave of Houston, the economy of the City is directly linked to the greater Houston region. While several large employers, as well as retail and service type businesses, are located within the City, Bellaire is primarily a residential community. Many residents work minutes away in Houston's largest business areas, including the Texas Medical Center, regarded as one of the finest health care facilities in the world. Two major airports, William P. Hobby International Airport and George Bush Intercontinental Airport, are easily accessible to Bellaire residents and business travelers.

The greater Houston region's economy is based on petrochemicals, shipping, refining, chemicals, space exploration, manufacturing, education, health care, and tourism. Most economic factors such as employment, oil prices, travel, and others are projected to either remain stable or grow as the greater Houston region is one of the most sought-after markets in which to live and do business. Houston is the seat of Harris County, the most populous county in the State of Texas and the third most populous county in the nation. Houston's phenomenal growth has brought about rapid development throughout the region, but the necessary infrastructure to support such growth in the outlying areas has lagged behind. As a result, many residents of the region have sought to reduce their commute time on Houston's heavily congested transportation corridors by moving closer to the workplace. In addition to Bellaire being a safe city with high quality schools, Bellaire has become increasingly desirable due to its convenient location to Houston's downtown, uptown, and midtown business districts and the Texas Medical Center.

The City is a mature community that is almost fully developed residentially with a network of businesses to support its citizens. While there is little undeveloped commercial property, the commercial infrastructure is not nearly as developed or modernized as the residential sector. The City continues to focus on better utilization and growth of the central commercial district and commercial corridors within the City based on its comprehensive plan adopted in 2009 and updated in 2015 and 2017. Large mature oak trees cascade over most of the City's streets giving a "small town" feel to the area. Local government control through city council gives Bellaire residents more influence over key government services such as police and fire protection.

Coronaviruses are a family of viruses that can cause illnesses such as the common cold, severe acute respiratory syndrome (SARS), and Middle East respiratory syndrome (MERS). In 2019, a new coronavirus known as the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was identified. The disease it causes is called coronavirus disease 2019 (COVID-19). In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. While important City services were not interrupted, COVID-19 significantly impacted City operations during fiscal year 2020. Facilities were temporarily closed to the public. Recreation programming was limited. Schools were closed and many people worked from home. Many retail outlets within the City were temporarily closed, and others had limited operations, such as take-out only service at restaurants.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided for reimbursement of eligible expenditures to state, local, and tribal governments through the Coronavirus Relief Fund. Direct payments were made to units of local government with populations exceeding 500,000. Due to our population size, the City was not eligible for a direct payment from the Coronavirus Relief Fund, however, Harris County used $28.5 million of its $426.0 million direct allocation to establish a Small Cities Assistance Program pursuant to which the City could receive up to $1.0 million of pass-thru funding. The City did participate in the Small Cities Assistance Program and received $1.0 million of reimbursement funding from Harris County in fiscal year 2021.

In addition to incurring eligible expenditures, such as expenditures for personal protective equipment, sanitization, signage, and substantially dedicated public safety personnel, COVID-19 had significant financial impacts due to impacts on our operations, including reduced revenues. Despite the financial impacts of COVID-19, the general fund ended the fiscal year well above its minimum 60-day fund balance, and the enterprise fund ended the fiscal year well above its minimum 60-day working capital balance. Please see a more comprehensive discussion of the impacts of COVID-19 in the accompanying MD&A.

Hurricane Harvey, a category 4 major hurricane, made landfall in August 2017 approximately 175 miles southwest of the City. After landfall, its speed slowed dramatically to a crawl. For about two days, the storm stalled just inland, dropping very heavy rainfall and causing widespread flash flooding in the Houston area, including in Bellaire. Approximately 1,936 of the approximately 6,688 homes in Bellaire, or approximately 29%, had some level of water damage. The City had exceptionally large amounts of debris to remove from public right-of-ways, and the City suffered substantial damage to its wastewater treatment plant.

Because of the storm the aggregate taxable property values in the City decreased by approximately 2% for fiscal year 2019 (tax year 2018). Taxable property values for fiscal year 2020 (tax year 2019) increased approximately

1% over fiscal year 2019 values but have not fully returned to pre-storm levels. In the near term we expect aggregate property values to slowly recover, and in the longer term we expect aggregate property values to continue to increase. Many of the homes that flooded were older, smaller homes built prior to the 1970's. We have seen a resurgence of new construction with new, larger homes being built in their place. The replacement process is occurring, but it will take time. The following table illustrates the residential construction activity before and after Hurricane Harvey.

| Fiscal Year | New Residential | | Residential Remodeling | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| 2015 | 98 | $52,190,001 | 364 | $7,154,236 |
| 2016 | 73 | $44,585,564 | 485 | $9,877,019 |
| 2017 | 87 | $49,790,628 | 397 | $7,407,337 |
| 2018 | 110 | $62,397,992 | 504 | $11,452,249 |
| 2019 | 98 | $64,135,455 | 394 | $9,405,288 |
| 2020 | 72 | $50,226,993 | 307 | $9,189,284 |

These new homes will have considerably more taxable value than the homes they replace, and they will be less likely to flood. The current building code was implemented in 2007 and requires new homes constructed to be elevated to one foot above the base flood elevation. That regulatory standard worked well during Hurricane Harvey: of the homes that flooded, only approximately 2% were built to the current standard.

The City incurred significant unbudgeted costs associated with recovery and repair, most significantly costs related to debris removal. Because of Hurricane Harvey expenditures, the general fund balance was slightly below its 60-day minimum reserve at September 30, 2018 but was restored above the minimum reserve by September 30, 2019. Thus, the reserve fund balance worked exactly as it is supposed to providing a cushion for significant unexpected expenditures.

Most of our Hurricane Harvey costs, which were incurred in fiscal years 2017 and 2018, were reimbursed through the City's insurance and the Federal Emergency Management Agency (FEMA). The City received insurance reimbursements and reimbursements of eligible expenditures in fiscal years 2017, 2018, 2019, and 2020. Fiscal year 2020 reimbursements totaled $1.2 million, including $1.1 million for debris removal.

## Major Initiatives and Community Developments

Drainage has been and continues to be a focal point for the City and has been even more in focus because of Hurricane Harvey. Over the past 20 years the City has invested more than $85 million in local drainage infrastructure and will continue to invest in the years to come. Recently, the City has been concentrating on the regional aspect of flood control, as flood waters do not follow jurisdictional boundaries. Flooding is a regional problem requiring regional solutions. The fiscal year 2019 capital improvement program included funding for a master drainage concept plan that is now underway in partnership with the Harris County Flood Control District and the Texas Department of Transportation. It will analyze flooding throughout the area using a comprehensive hydraulic model, and fully evaluate several potential improvement alternatives, including preliminary cost estimates of each, to aid in decision making moving forward. While it was funded in the fiscal year 2019 budget, the work on the master drainage concept plan began in fiscal year 2020 and will continue in fiscal year 2021.

The City has ongoing street maintenance projects funded from the metro fund. This fund receives intergovernmental revenues from the Metropolitan Transit Authority of Harris County which are restricted in use for mobility projects.

A new building for Bellaire High School is under construction that will incorporate the recently completed science classroom and laboratory wing and add a parking garage. Bellaire High School is located on a 17-acre site in a residential area of Bellaire. The main building was built in 1955. The school has attendance in excess of 3,300 students and the parking is inadequate for a school of its size. In September 2017, the Bellaire City Council approved a specific use permit for the school district paving the way for rebuilding the school. The first phase of construction began in June 2018. The project is being built in three phases of construction in a way that allows students to remain in school during construction. Construction of the new three-story academic wing should be completed in time to welcome students into the building by August 2021. Once that happens, the existing school building will be demolished to make way for construction of the four-level parking garage and new administration wing which is expected to be completed in 2022.

In 2017, the renovation of the Bellaire Town Center shopping center began. The project was completed in phases, which ultimately resulted in the demolition of the old approximately 39,000 square foot facility and the construction of a new approximately 72,000 square foot facility and a parking garage. The new two-story Bellaire Town Center complex is an upscale, mixed-use space with service retailers and office space above first floor restaurants and shops. The project was completed in calendar year 2020.

In July 2016 Chevron, the City's top employer and property taxpayer at the time, announced it would be vacating its Bellaire facility and consolidating its operations into its downtown Houston offices. This opened redevelopment possibilities for a contiguous, rectangular area of approximately 30 acres in the City. Long-established neighborhoods of single-family detached homes border the site to the North and South, and Interstate 610 borders the site to the East. The site presents a unique redevelopment opportunity that could accommodate a range of desirable potential uses. Since the 1940's the site had been zoned as a Technical Research Park, which corresponded to use as a business park in the Land Use and Character Map within the City's comprehensive plan. The comprehensive plan serves as a framework for guiding future development, redevelopment, and community enhancement. Sensing the opportunity for redevelopment of the Chevron property into something with more community benefit than a business park, the City amended its comprehensive plan in April 2017 identifying the area as the North Bellaire Special Development Area on the Future Land Use and Character Map within the comprehensive plan. This re-designation within the comprehensive plan indicated the City's openness to alternative uses for the site such as traditional single-family homes, lifecycle housing, and non-residential and mixed-use development.

In September 2018, SLS Houston Properties, LLC (SLS), a Houston based commercial real estate development company purchased the property from Chevron and rebranded the location as Bellaire Place. In November 2018, City Council approved specific use permits submitted by SLS which allow for multi-tenant office use in the existing office building previously occupied by Chevron and for the construction of a parking garage. City Council is currently evaluating a recommendation of the City's planning and zoning commission to establish a new zoning district for the 30-acre property. The new zoning district, if approved, will provide for a variety of uses as contemplated by the April 2017 amendment to the comprehensive plan. SLS is waiting for the outcome of the rezoning process to move forward with their plans to further develop the property. SLS's development plans will likely include retail and restaurant options. If further developed, Bellaire Place could significantly add to the City's sales tax base.

In July 2019, construction of a new medical office building, Bissonnet Medical Plaza, began. Construction was completed at the end of 2020. Bissonnet Medical Plaza is a modern three-story facility with approximately 53,000 square feet of rentable space. The building was constructed on a formerly vacant parcel and includes a parking garage.

**Long-Term Financial Planning**

The City's strategic planning process has multiple components. At the base, is the City's long-term *comprehensive plan* developed in 2009 and most recently revised in 2017. It has a 20-year planning horizon focusing on land use, infrastructure, and quality of life.

Elements of the *comprehensive plan* feed into the development of *city council priorities*. *City council priorities* have a 5-year planning horizon focusing on local and regional flood mitigation, public works, public safety and mobility, budget and finance, quality of life, commercial redevelopment, parks and facilities, and premier employer status.

Elements of *city council priorities* feed into the development of the *capital improvement plan*. The *capital improvement plan* has a 5-year planning horizon focusing on capital improvement projects.

Elements of *city council priorities* and the *capital improvement plan* feed into the development of the *fiscal forecast*. The *fiscal forecast* has a 5-year planning horizon focusing on major assumptions and overall forecasting of cash flows.

Elements of *city council priorities* and the *fiscal forecast* feed into the development of the department level s*ervice plans*. Department level s*ervice plans* have a 3-year planning horizon focusing on why the department exists, what the department is responsible for, what the department does, who the department serves, what service level the department provides, a high-level analysis of the department budget and fiscal forecast, an analysis of the environment in which the department operates, consideration of available assets, identification of potential future service enhancements, and development of future strategic goals.

Elements of the *fiscal forecast* and the department level s*ervice plans* feed into the development of the *annual budget*.

While the longer-term strategic planning elements generally drive the development of the shorter-term strategic planning elements, there can be components of the shorter-term planning elements identified which in turn are used in the updating or revising of the longer-term planning elements, making the development a two-way street.

The fiscal forecast provides a forward-looking view of the general fund, enterprise fund, and debt service fund operating budgets allowing City officials and others to evaluate the long-term sustainability of the operating budgets, and it provides a starting point for future decision-making regarding the budget by identifying the balance between potential spending needs and the projected revenue outlook. This long-range outlook provides a key tool for financial planning. The fiscal forecast is updated at least annually, but sometimes more often as revenues and spending outlook become clearer. The City uses the fiscal forecast as a tool to:

- identify preliminary spending priorities for future years;
- identify necessary expenditure adjustments for future years;
- ensure that both additions and reductions to the budget are sustainable;
- maintain options to deal with contingencies; and
- anticipate factors affecting revenues and service needs.

The fiscal forecast is based upon a series of assumptions about economic conditions, future spending scenarios, and other relevant variables. It sets the stage to identify any disparities between future recurring revenues and expenditures to allow time for development of strategies to align financial capacity with long-term service objectives. The City monitors and updates its five-year fiscal forecast and regularly re-visits all assumptions related to debt as economic indicators change.

Debt management is a major component of the strategic planning process that incorporates financing needs for infrastructure development that is consistent with the revenue stream, while at the same time measuring and assessing the cost and timing of each debt issuance. Debt service payments are budgeted expenditures. Simultaneous with the budget finalization, and integral to development of budgeted property tax revenue, the City establishes the next fiscal year's tax rate. The general rate produces revenues available in the general fund to satisfy expenditures, while the debt service rate produces revenues available in the debt service fund to service debt.

The City's total property tax rate for fiscal year 2021 (tax year 2020) is unchanged from fiscal year 2020 (tax year 2019). However, there are slight offsetting variances within the components of the total tax rate. The general rate increases by $0.0010 with an offsetting $0.0010 decrease in the debt service rate. Tax rates for fiscal year 2021 and the previous three fiscal years were apportioned as follows (*tax rates are the amount of tax levied for each $100 of assessed valuation*):

| **Fund** | **FY 2018** | **Change** | **FY 2019** | **Change** | **FY 2020** | **Change** | **FY 2021** |
|---|---|---|---|---|---|---|---|
| General | $0.2678 | $0.0103 | $0.2781 | $0.0124 | $0.2905 | $0.0010 | $0.2915 |
| Debt Service | 0.1481 | 0.0051 | 0.1532 | 0.0036 | 0.1568 | (0.0010) | 0.1558 |
| **Total Tax** | $0.4159 | $0.0154 | $0.4313 | $0.0160 | $0.4473 | $0.0000 | $0.4473 |

Property tax revenues are the main source of resources available for debt service, however; in addition, the enterprise fund annually transfers money to the debt service fund to cover debt service requirements on bond proceeds used for enterprise infrastructure. The transfer for fiscal year 2020 was $2.15 million.

Payments for bond principal and interest, which include associated fees, totaled $9.57 million in fiscal year 2020 and are budgeted to be approximately $9.64 million in fiscal year 2021, excluding refundings.

The City's charter contains no limit on the amount of debt the City may incur. The amount of ad valorem tax-supported debt that the City may incur is limited by the Constitution of the State of Texas (the "State"). The State Constitution provides that the ad valorem taxes levied by the City for general purposes and for paying the principal and interest on the City's indebtedness must not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $2.50 rate for debt payments; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as Bellaire, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collections. The City's debt service tax rate for fiscal year 2020 of $0.1568 and for fiscal year 2021 of $0.1558 for each $100 of assessed value is well below the aforementioned limit of $1.50 for each $100 of assessed value.

One aspect of debt management in which the City has had much success over the years is refunding opportunities. The City constantly monitors its debt and the financial markets for opportunities to refinance (refund) its debt at lower interest rates. The table below summarizes refunding completed from fiscal year 2009 through 2020.

| Fiscal Year | Refunding Date | Principal Refunded (millions) | Reduction of Future Debt Service (millions) | Net Present Value Savings (millions) |
|---|---|---|---|---|
| 2009 | 06/30/09 | $10.8 | $0.7 | $0.5 |
| 2010 | 03/31/10 | 16.4 | 1.3 | 1.0 |
| 2011 | 11/22/10 | 6.8 | 0.8 | 0.7 |
| 2012 | 12/08/11 | 8.9 | 0.9 | 0.7 |
| 2012 | 07/11/12 | 9.0 | 1.5 | 1.2 |
| 2017 | 12/06/16 | 9.0 | 1.5 | 1.3 |
| 2019 | 11/21/18 | 15.7 | 0.7 | 0.6 |
| 2020 | 11/19/19 | 9.3 | 1.0 | 0.8 |
| 2020 | 12/10/19 | 9.7 | 1.1 | 1.0 |
| Total | | $95.4 | $9.5 | $7.8 |

In addition to the refundings presented in the preceding table, in the second quarter of fiscal year 2021 the City refunded $6.3 million of bonds generating a net present value savings of $0.8 million.

## Financial Information

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

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is completed to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived and (2) the evaluation of costs and benefits require estimates and judgments by management.

We believe the City's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented, or would be detected within a timely period, by employees in the normal course of performing their assigned functions.

Additionally, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of each of the City's funds are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each department. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

# OTHER INFORMATION

## Independent Audit

The City's charter requires an annual audit of the books of accounts, financial records, and transactions of all administrative departments of the City by an independent certified public accountant. The independent auditors' report prepared by Whitley Penn, LLP is included in the financial section of this report.

## Audit Finance Board

The city council has formally established an Audit Finance Board (the "Board") to enhance the audit process by providing a direct link between the auditors and the city council. The Board reviews the audit prior to submission to City Council and assists the auditors and City staff with the presentation of the audit. It also reviews and assists with the development of the City's financial policies.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual report for the year ended September 30, 2018. This was the twenty third consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe the annual report for the year ended September 30, 2019 continues to meet the Certificate of Achievement program's requirements, and we submitted it to the GFOA to determine its eligibility for another certificate; however, COVID-19 has delayed their review of the annual report for the year ended September 30, 2019. We believe the current annual report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA presented a Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning October 1, 2019 and ending September 30, 2020. This was the fourth consecutive year that the City achieved this prestigious award. In order to receive a Distinguished Budget Presentation Award, a government must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device. A Distinguished Budget Presentation Award is valid for a period of one year only. We believe the most recently completed budget for the fiscal year beginning October 1, 2020 and ending September 30, 2021 continues to meet the Distinguished Budget Presentation Award program's requirements, and we submitted it to the GFOA to determine its eligibility for another award.

## Acknowledgements

The preparation of this report was accomplished with the efficient and dedicated services of the entire staff of the finance department and the cooperation of all other City departments. We would like to express our appreciation to all members of the finance department and all other City staff who assisted and contributed to the preparation of this report. Credit must also be given to the mayor, city council, Audit Finance Board, and city manager for their continued interest and support in planning and conducting the financial operations of the City in a responsible and professional manner.

## Requests for Information

This financial report is designed to provide a general overview of the City's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of Bellaire, 7008 South Rice Avenue, Bellaire, Texas 77401-4411.

Respectfully submitted,

Terrence Beaman
Chief Financial Officer

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Bellaire

## Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**September 30, 2018**

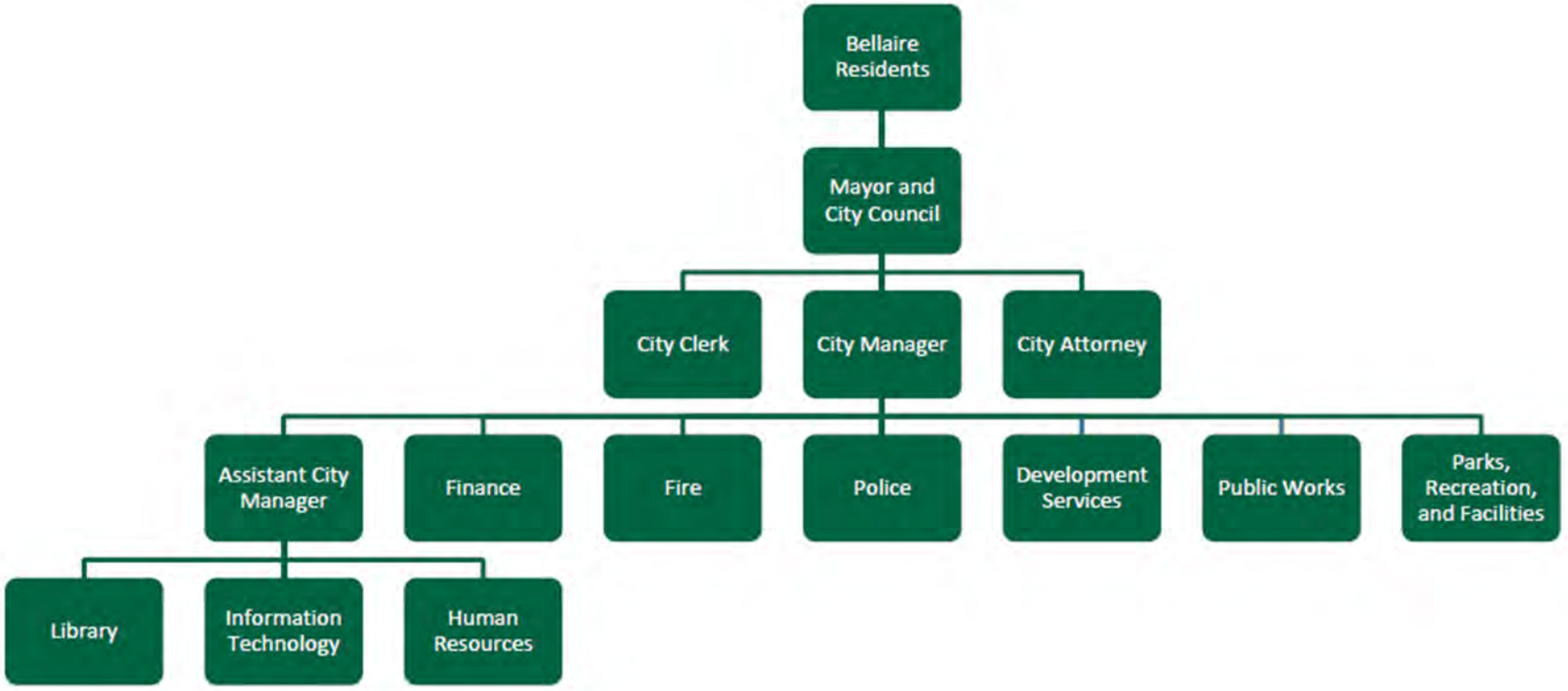
Christopher P. Morrill

Executive Director/CEO

City of Bellaire

FY 2020

# City Organizational Chart



**CITY OF BELLAIRE, TEXAS**
***PRINCIPAL CITY OFFICIALS***
***January 2021***

| City Officials | Elective Position | Term Expires |
|---|---|---|
| Andrew S. Friedberg | Mayor | 01/22 |
| Neil Verma | Council Member - Position No. 1 | 01/22 |
| Catherine Lewis | Council Member - Position No. 2 | 01/24 |
| Gus E. Pappas | Council Member - Position No. 3 | 01/22 |
| Nathan Wesely | Council Member - Position No. 4 | 01/24 |
| Michael Fife | Council Member - Position No. 5 | 01/22 |
| Jim Hotze | Council Member - Position No. 6 | 01/24 |

| Key Staff | Position |
|---|---|
| Brant Gary | Interim City Manager and Assistant City Manager |
| Terrence Beaman | Chief Financial Officer |
| Tracy L. Dutton | City Clerk |
| Michael Leech | Director of Public Works |
| Byron Holloway | Police Chief |
| Deacon Tittel | Fire Chief |
| Karl Miller | Director of Parks, Recreation, and Facilities |
| Mary Cohrs | Director of Library |
| ChaVonne Sampson | Director of Development Services |
| Patrice Baltuskonis | Director of Information Technology |

# FINANCIAL SECTION

City of Bellaire

whitleypenn

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3737 Buffalo Speedway
Suite 1600
Houston, Texas 77098
713.621.1515 Main

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# REPORT OF INDEPENDENT AUDITORS

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

## Report on Financial Statements

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

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

## Opinions

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

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 20, budgetary comparison information on pages 70 through 71, and pension system and other post-employment benefit supplementary information on pages 72 through 75 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 fund statements, debt service fund budgetary comparison schedule, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements and debt service fund budgetary comparison schedule 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 fund statements and debt service fund budgetary comparison schedule 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.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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.

Whitley Penn LLP

March 15, 2021
Houston, Texas

City of Bellaire

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bellaire, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020 (MD&A).

### Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $58.0 million *(net position),* a decrease of $4.5 million from the prior year. This decrease is less than the $7.7 million of depreciation expense recorded. Of the total $58.0 million net position, unrestricted net position amounted to a deficit of $2.5 million. This deficit unrestricted net position is the result of reflecting $13.5 million in pension and other postemployment benefits as long-term liabilities on the statement of net position. These amounts are from the government-wide financial statements which are reported using the economic resources measurement focus and the accrual basis of accounting. See Note 1. E. *Measurement Focus and Basis of Accounting*, in the Notes to the Basic Financial Statements for more information.

- As of the close of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of $30.1 million, a decrease of $2.8 million from the prior year. This decrease is less than the $6.5 million capital outlay. Approximately 18.5% of the City's combined governmental fund balances, $5.6 million, is available for spending at the City's discretion *(unassigned fund balance).* These amounts are from the governmental fund financial statements which are reported using the current financial resources measurement focus and the modified accrual basis of accounting. See Note 1. E. *Measurement Focus and Basis of Accounting*, in the Notes to the Basic Financial Statements for more information.

- At the end of the most recent fiscal year, unassigned fund balance for the general fund was 27.0% of general fund expenditures, an increase from 23.1% at the end of the prior fiscal year. The City's fund balance policy requires a minimum of 16.4%.

- As of the close of the most recent fiscal year, the City's sole proprietary fund reported an ending net position of $53.0 million, a decrease of $2.2 million from the prior year. This decrease is less than the $2.7 million of depreciation expense recorded. Approximately 1.06% of the fund's net position, $0.6 million, is available for spending at the City's discretion *(unrestricted net position).* This represents a decrease of $0.2 million in unrestricted net position over the prior fiscal year.

- At the end of the most recent fiscal year, working capital for the enterprise fund was 31.77% of enterprise fund operating expenses, excluding depreciation expense, a decrease from 37.17% at the end of the prior fiscal year. The City's working capital policy requires a minimum of 16.4%.

- In fiscal year 2020, the City issued $8.95 million of General Obligation Refunding Bonds, Series 2019A and $8.85 million of General Obligation Refunding Bonds, Series 2019B. These two refundings generated a combined net present value savings of $1.9 million. See Note 5 – *Long-term Liabilities*, in the Notes to the Basic Financial Statements for more information.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*Government-wide Financial Statements*

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four 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.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water services, sewer services, and solid waste services.

The government-wide financial statements can be found on pages 23 through 25 of this report.

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 fiscal year. Such information may be useful in evaluating a government'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 City's near-term financing decisions. Both the governmental fund balance sheet and

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

The City maintains seven 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, capital bond fund, and capital improvement fund, all of which are considered to be major funds for reporting purposes. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found on pages 78 through 79 of this report.

The City adopts an annual appropriated budget for all funds. Budgetary comparison schedules have been provided for the general fund and debt service fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 26 through 32 of this report.

Proprietary Funds

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains one type of proprietary fund, an enterprise fund, to account for its water, sewer, and solid waste services.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and solid waste operations. The enterprise fund is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 33 through 35 of this report.

*Notes to the Basic Financial Statements*

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37 through 68 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 70 through 75 of this report.

## Government-wide Financial Analysis

As noted earlier, changes in net position over time may serve as a useful indicator of whether a government's financial position is improving or deteriorating. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $58 million (*net position*).

By far, the largest portion of the City's net position, $84.3 million, the amount before taking into account the bonds associated with business-type capital assets, reflects its net investment in capital assets (e.g., investments in land, buildings, infrastructure, machinery and equipment, less any related outstanding debt used to acquire those assets). 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 capital assets themselves

cannot be used to liquidate these liabilities. Generally, property tax revenues levied specifically for the purpose of repaying debt are used to repay the debt.

An additional portion of the City's net position, $2.9 million, represents resources that are subject to external restrictions on how they may be used.

Debt activity, including debt issuance and debt repayment for both governmental activities and business-type activities, has historically been reflected in governmental activities, while the related capital assets purchased or constructed with the debt proceeds have been capitalized in either governmental activities or business-type activities depending on the nature of the capital assets. As a result, governmental activities reports all of the debt but only the governmental activities capital assets while business-type activities reports none of the debt but does include business-type activities capital assets. The result is governmental activities presenting negative unrestricted net position of $29.7 million. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Outstanding debt associated with governmental activities in the amount of $26.7 million is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

The following table summarizes the financial position of the City as of September 30, 2020 and 2019.

| | September 30, 2020 | | | |
|---|---|---|---|---|
| | **Governmental Activities** | **Business-type Activities** | **Reconciliation** | **Total Primary Government** |
| Current assets | $ 32,831,360 | $ 2,971,262 | $ - | $ 35,802,622 |
| Capital assets, net | 109,466,348 | 52,432,077 | - | 161,898,425 |
| **Total Assets** | 142,297,708 | 55,403,339 | - | 197,701,047 |
| Deferred charge on refunding | 1,557,149 | - | - | 1,557,149 |
| Deferred outflows - pensions | 1,704,318 | 189,369 | - | 1,893,687 |
| Deferred outflows - OPEB | 326,024 | 57,081 | - | 383,105 |
| **Total Deferred Outflows of Resources** | 3,587,491 | 246,450 | - | 3,833,941 |
| Current liabilities | 2,835,425 | 850,786 | - | 137,460,946 |
| Long-term liabilities | 135,892,702 | 1,568,244 | - | 141,147,157 |
| **Total Liabilities** | 138,728,127 | 2,419,030 | - | 141,147,157 |
| Deferred inflows - pensions | 2,102,460 | 233,607 | - | 2,336,067 |
| Deferred inflows - OPEB | 20,084 | 3,515 | - | 23,599 |
| **Deferred Inflows of Resources** | 2,122,544 | 237,122 | - | 2,359,666 |
| Net investment in capital assets | 31,848,866 | 52,432,077 | (26,695,609) | 57,585,334 |
| Restricted | 2,893,733 | - | - | 2,893,733 |
| Unrestricted | (29,708,071) | 561,560 | 26,695,609 | (2,450,902) |
| **Total Net Position** | $ 5,034,528 | $ 52,993,637 | $ - | $ 58,028,165 |

| | September 30, 2019 | | | |
|---|---|---|---|---|
| | **Governmental Activities** | **Business-type Activities** | **Reconciliation** | **Total Primary Government** |
| Current assets | $ 37,125,834 | $ 2,762,606 | $ - | $ 39,888,440 |
| Capital assets, net | 113,248,822 | 54,464,331 | - | 167,713,153 |
| **Total Assets** | 150,374,656 | 57,226,937 | - | 207,601,593 |
| Deferred charge on refunding | 2,113,912 | - | - | 2,113,912 |
| Deferred outflows - pensions | 4,771,663 | 572,652 | - | 5,344,315 |
| Deferred outflows - OPEB | 187,777 | 32,619 | - | 220,396 |
| **Total Deferred Outflows of Resources** | 7,073,352 | 605,271 | - | 7,678,623 |
| Current liabilities | 4,327,334 | 529,392 | - | 4,856,726 |
| Long-term liabilities | 145,502,749 | 2,034,612 | - | 147,537,361 |
| **Total Liabilities** | 149,830,083 | 2,564,004 | - | 152,394,087 |
| **Deferred Inflows of Resources** | 303,709 | 33,731 | - | 337,440 |
| Net investment in capital assets | 35,224,162 | 54,464,331 | (27,673,902) | 62,014,591 |
| Restricted | 2,551,650 | - | - | 2,551,650 |
| Unrestricted | (30,461,596) | 770,142 | 27,673,902 | (2,017,552) |
| **Total Net Position** | $ 7,314,216 | $ 55,234,473 | $ - | $ 62,548,689 |

The City's net position decreased by $4.5 million during the most recent fiscal year due to prior period adjustments aggregating $3.4 million (as described in Note 11 – *Prior Period Adjustments*, in the Notes to the Basic Financial Statements) and due to a decrease in charges for services of $0.7 million due to the impact of COVID-19. Additionally, property taxes, while $0.9 million higher than fiscal year 2019, were $0.3 million underbudget and therefore, did not support expenses as fully as anticipated.

The following table summarizes the changes in net position for the City for the years ended September 30, 2020 and 2019.

**CONDENSED SCHEDULE OF CHANGES IN NET POSITION**

***For the Years Ended September 30, 2020 and 2019***

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 2,339,987 | $ 3,819,108 | $ 9,495,292 | $ 8,752,857 | $ 11,835,279 | $ 12,571,965 |
| Operating grants and contributions | 2,861,507 | 1,777,932 | 11,055 | 194,800 | 2,872,562 | 1,972,732 |
| General revenues: | | | | | | |
| Property taxes | 21,398,243 | 20,448,674 | - | - | 21,398,243 | 20,448,674 |
| Other taxes | 3,773,743 | 3,844,925 | - | - | 3,773,743 | 3,844,925 |
| Other | 393,711 | 941,567 | 135,331 | 121,758 | 529,042 | 1,063,325 |
| **Total Revenues** | 30,767,191 | 30,832,206 | 9,641,678 | 9,069,415 | 40,408,869 | 39,901,621 |
| Expenses: | | | | | | |
| General government | 5,717,274 | 5,712,740 | - | - | 5,717,274 | 5,712,740 |
| Public safety | 11,283,113 | 11,077,968 | - | - | 11,283,113 | 11,077,968 |
| Public works | 6,450,241 | 4,526,186 | - | - | 6,450,241 | 4,526,186 |
| Culture and recreation | 4,621,189 | 5,144,925 | - | - | 4,621,189 | 5,144,925 |
| Water system | - | - | 6,518,393 | 5,625,032 | 6,518,393 | 5,625,032 |
| Sewer system | - | - | 1,202,515 | 1,380,494 | 1,202,515 | 1,380,494 |
| Solid waste | - | - | 1,543,437 | 1,495,853 | 1,543,437 | 1,495,853 |
| Interest on long-term debt | 4,241,197 | 4,370,062 | - | - | 4,241,197 | 4,370,062 |
| **Total Expenses** | 32,313,014 | 30,831,881 | 9,264,345 | 8,501,379 | 41,577,359 | 39,333,260 |
| Change in net position before transfers | (1,545,823) | 325 | 377,333 | 568,036 | (1,168,490) | 568,361 |
| Transfers in (out) | 2,230,365 | (464,246) | (2,230,365) | 464,246 | - | - |
| Change in net position | 684,542 | (463,921) | (1,853,032) | 1,032,282 | (1,168,490) | 568,361 |
| **Total Net Position - Beginning** | 7,314,216 | 7,778,137 | 55,234,473 | 54,202,191 | 62,548,689 | 61,980,328 |
| **Prior period adjustments** | (2,964,230) | - | (387,804) | - | (3,352,034) | - |
| **Total Net Position - Ending** | $ 5,034,528 | $ 7,314,216 | $ 52,993,637 | $ 55,234,473 | $ 58,028,165 | $ 62,548,689 |

## Governmental Activities

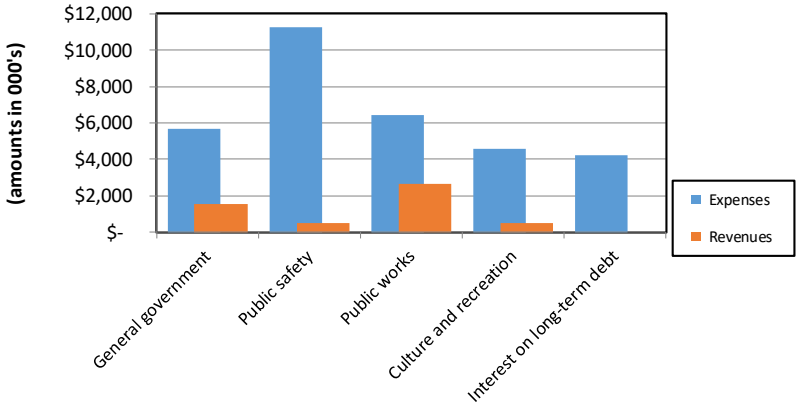
Governmental activities increased the City's net position by approximately $0.7 million or 9% of total beginning net position. The key elements of this increase are as follows:

- $1.1 million increase in grants and contributions due to primarily FEMA funds related to Hurricane Harvey debris collection,
- $0.9 million increase in property tax revenues due to increase in property tax rates,
- $1.0 million in capital improvements were financed by governmental activities and transferred to and capitalized by business-type activities,
- $0.5 million decrease in culture and recreation expenses, and
- $0.1 million decrease in interest expense on long-term debt.

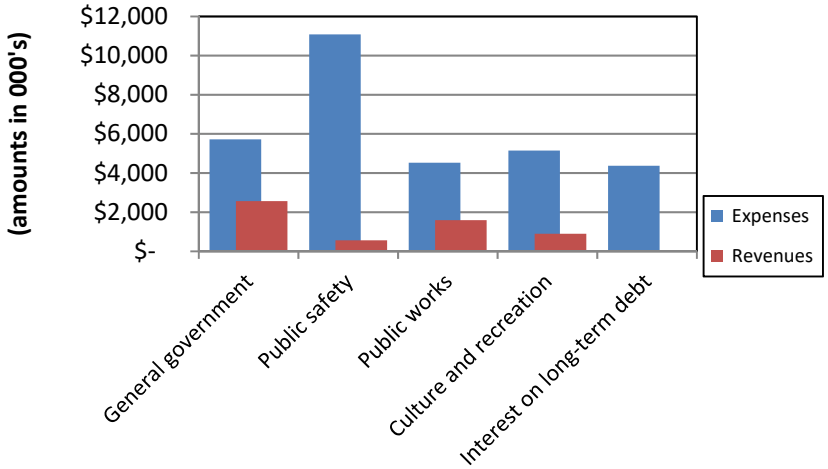
The above factors increasing net position were partially offset by the following elements:

- $1.5 million decrease in charges for services due primarily due to COVID-19, and
- $1.9 million increase in Public Works expenses.

A comparison of program expenses to program revenues for fiscal year 2020 follows:

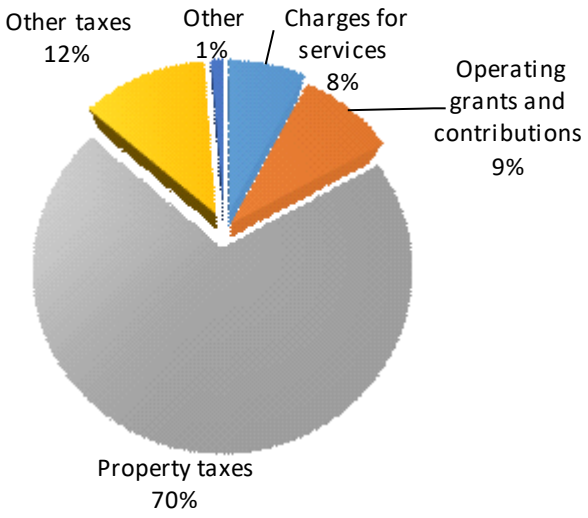



A comparison of program expenses to program revenues for fiscal year 2019 follows:

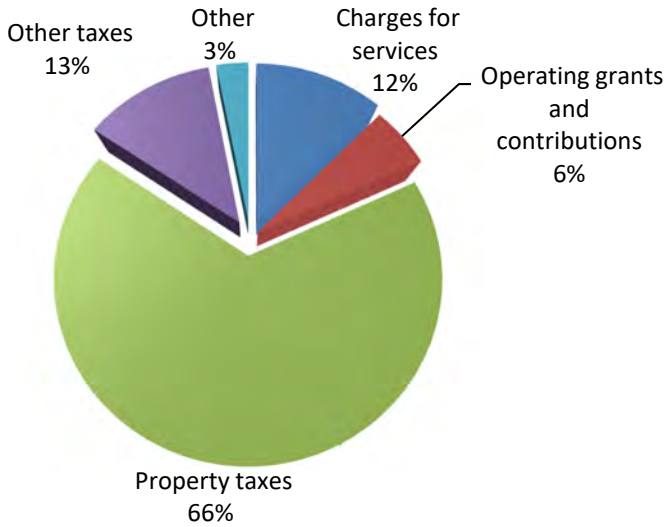


The governmental activities of the City include general government, public safety, public works, and culture and recreation. This distribution of fiscal year 2020 program expenses and program revenues is similar to fiscal year 2019. It is not surprising that the program expenses exceed the program revenues for governmental activities as they are, by definition, functions of the City that are principally supported by taxes and intergovernmental revenues. Other functions of the City that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities) are discussed separately later in this MD&A.

Revenue sources for governmental activities for fiscal year 2020 were distributed as follows:

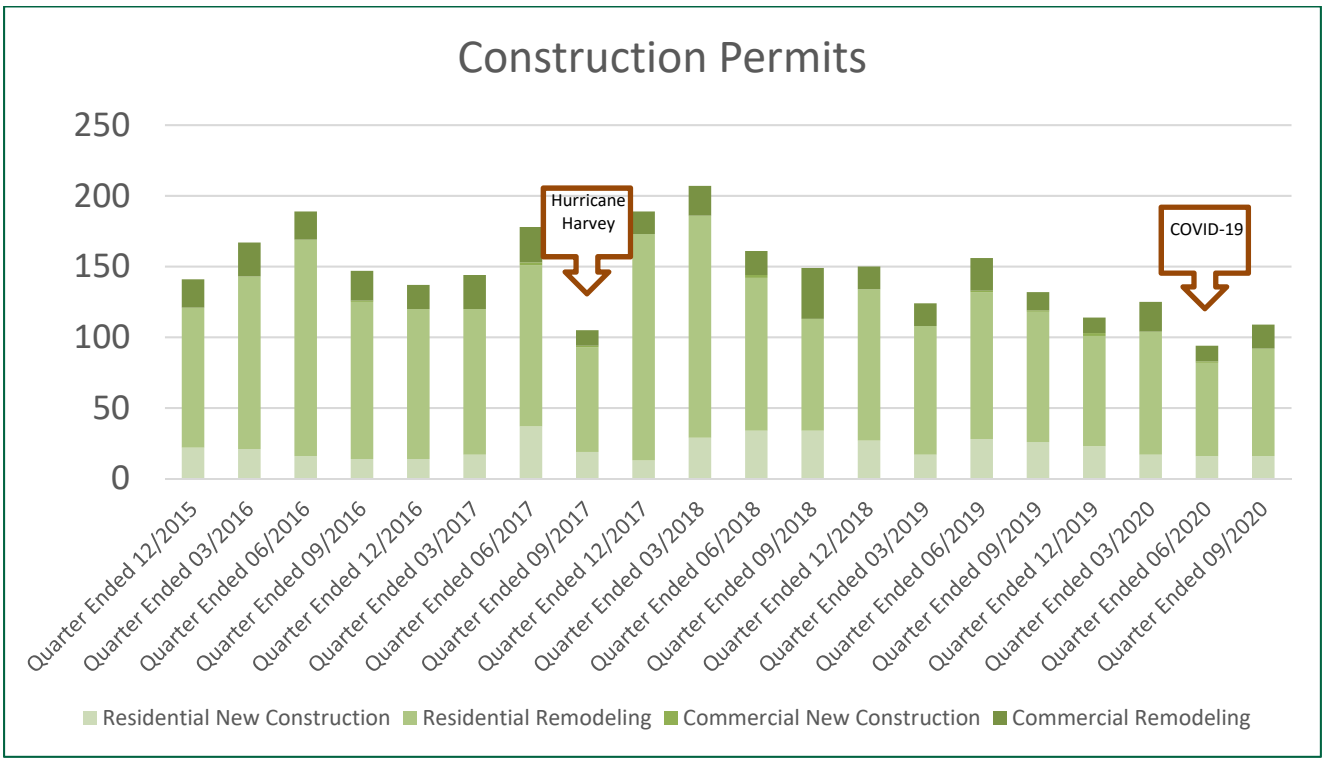



Revenue sources for governmental activities for fiscal year 2019 were distributed as follows:



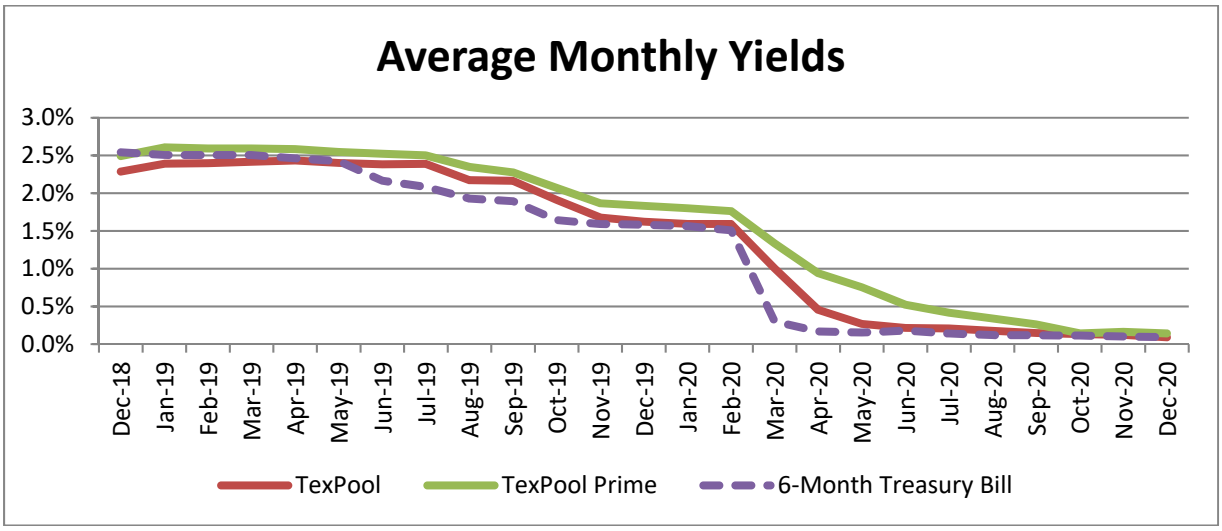
As reflected in the previous graph, property taxes are the primary revenue source for governmental activities. Property taxes increased from fiscal year 2019 to fiscal year 2020 due to an increase in property tax rates, increasing by 4.6%. Property taxes increased from 66% of revenues in fiscal year 2019 to 70% of revenues in fiscal year 2020. This was primarily due to lower than budgeted charges for services due to COVID-19. COVID-19 resulted in reduced charges for permits, parks and recreation fees, library fees, ambulance charges, and court fines. Charges for services decreased from 12% of total revenues in fiscal year 2019 to 8% of total revenues in fiscal year 2020. Other taxes decreased from 13% of total revenues to 12% of total revenues due to decreased franchise fees resulting from the implementation of Texas Senate Bill 1152 which allowed telecommunications companies providing both cable and telephone services to pay only the higher of the two franchise fees instead of both the cable and the telephone franchise fees.

Overall revenues from governmental activities decreased by $0.1 million, or 0.2%. The primary drivers were licenses and permits which decreased $1.0 million, or 39%, investment earnings which decreased $0.6 million, or 59%, and culture and recreation charges for services which decreased $0.4 million, or 51%. These decreases are primarily attributable to COVID-19. COVID-19 resulted in depressed levels of new home construction and home remodeling which negatively impacted licenses and permit revenue. As reflected in the following graph, the City experienced decreased permit activity during the second half of the fiscal year. The number of construction permits issued in the third fiscal quarter (three months ended June 2020) were lower than any other quarter in fiscal years 2016 – 2020, including lower than the quarter of Hurricane Harvey.




The library was closed from March through the end of the fiscal year and parks and recreation programming was severely curtailed due to COVID-19, which resulted in lower culture and recreation charges for services.

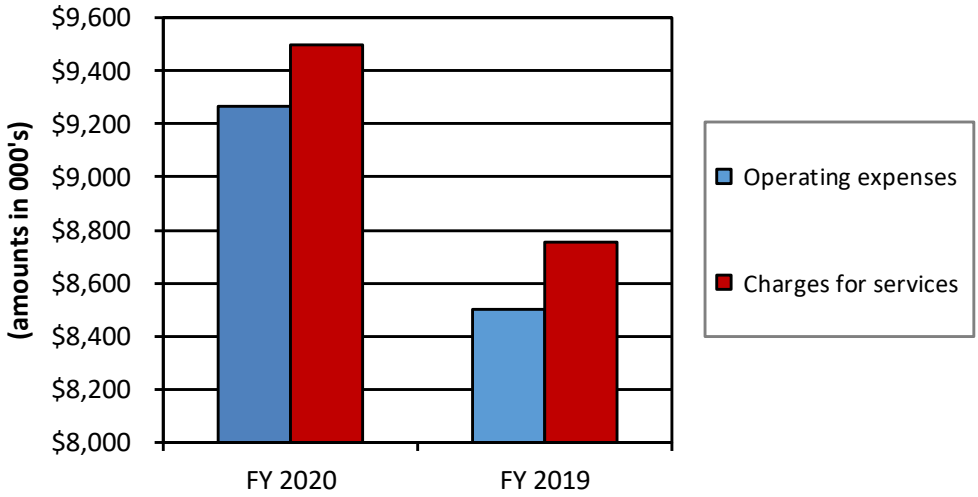
To stimulate economic activity during COVID-19, the Federal Reserve reduced the federal funds overnight interbank lending rate from a range of 1.50% - 1.75% down to 0.00% - 0.25% during March 2020. This resulted in corresponding lower yields on our investments in government pooled funds. The following graph illustrates the dramatic drop in yields on the TexPool and TexPool Prime government pooled funds.



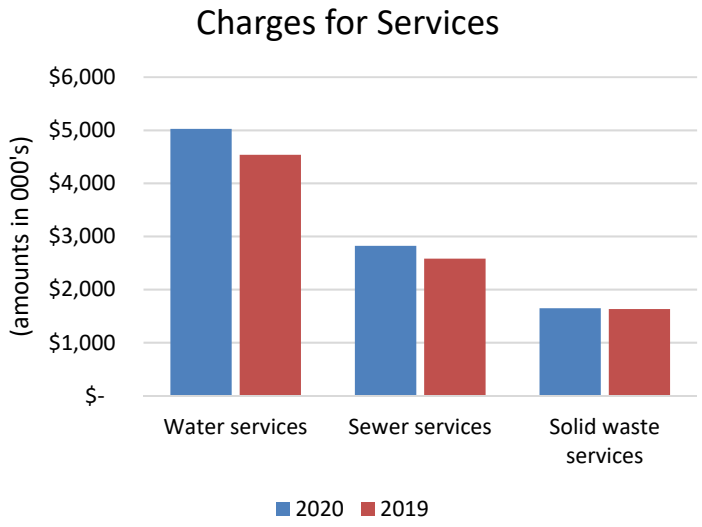

**Business-type Activities**

Business-type activities decreased the City's net position by $1.9 million, or 3%. For the year ended September 30, 2020, charges for services for water, sewer, and solid waste increased by $0.7 million, an increase of 8% from the previous year. Rates remained unchanged from the prior year, so the increase in revenues was attributable to increased consumption. For the year ended September 30, 2020, expenses for water, sewer, and solid waste increased by $0.8 million, an increase of 9% from the previous year.

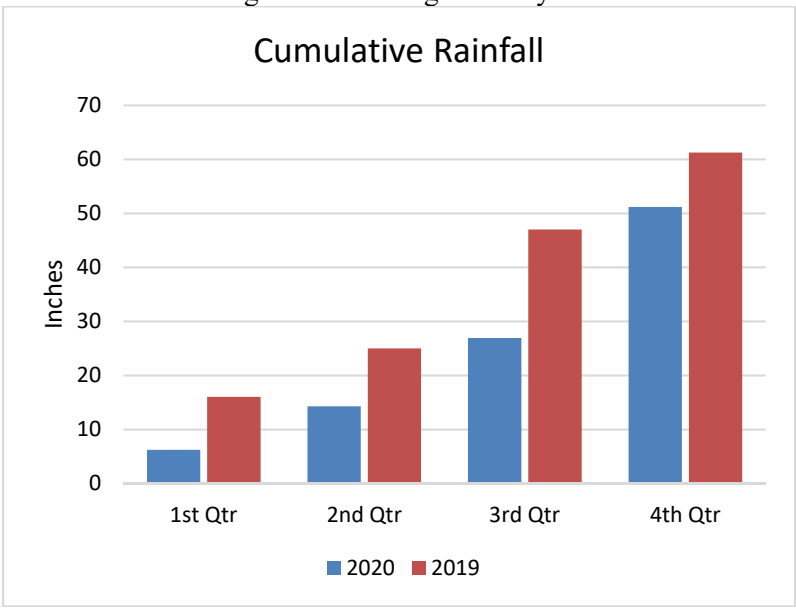
A comparison between operating expenses relating to water, sewer, and solid waste and program revenues (charges for services) for fiscal years 2020 and 2019 follows:



Most of the increase in program revenues was in water services and sewer services with very little change in solid waste services.




Water revenues increased by 10.8%; sewer revenues increased by 9.3%; and solid waste revenues by 0.9%. For fiscal year 2020 the enterprise fund water and wastewater rates increased by approximately 8.0% and solid waste rates remained unchanged. Most of the increase in revenues can be attributed to increased water and sewer rates. The remaining increase is attributable to increased demand for water and sewer services as more residents remained home due to COVID-19 pandemic and increased demand for irrigation. The City is primarily a residential community, so the increased residential water sales easily outpaced the reduced commercial water sales. Because a significant portion of water use is for irrigation, water use has a direct inverse correlation to rainfall. The more rainfall, the less water use. Commercial sewer services charges are tied directly to monthly water use, so lower water use also results in lower commercial sewer charges. Residential sewer services charges are based an average of the water used in the winter months, so lower water use in winter months results in lower residential sewer services charges. In addition to the increase in water demand from COVID-19, fiscal year 2020 experienced increased water demand for irrigation due to significantly less rainfall than fiscal year 2019



**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate 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 fiscal year.

As of the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of $30.1 million, a decrease of $2.8 million, or 8.7% or from the prior year. This decrease is mainly attributable to a $4.0 million decrease in fund balance in the capital bond fund for capital outlay expenditures. Approximately $5.6 million of the combined ending fund balances, 18.5%, is available for spending at the City's discretion (unassigned fund balance).

| *(in millions)* | General | Debt Service | Capital Bond | Capital Improvement | Non-Major | Total |
|---|---|---|---|---|---|---|
| 2020 Fund balance | $5.6 | $0.6 | $16.4 | $2.6 | $4.9 | $30.1 |
| 2019 Fund balance | 4.7 | 0.5 | 20.4 | 2.9 | 4.4 | 32.9 |
| Increase/(decrease) | $0.9 | $0.1 | ($4.0) | ($0.3) | $0.5 | ($2.8) |

The general fund is the chief operating fund of the City. At the end of the most recent fiscal year, the general fund reported an ending fund balance of $5.6 million, an increase of $0.9 million, or 19.1% from the prior year. The increase was primarily due to property taxes. Total revenues of $21.3 million exceeded total expenditures of $20.6 million. Other financing sources related to net transfers contributed $0.2 million to fund balance.

Unassigned fund balance of $5.6 million represents 27.0% of general fund operating expenditures, which exceeds the fund's minimum requirement of 16.4%.

The debt service fund has a total fund balance of $0.6 million at year-end, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was $0.1 million.

The City's capital bond fund expended $4.2 million on capital projects, resulting in an ending fund balance of $16.4 million.

The City's capital improvement fund expended $0.7 million on capital projects and received proceeds from capital related transfers of $0.1 million, resulting in an ending fund balance of $2.6 million.

The City's METRO fund, vehicle and equipment replacement fund, and special revenue fund comprise the City's non-major funds and are reflected as such in the aggregate on the balance sheet. The City's METRO fund reported an ending fund balance of $2.3 million, which was an increase of $0.2 million. This increase is a result of the City receiving more funds from the Metropolitan Transit Authority of Harris County than the City spent on mobility projects. The City's vehicle and equipment replacement fund reported an ending fund balance of $2.1 million, an increase of $0.2 million. The City's special revenue fund reported an ending fund balance of $0.5 million, approximately the same as the prior year.

*Proprietary Funds*

The City's sole proprietary fund, an enterprise fund, provides the same type of information found in the government-wide financial statements.

The City's enterprise fund operating revenues exceeded operating expenses by $0.3 million. Governmental funds contributed $1.4 million in business-type capital assets and the enterprise fund transferred $3.3 million to the governmental funds to help finance debt previously issued to fund business-type capital assets, to provide funds for future business-type capital improvements, and to reimburse the general fund for shared overhead expenses. The working capital of the enterprise fund at the end of the year amounted to $2.1 million or 31.77% of operating expenses, excluding depreciation, for the fund. This exceeds the fund's minimum requirement of 16.4%.

**General Fund Budgetary Highlights**

Actual general fund revenues were greater than final amended budgeted revenues by $0.2 million due to $1.7 million of disaster reimbursements mostly from the Federal Emergency Management Agency (FEMA) related to Hurricane Harvey debris removal costs incurred in fiscal year 2018. Excluding the disaster reimbursements, general fund revenues were under budget by $1.5 million primarily due to revenue shortfalls associated with COVID-19. General fund expenditures were less than the final budget by $0.8 million primarily due to programming reductions related to COVID-19. The general fund net increase in fund balance was $0.9 million, $1.0 million more than the final budgeted decrease in fund balance of $0.1 million. The unassigned ending fund balance of $5.6 million represents 27.2% of general fund operating expenditures.

The City's fund balance policy is to strive to maintain a minimum unassigned general fund balance equal to sixty (60) days of normal operating expenditures, which would equate to the fund balance representing approximately 16.4% of operating expenditures.

The fiscal year-end general fund unassigned balance at 27.2% of general fund expenditures is more than the 16.4% required by the City's minimum reserve policy.

The City's fiscal year 2020 general fund budget was structurally balanced with budgeted recurring revenues slightly exceeding budgeted recurring expenditures. The actual ending fund balance at September 30, 2020 is $1.0 million more than the final budgeted ending fund balance.

**Capital Asset and Debt Administration**

The City's capital assets for its governmental and business-type activities as of September 30, 2020, amounted to $161.9 million (net of accumulated depreciation). This investment in capital assets includes a variety of capital assets and infrastructure. Capital asset balances decreased by approximately $5.8 million from the prior year due to $7.7 million of depreciation expense.

Major capital asset events during the most recent fiscal year included street and drainage projects, water and wastewater projects, final construction costs of new city hall/police/court facilities, and new vehicles and equipment.

The following table shows the balances at September 30, 2020 and 2019 (in $000's):

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Capital assets not being depreciated: | | | | | | |
| Land and intangibles | $ 6,882 | $ 6,882 | $ 256 | $ 256 | $ 7,138 | $ 7,138 |
| Construction in progress | 5,898 | 8,261 | 2,544 | 12,013 | 8,443 | 20,274 |
| Capital assets, net of depreciation: | | | | | | |
| Infrastructure | 65,777 | 65,849 | 43,985 | 35,907 | 109,762 | 101,756 |
| Buildings and improvements | 28,636 | 29,590 | 3,691 | 3,925 | 32,327 | 33,515 |
| Vehicles and equipment | 2,272 | 2,666 | 1,956 | 2,364 | 4,228 | 5,030 |
| | $ 109,466 | $ 113,249 | $ 52,432 | $ 54,464 | $ 161,898 | $ 167,713 |

Additional information on the City's capital assets can be found in Note 4 to the basic financial statements.

**Long-term Liabilities**

At the end of the most recent fiscal year, the City had total bonded debt outstanding of $116.4 million, all of which is general obligation debt. This is a decrease of $6.8 million from the prior year due to the scheduled principal payments of $5.6 million made during the year and a net decrease of $1.2 million resulting from refunding activity ($17.8 million of refunding bonds issued offset by $19.0 million in refunded obligations retired). The entire amount of bonded debt is backed by the full faith and credit of the City.

A schedule of long-term liabilities at September 30, 2020 and 2019 follows (in $000's):

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Bonds payable: | | | | | | |
| General obligation bonds | $ 116,440 | $ 123,215 | $ - | $ - | $ 116,440 | $ 123,215 |
| Premiums | 5,311 | 4,394 | - | - | 5,311 | 4,394 |
| Other long-term liabilities: | | | | | | |
| Capital lease | 549 | 608 | - | - | 549 | 608 |
| Compensated absences | 959 | 883 | 64 | 45 | 1,023 | 928 |
| Sales Tax Payable | 670 | - | - | - | 670 | - |
| Net pension liability | 10,118 | 14,813 | 1,222 | 1,744 | 11,340 | 16,557 |
| Total OPEB liability | 1,847 | 1,590 | 283 | 245 | 2,130 | 1,835 |
| | $ 135,893 | $ 145,503 | $ 1,569 | $ 2,034 | $ 137,462 | $ 147,537 |

The City maintains an "AAA" rating from Standard & Poor's Ratings Services for general obligation debt.

Additional information on the City's long-term debt can be found in Note 5 to the basic financial statements.

**Economic Factors and Next Year's Budget and Rates**

As an enclave of Houston, the economy of the City is directly linked to the greater Houston region. The unemployment rate for the greater Houston region at December 31, 2020 was 8.0% compared to the United States' average unemployment rate of 6.7% per the U.S. Bureau of Labor Statistics. This represents an increase over the greater Houston region's December 31, 2019 unemployment rate of 3.6%, while the national unemployment rate increased during 2020 from 3.5% at December 31, 2019. COVID-19 resulted in increased unemployment rates both in the greater Houston region and nationally.

Coronaviruses are a family of viruses that can cause illnesses such as the common cold, severe acute respiratory syndrome (SARS) and Middle East respiratory syndrome (MERS). In 2019, a new coronavirus known as the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was identified. The disease it causes is called coronavirus disease 2019 (COVID-19). In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. While important City services were not interrupted, COVID-19 significantly impacted City operations during fiscal year 2020. Facilities were temporarily closed to the public. Recreation programming was limited. Schools were closed and many people worked from home. Many retail outlets within the City were temporarily closed, and others had limited operations, such as take-out only service at restaurants.

The general fund's three largest revenue sources – property taxes (65 percent of budgeted revenue), sales taxes (11 percent of budgeted revenue), and franchise taxes (6 percent of budgeted revenue) – had minimal negative impacts from COVID-19; however, COVID-19 had negative impacts on permits, fees, and licenses relating to building and development activity, parks and recreation revenues, public safety revenues, fines, and interest income. Overall, general fund fiscal year 2020 recurring revenues were $1.0 million or 5 percent, below budget. The general fund should be able absorb the impacts as the general fund balance at September 30, 2020 is $2.2 million over the sixty-day fund balance requirement.

The enterprise fund experienced a decrease in commercial water consumption due to COVID-19 which resulted in lower commercial water and wastewater revenues; however, the stay-at-home order resulted in dramatically increased residential water consumption, and therefore residential water revenues were significantly higher than budget in fiscal year 2020. Commercial wastewater charges are based on water consumption; however, residential wastewater charges are based on a winter-average water consumption, so the enterprise fund did not experience as dramatic of an increase in residential wastewater revenues as it did in residential water revenues. Overall, enterprise fund fiscal year 2020 revenues exceeded budget by $0.02 million or 0.2 percent, due to the increased residential water consumption.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided for reimbursement of eligible expenditures to state, local, and tribal governments through the Coronavirus Relief Fund. Direct payments were made to units of local government with populations exceeding 500,000. Due to our population size, the City was not eligible for a direct payment from the Coronavirus Relief Fund, however, Harris County used $28.5 million of its $426.0 million direct allocation to establish a Small Cities Assistance Program pursuant to which the City could receive up to $1.0 million of pass-thru funding. The City did participate in the Small Cities Assistance Program and received $1.0 million of reimbursement funding from Harris County in fiscal year 2021.

Hurricane Harvey, a category 4 major hurricane, made landfall in August 2017 approximately 175 miles southwest of the City. After landfall, its speed slowed dramatically to a crawl. For about two days, the storm stalled just inland, dropping very heavy rainfall and causing widespread flash flooding in the Houston area, including in Bellaire. Approximately 1,936 of the approximately 6,688 homes in Bellaire, or approximately 29%, had some level of water damage. The City had exceptionally large amounts of debris to remove from public right-of-ways, and the City suffered substantial damage to its wastewater treatment plant.

Because of the storm the aggregate taxable property values in the City decreased by approximately 2% for fiscal year 2019 (tax year 2018). Taxable property values for fiscal year 2020 (tax year 2019) increased approximately 1% over fiscal year 2019 values but have not fully returned to pre-storm levels. In the near term we expect aggregate property values to slowly recover, and in the longer term we expect aggregate property values to continue to increase. Many of the homes that flooded were older, smaller homes built prior to the 1970's. We have seen a resurgence of new construction with new, larger homes being built in their place. The replacement process is occurring, but it will take time. COVID-19 interrupted the development activity in fiscal year 2020, but we anticipate residential development will increase once the COVID-19 public health crisis abates. The following table illustrates the increased post-Harvey residential construction activity.

| Fiscal Year | New Residential | | Residential Remodeling | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| 2015 | 98 | $52,190,001 | 364 | $7,154,236 |
| 2016 | 73 | $44,585,564 | 485 | $9,877,019 |
| 2017 | 87 | $49,790,628 | 397 | $7,407,337 |
| 2018 | 110 | $62,397,992 | 504 | $11,452,249 |
| 2019 | 98 | $64,135,455 | 394 | $9,405,288 |
| 2020 | 72 | $50,226,993 | 307 | $9,189,284 |

These new homes will have considerably more taxable value than the homes they replace, and they will be less likely to flood. The current building code was implemented in 2007 and requires new homes constructed to be elevated to one foot above the base flood elevation. That regulatory standard worked well during Hurricane Harvey: of the homes that flooded, only approximately 2% were built to the current standard.

The City incurred significant unbudgeted costs associated with recovery and repair, most significantly costs related to debris removal. Because of Hurricane Harvey expenditures, the general fund balance was slightly below its 60-day minimum reserve at September 30, 2018 but was restored above the minimum reserve by September 30, 2019. Thus, the reserve fund balance worked exactly as it is supposed to providing a cushion for significant unexpected expenditures.

Most of our Hurricane Harvey costs, which were incurred in fiscal years 2017 and 2018, were reimbursed through the City's insurance and the Federal Emergency Management Agency (FEMA). The City received insurance reimbursements and reimbursements of eligible expenditures in fiscal years 2017, 2018, 2019, and 2020. Fiscal year 2020 reimbursements totaled $1.2 million, including $1.1 million for debris removal.

Each year the budget is prepared on key objectives and assumptions. The annual budget process is part of a broader long-term strategic planning process that includes at its foundation a comprehensive plan for the City and priorities established by City Council

The property tax rate for fiscal year 2020 (tax year 2019) increased by approximately 3.7% to $0.4473 per $100 of assessed value. The City's property tax rate for fiscal year 2021 (tax year 2020) is unchanged from fiscal year 2020 (tax year 2019).

For fiscal year 2020 the enterprise fund water and wastewater rates increased by approximately 8.0% and solid waste rates remained unchanged. Water, wastewater, and solid waste rates remained unchanged for fiscal year 2021.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information should be addressed to the Chief Financial Officer, City of Bellaire, 7008 South Rice Avenue, Bellaire, Texas 77401-4411.

# BASIC FINANCIAL STATEMENTS

City of Bellaire

# CITY OF BELLAIRE, TEXAS
***STATEMENT OF NET POSITION***
***September 30, 2020***

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Reconciliation | Total |
| **Assets** | | | | |
| Cash and cash equivalents | $ 31,197,694 | $ 1,111,289 | $ - | $ 32,308,983 |
| Receivables, net of allowance | 1,616,895 | 1,492,852 | - | 3,109,747 |
| Prepaid items | 16,771 | 367,121 | - | 383,892 |
| Nondepreciable capital assets | 12,780,740 | 2,800,400 | - | 15,581,140 |
| Depreciable capital assets, net of depreciation | 96,685,608 | 49,631,677 | - | 146,317,285 |
| **Total Capital Assets** | 109,466,348 | 52,432,077 | - | 161,898,425 |
| **Total Assets** | 142,297,708 | 55,403,339 | - | 197,701,047 |
| **Deferred Outflows of Resources** | | | | |
| Deferred charge on refunding | 1,557,149 | - | - | 1,557,149 |
| Deferred outflows - pension | 1,704,318 | 189,369 | - | 1,893,687 |
| Deferred outflows - OPEB | 326,024 | 57,081 | - | 383,105 |
| **Total Deferred Outflows of Resources** | 3,587,491 | 246,450 | - | 3,833,941 |
| **Liabilities** | | | | |
| Accounts payable and accrued expenses | 2,322,475 | 761,396 | - | 3,083,871 |
| Customer deposits | - | 89,390 | - | 89,390 |
| Accrued interest payable | 512,950 | - | - | 512,950 |
| Long-term liabilities: | | | | |
| Due within one year | 6,215,503 | 29,807 | - | 6,245,310 |
| Due in more than one year | 117,041,972 | 33,891 | - | 117,075,863 |
| Sales Tax Payable | 669,965 | - | - | 669,965 |
| Net pension liability | 10,118,014 | 1,221,693 | - | 11,339,707 |
| Total OPEB liability | 1,847,248 | 282,853 | - | 2,130,101 |
| **Total Liabilities** | 138,728,127 | 2,419,030 | - | 141,147,157 |
| **Deferred Inflows of Resources** | | | | |
| Deferred inflows - pension | 2,102,460 | 233,607 | - | 2,336,067 |
| Deferred inflows - OPEB | 20,084 | 3,515 | - | 23,599 |
| **Total Deferred Inflows of Resources** | 2,122,544 | 237,122 | - | 2,359,666 |
| **Net Position** | | | | |
| Net investment in capital assets | 31,848,866 | 52,432,077 | (26,695,609) | 57,585,334 |
| Restricted for: | | | | |
| Special revenue | | | | |
| Public, educational, and governmental programming fees | 167,301 | - | - | 167,301 |
| Police and fire department vehicles and equipment | 137,274 | - | - | 137,274 |
| Library supplies and equipment | 26,175 | - | - | 26,175 |
| Municipal court technology | 100,876 | - | - | 100,876 |
| Parks and recreation equipment | 20,035 | - | - | 20,035 |
| Debt service | 150,820 | - | - | 150,820 |
| Capital projects | | | | |
| Metropolitan streets or METRO | 2,291,252 | - | - | 2,291,252 |
| Unrestricted | (29,708,071) | 561,560 | 26,695,609 | (2,450,902) |
| **Total Net Position** | $ 5,034,528 | $ 52,993,637 | $ - | $ 58,028,165 |

See notes to the financial statements.

***STATEMENT OF ACTIVITIES***
***For the Year Ended September 30, 2020***

| Functions/Programs | Expenses | Program Revenue: Charges for Services | Program Revenue: Operating Grants and Contributions |
|---|---|---|---|
| **Primary Government** | | | |
| Governmental Activities: | | | |
| General government | $ 5,717,274 | $ 1,563,562 | $ - |
| Public safety | 11,283,113 | 346,319 | 154,403 |
| Public works | 6,450,241 | - | 2,655,898 |
| Culture and recreation | 4,621,189 | 430,106 | 51,206 |
| Interest on long-term debt | 4,241,197 | - | - |
| **Total Governmental Activities** | 32,313,014 | 2,339,987 | 2,861,507 |
| Business-type Activities: | | | |
| Water system | 6,518,393 | 5,025,743 | 11,055 |
| Sewer system | 1,202,515 | 2,821,725 | - |
| Solid waste | 1,543,437 | 1,647,824 | - |
| Total business-type activities | 9,264,345 | 9,495,292 | 11,055 |
| **Total Primary Government** | $ 41,577,359 | $ 11,835,279 | $ 2,872,562 |

***STATEMENT OF ACTIVITIES***

***For the Year Ended September 30, 2020***

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position<br>Primary Government<br>Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **Primary Government** | | | |
| Governmental Activities: | | | |
| General government | $ (4,153,712) | $ - | $ (4,153,712) |
| Public safety | (10,782,391) | - | (10,782,391) |
| Public works | (3,794,343) | - | (3,794,343) |
| Culture and recreation | (4,139,877) | - | (4,139,877) |
| Interest on long-term debt | (4,241,197) | - | (4,241,197) |
| **Total Governmental Activities** | (27,111,520) | - | (27,111,520) |
| Business-type Activities: | | | |
| Water system | - | (1,481,595) | (1,481,595) |
| Sewer system | - | 1,619,210 | 1,619,210 |
| Solid waste | - | 104,387 | 104,387 |
| Total business-type activities | - | 242,002 | 242,002 |
| **Total Primary Government** | (27,111,520) | 242,002 | (26,869,518) |
| **General Revenues:** | | | |
| Taxes: | | | |
| Property taxes | 21,398,243 | - | 21,398,243 |
| Sales and use taxes | 2,479,303 | - | 2,479,303 |
| Franchise taxes | 1,294,440 | - | 1,294,440 |
| Investment income | 391,574 | 7,822 | 399,396 |
| Miscellaneous | 2,137 | 127,509 | 129,646 |
| **Transfers** | 2,230,365 | (2,230,365) | - |
| **Total General Revenues and Transfers** | 27,796,062 | (2,095,034) | 25,701,028 |
| Change in net position | 684,542 | (1,853,032) | (1,168,490) |
| **Net Position - Beginning** | 7,314,216 | 55,234,473 | 62,548,689 |
| Prior period adjustment | (2,964,230) | (387,804) | (3,352,034) |
| **Net Position - Ending** | $ 5,034,528 | $ 52,993,637 | $ 58,028,165 |

**CITY OF BELLAIRE, TEXAS**
***BALANCE SHEET***
***GOVERNMENTAL FUNDS***
***September 30, 2020***

| | General | Debt Service | Capital Bond |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 5,644,830 | $ 562,679 | $ 17,521,757 |
| Receivables, net of allowance | 1,037,509 | 101,091 | - |
| Prepaid items | 16,771 | - | - |
| **Total Assets** | 6,699,110 | 663,770 | 17,521,757 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | 773,079 | - | 1,093,339 |
| **Total Liabilities** | 773,079 | - | 1,093,339 |
| **Deferred Inflows of Resources** | | | |
| Unavailable revenues - other | 164,370 | - | - |
| Unavailable revenues - property taxes | 187,289 | 101,091 | - |
| **Total Deferred Inflows of Resources** | 351,659 | 101,091 | - |
| **Fund Balances** | | | |
| Nonspendable | 16,771 | - | - |
| Restricted: | | | |
| Public, educational, and governmental programming fees | - | - | - |
| Police and fire department vehicles and equipment | - | - | - |
| Library supplies and equipment | - | - | - |
| Municipal court technology | - | - | - |
| Parks and recreation equipment | - | - | - |
| Debt service | - | 562,679 | - |
| Metropolitan streets or METRO | - | - | - |
| Drainage and city facilities | - | - | 16,428,418 |
| Committed: | | | |
| City facilities and equipment | - | - | - |
| Unassigned | 5,557,601 | - | - |
| **Total Fund Balances** | 5,574,372 | 562,679 | 16,428,418 |
| **Total Liabilities, Deferred Inflows, and Fund Balances** | $ 6,699,110 | $ 663,770 | $ 17,521,757 |

**CITY OF BELLAIRE, TEXAS**
***BALANCE SHEET***
***GOVERNMENTAL FUNDS***
***September 30, 2020***

| | Capital Improvement | Non-Major Governmental Funds | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 2,753,520 | $ 4,714,908 | $ 31,197,694 |
| Receivables, net of allowance | 247,530 | 230,765 | 1,616,895 |
| Prepaid items | - | - | 16,771 |
| **Total Assets** | 3,001,050 | 4,945,673 | 32,831,360 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | 370,877 | 85,180 | 2,322,475 |
| **Total Liabilities** | 370,877 | 85,180 | 2,322,475 |
| **Deferred Inflows of Resources** | | | |
| Unavailable revenues - other | - | - | 164,370 |
| Unavailable revenues - property taxes | - | - | 288,380 |
| **Total Deferred Inflows of Resources** | - | - | 452,750 |
| **Fund Balances** | | | |
| Nonspendable | - | - | 16,771 |
| Restricted: | | | |
| Public, educational, and governmental programming fees | - | 167,301 | 167,301 |
| Police and fire department vehicles and equipment | - | 137,274 | 137,274 |
| Library supplies and equipment | - | 26,175 | 26,175 |
| Municipal court technology | - | 100,876 | 100,876 |
| Parks and recreation equipment | - | 20,035 | 20,035 |
| Debt service | - | - | 562,679 |
| Metropolitan streets or METRO | - | 2,291,252 | 2,291,252 |
| Drainage and city facilities | - | - | 16,428,418 |
| Committed: | | | |
| City facilities and equipment | 2,630,173 | 2,117,580 | 4,747,753 |
| Unassigned | - | - | 5,557,601 |
| **Total Fund Balances** | 2,630,173 | 4,860,493 | 30,056,135 |
| **Total Liabilities, Deferred Inflows, and Fund Balances** | $ 3,001,050 | $ 4,945,673 | $ 32,831,360 |

City of Bellaire

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

| | | |
|---|---|---|
| **Total fund balance of governmental funds in the Governmental Funds Balance Sheet** | $ | 30,056,135 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | | 109,466,348 |
| Certain other unavailable assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | | |
| Unavailable revenue | | 452,750 |
| Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. | | |
| Bonds payable, at maturity | | (116,440,000) |
| Premium/discount on bonds payable | | (5,311,097) |
| Sales tax payable | | (669,965) |
| Capital lease obligation | | (547,561) |
| Total OPEB liability | | (1,847,248) |
| Accrued long-term interest | | (512,950) |
| Compensated absences | | (958,817) |
| Net pension liability | | (10,118,014) |
| Deferred charge on refunding | | 1,557,149 |
| Deferred outflows of resources relating to pension activities | | 1,704,318 |
| Deferred inflows of resources relating to pension activities | | (2,102,460) |
| Deferred inflows of resources relating to OPEB activities | | (20,084) |
| Deferred outflows of resources relating to OPEB activities | | 326,024 |
| **Net position of governmental activities in the Statement of Net Position** | $ | 5,034,528 |

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

| | General Fund | Debt Service | Capital Bond |
|---|---|---|---|
| **Revenues** | | | |
| Taxes: | | | |
| Property taxes | $ 13,890,947 | $ 7,434,838 | $ - |
| Sales and use taxes | 2,479,303 | - | - |
| Franchise taxes | 1,241,915 | - | - |
| Fines and forfeitures | 388,464 | - | - |
| Licenses and permits | 1,150,979 | - | - |
| Charges for services | 772,210 | - | - |
| Investment earnings | 98,333 | 12,278 | 258,333 |
| Intergovernmental | 1,183,929 | - | - |
| Other | 97,233 | - | - |
| **Total Revenues** | 21,303,313 | 7,447,116 | 258,333 |
| **Expenditures** | | | |
| Current: | | | |
| General government | 5,167,114 | - | - |
| Public safety | 9,982,450 | - | - |
| Public works | 1,245,689 | - | - |
| Culture and recreation | 4,162,504 | - | - |
| Capital outlay | - | - | 4,216,640 |
| Debt service: | | | |
| Principal | - | 5,575,000 | - |
| Interest and other charges | - | 4,004,154 | - |
| Bond issuance costs and fees | - | - | 17,800 |
| **Total Expenditures** | 20,557,757 | 9,579,154 | 4,234,440 |
| Revenues over (under) expenditures | 745,556 | (2,132,038) | (3,976,107) |
| **Other Financing Sources (Uses)** | | | |
| Proceeds from issuance of general obligation refunding bonds | - | 17,800,000 | - |
| Premium on bonds issued | - | 1,870,779 | - |
| Payment to bond refunding escrow agent | - | (19,642,650) | - |
| Transfers in | 624,000 | 2,145,813 | - |
| Transfers out | (471,000) | - | - |
| Sale of general capital assets | 25,528 | - | - |
| **Total Other Financing Sources (Uses)** | 178,528 | 2,173,942 | - |
| Net changes in fund balances | 924,084 | 41,904 | (3,976,107) |
| **Fund Balances - Beginning** | 4,650,288 | 520,775 | 20,404,525 |
| **Fund Balances - Ending** | $ 5,574,372 | $ 562,679 | $ 16,428,418 |

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

| | Capital Improvement | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **Revenues** | | | |
| Taxes: | | | |
| Property taxes | $ - | $ - | $ 21,325,785 |
| Sales and use taxes | - | - | 2,479,303 |
| Franchise taxes | - | 52,525 | 1,294,440 |
| Fines and forfeitures | - | 33,802 | 422,266 |
| Licenses and permits | - | - | 1,150,979 |
| Charges for services | - | - | 772,210 |
| Investment earnings | - | 22,630 | 391,574 |
| Intergovernmental | 247,530 | 1,224,439 | 2,655,898 |
| Other | - | 256,215 | 353,448 |
| **Total Revenues** | 247,530 | 1,589,611 | 30,845,903 |
| **Expenditures** | | | |
| Current: | | | |
| General government | - | 13,089 | 5,180,203 |
| Public safety | - | 165,214 | 10,147,664 |
| Public works | - | - | 1,245,689 |
| Culture and recreation | - | 164,699 | 4,327,203 |
| Capital outlay | 697,367 | 1,605,170 | 6,519,177 |
| Debt service: | | | |
| Principal | - | - | 5,575,000 |
| Interest and other charges | - | - | 4,004,154 |
| Bond issuance costs and fees | - | - | 17,800 |
| **Total Expenditures** | 697,367 | 1,948,172 | 37,016,890 |
| Revenues over (under) expenditures | (449,837) | (358,561) | (6,170,987) |
| **Other Financing Sources (Uses)** | | | |
| Proceeds from issuance of general obligation refunding bonds | - | - | 17,800,000 |
| Premium on bonds issued | - | - | 1,870,779 |
| Payment to bond refunding escrow agent | - | - | (19,642,650) |
| Transfers in | 140,000 | 831,000 | 3,740,813 |
| Transfers out | - | - | (471,000) |
| Sale of general capital assets | - | - | 25,528 |
| **Total Other Financing Sources (Uses)** | 140,000 | 831,000 | 3,323,470 |
| Net changes in fund balances | (309,837) | 472,439 | (2,847,517) |
| **Fund Balances - Beginning** | 2,940,010 | 4,388,054 | 32,903,652 |
| **Fund Balances - Ending** | $ 2,630,173 | $ 4,860,493 | $ 30,056,135 |

See notes to the financial statements.

# CITY OF BELLAIRE, TEXAS

***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***

***For the Year Ended September 30, 2020***

| | |
|---|---|
| **Net changes in governmental fund balances in the Statement of Revenues, Expenditures and Changes in Fund Balances** | $ (2,847,517) |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. | |
| This is the amount by which capital outlay ($4,682,193) is exceeded by depreciation ($5,007,989) in the current period. | (325,796) |
| Capital improvements transferred to and capitalized by business-type activities but reported in the governmental funds as expenditures. | (1,039,448) |
| Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the book value of the asset sold. | (122,965) |
| Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. | 18,725 |
| Pension contributions made after the measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position. | 2,172,866 |
| OPEB contributions made after the measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position. | 46,872 |
| Governmental funds report the proceeds of bond sales as another financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities. | (17,800,000) |
| Governmental funds report repayment of bond principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt. | 24,635,177 |
| Deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Position. The net change for each represents an increase/(decrease) in net position. | |
| Bond premiums/discounts | (916,836) |
| Gain/loss on refunding | (556,763) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: | |
| Changes in accrued interest | 26,227 |
| Changes in accrued compensated absences | (76,092) |
| Pension expense for the plan measurement year | (2,361,728) |
| OPEB expense for the plan measurement year | (168,180) |
| **Change in net position of governmental activities in the Statement of Activities** | $ 684,542 |

# CITY OF BELLAIRE, TEXAS
***STATEMENT OF NET POSITION***
***PROPRIETARY FUND***
***September 30, 2020***

| | Business-type Activities Enterprise |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and cash equivalents | $ 1,111,289 |
| Accounts receivable, net | 1,492,852 |
| Prepaid items | 367,121 |
| **Total Current Assets** | 2,971,262 |
| Non-current assets: | |
| Capital assets not being depreciated: | |
| Land | 256,148 |
| Construction in progress | 2,544,252 |
| Other capital assets, net of depreciation: | |
| Buildings and improvements | 12,039,531 |
| Infrastructure | 97,850,646 |
| Vehicles and equipment | 4,866,960 |
| Less: accumulated depreciation | (65,125,460) |
| **Total Non-current Assets** | 52,432,077 |
| **Total Assets** | 55,403,339 |
| | |
| **Deferred Outflows of Resources** | |
| Deferred outflows related to pension activities | 189,369 |
| Deferred outflows relating to OPEB activities | 57,081 |
| **Total Deferred Outflows of Resources** | 246,450 |
| | |
| **Liabilities** | |
| Current liabilities: | |
| Accounts payable | 761,396 |
| Deposits | 89,390 |
| Long-term liabilities due in less than one year | 29,807 |
| **Total Current Liabilities** | 880,593 |
| Non-current liabilities: | |
| Long-term liabilities due in more than one year | 33,891 |
| Net pension liability | 1,221,693 |
| Total OPEB liability | 282,853 |
| **Total Non-current Liabilities** | 1,538,437 |
| **Total Liabilities** | 2,419,030 |
| | |
| **Deferred Inflows of Resources** | |
| Deferred inflows related to pension activities | 233,607 |
| Deferred inflows relating to OPEB activities | 3,515 |
| **Total Deferred Inflows of Resources** | 237,122 |
| | |
| **Net Position** | |
| Investment in capital assets | 52,432,077 |
| Unrestricted | 561,560 |
| | |
| **Total Net Position** | $ 52,993,637 |

See notes to the financial statements.

**CITY OF BELLAIRE, TEXAS**
***STATEMENT REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION***
***PROPRIETARY FUND***
***For the Year Ended September 30, 2020***

| | Business-type Activities Enterprise |
|---|---|
| **Operating Revenues** | |
| Water services | $ 5,025,705 |
| Sewer services | 2,821,763 |
| Solid waste services | 1,647,824 |
| Miscellaneous | 110,339 |
| **Total Operating Revenues** | 9,605,631 |
| | |
| **Operating Expenses** | |
| Personnel services | 1,867,103 |
| Supplies and materials | 2,651,119 |
| Contractual services | 1,287,001 |
| Repairs and maintenance | 775,224 |
| Depreciation | 2,683,898 |
| **Total Operating Expenses** | 9,264,345 |
| **Operating Income** | 341,286 |
| | |
| **Non-operating Revenues** | |
| Interest income | 7,822 |
| Gain on disposal of capital assets | 17,170 |
| Intergovernmental revenue | 11,055 |
| **Total Non-operating Revenues** | 36,047 |
| **Income Before Capital Contributions and Transfers** | 377,333 |
| Capital contributions | 1,039,448 |
| Transfers out | (3,269,813) |
| Change in net position | (1,853,032) |
| **Total Net Position - Beginning** | 55,234,473 |
| Prior period adjustment | (387,804) |
| **Total Net Position - Ending** | $ 52,993,637 |

See notes to the financial statements.

**CITY OF BELLAIRE, TEXAS**
***STATEMENT OF CASH FLOWS***
***PROPRIETARY FUND***
***For the Year Ended September 30, 2020***

| | Business-type Activities Enterprise | |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Receipts from customers and users | $ | 9,646,116 |
| Payments to suppliers | | (4,267,583) |
| Payments to employees | | (1,771,259) |
| **Net Cash Provided By Operating Activities** | | 3,607,274 |
| **Cash Flows From Noncapital Financing Activities** | | |
| Intergovernmental revenue | | 11,055 |
| Transfers to other funds | | (3,269,813) |
| **Net Cash Used By Noncapital Financing Activities** | | (3,258,758) |
| **Cash Flows From Investing Activities** | | |
| Interest income | | 7,822 |
| Gain on sale of capital assets | | 17,170 |
| **Net Cash Provided By Investing Activities** | | 24,992 |
| Net increase in cash and cash equivalents | | 373,508 |
| **Cash and Cash Equivalents - Beginning** | | 737,781 |
| **Cash and Cash Equivalents - Ending** | $ | 1,111,289 |
| **Reconciliation of Operating Income to Net Cash Provided By Operating Activities** | | |
| Operating income | $ | 341,286 |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation | | 2,683,898 |
| (Increase) decrease in accounts receivable | | 46,810 |
| (Increase) decrease in prepaid expenses | | 118,042 |
| (Increase) decrease in deferred outflows relating to pension activities | | 383,283 |
| (Increase) decrease in deferred outflows relating to OPEB activities | | (24,462) |
| Increase (decrease) in accounts payable | | 327,719 |
| Increase (decrease) in accrued compensated absences | | 18,624 |
| Increase (decrease) in total OPEB liability | | 37,426 |
| Increase (decrease) in customer deposits | | (6,325) |
| Increase (decrease) in net pension liability | | (522,418) |
| Increase (decrease) in deferred inflows relating to relating to OPEB activities | | 1,527 |
| Increase (decrease) in deferred inflows relating to pension activities | | 201,864 |
| **Net Cash Provided By Operating Activities** | $ | 3,607,274 |
| **Non-cash Transactions** | | |
| Capital assets transferred to enterprise fund from governmental activities | $ | 1,039,448 |

City of Bellaire

## Note 1 - Summary of Significant Accounting Policies

### A. Financial Reporting Entity

The City of Bellaire, Texas (the "City") was incorporated under the laws of the State of Texas on June 24, 1918. The City operates under a "Home Rule Charter" which provides for a "Council-Manager" form of government.

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

The City provides the following services: public safety to include police, fire, and emergency medical services; streets; sanitation; water and sewer services; recreation; public improvements; planning and zoning; and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared after considering the potential for inclusion of other entities, organizations, or functions as part of the City's financial 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 legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

### B. Government-Wide Financial Statements

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

### 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**C. Basis of Presentation - Government-Wide Financial Statements (continued)**

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. 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 non-major funds.

The City reports the following governmental funds:

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

The *debt service fund* is used to account for the payment of interest and principal on all long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for financial reporting purposes.

The *capital projects funds* are used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings for capital improvement projects. The capital projects funds include the capital improvement fund, which accounts for those projects funded by tax revenue; the capital bond fund, which includes those projects funded with bond proceeds; the metro fund; and the vehicle and equipment replacement fund, which includes those projects funded with revenue from other governmental sources. The capital bond fund and the capital improvement fund are considered major governmental funds for financial reporting purposes. The metro fund and vehicle and equipment replacement fund are considered non-major funds for financial reporting purposes.

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue fund is considered s non-major fund for reporting purposes.

The City reports the following proprietary funds:

The *enterprise fund* is used to account for the operations that provide water and wastewater collection and wastewater treatment, as well as solid waste services. 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 financial reporting purposes.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**D. Basis of Presentation - Fund Financial Statements (continued)**

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

**E. Measurement Focus and Basis of Accounting**

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**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, balances in privately managed public funds investment pools ("TexPool", "TexPool Prime", and "TexSTAR") 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 maturities of three months or less when purchased to be cash equivalents.

Cash balances from all funds are combined and invested in money market accounts, investment pools, and U.S. Government securities. Earnings from these investments are allocated to each fund based on month end equity balances in the investment pool.

The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

**2. Investments**

The City reports all investments at fair value based on quoted market prices at year-end date. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit
- Mutual funds of specific type
- Statewide investment pools

**3. Inventories and Prepaid Items**

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

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of a significant portion of the capital assets in the infrastructure category has been estimated based on management's estimated historical cost.

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**4. Capital Assets (continued)**

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effect of capitalization materially impacts 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:

| Asset | Estimated Useful Lives |
|---|---|
| Infrastructure | 10 to 40 years |
| Building and improvements | 5 to 40 years |
| Vehicles and equipment | 4 to 10 years |

**5. 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. The City has three items that qualify for reporting in this category.

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Deferred outflows of resources for pension activities - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; and 3) differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees active and inactive employees) that are provided with pensions through the pension plan.

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**5. Deferred Outflows/Inflows of Resources (continued)**

- Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government-wide financial statement of net position, these deferred outflows result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits.

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. The City has three items that qualify for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes, paving assessments and ambulance fees arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Deferred inflows of resources for pension activities - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- Deferred inflows of resources for other post-employment benefits (OPEB) - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB.

**6. Compensated Employee Absences**

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**7. 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 effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

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

**8. 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.

**9. 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.

**10. 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. Limitations 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**10. Fund Balance Policies (continued)**

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.

**11. Other Post-Employment Benefits**

The City allows retirees to continue participation in the City's health care plan through an opt-in provision. Employees separating employment with the City who have had at least five years of service with the City and who are eligible for Texas Municipal Retirement System retirement benefits at the date of separation may purchase retiree health insurance through the City. Other terminating employees may be eligible for continued medical coverage under applicable federal laws.

Additionally, the City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City’s total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS’ consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

**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 and 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**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 during September 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. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. A penalty of six percent and interest of one percent are added to delinquent taxes on February 1. The penalty amount increases to a maximum of 12 percent on July 1 of each year, with interest continuing to increase at one percent per month until the account is paid. An additional penalty of 15 percent is added in July for attorney costs. There are no discounts allowed on taxes.

**3. Proprietary Funds Operating and Non-operating 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.

**H. Stewardship, Compliance, and Accountability**

Annual budgets are adopted for all funds. The general fund, enterprise fund, and debt service fund are primarily funded through tax revenues and charges for services. Annual appropriations for these funds lapse at fiscal year-end.

The remaining five funds (special revenue fund, vehicle and equipment replacement fund, capital improvement fund, capital bond fund, and METRO fund) are primarily funded by (1) annually appropriated transfers from the general fund and enterprise fund, (2) proceeds from voter approved bond issuances, and (3) restricted revenue sources such as donations, grants, METRO Mobility funds, and municipal court fees. Appropriations for these funds do not lapse at fiscal year-end. Appropriations for the capital project funds are project-length while appropriations for the special revenue fund are based on the available restricted revenue sources mentioned above.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**I. Implementation of New Accounting Standards**

The following GASB pronouncements have been implemented by the City in the current fiscal year:

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statements was issued was in March 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

The effective dates of the following pronouncements are postponed by 12 months:
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:
- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The following GASB pronouncements have been issued but not yet implemented by the City:

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. It was issued in June 2020, but the requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.

The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. Implementation of this Statement is planned for fiscal year 2022.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this Statement is planned for fiscal year 2023.

## Note 2 - Deposits (Cash) and Investments

As of September 30, 2020, the City reported the following deposits (cash) and investments:

| | Fair Value | Weighted Average Maturities (Days) | Credit Rating |
|---|---|---|---|
| Cash | $ 6,657,474 | 1 | N/A |
| External investment pools: | | | |
| TexPool | 6,412,687 | 38 | AAAm |
| TexPool Prime | 19,238,176 | 49 | AAAm |
| TexSTAR | 646 | 39 | AAAm |
| Total Fair Value | $ 32,308,983 | | |
| | | | |
| Portfolio weighted average maturity (days) | | 37 | |

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

*Credit risk.* State law and the City's investment policy limit investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent. Further, commercial paper must be rated not less than "A-1" or "P-1" or an equivalent rating by at least two nationally recognized credit rating agencies. As of September 30, 2020, the City's investments in TexPool, TexPool Prime, and TexSTAR were rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

*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. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2020, the City's bank balance was $6,858,187 and the carrying value of cash on deposit was $6,657,474. Fair values of pledged securities and FDIC insurance exceeded bank balances.

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

### Local Government Investment Pools

Local government investment pools are pooled investment funds that operates like money market mutual funds for the exclusive benefit of governments within the entities' jurisdiction. These pools typically combine the cash of participating jurisdictions and invest the cash in securities allowed under the state's laws regarding government investments. By pooling funds, participating governments benefit from economies of scale, full-time portfolio management, diversification, and liquidity. As of September 30, 2020, the City's investments included TexPool, TexPool Prime, and TexSTAR local government investment pools. Investments in the investment pools are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

The TexPool portfolios are comprised of two investment alternatives: TexPool and TexPool Prime.

**Note 2 - Deposits (Cash) and Investments (continued)**

**Local Government Investment Pools (continued)**

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. 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. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares.

Accordingly, the City's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAm by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund maintains a maturity of 60 days or less, with a maximum of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of Texas PFIA for local government investment pools.

TexSTAR is overseen by a five member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the pool has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. GASB Statement No. 79 allows external investment pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value to report net assets to compute share price. The fair value of the City's position in TexSTAR is the same as the value of TexSTAR shares.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

## Note 3 - Receivables

The following comprise receivable balances at year-end:

| | General | Debt Service | Capital Improvement | Non-Major Governmental Funds | Enterprise | Total |
|---|---|---|---|---|---|---|
| Property taxes | $ 187,289 | $ 101,091 | $ - | $ - | $ - | $ 288,380 |
| Other taxes | 601,633 | - | - | 13,106 | - | 614,739 |
| Accounts | 440,018 | - | 247,530 | - | 1,506,446 | 2,193,994 |
| Assessments | - | - | - | - | 2,790 | 2,790 |
| Due from other governments | - | - | - | 217,659 | - | 217,659 |
| Less allowance | (191,431) | - | - | - | (16,384) | (207,815) |
| | $ 1,037,509 | $ 101,091 | $ 247,530 | $ 230,765 | $ 1,492,852 | $ 3,109,747 |

## Note 4 - Capital Assets

The following is a summary of changes in capital assets for governmental activities at fiscal year-end:

| | Balance, As Restated 9/30/2019 | Additions | Deletions | Balance 9/30/2020 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and intangibles | $ 6,882,269 | $ - | $ - | $ 6,882,269 |
| Construction in progress | 5,966,255 | 3,498,051 | (3,565,835) | 5,898,471 |
| **Total capital assets, not being depreciated** | 12,848,524 | 3,498,051 | (3,565,835) | 12,780,740 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 113,525,485 | 3,386,433 | (1,029,947) | 115,881,971 |
| Buildings and improvements | 38,041,987 | 179,402 | - | 38,221,389 |
| Vehicles and equipment | 6,473,000 | 144,694 | (312,584) | 6,305,110 |
| **Total capital assets being depreciated** | 158,040,472 | 3,710,529 | (1,342,531) | 160,408,470 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (47,676,021) | (3,458,507) | 1,029,947 | (50,104,581) |
| Buildings and improvements | (8,451,608) | (1,133,886) | - | (9,585,494) |
| Vehicles and equipment | (3,806,810) | (415,596) | 189,619 | (4,032,787) |
| **Total accumulated depreciation** | (59,934,439) | (5,007,989) | 1,219,566 | (63,722,862) |
| **Total capital assets being depreciated, net** | 98,106,033 | (1,297,460) | (122,965) | 96,685,608 |
| **Governmental Activities Capital Assets, Net** | $ 110,954,557 | $ 2,200,591 | $ (3,688,800) | 109,466,348 |
| | | | Plus unspent proceeds | 16,428,418 |
| | | | Plus deferred charge on refunding | 1,557,149 |
| | | | Less associated debt and premiums | (95,603,049) |
| | | | Net investment in capital assets | $ 31,848,866 |

**Note 4 - Capital Assets (continued)**

Depreciation was charged to governmental functions as follows:

| | |
|---|---|
| **Governmental Activities** | |
| General | $ 540,426 |
| Public safety | 792,968 |
| Public works | 3,375,021 |
| Culture and recreation | 299,574 |
| Total governmental activities | |
| Depreciation expense | $ 5,007,989 |

Construction in progress and remaining commitments under related construction for general government construction projects at September 30, 2020, are as follows:

| Project Description | Authorized Contract | Total in Progress | Remaining Commitment |
|---|---|---|---|
| BBB2016 Streets/Drainage | $ 6,434,016 | $ 5,641,216 | $ 792,800 |
| Medic Unit | 257,255 | 257,255 | - |
| | $ 6,691,271 | $ 5,898,471 | $ 792,800 |

The following is a summary of changes in capital assets for business-type activities at fiscal year-end:

| | Balance, As Restated 9/30/2019 | Additions | Deletions | Balance 9/30/2020 |
|---|---|---|---|---|
| **Business-type Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 256,148 | $ - | $ - | $ 256,148 |
| Construction in progress | 11,625,322 | 993,648 | (10,074,718) | 2,544,252 |
| **Total capital assets, not being depreciated** | 11,881,470 | 993,648 | (10,074,718) | 2,800,400 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 87,973,928 | 10,074,718 | (198,000) | 97,850,646 |
| Buildings and improvements | 12,039,531 | - | - | 12,039,531 |
| Vehicles and equipment | 5,260,563 | 45,800 | (439,403) | 4,866,960 |
| **Total capital assets being depreciated** | 105,274,022 | 10,120,518 | (637,403) | 114,757,137 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (52,067,370) | (1,996,270) | 198,000 | (53,865,640) |
| Buildings and improvements | (8,114,669) | (233,728) | - | (8,348,397) |
| Vehicles and equipment | (2,896,926) | (453,900) | 439,403 | (2,911,423) |
| **Total accumulated depreciation** | (63,078,965) | (2,683,898) | 637,403 | (65,125,460) |
| **Total capital assets being depreciated, net** | 42,195,057 | 7,436,620 | - | 49,631,677 |
| **Business-Type Activities Capital Assets, Net** | $ 54,076,527 | $ 8,430,268 | $ (10,074,718) | $ 52,432,077 |

## Note 4 - Capital Assets (continued)

Depreciation was charged to business-type functions as follows:

| | |
|---|---|
| **Business-type Activities** | |
| Water system | $ 1,460,134 |
| Sewer system | 1,096,548 |
| Solid waste disposal | 127,216 |
| Total business-type activities Depreciation expense | $ 2,683,898 |

Construction in progress and remaining commitments under related construction contracts for enterprise fund construction projects at September 30, 2020, are as follows:

| Project Description | Authorized Contract | Total in Progress | Remaining Commitment |
|---|---|---|---|
| City-wide scada system | $ 127,140 | $ 127,140 | $ - |
| BBB 2016 water line improvements | 2,983,870 | 2,274,227 | 709,643 |
| *BBB 2016 wastewater lines | 176,935 | 142,885 | 34,050 |
| | $ 3,287,945 | $ 2,544,252 | $ 743,693 |

**Contract amount is commingled with BBB 2016 Water Line Improvements.*

## Note 5 - Long-term Liabilities

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 of compensated absences, capital lease obligations, and other post-employment benefit obligations 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.

On November 19, 2019, the City issued $8,950,000 of General Obligation Refunding Bonds, Series 2019A. The City used the proceeds to refund the following two bonds: (1) $5,090,000 of General Obligation Bonds Series 2011, and (2) $4,255,000 of General Obligation Refunding Bonds Series 2012. The City deposited sufficient proceeds in escrow, when combined with future investment earnings thereon, to fully repay the refunded obligations according to their payment terms. The transaction constituted a defeasance of the refunded obligations pursuant to the terms of Chapter 1207, Texas Government Code. Because of such defeasance, the refunded obligations are outstanding only for the purpose of receiving payments from the escrow account and are no longer deemed outstanding obligations of the City. Interest rates range from 2% to 5% on the General Obligation Refunding Bonds, Series 2019A. The refunding generated a gross savings of $969,364 and a net present value savings of $832,559.

On December 10, 2019, the City issued $8,850,000 of General Obligation Refunding Bonds, Series 2019B. The City used the proceeds to refund the following two bonds: (1) $4,065,000 of General Obligation Refunding Bonds Series 2011A, and (2) $5,590,000 of General Obligation Refunding Bonds Series 2011B. The City deposited sufficient proceeds in escrow, when combined with future investment earnings thereon, to fully repay the refunded obligations according to their payment terms. The transaction constituted a defeasance of the refunded obligations pursuant to the terms of Chapter 1207, Texas Government Code. Because of such defeasance, the refunded obligations are outstanding only for the purpose of receiving payments from the escrow account and are no longer deemed outstanding obligations of the City. Interest rates range from 2% to 5% on the General Obligation Refunding Bonds, Series 2019B. The refunding generated a gross savings of $1,132,032 and a net present value savings of $1,040,737.

## Note 5 - Long-term Liabilities (continued)

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

| | Beginning Balance, As Restated | Issued and Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | $ 123,215,000 | $ 17,800,000 | $ (24,575,000) | $ 116,440,000 | $ 5,670,000 |
| Premiums | 4,394,261 | 1,870,779 | (953,943) | 5,311,097 | - |
| Other liabilities: | | | | | |
| Capital lease | 607,738 | - | (60,177) | 547,561 | 61,896 |
| Compensated absences | 882,725 | 628,881 | (552,789) | 958,817 | 483,607 |
| Sales Tax Payable | 669,965 | - | - | 669,965 | - |
| **Total Governmental Activities** | $ 129,769,689 | $ 20,299,660 | $ (26,141,909) | $ 123,927,440 | $ 6,215,503 |
| | | | **Long-term liabilities due in more than one year** | $ 117,711,937 | |
| **Business-type Activities** | | | | | |
| Other liabilities: | | | | | |
| Compensated absences | $ 45,074 | $ 51,303 | $ (32,679) | $ 63,698 | $ 29,807 |
| **Total Business-type Activities** | $ 45,074 | $ 51,303 | $ (32,679) | $ 63,698 | $ 29,807 |
| | | | **Long-term liabilities due in more than one year** | $ 33,891 | |
| | | | Bonds payable associated with governmental capital assets | $ 89,744,391 | |
| | | | Bonds payable associated with business-type capital assets | 26,695,609 | |
| | | | **Total long-term bonds payable associated with capital assets** | $ 116,440,000 | |

Long-term bonds payable at year end was comprised of the following issues:

| Description | Interest Rates | Balance |
|---|---|---|
| **General Obligation Bonds** | | |
| Series 2012-Ref | 1.00-3.00% | $ 2,760,000 |
| Series 2013 | 3.00-4.25% | 4,470,000 |
| Series 2014 | 3.00-5.00% | 8,600,000 |
| Series 2015 | 2.50-4.00% | 5,805,000 |
| Series 2016-Ref | 2.00-2.30% | 9,225,000 |
| Series 2017 | 3.00-5.00% | 30,905,000 |
| Series 2017A | 2.00-4.00% | 10,895,000 |
| Series 2018 | 3.00-5.00% | 11,190,000 |
| Series 2018-Ref | 3.00-5.00% | 10,920,000 |
| Series 2019 | 2.00-5.00% | 3,945,000 |
| 2019A-Ref | 2.00-5.00% | 8,915,000 |
| 2019B-Ref | 2.00-5.00% | 8,810,000 |
| **Total Long-term Bonds Payable** | | $ 116,440,000 |

**Note 5 - Long-term Liabilities (continued)**

**Bonds Payable**

**Annual Debt Service Requirements**

The annual requirements to amortize general obligation bonds outstanding are as follows:

| Years Ending September 30, | General Obligation Bonds | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2021 | $ 5,670,000 | $ 3,966,843 | $ 9,636,843 |
| 2022 | 5,965,000 | 3,717,243 | 9,682,243 |
| 2023 | 6,205,000 | 3,476,918 | 9,681,918 |
| 2024 | 6,445,000 | 3,231,636 | 9,676,636 |
| 2025 | 6,725,000 | 2,969,743 | 9,694,743 |
| 2026-2030 | 31,995,000 | 10,982,416 | 42,977,416 |
| 2031-2035 | 24,405,000 | 6,806,580 | 31,211,580 |
| 2036-2040 | 20,950,000 | 3,119,050 | 24,069,050 |
| 2041-2045 | 8,080,000 | 333,383 | 8,413,383 |
| | $ 116,440,000 | $ 38,603,812 | $ 155,043,812 |

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

**Federal Arbitrage**

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

**Note 5 - Long-term Liabilities (continued)**

**Capital Lease Obligation**

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2020, were as follows:

| Year Ending September 30 | Governmental Activities |
|---|---|
| 2021 | $ 77,604 |
| 2022 | 77,604 |
| 2023 | 77,604 |
| 2024 | 77,604 |
| 2025 | 77,604 |
| 2026-2028 | 230,723 |
| Total minimum lease payments | 618,743 |
| Less: amount representing interest | (71,182) |
| Present value of minimum lease payments | $ 547,561 |

**Note 6 - Interfund Transactions**

Transfers between funds during the year were as follows:

| | Transfers in | Transfers Out |
|---|---|---|
| **Governmental Funds:** | | |
| Individual major governmental funds: | | |
| General | $ 624,000 | $ 471,000 |
| Debt service | 2,145,813 | - |
| Individual non-major governmental funds: | | |
| Capital improvement | 140,000 | - |
| Vehicle and equipment replacement | 831,000 | - |
| **Total Governmental Funds** | 3,740,813 | 471,000 |
| | | |
| **Enterprise Fund:** | | |
| Individual major enterprise fund: | | |
| Water, sewer, and solid waste | - | 3,269,813 |
| **Total Enterprise Fund** | - | 3,269,813 |
| | | |
| **Total Transfers** | $ 3,740,813 | $ 3,740,813 |

The enterprise fund transferred funds to the debt service fund to pay a portion of the principal and interest on general obligation debt used to finance capital improvements used in enterprise activities. The enterprise fund transferred funds to the general fund to cover administrative costs performed for the enterprise fund by the general fund. The general fund and the enterprise fund transferred funds to the vehicle and equipment replacement fund for vehicle and equipment replacements. The enterprise fund transferred funds to the capital improvement fund to fund capital improvement projects. The special revenue fund transferred funds dedicated to specific capital projects to the capital improvement fund to fund the specified capital improvement projects.

## Note 7 - 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 several other entities in the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

## Note 8 - Contingent Liabilities

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

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.

## Note 9 - Employee Retirement System

### *Texas Municipal Retirement System*

### Plan Description and Provisions

The City of Bellaire participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (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. 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.tmrs.com*.

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

### Benefits Provided

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

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

**Note 9 - Employee Retirement System (continued)**

**Benefits Provided (continued)**

A summary of plan provisions for the City are as follows:

| | |
|---|---|
| Employee deposit rate: | 7% |
| Matching ratio (City to employee): | 2 to 1 |
| Years required for vesting: | 5 |
| Service retirement eligibility: | 20 years at any age, 5 years at age 60 and above |
| Updated service credit: | 100% repeating transfers |
| Annuity increase to retirees: | 70% of CPI repeating |
| Supplemental death benefit – active employees and retirees | Yes |

At the December 31, 2019 valuation and measurement date (the most current available), the following employees were covered by the benefit terms:

| | |
|---|---|
| Retirees or beneficiaries currently receiving benefits | 135 |
| Inactive employees entitled to but not receiving benefits | 117 |
| Active employees | 159 |
| | 411 |

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Of these available options, the City has adopted a 7% contribution rate for employees and a 200% City matching percentage. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting 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 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 20.20% and 20.45% in calendar years 2020 and 2019, respectively.

**Net Pension Liability**

The City's net pension liability (NPL) was measured as of December 31, 2019, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

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

| | |
|---|---|
| Inflation: | 2.5% |
| Overall payroll growth | 3.50% to 11.50% including inflation |
| Investment rate of return | 6.75% |

**Note 9 - Employee Retirement System (continued)**

**Benefits Provided (continued)**

**Actuarial Assumptions (continued)**

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. No additional changes were made for the 2019 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS board of trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation for each major asset class are summarized in the following table:

| Asset Class | Target Allocation |
|---|---|
| Global Equities | 35.0% |
| Core fixed income | 10.0% |
| Non-core fixed income | 20.0% |
| Real estate | 10.0% |
| Real return | 10.0% |
| Absolute return | 10.0% |
| Private equity | 5.0% |
| Total | 100.0% |

**Note 9 - Employee Retirement System (continued)**

**Benefits Provided (continued)**

**Discount Rate**

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

**Changes in the Net Pension Liability**

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total Pension Liability (A)** | **Plan Fiduciary Net Position (B)** | **Net Pension Liability (A) - (B)** |
| Changes for the plan year: | | | |
| Service cost | $ 2,114,778 | $ - | $ 2,114,778 |
| Interest (on the TPL) | 5,595,215 | - | 5,595,215 |
| Difference between expected and actual experience | 333,703 | - | 333,703 |
| Changes of assumptions | 236,065 | - | 236,065 |
| Contributions - employer | - | 2,373,753 | (2,373,753) |
| Contributions - employee | - | 812,690 | (812,690) |
| Net investment income | - | 10,371,418 | (10,371,418) |
| Benefit payments, including refunds of employee contributions | (3,746,436) | (3,746,436) | - |
| Administrative expense | - | (58,659) | 58,659 |
| Other changes | - | (1,763) | 1,763 |
| **Net Changes** | 4,533,325 | 9,751,003 | (5,217,678) |
| Balance at December 31, 2018 | 83,707,906 | 67,150,521 | 16,557,385 |
| **Balance at December 31, 2019** | $ 88,241,231 | $ 76,901,524 | $ 11,339,707 |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

| | **1% Decrease to 5.75%** | **Current Single Discount Rate Assumption 6.75%** | **1% Increase to 7.75%** |
|---|---|---|---|
| City's NPL | $ 22,999,528 | $ 11,339,707 | $ 1,712,089 |

**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.

**Note 9 - Employee Retirement System (continued)**

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

For the fiscal year ended September 30, 2020, the City recognized pension expense of $2,644,702.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference in expected and actual experience | $ - | $ 41 |
| Difference in projected and actual earnings on pension plan investments | - | 2,336,026 |
| Difference in assumption changes | 171,742 | - |
| Contributions subsequent to the measurement date | 1,721,945 | - |
| **Total** | $ 1,893,687 | $ 2,336,067 |

Deferred outflows of resources resulting from contributions subsequent to the measurement date of $1,721,945 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's fiscal year 2021 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year | Net Deferred Outflows (Inflows) of Resources |
|---|---|
| 2021 | $ (545,616) |
| 2022 | (755,319) |
| 2023 | 304,360 |
| 2024 | (1,167,750) |
| | $ (2,164,325) |

**Note 10 - Other Post-Employment Benefits**

**A. City of Bellaire Retiree Health Care Plan**

**Plan Description**

In order to recognize and reward long-term employees, as well as to provide an incentive for those remaining in the City's employment, the City administers a single-employer defined benefit other post- employment benefits (OPEB) plan that will allow the retiree to pay their premium for continuation of the medical and dental insurance coverage. Retirees pay 100% of the premium, afforded a lower rate by participating in the City's plan as opposed to individual purchased insurance; the plan is known as the City Retiree Health Care Plan (the "Plan").

**Note 10 - Other Post-Employment Benefits (continued)**

**A. City of Bellaire Retiree Health Care Plan (continued)**

In order to be eligible for this benefit, the retiree must separate from service with at least five years of service with the City and be a current recipient of retirement benefits from Texas Municipal Retirement System (TMRS). The health care benefit of the Plan is available to the spouse and any dependent(s) if they were on the Plan at the beginning of the Plan year in which the employee retires. Furthermore, a dependent is eligible for coverage if they have not reached age 25. Eligibility for coverage for the spouse ends when Medicare coverage begins.

At December 31, 2019, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 8 |
| Inactive plan members entitled to but not yet receiving benefits | 0 |
| Active employees | 145 |
| Total plan members | 153 |

**Total OPEB Liability**

The City's total OPEB liability of $1,453,525 was measured as of December 31, 2019, and was determined by an actuarial valuation as of December 31, 2019.

**Actuarial assumptions and methods**

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

| | |
|---|---|
| *Valuation Date:* | December 31, 2018 |
| *Methods and Assumptions:* | |
| Actuarial cost method: | Individual entry-age |
| Discount rate: | 2.75% as of December 31, 2019 |
| Inflation: | 2.50% |
| Salary increases: | 3.50% to 11.50%, including inflation |
| Demographic assumptions: | Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS) |
| Mortality: | For healthy retirees, the gender-distinct Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by the ultimate rates of scale MP-2014 to account for future mortality improvements. |
| Health care trend rates: | Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years |

**Note 10 - Other Post-Employment Benefits (continued)**

**A. City of Bellaire Retiree Health Care Plan (continued)**

**Actuarial assumptions and methods (continued)**

Participation rates:

| Age at Retirement | Participation Assumption |
|---|---|
| Less than 50 | 0% |
| Between 50 and 55 | 15% |
| Between 55 and 64 | 50% |

*Other Information:*

Notes: The discount rate changed from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019. Additionally, the health care trend rates were updated to reflect the plan's anticipated experience.

**Discount Rate**

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.71% as of the prior measurement date.

**Plan Assets**

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Changes in the Total OPEB Liability**

| | | |
|---|---|---|
| Service cost | $ | 53,530 |
| Interest on the total OPEB liability | | 48,145 |
| Difference between expected and actual experience of the total OPEB liability | | (5,542) |
| Changes of assumptions | | 106,620 |
| Benefit payments | | (40,330) |
| Net change in total OPEB liability | | 162,423 |
| Total OPEB liability - beginning | | 1,291,102 |
| Total OPEB liability - ending | $ | 1,453,525 |
| Covered payroll | $ | 11,412,448 |
| Total OPEB liability as a percentage of covered payroll | | 12.74% |

The ending balance of the Total OPEB Liability was $1,453,525 as of December 31, 2019. Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019.

**Note 10 - Other Post-Employment Benefits (continued)**

**A. City of Bellaire Retiree Health Care Plan (continued)**

**Sensitivity of the total OPEB liability to changes in the discount rate**

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

| 1% Decrease to 1.75% | Current Discount Rate Assumption 2.75% | 1% Increase to 3.75% |
|---|---|---|
| $ 1,587,796 | $ 1,453,525 | $ 1,331,463 |

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates**

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

| 1% Decrease | Current Healthcare Cost Trend Rate Assumption | 1% Increase |
|---|---|---|
| $ 1,290,877 | $ 1,453,525 | $ 1,644,846 |

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

For the year ended September 30, 2020, the City recognized OPEB expense of $136,184. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 124,228 | $ 4,932 |
| Changes assumptions | 130,010 | - |
| Contributions subsequent to the measurement date | 43,171 | - |
| Total | $ 297,409 | $ 4,932 |

**Note 10 - Other Post-Employment Benefits (continued)**

**A. City of Bellaire Retiree Health Care Plan (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)**

Deferred outflows of resources resulting from contributions subsequent to the measurement date of $43,171 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's fiscal year 2021 financial statements). Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

| Fiscal Year | Net deferred outflows (inflows) of resources |
|---|---|
| 2021 | $ 34,509 |
| 2022 | 34,509 |
| 2023 | 34,509 |
| 2024 | 34,509 |
| 2025 | 34,509 |
| Thereafter | 76,761 |
| Total | $ 249,306 |

**B. TMRS Supplemental Death Benefit Fund**

**Description**

The City also participates in the cost sharing multiple-employer 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 City may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for $7,500 each; this coverage is an OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the TMRS Pension Trust Fund.

Membership in the plan as of the measurement date of December 31, 2019 was as follows:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 94 |
| Inactive plan members entitled to but not yet receiving benefits | 27 |
| Active employees | 159 |
| Total plan members | 280 |

**Note 10 - Other Post-Employment Benefits (continued)**

**B. TMRS Supplemental Death Benefit Fund (continued)**

**Contributions**

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.20% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

**Discount Rate**

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.75% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

**Plan Assets**

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Actuarial Assumptions**

The City's total OPEB liability was measured at December 31, 2019 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

| | |
|---|---|
| *Valuation Date:* | December 31, 2019 |
| *Methods and Assumptions:* | |
| Inflation: | 2.50% |
| Salary increases: | 3.50% to 11.50%, including inflation |
| Discount rate: | 2.75% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019 |
| Retirees' share of benefit related costs: | $0 |
| Administrative expenses: | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. |

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**Note 10 - Other Post-Employment Benefits (continued)**

**B. TMRS Supplemental Death Benefit Fund (continued)**

**Actuarial Assumptions (continued)**

| | |
|---|---|
| Mortality rates – service retirees: | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| Mortality rates – disabled retirees: | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. |

*Other Information:*

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

**Changes in the Total OPEB Liability**

| | | |
|---|---|---|
| Service cost | $ | 18,561 |
| Interest on total OPEB liability | | 20,443 |
| Difference between expected and actual experience of the total OPEB liability | | (6,402) |
| Changes of assumptions | | 104,539 |
| Benefit payments | | (4,640) |
| Net change in total OPEB liability | | 132,501 |
| Total OPEB liability - beginning | | 544,076 |
| Total OPEB liability - ending | $ | 676,577 |
| Covered payroll | $ | 11,600,536 |
| Total OPEB liability as a percentage of covered payroll | | 5.83% |

**Sensitivity Analysis**

The following presents the total OPEB liability of the employer, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

| 1% Decrease to 1.75% | Current Discount Rate 2.75% | 1% Increase to 3.75% |
|---|---|---|
| $ 814,983 | $ 676,577 | $ 569,142 |

**Note 10 - Other Post-Employment Benefits (continued)**

**B. TMRS Supplemental Death Benefit Fund (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity**

For the year ended September 30, 2020, the City recognized OPEB expense of $54,360 relating to the SDBF plan.

As of September 30, 2020, the City reported deferred outflows of resources related to OPEBs from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 18,667 |
| Changes assumptions | 81,434 | - |
| Contributions subsequent to the measurement date | 4,262 | - |
| Total | $ 85,696 | $ 18,667 |

Deferred outflows of resources resulting from contributions subsequent to the measurement date of $4,262 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's fiscal year 2021 financial statements). Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

| Fiscal Year | Net deferred outflows (inflows) of resources |
|---|---|
| 2021 | $ 15,356 |
| 2022 | 15,356 |
| 2023 | 12,076 |
| 2024 | 11,707 |
| 2025 | 8,272 |
| Total | $ 62,767 |

## Note 11 - Prior Period Adjustments

### Sales Tax Liability

In the current fiscal year, a consulting firm engaged by the City of Houston identified that a company, moved into the City of Houston tax jurisdiction but continued to file online sales tax returns erroneously identifying the City of Bellaire as its remittance jurisdiction. A letter was sent to the Comptroller dated February 2020 noting that the company had moved from Bellaire to Houston in early 2015. The Comptroller received the letter in April 2020, so the 48-month statute of limitations look-back period was from April 2016 forward. Over that time period the city received sales taxes from the company of $696,504. Of which only $26,539 was received in October of the current fiscal year. The City plans repay the Comptroller's office through equal payments over the next 48 months equal to the $669,965 of Sales Tax intended for the City of Houston.

As a result, the beginning net position of the City's governmental activities, have been restated on the statement of activities and the statement of revenues, expenses, and changes in net position to reflect the total sales tax liability relating to the received overpayment in the prior four fiscal years.

### Reclass from Construction In Progress (CIP) to General Expenses

In the current fiscal year, the City reclassed previously capitalized expenditures in CIP in the amount of $2,294,265 for governmental activities and $387,804 for business-type activities and water and sewer fund to general expenses.

| | Statement of Activities | | Statement of Revenues, Expenses and Changes in Net Position |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Water and Sewer Fund |
| Net position at September 30, 2019, as previously reported | $ 7,314,216 | $ 55,234,473 | $ 55,234,473 |
| Prior Period Adjustments: | | | |
| Improperly capitalized CIP | (2,294,265) | (387,804) | (387,804) |
| Sales tax liability | (669,965) | - | - |
| Total prior period adjustments | (2,964,230) | (387,804) | (387,804) |
| Net position at October 1, 2019, as restated | $ 4,349,986 | $ 54,846,669 | $ 54,846,669 |

## Note 12 - Subsequent Event

### Issuance of Bonds

On February 1, 2021, the City issued $6,400,000 of General Obligation Refunding Bonds, Taxable Series 2021. The City used the proceeds to refund the following two bonds: (1) $2,240,000 of General Obligation Refunding Bonds, Series 2012, and $4,105,000 of General Obligation Bonds, Series 2013. The City deposited sufficient proceeds in escrow, when combined with future investment earnings thereon, to fully repay the refunded obligations according to their payment terms. The transaction constituted a defeasance of the refunded obligations pursuant to Chapter 1207, Texas Government Code. Because of such defeasance, the refunded obligations are outstanding only for the purpose of receiving payments from the escrow account and are no longer deemed outstanding obligations of the City. Interest rates range from 1.3% to 2.0% on the General Obligation Refunding Bonds, Taxable Series 2021. The refunding generated a gross savings of $934,110 and a net present value savings of $834,890.

### COVID-19

On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the COVID-19, which disaster declaration he has subsequently extended. In addition, certain local officials, including the County Judge of Harris County, also declared a local state of disaster.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided for reimbursement of eligible expenditures to state, local, and tribal governments through the Coronavirus Relief Fund. Direct payments were made to units of local government with populations exceeding 500,000. Due to our population size, the City was not eligible for a direct payment from the Coronavirus Relief Fund, however, Harris County used $28.5 million of its $426.0 million direct allocation to establish a Small Cities Assistance Program pursuant to which the City could receive up to $1.0 million of pass-thru funding. The City did participate in the Small Cities Assistance Program and received $1.0 million of reimbursement funding from Harris County in fiscal year 2021.

The full extent of the ongoing impact of COVID-19 on the City's fiscal year 2021 and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

# REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF BELLAIRE, TEXAS

***GENERAL FUND***

***SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE***

***BUDGET AND ACTUAL (BUDGETARY BASIS)***

***For the Year Ended September 30, 2020***

***with comparative actual totals for the year ended*** *September 30, 2019*

| | 2020 | | | | 2019 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance from Final Budget | Actual |
| **Revenues** | | | | | |
| Taxes: | | | | | |
| Property taxes | $ 14,095,300 | $ 14,095,300 | $ 13,890,947 | $ (204,353) | $ 13,255,701 |
| Sales and use taxes | 2,462,800 | 2,462,800 | 2,479,303 | 16,503 | 2,406,525 |
| Franchise taxes | 1,319,400 | 1,319,400 | 1,241,915 | (77,485) | 1,383,621 |
| Fines and forfeitures | 530,000 | 530,000 | 388,464 | (141,536) | 494,247 |
| Licenses and permits | 1,302,125 | 1,302,125 | 1,150,979 | (151,146) | 2,080,234 |
| Charges for services | 1,215,250 | 1,215,250 | 772,210 | (443,040) | 1,199,541 |
| Investment earnings | 180,000 | 180,000 | 98,333 | (81,667) | 227,144 |
| Intergovernmental | 4,100 | 4,100 | 1,183,929 | 1,179,829 | 406,167 |
| Miscellaneous | 24,350 | 24,350 | 97,233 | 72,883 | 40,633 |
| **Total Revenues** | 21,133,325 | 21,133,325 | 21,303,313 | 169,988 | 21,493,813 |
| **Expenditures** | | | | | |
| **Current:** | | | | | |
| **General government:** | | | | | |
| Administration and finance | 4,416,305 | 4,266,305 | 4,168,154 | 98,151 | 3,859,645 |
| Legal | 100,000 | 100,000 | 94,150 | 5,850 | 96,231 |
| Development services | 959,060 | 959,060 | 904,810 | 54,250 | 862,704 |
| **Total General Government** | 5,475,365 | 5,325,365 | 5,167,114 | 158,251 | 4,818,580 |
| **Public safety:** | | | | | |
| Police | 6,742,692 | 6,742,692 | 6,605,163 | 137,529 | 6,422,154 |
| Fire | 3,267,730 | 3,267,730 | 3,377,287 | (109,557) | 3,162,074 |
| **Total Public Safety** | 10,010,422 | 10,010,422 | 9,982,450 | 27,972 | 9,584,228 |
| **Public works:** | 1,370,940 | 1,370,940 | 1,245,689 | 125,251 | 1,155,367 |
| **Culture and recreation:** | | | | | |
| Library | 753,005 | 753,005 | 739,572 | 13,433 | 721,021 |
| Parks, recreation, and facilities | 3,909,705 | 3,909,705 | 3,422,932 | 486,773 | 3,772,451 |
| **Total Culture and Recreation** | 4,662,710 | 4,662,710 | 4,162,504 | 500,206 | 4,493,472 |
| **Total Expenditures** | 21,519,437 | 21,369,437 | 20,557,757 | 811,680 | 20,051,647 |
| **Excess of Revenues Over Expenditures** | (386,112) | (236,112) | 745,556 | 981,668 | 1,442,166 |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | 624,000 | 624,000 | 624,000 | - | 624,000 |
| Transfers out | (471,000) | (471,000) | (471,000) | - | (555,000) |
| Sale of capital assets | 8,000 | 8,000 | 25,528 | 17,528 | 40,514 |
| **Total Other Financing Sources (Uses)** | 161,000 | 161,000 | 178,528 | 17,528 | 109,514 |
| Changes in fund balance | (225,112) | (75,112) | 924,084 | 999,196 | 1,551,680 |
| **Fund Balances - Beginning** | 4,650,288 | 4,650,288 | 4,650,288 | - | 3,098,608 |
| **Fund Balances - Ending** | $ 4,425,176 | $ 4,575,176 | $ 5,574,372 | $ 999,196 | $ 4,650,288 |

## Budgetary Compliance

The annual budget must specify appropriations for capital expenditures and for expenditures directed by Council for services and for the operation of city departments, offices and agencies. It must comply with fund requirements of bond covenants.

The City Manager shall submit a proposed annual budget to the Council in sufficient time to permit Council to review and revise it. Said budget shall be prepared by the City Manager and filed with the City Clerk not less than thirty (30) days prior to the time the City Council adopts said budget.

A public hearing shall be held not less than fifteen (15) days subsequent to the time the budget is filed, but prior to the time the City Council adopts said budget and sets the tax levy. Notice of the date, time and place of such public hearing shall be published in a newspaper of general circulation not less than fifteen (15) days prior to the date of the hearing.

Before taxes are levied, but after a public hearing or hearings, Council shall adopt the annual budget. Council may amend the proposed budget but shall not delete or decrease appropriations required for debt service, or by law, and shall not authorize expenditures in excess of the total of estimated income plus funds available from earlier years.

The budget, at the fund level, can be amended at any time with the approval of the City Manager and City Council action. The City Manager can approve department requests for reallocation of funding, within a departmental budget of a respective fund as long as the net difference of the respective fund is zero ($0). Council can authorize all changes to the budget at departmental and/or fund level.

All appropriations shall lapse at the end of the budget year to the extent that they shall not have been expended or lawfully encumbered, except appropriations in the special revenue fund and the capital project funds which have project/program length appropriations which do not lapse at fiscal year-end.

Fire was overbudget by $109,557 due to unbudgeted part-time costs, overtime costs, and retirement contributions to Texas Municipal Retirement System. These three accounts were overbudget by an aggregate of $117,574. These were all over budget due to COVID-19.

# CITY OF BELLAIRE, TEXAS
## *REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION*
## *SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS*
## *TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)*
## *LAST SIX MEASUREMENT YEARS*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| **Total Pension Liability:** | | | | | | |
| Service cost | $ 2,114,778 | $ 1,978,206 | $ 1,968,859 | $ 1,811,004 | $ 1,741,147 | $ 1,503,890 |
| Interest (on the total pension liability) | 5,595,215 | 5,415,139 | 5,119,279 | 4,929,569 | 4,884,753 | 4,804,124 |
| Changes of benefit terms | - | - | - | - | - | - |
| Difference between expected and actual experience | 333,703 | (990,372) | 1,024,193 | (378,183) | 6,060 | (1,614,204) |
| Change in assumptions | 236,065 | - | - | - | 297,433 | - |
| Benefit payments, including refunds of employee contributions | (3,746,436) | (3,860,498) | (3,607,274) | (3,654,340) | (3,777,366) | (3,543,818) |
| Net change in total pension liability | 4,533,325 | 2,542,475 | 4,505,057 | 2,708,050 | 3,152,027 | 1,149,992 |
| Total pension liability - beginning | 83,707,906 | 81,165,431 | 76,660,374 | 73,952,324 | 70,800,297 | 69,650,305 |
| Total pension liability - ending (a) | $ 88,241,231 | $ 83,707,906 | $ 81,165,431 | $ 76,660,374 | $ 73,952,324 | $ 70,800,297 |
| **Plan Fiduciary Net Position:** | | | | | | |
| Contributions - employer | $ 2,373,753 | $ 2,198,609 | $ 2,257,697 | $ 2,097,990 | $ 2,114,994 | $ 1,962,762 |
| Contributions - employee | 812,690 | 760,013 | 757,254 | 692,734 | 664,198 | 615,837 |
| Net investment income (loss) | 10,371,418 | (2,102,159) | 8,621,161 | 3,994,703 | 88,677 | 3,306,075 |
| Benefit payments, including refunds of employee contributions | (3,746,436) | (3,860,498) | (3,607,274) | (3,654,340) | (3,777,366) | (3,543,818) |
| Administrative expense | (58,659) | (40,639) | (44,687) | (45,133) | (54,014) | (24,518) |
| Other | (1,763) | (2,123) | (2,266) | (2,432) | (2,668) | (2,838) |
| Net change in plan fiduciary net position | 9,751,003 | (3,046,797) | 7,981,885 | 3,083,522 | (966,179) | 2,313,500 |
| Plan fiduciary net position - beginning | 67,150,521 | 70,197,318 | 62,215,433 | 59,131,911 | 60,098,090 | 57,794,590 |
| Plan fiduciary net position - ending (b) | 76,901,524 | 67,150,521 | 70,197,318 | 62,215,433 | 59,131,911 | 60,108,090 |
| **Net Pension Liability - Ending (a) - (b)** | $ 11,339,707 | $ 16,557,385 | $ 10,968,113 | $ 14,444,941 | $ 14,820,413 | $ 10,692,207 |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 87.15% | 80.22% | 86.49% | 81.16% | 79.96% | 84.90% |
| **Covered Payroll** | $ 11,600,536 | $ 10,857,332 | $ 10,817,908 | $ 9,896,194 | $ 9,488,542 | $ 8,797,669 |
| **Net Pension Liability as a Percentage of Covered Payroll** | 97.75% | 152.50% | 101.39% | 145.96% | 156.19% | 121.53% |

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

## CITY OF BELLAIRE, TEXAS
***REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION***
***SCHEDULE OF CONTRIBUTIONS***
***TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)***
***LAST SIX FISCAL YEARS***

| | 2020* | 2019* | 2018* | 2017* | 2016* | 2015* |
|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 2,389,912 | $ 2,312,573 | $ 2,209,346 | $ 2,245,626 | $ 2,066,791 | $ 2,007,691 |
| Contribution in relation of the actuarially determined contribution | $ 2,389,912 | $ 2,312,573 | $ 2,209,346 | $ 2,245,626 | $ 2,066,791 | $ 2,007,691 |
| Contribution deficiency (excess) | - | - | - | - | - | - |
| Covered payroll | $ 11,790,823 | $ 11,340,284 | $ 10,819,297 | $ 10,726,161 | $ 9,615,818 | $ 9,005,248 |
| Contributions as a percentage of covered payroll | 20.3% | 20.4% | 20.4% | 20.9% | 21.5% | 22.3% |

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

**Notes to Required Supplementary Information – Pension:**

*Valuation Date:* Actuarial determined contribution rates are calculated as of December 31 and become effective in January, 12 months and a day later.

*Methods and Assumptions Used to Determine Contribution Rates:*

| | |
|---|---|
| Actuarial cost method: | Entry age normal |
| Amortization method: | Level percentage of payroll, closed |
| Remaining amortization period: | 26 years |
| Asset valuation method: | 10 Year smoothed market; 15% soft corridor |
| Inflation: | 2.5% |
| Salary increases: | 3.50% 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 |
| Other information: | There were no benefit changes during the year |

## CITY OF BELLAIRE, TEXAS

***REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION***
***SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS***
***CITY OF BELLAIRE RETIREE HEALTH CARE PLAN***
***FOR THREE MEASUREMENT YEARS***

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Total OPEB Liability** | | | |
| Service cost | $ 53,530 | $ 56,311 | $ 49,458 |
| Interest on the total OPEB liability | 48,145 | 36,160 | 38,745 |
| Difference between expected and actual experience of the total OPEB liability | (5,542) | 158,659 | 772 |
| Changes of assumptions | 106,620 | 7,911 | 43,811 |
| Benefit payments | (40,330) | (64,487) | (56,852) |
| Net change in total OPEB liability | 162,423 | 194,554 | 75,934 |
| Total OPEB liability - beginning | 1,291,102 | 1,096,548 | 1,020,614 |
| Total OPEB liability - ending | $ 1,453,525 | $ 1,291,102 | $ 1,096,548 |
| Covered payroll | $ 11,412,448 | $ 10,832,283 | $ 10,816,464 |
| Total OPEB liability as a percentage of covered payroll | 12.74% | 11.92% | 10.14% |

**Notes to the Required Supplementary Information**

Amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable.

## CITY OF BELLAIRE, TEXAS

***REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION***
***SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS***
***TMRS SUPPLEMENTAL DEATH BENEFITS FUND***
***FOR THREE MEASUREMENT YEARS***

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Total OPEB Liability** | | | |
| Service cost | $ 18,561 | $ 19,543 | $ 16,227 |
| Interest on total OPEB liability | 20,443 | 19,107 | 18,943 |
| Difference between expected and actual experience of the total OPEB liability | (6,402) | (20,924) | - |
| Changes of assumptions | 104,539 | (38,427) | 44,720 |
| Benefit payments | (4,640) | (5,429) | (5,409) |
| Net change in total OPEB liability | 132,501 | (26,130) | 74,481 |
| Total OPEB liability - beginning | 544,076 | 570,206 | 495,725 |
| Total OPEB liability - ending | $ 676,577 | $ 544,076 | $ 570,206 |
| Covered payroll | $ 11,600,536 | $ 10,857,332 | $ 10,817,908 |
| Total OPEB liability as a percentage of covered payroll | 5.83% | 5.01% | 5.27% |

**Notes to the Required Supplementary Information**

Amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable.

City of Bellaire

# OTHER SUPPLEMENTARY INFORMATION

## CITY OF BELLAIRE, TEXAS
***COMBINING BALANCE SHEET***
***NONMAJOR GOVERNMENTAL FUNDS***
***September 30, 2020***

| | Metro | Vehicle and Equipment Replacement | Special Revenue | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 2,131,201 | $ 2,142,120 | $ 441,587 | $ 4,714,908 |
| Receivables, net of allowance | 217,659 | - | 13,106 | 230,765 |
| **Total Assets** | 2,348,860 | 2,142,120 | 454,693 | 4,945,673 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | 57,608 | 24,540 | 3,032 | 85,180 |
| **Total Liabilities** | 57,608 | 24,540 | 3,032 | 85,180 |
| **Fund Balances** | | | | |
| Restricted: | | | | |
| Public, educational, and governmental programming fees | - | - | 167,301 | $ 167,301 |
| Police and fire department vehicles and equipment | - | - | 137,274 | 137,274 |
| Library supplies and equipment | - | - | 26,175 | 26,175 |
| Municipal court technology | - | - | 100,876 | 100,876 |
| Parks and recreation equipment | - | - | 20,035 | 20,035 |
| Metropolitan streets or METRO | 2,291,252 | - | - | 2,291,252 |
| Committed: | | | | |
| City facilities and equipment | - | 2,117,580 | - | 2,117,580 |
| **Total Fund Balances** | 2,291,252 | 2,117,580 | 451,661 | 4,860,493 |
| **Total Liabilities and Fund Balances** | $ 2,348,860 | $ 2,142,120 | $ 454,693 | $ 4,945,673 |

## CITY OF BELLAIRE, TEXAS

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

| | Metro | Vehicle and Equipment Replacement | Special Revenue | Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes: | | | | |
| Franchise taxes | $ - | $ - | $ 52,525 | $ 52,525 |
| Fines and forfeitures | - | - | 33,802 | 33,802 |
| Investment earnings | 22,630 | - | - | 22,630 |
| Intergovernmental | 1,224,439 | - | - | 1,224,439 |
| Other | - | 89,280 | 166,935 | 256,215 |
| **Total Revenues** | 1,247,069 | 89,280 | 253,262 | 1,589,611 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | - | - | 13,089 | 13,089 |
| Public safety | - | 95,781 | 69,433 | 165,214 |
| Culture and recreation | - | - | 164,699 | 164,699 |
| Capital outlay | 1,003,552 | 601,618 | - | 1,605,170 |
| **Total Expenditures** | 1,003,552 | 697,399 | 247,221 | 1,948,172 |
| Revenues over (under) expenditures | 243,517 | (608,119) | 6,041 | (358,561) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | - | 831,000 | - | 831,000 |
| **Total Other Financing Sources (Uses)** | - | 831,000 | - | 831,000 |
| Net changes in fund balances | 243,517 | 222,881 | 6,041 | 472,439 |
| **Fund Balances - Beginning** | 2,047,735 | 1,894,699 | 445,620 | 4,388,054 |
| **Fund Balances - Ending** | $ 2,291,252 | $ 2,117,580 | $ 451,661 | $ 4,860,493 |

**CITY OF BELLAIRE, TEXAS**
***SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE***
***BUDGET AND ACTUAL***
***DEBT SERVICE FUND***
***For the Year Ended September 30, 2020***
***with comparative actual totals for the year ended September 30, 2019***

| | 2020 | | | 2019 |
|---|---|---|---|---|
| | Final Budget | Actual | Variance Positive (Negative) | Actual |
| **Revenues** | | | | |
| Taxes: | | | | |
| Property taxes | $ 7,575,255 | $ 7,434,838 | $ (140,417) | $ 7,256,140 |
| Investment earnings | 24,000 | 12,278 | (11,722) | 26,552 |
| **Total Revenues** | 7,599,255 | 7,447,116 | (152,139) | 7,282,692 |
| **Expenditures** | | | | |
| Debt Service: | | | | |
| Principal | 5,500,000 | 5,575,000 | 75,000 | 5,165,000 |
| Interest and other charges | 4,245,068 | 4,004,154 | (240,914) | 4,125,428 |
| **Total Expenditures** | 9,745,068 | 9,579,154 | 165,914 | 9,290,428 |
| Revenues under expenditures | (2,145,813) | (2,132,038) | 13,775 | (2,007,736) |
| **Other Financing Sources** | | | | |
| Proceeds from issuance of general obligation refunding bonds | - | 17,800,000 | 17,800,000 | 12,760,000 |
| Premium on issuance of bonds | - | 1,870,779 | 1,870,779 | 894,243 |
| Payment to bond refunding escrow agent | - | (19,642,650) | (19,642,650) | (13,627,750) |
| Transfers in | 2,145,813 | 2,145,813 | - | 1,965,267 |
| **Total Other Financing Sources** | 2,145,813 | 2,173,942 | 28,129 | 1,991,760 |
| Net changes in fund balances | - | 41,904 | 41,904 | (15,976) |
| **Fund Balances - Beginning** | 520,775 | 520,775 | - | 536,751 |
| **Fund Balances - Ending** | $ 520,775 | $ 562,679 | $ 41,904 | $ 520,775 |

# UNAUDITED STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information, both current and historical, 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. To assist financial statement users, the section is categorized as follows:


| Contents | Page |
|---|---|
| **Financial Trends**<br>These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time. | 82 |
| **Revenue Capacity**<br>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. | 92 |
| **Debt Capacity**<br>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 100 |
| **Demographic and Economic Information**<br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 106 |
| **Operating Information**<br>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 110 |


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

**CITY OF BELLAIRE, TEXAS**
***NET POSITION BY COMPONENT***
***LAST TEN FISCAL YEARS***
***(Accrual Basis of Accounting)***

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Net investment in capital assets | $ 12,017,357 | $ 15,390,597 | $ 18,182,933 | $ 19,904,368 | $ 22,459,271 |
| Restricted | 6,242,189 | 4,380,414 | 4,864,690 | 4,833,458 | 5,532,306 |
| Unrestricted | (3,491,035) | (3,786,554) | (6,235,197) | (13,112,693) | (11,160,440) |
| **Total Governmental Activities Net Position** | $ 14,768,511 | $ 15,984,457 | $ 16,812,426 | $ 11,625,133 | $ 16,831,137 |
| **Business-type Activities** | | | | | |
| Net investment in capital assets | $ 46,796,314 | $ 47,305,409 | $ 46,170,650 | $ 46,450,275 | $ 45,007,913 |
| Unrestricted | 3,827,399 | 5,231,898 | 5,870,772 | 2,235,809 | 1,613,121 |
| **Total Business-type Activities Net Position** | $ 50,623,713 | $ 52,537,307 | $ 52,041,422 | $ 48,686,084 | $ 46,621,034 |
| **Primary Government** | | | | | |
| Net investment in capital assets | $ 46,354,009 | $ 51,430,068 | $ 54,219,309 | $ 57,031,939 | $ 58,974,777 |
| Restricted | 6,242,189 | 4,380,414 | 4,864,690 | 4,833,459 | 5,532,306 |
| Unrestricted | 12,796,026 | 12,711,282 | 9,769,849 | (1,554,181) | (1,054,912) |
| **Total Primary Government Net Position** | $ 65,392,224 | $ 68,521,764 | $ 68,853,848 | $ 60,311,217 | $ 63,452,171 |

Note: Net position was restated starting fiscal year end 2017 for GASB 75.

## CITY OF BELLAIRE, TEXAS

***NET POSITION BY COMPONENT***
***LAST TEN FISCAL YEARS***
***(Accrual Basis of Accounting)***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Net investment in capital assets | $ 24,283,701 | $ 36,737,254 | $ 34,036,955 | $ 35,224,162 | $ 31,848,866 |
| Restricted | 2,926,117 | 1,816,603 | 2,307,635 | 2,551,650 | 2,893,733 |
| Unrestricted | (6,373,053) | (23,268,969) | (28,566,453) | (30,461,596) | (29,708,071) |
| **Total Governmental Activities Net Position** | $ 20,836,765 | $ 15,284,888 | $ 7,778,137 | $ 7,314,216 | $ 5,034,528 |
| **Business-type Activities** | | | | | |
| Net investment in capital assets | $ 43,105,844 | $ 48,987,489 | $ 53,781,422 | $ 54,464,331 | $ 52,432,077 |
| Unrestricted | 475,215 | 218,912 | 420,769 | 770,142 | 561,560 |
| **Total Business-type Activities Net Position** | $ 43,581,059 | $ 49,206,401 | $ 54,202,191 | $ 55,234,473 | $ 52,993,637 |
| **Primary Government** | | | | | |
| Net investment in capital assets | $ 59,748,943 | $ 62,102,846 | $ 61,598,511 | $ 62,014,591 | $ 57,585,334 |
| Restricted | 2,926,117 | 1,816,603 | 2,307,635 | 2,551,650 | 2,893,733 |
| Unrestricted | 1,742,761 | 571,840 | (1,925,818) | (2,017,552) | (2,450,902) |
| **Total Primary Government Net Position** | $ 64,417,821 | $ 64,491,289 | $ 61,980,328 | $ 62,548,689 | $ 58,028,165 |

Note: Net position was restated starting fiscal year end 2017 for GASB 75.

# CITY OF BELLAIRE, TEXAS

***CHANGES IN NET POSITION***
***LAST TEN FISCAL YEARS***
***(Accrual Basis of Accounting)***

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Governmental activities: | | | | | |
| General government | $ 5,175,769 | $ 4,208,790 | $ 4,666,521 | $ 4,650,382 | $ 4,186,635 |
| Public safety | 7,120,797 | 7,411,656 | 7,408,510 | 7,688,067 | 7,642,560 |
| Public works | 3,632,379 | 3,047,245 | 3,195,605 | 1,732,778 | 3,495,508 |
| Culture and recreation | 2,793,350 | 3,007,000 | 3,129,411 | 4,744,672 | 4,129,555 |
| Interest on long-term debt | 2,741,626 | 2,748,024 | 2,401,586 | 2,600,345 | 2,802,080 |
| Total governmental activities expenses | 21,463,921 | 20,422,715 | 20,801,633 | 21,416,244 | 22,256,338 |
| Business-type activities: | | | | | |
| Water | 4,849,850 | 3,665,318 | 3,591,660 | 4,099,061 | 4,222,422 |
| Sewer | 2,149,214 | 2,085,949 | 2,208,464 | 2,551,872 | 2,140,266 |
| Solid waste | 1,386,037 | 1,321,797 | 1,347,342 | 1,422,924 | 1,340,844 |
| Total business-type activities expenses | 8,385,101 | 7,073,064 | 7,147,466 | 8,073,857 | 7,703,532 |
| **Total Primary Government Expenses** | $ 29,849,022 | $ 27,495,779 | $ 27,949,099 | $ 29,490,101 | $ 29,959,870 |
| **Program Revenue** | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | $ 1,678,644 | $ 1,706,544 | $ 1,742,547 | $ 1,870,963 | $ 1,623,777 |
| Public safety | 413,414 | 444,703 | 414,322 | 445,708 | 484,435 |
| Culture and recreation | 914,892 | 946,739 | 951,689 | 943,294 | 1,044,060 |
| Operating grants and contributions | 4,926,010 | 2,964,856 | 891,362 | 864,874 | 2,827,088 |
| Total governmental activities program revenues | 7,932,960 | 6,062,842 | 3,999,920 | 4,124,839 | 5,979,360 |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Water | 4,163,534 | 3,913,934 | 4,065,706 | 3,399,947 | 3,263,193 |
| Sewer | 2,222,214 | 2,458,792 | 2,433,842 | 2,306,693 | 2,184,372 |
| Solid waste | 1,447,792 | 1,450,003 | 1,436,194 | 1,429,484 | 1,430,744 |
| Operating grants and contributions | 5,210 | 3,644 | - | - | 63,000 |
| Capital grants and contributions | - | - | - | - | - |
| Total business-type activities program revenues | 7,838,750 | 7,826,373 | 7,935,742 | 7,136,124 | 6,941,309 |
| **Total Primary Government Program Revenues** | $ 15,771,710 | $ 13,889,215 | $ 11,935,662 | $ 11,260,963 | $ 12,920,669 |
| **Net (Expense)/Revenue** | | | | | |
| Governmental activities | $ (13,530,961) | $ (14,359,873) | $ (16,801,713) | $ (17,291,405) | $ (16,276,978) |
| Business-type activities | (546,351) | 753,309 | 788,276 | (937,733) | (762,223) |
| **Total Primary Government Net Expense** | $ (14,077,312) | $ (13,606,564) | $ (16,013,437) | $ (18,229,138) | $ (17,039,201) |

# CITY OF BELLAIRE, TEXAS

***CHANGES IN NET POSITION***
***LAST TEN FISCAL YEARS***
***(Accrual Basis of Accounting)***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Governmental activities: | | | | | |
| General government | $ 4,535,002 | $ 4,863,991 | $ 7,107,371 | $ 5,712,740 | $ 5,717,274 |
| Public safety | 9,099,845 | 9,717,944 | 9,651,637 | 11,077,968 | 11,283,113 |
| Public works | 3,458,191 | 1,568,448 | 6,030,590 | 4,526,186 | 6,450,241 |
| Culture and recreation | 4,934,103 | 6,957,959 | 4,764,793 | 5,144,925 | 4,621,189 |
| Interest on long-term debt | 2,746,662 | 4,323,982 | 4,139,812 | 4,370,062 | 4,241,197 |
| Total governmental activities expenses | 24,773,803 | 27,432,324 | 31,694,203 | 30,831,881 | 32,313,014 |
| Business-type activities: | | | | | |
| Water | 5,607,986 | 5,779,152 | 6,174,686 | 5,625,032 | 6,518,393 |
| Sewer | 1,304,575 | 1,193,801 | 1,240,813 | 1,380,494 | 1,202,515 |
| Solid waste | 1,322,405 | 1,342,498 | 1,397,734 | 1,495,853 | 1,543,437 |
| Total business-type activities expenses | 8,234,966 | 8,315,451 | 8,813,233 | 8,501,379 | 9,264,345 |
| **Total Primary Government Expenses** | $ 33,008,769 | $ 35,747,775 | $ 40,507,436 | $ 39,333,260 | $ 41,577,359 |
| **Program Revenue** | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | $ 1,865,093 | $ 1,874,666 | $ 1,957,447 | $ 2,559,363 | $ 1,563,562 |
| Public safety | 464,951 | 591,717 | 327,492 | 389,182 | 346,319 |
| Culture and recreation | 1,021,820 | 930,680 | 865,538 | 870,563 | 430,106 |
| Operating grants and contributions | 1,678,882 | 1,600,306 | 1,491,003 | 1,777,932 | 2,861,507 |
| Total governmental activities program revenues | 5,030,746 | 4,997,369 | 4,641,480 | 5,597,040 | 5,201,494 |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Water | 3,334,192 | 4,009,291 | 4,769,186 | 4,537,423 | 5,025,743 |
| Sewer | 2,177,649 | 2,355,069 | 2,773,750 | 2,581,854 | 2,821,725 |
| Solid waste | 1,678,377 | 1,687,841 | 1,649,818 | 1,633,580 | 1,647,824 |
| Operating grants and contributions | - | 102,310 | 64,710 | 194,800 | 11,055 |
| Capital grants and contributions | 583,618 | - | - | - | - |
| Total business-type activities program revenues | 7,773,836 | 8,154,511 | 9,257,464 | 8,947,657 | 9,506,347 |
| **Total Primary Government Program Revenues** | $ 12,804,582 | $ 13,151,880 | $ 13,898,944 | $ 14,544,697 | $ 14,707,841 |
| **Net (Expense)/Revenue** | | | | | |
| Governmental activities | $ (19,743,057) | $ (22,434,955) | $ (27,052,723) | $ (25,234,841) | $ (27,111,520) |
| Business-type activities | (461,130) | (160,940) | 444,231 | 446,278 | 242,002 |
| **Total Primary Government Net Expense** | $ (20,204,187) | $ (22,595,895) | $ (26,608,492) | $ (24,788,563) | $ (26,869,518) |

# CITY OF BELLAIRE, TEXAS

***CHANGES IN NET POSITION***
***LAST TEN FISCAL YEARS***
***(Accrual Basis of Accounting)***

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **General Revenues and Other Changes in Net Position** | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property taxes | $ 12,453,577 | $ 12,917,306 | $ 12,954,402 | $ 13,449,313 | $ 14,356,415 |
| Sales and use taxes | 2,242,145 | 2,053,538 | 2,156,893 | 2,590,958 | 2,310,083 |
| Franchise taxes | 1,370,522 | 1,325,746 | 1,398,657 | 1,441,398 | 1,474,701 |
| Investment earnings | 105,393 | 82,226 | 53,804 | 29,757 | 29,293 |
| Miscellaneous | 2,134,344 | 76,530 | 46,728 | 252,622 | 59,242 |
| Gain on sale of capital assets | - | - | - | - | 13,298 |
| Transfers | 2,054,714 | 1,499,046 | (1,034,665) | 1,317,913 | 1,601,327 |
| **Total Governmental Activities** | 20,360,695 | 17,954,392 | 15,575,819 | 19,081,961 | 19,844,359 |
| Business-type activities: | | | | | |
| Investment earnings | 39,267 | 21,806 | (10,686) | 6,075 | 5,914 |
| Other revenues | 94,428 | 97,098 | 114,556 | 92,712 | 86,560 |
| Gain on sale of capital assets | - | - | 21,750 | 2,115 | 10,115 |
| Transfers | (2,054,714) | (1,499,046) | 1,034,665 | (1,317,913) | (1,601,327) |
| **Total Business-type Activities** | (1,921,019) | (1,380,142) | 1,160,285 | (1,217,011) | (1,498,738) |
| **Total Primary Government** | $ 18,439,676 | $ 16,574,250 | $ 16,736,104 | $ 17,864,950 | $ 18,345,621 |
| **Change in Net Position** | | | | | |
| Governmental activities | $ 6,829,734 | $ 3,594,519 | $ (1,225,894) | $ 1,790,556 | $ 3,567,381 |
| Business-type activities | (2,467,370) | (626,833) | 1,948,561 | (2,154,744) | (2,260,961) |
| **Total Primary Government** | $ 4,362,364 | $ 2,967,686 | $ 722,667 | $ (364,188) | $ 1,306,420 |

# CITY OF BELLAIRE, TEXAS

***CHANGES IN NET POSITION***
***LAST TEN FISCAL YEARS***
***(Accrual Basis of Accounting)***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **General Revenues and Other Changes in Net Position** | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property taxes | $ 15,671,184 | $ 17,134,276 | $ 20,316,672 | $ 20,448,674 | $ 21,398,243 |
| Sales and use taxes | 2,391,335 | 2,420,809 | 2,435,994 | 2,406,525 | 2,479,303 |
| Franchise taxes | 1,459,679 | 1,430,616 | 1,430,468 | 1,438,400 | 1,294,440 |
| Investment earnings | 51,596 | 107,929 | 696,915 | 947,942 | 391,574 |
| Miscellaneous | 132,976 | 9,055 | 23,711 | (6,375) | 2,137 |
| Gain on sale of capital assets | - | - | - | - | - |
| Transfers | 1,476,620 | 2,646,000 | (4,344,466) | (464,246) | 2,230,365 |
| **Total Governmental Activities** | 21,183,390 | 23,748,685 | 20,559,294 | 24,770,920 | 27,796,062 |
| Business-type activities: | | | | | |
| Investment earnings | 3,982 | 1,112 | 1,666 | 12,115 | 7,822 |
| Other revenues | 144,517 | 66,043 | 368,881 | 109,643 | 127,509 |
| Gain on sale of capital assets | 25,294 | - | - | - | - |
| Transfers | (1,476,620) | (2,646,000) | 4,344,466 | 464,246 | (2,230,365) |
| **Total Business-type Activities** | (1,302,827) | (2,578,845) | 4,715,013 | 586,004 | (2,095,034) |
| **Total Primary Government** | $ 19,880,563 | $ 21,169,840 | $ 25,274,307 | $ 25,356,924 | $ 25,701,028 |
| **Change in Net Position** | | | | | |
| Governmental activities | $ 1,440,333 | $ 1,313,730 | $ (6,493,429) | $ (463,921) | $ 684,542 |
| Business-type activities | (1,763,957) | (2,739,785) | 5,159,244 | 1,032,282 | (1,853,032) |
| **Total Primary Government** | $ (323,624) | $ (1,426,055) | $ (1,334,185) | $ 568,361 | $ (1,168,490) |

# CITY OF BELLAIRE, TEXAS

***FUND BALANCES OF GOVERNMENTAL FUNDS***
***LAST TEN FISCAL YEARS***
***(Modified Accrual Basis of Accounting)***

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| General fund | | | | | |
| Nonspendable | $ 97,987 | $ 92,942 | $ 1,107 | $ 1,269 | $ 7,243 |
| Restricted | 201,200 | 181,314 | - | - | - |
| Assigned | 21,988 | 22,595 | - | - | - |
| Unassigned | 4,141,757 | 3,529,097 | 4,211,936 | 4,621,983 | 5,596,804 |
| **Total General Fund** | $ 4,462,932 | $ 3,825,948 | $ 4,213,043 | $ 4,623,252 | $ 5,604,047 |
| | | | | | |
| All other governmental funds | | | | | |
| Restricted | $ 17,926,249 | $ 13,858,353 | $ 17,373,785 | $ 22,366,030 | $ 26,258,593 |
| Committed | 5,147,115 | 5,056,709 | 4,451,200 | 4,460,179 | 4,599,903 |
| **Total All Other Governmental Funds** | $ 23,073,364 | $ 18,915,062 | $ 21,824,985 | $ 26,826,209 | $ 30,858,496 |

# CITY OF BELLAIRE, TEXAS

***FUND BALANCES OF GOVERNMENTAL FUNDS***
***LAST TEN FISCAL YEARS***
***(Modified Accrual Basis of Accounting)***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| General fund | | | | | |
| Nonspendable | $ 1,151 | $ 1,631 | $ 5,745 | $ 13,777 | $ 16,771 |
| Restricted | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | 4,814,376 | 3,699,304 | 3,092,863 | 4,636,511 | 5,557,601 |
| **Total General Fund** | $ 4,815,527 | $ 3,700,935 | $ 3,098,608 | $ 4,650,288 | $ 5,574,372 |
| All other governmental funds | | | | | |
| Restricted | $ 10,203,975 | $ 38,066,382 | $ 29,933,726 | $ 23,418,655 | $ 19,734,010 |
| Committed | 6,363,083 | 7,717,440 | 5,698,786 | 4,834,709 | 4,747,753 |
| **Total All Other Governmental Funds** | $ 16,567,058 | $ 45,783,822 | $ 35,632,512 | $ 28,253,364 | $ 24,481,763 |

# CITY OF BELLAIRE, TEXAS

***CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS***
***LAST TEN FISCAL YEARS***
***(Modified Accrual Basis of Accounting)***

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes: | | | | | |
| Property taxes | $ 12,905,050 | $ 12,968,976 | $ 13,468,975 | $ 14,370,857 | $ 15,696,635 |
| Sales and use taxes | 2,053,538 | 2,156,893 | 2,590,958 | 2,310,083 | 2,391,335 |
| Franchise taxes | 1,325,746 | 1,398,657 | 1,441,398 | 1,474,701 | 1,459,679 |
| Fines and forfeitures | 862,810 | 758,614 | 719,150 | 803,218 | 715,861 |
| Licenses and permits | 844,802 | 1,007,125 | 1,142,927 | 1,183,493 | 1,007,468 |
| Charges for services | 1,299,338 | 1,332,247 | 1,246,481 | 1,230,436 | 1,424,243 |
| Investment earnings | 82,226 | 53,804 | 29,787 | 29,293 | 51,596 |
| Intergovernmental | 854,072 | 2,964,856 | 891,362 | 808,455 | 983,633 |
| Other | 395,145 | 46,728 | 252,622 | 115,661 | 1,975,431 |
| **Total Revenues** | 20,622,727 | 22,687,900 | 21,783,660 | 22,326,197 | 25,705,881 |
| **Expenditures** | | | | | |
| General government | 4,058,470 | 4,051,141 | 4,272,157 | 4,568,131 | 4,167,618 |
| Public safety | 7,000,186 | 7,029,280 | 6,960,344 | 7,046,063 | 7,739,572 |
| Public works | 930,165 | 901,608 | 1,038,170 | 1,048,380 | 1,100,198 |
| Culture and recreation | 2,444,683 | 2,498,057 | 2,586,501 | 2,723,263 | 3,763,840 |
| Capital outlay | 4,931,251 | 8,631,091 | 6,015,152 | 10,339,645 | 7,468,997 |
| Debt service: | | | | | |
| Principal | 3,075,000 | 3,465,000 | 3,500,000 | 3,690,000 | 3,955,000 |
| Interest | 2,694,934 | 2,381,610 | 2,256,878 | 2,341,311 | 2,623,526 |
| Bond issuance costs and fees | - | 613,258 | 131,304 | 215,249 | 164,458 |
| Payment to bond refunding escrow agent (current refunding) | - | 15,943,348 | - | - | - |
| **Total Expenditures** | 25,134,689 | 45,514,393 | 26,760,506 | 31,972,042 | 30,983,209 |
| Excess of revenues over (under) expenditures | (4,511,962) | (22,826,493) | (4,976,846) | (9,645,845) | (5,277,328) |
| **Other Financing Sources (Uses)** | | | | | |
| Issuance of general obligation refunding bonds | - | 24,915,000 | - | - | - |
| Issuance of capital-related debt | 6,500,000 | - | 6,000,000 | 10,425,000 | 7,710,000 |
| Capital lease | | | | | - |
| Premium on bonds issued | 70,949 | 1,206,254 | 162,712 | 291,398 | 364,458 |
| Payment to bond refunding escrow agent (advance refunding) | (21,343) | (9,548,460) | - | - | - |
| Transfers in | 3,229,000 | 2,584,697 | 3,144,600 | 5,224,485 | 2,460,000 |
| Transfers out | (1,729,954) | (1,134,697) | (950,000) | (1,027,485) | (275,000) |
| Sale of capital assets | 12,852 | 8,413 | 21,174 | 39,258 | 1,000 |
| **Total Other Financing Sources (Uses)** | 8,061,504 | 18,031,207 | 8,378,486 | 14,952,656 | 10,260,458 |
| **Net Change in Fund Balances** | $ 3,549,542 | $ (4,795,286) | $ 3,401,640 | $ 5,306,811 | $ 4,983,130 |
| Debt service as a percentage of noncapital expenditures | 27.38% | 14.75% | 25.88% | 24.27% | 27.27% |

# CITY OF BELLAIRE, TEXAS

***CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS***
***LAST TEN FISCAL YEARS***
***(Modified Accrual Basis of Accounting)***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes: | | | | | |
| Property taxes | $ 17,120,992 | $ 18,430,667 | $ 20,308,171 | $ 20,511,841 | $ 21,325,785 |
| Sales and use taxes | 2,420,809 | 2,241,860 | 2,435,994 | 2,406,525 | 2,479,303 |
| Franchise taxes | 1,430,616 | 1,438,825 | 1,430,468 | 1,438,400 | 1,294,440 |
| Fines and forfeitures | 758,122 | 723,299 | 623,584 | 546,315 | 422,266 |
| Licenses and permits | 1,158,422 | 1,199,500 | 1,319,019 | 2,080,234 | 1,150,979 |
| Charges for services | 1,391,739 | 1,229,988 | 1,168,088 | 1,199,541 | 772,210 |
| Investment earnings | 107,929 | 288,552 | 696,915 | 947,942 | 391,574 |
| Intergovernmental | 1,202,007 | 1,313,098 | 1,278,001 | 1,589,825 | 2,655,898 |
| Other | 511,722 | 446,507 | 355,300 | 206,431 | 353,448 |
| **Total Revenues** | 26,102,358 | 27,312,296 | 29,615,540 | 30,927,054 | 30,845,903 |
| | | | | | |
| **Expenditures** | | | | | |
| General government | 4,462,598 | 4,676,508 | 6,669,776 | 4,841,998 | 5,180,203 |
| Public safety | 8,014,408 | 9,061,923 | 9,278,173 | 9,697,869 | 10,147,664 |
| Public works | 1,056,541 | 1,054,450 | 997,550 | 1,155,367 | 1,245,689 |
| Culture and recreation | 4,137,774 | 4,294,083 | 4,368,029 | 4,755,711 | 4,327,203 |
| Capital outlay | 19,602,776 | 21,491,916 | 24,524,211 | 13,874,590 | 6,519,177 |
| Debt service: | | | | | |
| Principal | 4,055,000 | 4,510,000 | 4,920,000 | 5,165,000 | 5,575,000 |
| Interest | 2,772,676 | 3,059,476 | 3,971,755 | 4,125,428 | 4,004,154 |
| Bond issuance costs and fees | - | 935,310 | 184,573 | 137,863 | 17,800 |
| Payment to bond refunding escrow agent (current refunding) | - | - | - | - | - |
| **Total Expenditures** | 44,101,773 | 49,083,666 | 54,914,067 | 43,753,826 | 37,016,890 |
| | | | | | |
| Excess of revenues over (under) expenditures | (17,999,415) | (21,771,370) | (25,298,527) | (12,826,772) | (6,170,987) |
| | | | | | |
| **Other Financing Sources (Uses)** | | | | | |
| Issuance of general obligation refunding bonds | - | 9,690,000 | - | 12,760,000 | 17,800,000 |
| Issuance of capital-related debt | - | 44,820,000 | 11,475,000 | 3,945,000 | - |
| Capital lease | - | 787,666 | - | - | - |
| Premium on bonds issued | - | 1,734,927 | 213,532 | 1,082,273 | 1,870,779 |
| Payment to bond refunding escrow agent (advance refunding) | - | (9,942,235) | - | (13,627,750) | (19,642,650) |
| Transfers in | 4,952,000 | 5,117,655 | 3,363,111 | 3,354,267 | 3,740,813 |
| Transfers out | (2,306,000) | (2,371,655) | (511,676) | (555,000) | (471,000) |
| Sale of capital assets | 817 | 37,184 | 4,923 | 40,514 | 25,528 |
| **Total Other Financing Sources (Uses)** | 2,646,817 | 49,873,542 | 14,544,890 | 6,999,304 | 3,323,470 |
| | | | | | |
| **Net Change in Fund Balances** | $ (15,352,598) | $ 28,102,172 | $ (10,753,637) | $ (5,827,468) | $ (2,847,517) |
| | | | | | |
| Debt service as a percentage of noncapital expenditures | 27.42% | 27.82% | 27.49% | 31.11% | 29.63% |

# CITY OF BELLAIRE, TEXAS

***ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***
***LAST TEN FISCAL YEARS***

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Real Property** | $ 3,091,605,353 | $ 3,113,840,746 | $ 3,233,587,984 | $ 3,490,155,153 | $ 3,905,688,782 |
| **Personal Property** | 138,836,286 | 126,312,156 | 134,275,543 | 139,263,254 | 117,174,780 |
| **Total Taxable Assessed Value (1)** | $ 3,230,441,639 | $ 3,240,152,902 | $ 3,367,863,527 | $ 3,629,418,407 | $ 4,022,863,562 |
| **Total Direct Tax Rate (2)** | $ 0.39990 | $ 0.39990 | $ 0.39990 | $ 0.39990 | $ 0.39360 |

Source: Harris County Certified/Uncertified Tax Roll

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

## CITY OF BELLAIRE, TEXAS

***ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***
***LAST TEN FISCAL YEARS***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Real Property** | $ 4,393,494,108 | $ 4,716,891,547 | $ 4,801,517,463 | $ 4,688,829,677 | $ 4,714,774,761 |
| **Personal Property** | 98,941,686 | 105,576,256 | 93,291,761 | 106,453,627 | 102,494,826 |
| **Total Taxable Assessed Value (1)** | $ 4,492,435,794 | $ 4,822,467,803 | $ 4,894,809,224 | $ 4,795,283,304 | $ 4,817,269,587 |
| **Total Direct Tax Rate (2)** | $ 0.38050 | $ 0.38740 | $ 0.41590 | $ 0.43130 | $ 0.44730 |

Source: Harris County Certified/Uncertified Tax Roll

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

**CITY OF BELLAIRE, TEXAS**
***PROPERTY TAX RATES***
***DIRECT AND OVERLAPPING GOVERNMENTS***
***LAST TEN FISCAL YEARS***

| | City of Bellaire | | | | |
|---|---|---|---|---|---|
| Fiscal Year | Operating Tax Rate | Debt Service Tax Rate | Total Tax Rate | Houston Independent School District | Harris County |
| 2011 | $ 0.26390 | $ 0.13600 | $ 0.39990 | $ 1.15670 | $ 0.38805 |
| 2012 | 0.24750 | 0.15240 | 0.39990 | 1.15670 | 0.39117 |
| 2013 | 0.25540 | 0.14450 | 0.39990 | 1.18670 | 0.40021 |
| 2014 | 0.25630 | 0.14360 | 0.39990 | 1.19670 | 0.41455 |
| 2015 | 0.25320 | 0.14040 | 0.39360 | 1.19670 | 0.41731 |
| 2016 | 0.25010 | 0.13040 | 0.38050 | 1.19670 | 0.41923 |
| 2017 | 0.25510 | 0.13230 | 0.38740 | 1.20670 | 0.41656 |
| 2018 | 0.26780 | 0.14810 | 0.41590 | 1.20670 | 0.41801 |
| 2019 | 0.27810 | 0.15320 | 0.43130 | 1.20670 | 0.41858 |
| 2020 | 0.29050 | 0.15680 | 0.44730 | 1.13670 | 0.40713 |

Source: Harris County Appraisal District

Note: Overlapping rates are those of local and county governments that apply within the City of Bellaire.
Tax rates are per $100 of assessed value.

**CITY OF BELLAIRE, TEXAS**
***PROPERTY TAX RATES***
***DIRECT AND OVERLAPPING GOVERNMENTS***
***LAST TEN FISCAL YEARS***

| Fiscal Year | Harris County Flood Control District | Port of Houston Authority | Harris County Hospital District | Harris County Dept. of Education | Houston Community College |
|---|---|---|---|---|---|
| 2011 | $ 0.02930 | $0.02054 | $ 0.19216 | $ 0.00658 | $ 0.09222 |
| 2012 | 0.02809 | 0.01856 | 0.19216 | 0.00658 | 0.09722 |
| 2013 | 0.02809 | 0.01952 | 0.18216 | 0.00662 | 0.09717 |
| 2014 | 0.02827 | 0.01716 | 0.17000 | 0.00636 | 0.09717 |
| 2015 | 0.02736 | 0.01531 | 0.17000 | 0.00599 | 0.10689 |
| 2016 | 0.02733 | 0.01342 | 0.17000 | 0.00542 | 0.10194 |
| 2017 | 0.02829 | 0.01334 | 0.17179 | 0.00520 | 0.10026 |
| 2018 | 0.02831 | 0.01256 | 0.17110 | 0.00520 | 0.10026 |
| 2019 | 0.02877 | 0.01155 | 0.17108 | 0.00519 | 0.10026 |
| 2020 | 0.02792 | 0.01074 | 0.16591 | 0.00500 | 0.10026 |

Source: Harris County Appraisal District

Note: Overlapping rates are those of local and county governments that apply within the City of Bellaire.
Tax rates are per $100 of assessed value.

City of Bellaire

## CITY OF BELLAIRE, TEXAS
***PRINCIPAL PROPERTY TAXPAYERS***
***CURRENT YEAR AND NINE YEARS AGO***

| | 2020 | | | 2011 | | |
|---|---|---|---|---|---|---|
| **Taxpayer** | **Taxable Assessed Value** | **Rank** | **% of Total Assessed Valuation** | **Taxable Assessed Value** | **Rank** | **% of Total Assessed Valuation** |
| Norvin Pin Oak North LLC et al | $ 73,839,951 | 1 | 1.5% | $ | | |
| SLS West Loop LP & Properties | 45,685,662 | 2 | 0.9% | | | |
| Keppel KBS West Loop I & II Inc | 42,484,046 | 3 | 0.9% | | | |
| BRI 1833 6330 LLC | 39,808,891 | 4 | 0.8% | 28,454,000 | 6 | 0.9% |
| Bellaire 5420 APL MP LLC | 35,274,557 | 5 | 0.7% | | | |
| Centerpoint Energy, Inc. | 33,057,922 | 6 | 0.7% | 33,573,552 | 4 | 1.0% |
| HEB MOB LLC | 28,050,284 | 7 | 0.6% | | | |
| EPC SPARTI LLC | 25,386,689 | 8 | 0.5% | | | |
| SBC Communications | 15,804,438 | 9 | 0.3% | | | |
| B B S I LC | 12,570,283 | 10 | 0.3% | | | |
| ChevronTexaco, Inc | | | | 68,946,025 | 1 | 2.1% |
| FRM West Loop Assoc | | | | 39,762,701 | 2 | 1.2% |
| WMPT Bellaire HP LP | | | | 38,480,918 | 3 | 1.2% |
| AT&T Corporation | | | | 29,313,520 | 5 | 0.9% |
| Chase Merritt West Loop LLC | | | | 28,007,173 | 7 | 0.9% |
| 5909-5959 Realty LTD | | | | 9,030,044 | 8 | 0.3% |
| SPTMRT Properties Trust | | | | 7,650,996 | 9 | 0.2% |
| Centro NP Holdings 12 SPE LLC | | | | 6,774,260 | 10 | 0.2% |
| | 351,962,723 | | 7.3% | 289,993,189 | | 8.9% |
| Other taxpayers | 4,465,306,864 | | 92.7% | 2,940,448,450 | | 91.1% |
| **Total Assessed Valuation** | $ 4,817,269,587 | | 100.0% | $ 3,230,441,639 | | 100.0% |

Source: Harris County Tax Assessor-Collector

**CITY OF BELLAIRE, TEXAS**
***PROPERTY TAX LEVIES AND COLLECTIONS***
***LAST TEN FISCAL YEARS***

| Fiscal Year | Tax Year | Tax Rate | Total Tax Levy for Fiscal Year | Collected Within the Fiscal Year of the Levy | |
|---|---|---|---|---|---|
| | | | | Amount | Percentage of Levy |
| 2011 | 2010 | 0.39900 | $ 12,820,648 | $ 12,750,093 | 99.45% |
| 2012 | 2011 | 0.39900 | 12,909,927 | 12,857,279 | 99.59% |
| 2013 | 2012 | 0.39900 | 13,382,086 | 13,338,111 | 99.67% |
| 2014 | 2013 | 0.39900 | 14,364,926 | 14,319,678 | 99.69% |
| 2015 | 2014 | 0.39360 | 15,743,170 | 15,695,886 | 99.70% |
| 2016 | 2015 | 0.38050 | 17,137,875 | 17,078,390 | 99.65% |
| 2017 | 2016 | 0.38740 | 18,682,240 | 18,375,281 | 98.36% |
| 2018 | 2017 | 0.41590 | 20,357,512 | 20,157,744 | 99.02% |
| 2019 | 2018 | 0.43130 | 20,682,057 | 20,356,577 | 98.43% |
| 2020 | 2019 | 0.44730 | 21,547,647 | 21,289,448 | 98.80% |

Source: Harris County Tax Assessor-Collector
Note: Tax rates are per $100 of assessed value

**CITY OF BELLAIRE, TEXAS**
***PROPERTY TAX LEVIES AND COLLECTIONS***
***LAST TEN FISCAL YEARS***

| Fiscal Year | Tax Year | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|---|---|
| | | Amount | Amount | Percentage of Levy |
| 2011 | 2010 | $ 56,226 | $ 12,806,319 | 99.89% |
| 2012 | 2011 | 37,748 | 12,895,027 | 99.88% |
| 2013 | 2012 | 4,414 | 13,342,525 | 99.70% |
| 2014 | 2013 | 9,773 | 14,329,451 | 99.75% |
| 2015 | 2014 | (46,647) | 15,649,239 | 99.40% |
| 2016 | 2015 | (27,129) | 17,051,261 | 99.49% |
| 2017 | 2016 | 30,943 | 18,406,224 | 98.52% |
| 2018 | 2017 | 79,220 | 20,236,964 | 99.41% |
| 2019 | 2018 | (17,479) | 20,339,098 | 98.34% |
| 2020 | 2019 | N/A | 21,289,448 | 98.80% |

Source: Harris County Tax Assessor-Collector
Note: Tax rates are per $100 of assessed value

# CITY OF BELLAIRE, TEXAS

***RATIOS OF OUTSTANDING DEBT BY TYPE***
***LAST TEN FISCAL YEARS***

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| **Governmental Activities:** | | | | | |
| General obligation bonds (1) | $ 70,966,183 | $ 70,232,274 | $ 72,797,711 | $ 79,720,054 | $ 83,723,801 |
| Capital lease | - | - | - | - | - |
| **Total Primary Government** | $ 70,966,183 | $ 70,232,274 | $ 72,797,711 | $ 79,720,054 | $ 83,723,801 |
| **Personal Income (2)** | $ 1,318,701,490 | $ 1,279,581,035 | $ 1,286,441,020 | $ 1,306,970,410 | $ 1,402,218,015 |
| **Debt as a Percentage of Personal Income** | 5% | 5% | 6% | 6% | 6% |
| **Population (3)** | 16,855 | 16,855 | 16,855 | 16,855 | 16,855 |
| **Debt Per Capita** | $ 4,210 | $ 4,167 | $ 4,319 | $ 4,730 | $ 4,967 |

(1) Presented net of related premiums and discounts.
(2) Personal income data is not available for all years.
(3) Source: United States Census Bureau

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

# CITY OF BELLAIRE, TEXAS

***RATIOS OF OUTSTANDING DEBT BY TYPE***
***LAST TEN FISCAL YEARS***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| **Governmental Activities:** | | | | | |
| General obligation bonds (1) | $ 79,538,316 | $ 122,123,098 | $ 128,732,388 | $ 127,609,261 | 121,751,097 |
| Capital lease | - | 722,889 | 666,124 | 607,738 | 547,501 |
| **Total Primary Government** | $ 79,538,316 | $ 122,845,987 | $ 129,398,512 | $ 128,216,999 | $ 122,298,598 |
| **Personal Income (2)** | $ 1,593,643,216 | $ 1,729,595,232 | $ 1,807,115,385 | $ 1,882,432,398 | $ 1,917,911,187 |
| **Debt as a Percentage of Personal Income** | 5% | 7% | 7% | 7% | 6% |
| **Population (3)** | 18,593 | 18,593 | 18,797 | 18,966 | 18,971 |
| **Debt Per Capita** | $ 4,278 | $ 6,607 | $ 6,884 | $ 6,760 | $ 6,447 |

(1) Presented net of related premiums and discounts.
(2) Personal income data is not available for all years.
(3) Source: United States Census Bureau

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

# CITY OF BELLAIRE, TEXAS

***RATIOS OF GENERAL BONDED DEBT OUTSTANDING***
***LAST TEN FISCAL YEARS***

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Net Taxable Assessed Value** | | | | | |
| All property | $ 3,206,212,748 | $ 3,240,152,902 | $ 3,367,863,527 | $ 3,629,418,407 | $ 4,022,863,562 |
| **Net Bonded Debt** | | | | | |
| General obligation bonds (1) | $ 70,966,183 | $ 67,952,550 | $ 70,629,797 | $ 79,514,950 | $ 81,779,507 |
| Less debt service funds (2) | 400,621 | 469,433 | 504,450 | 562,532 | 514,125 |
| **Net Bonded Debt** | $ 70,565,562 | $ 67,483,117 | $ 70,125,347 | $ 78,952,418 | $ 81,265,382 |
| **Percentage of Estimated Actual Taxable Value of Property** | 2.20% | 2.08% | 2.08% | 2.18% | 2.02% |
| **Population (3)** | 16,855 | 16,855 | 16,855 | 16,855 | 16,855 |
| **Net Bonded Debt Per Capita** | $ 4,187 | $ 4,004 | $ 4,161 | $ 4,684 | $ 4,821 |

(1) Presented net of related premiums and discounts.

(2) Net position restricted for debt service as reported in the government-wide statement of net position.

(3) Source: United States Census Bureau

# CITY OF BELLAIRE, TEXAS

***RATIOS OF GENERAL BONDED DEBT OUTSTANDING***
***LAST TEN FISCAL YEARS***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Net Taxable Assessed Value** | | | | | |
| All property | $ 4,492,435,794 | $ 4,822,467,803 | $ 4,894,809,224 | $ 4,795,283,304 | $ 4,817,269,587 |
| **Net Bonded Debt** | | | | | |
| General obligation bonds (1) | $ 77,705,831 | $ 122,123,098 | $ 128,732,388 | $ 127,609,261 | $ 121,751,097 |
| Less debt service funds (2) | 207,464 | 59,629 | 97,691 | 58,295 | 150,820 |
| **Net Bonded Debt** | $ 77,498,367 | $ 122,063,469 | $ 128,634,697 | $ 127,550,966 | $ 121,600,277 |
| **Percentage of Estimated Actual Taxable Value of Property** | 1.73% | 2.53% | 2.63% | 2.66% | 2.52% |
| **Population (3)** | 18,593 | 18,593 | 18,797 | 18,966 | 18,971 |
| **Net Bonded Debt Per Capita** | $ 4,168 | $ 6,565 | $ 6,843 | $ 6,725 | $ 6,410 |

(1) Presented net of related premiums and discounts.
(2) Net position restricted for debt service as reported in the government-wide statement of net position.
(3) Source: United States Census Bureau

**CITY OF BELLAIRE, TEXAS**
***DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT***
***AS OF SEPTEMBER 30, 2020***

| Name of Governmental Unit | Debt Outstanding (1) | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|---|---|---|
| Houston Independent School District | $ 2,764,820,000 | 2.67% | $ 73,820,694 |
| Harris County (2) | 1,867,957,125 | 1.04% | 19,426,754 |
| Houston Community College District | 528,150,000 | 2.41% | 12,728,415 |
| Port of Houston Authority | 514,174,397 | 1.04% | 5,347,414 |
| Harris County Flood Control District | 334,270,000 | 1.04% | 3,476,408 |
| Harris County Hospital District | 86,050,000 | 1.04% | 894,920 |
| Harris County Department of Education | 6,320,000 | 1.04% | 65,728 |
| Subtotal, overlapping debt | 6,101,741,522 | | 115,760,333 |
| City direct debt (3) | 122,298,658 | 100.00% | 122,298,658 |
| **Total Direct and Overlapping Debt** | | | $ 238,058,991 |
| Ratio of Direct and Overlapping Debt to Taxable Valuation for Fiscal Year 2020 (Tax Year 2019) | | | 4.94% |
| Direct and Overlapping Debt per Capita | | | $ 12,549 |

Source: Municipal Advisory Council of Texas

(1) Debt outstanding as of September 30, 2020.
(2) Excludes Unlimited Tax and Revenue Toll Road Tax Bonds. The County's policy and practice has been to provide payment of debt service on the outstanding Toll Road Tax Bonds from toll revenues and certain other funds. To date no tax has been collected to provide for such debt service.
(3) Presented net of related premiums and discounts.

**CITY OF BELLAIRE, TEXAS**
***LEGAL DEBT MARGIN INFORMATION***
***LAST TEN FISCAL YEARS***

| Fiscal Year | Assessed Taxable Value | Debt Service Limit (1) | Amount Expended for General Obligation Debt Service (2) | Legal Debt Margin | Total Net Debt Applicable to the Limit as a Percentage of Debt Limit |
|---|---|---|---|---|---|
| 2011 | $ 3,230,441,639 | $ 43,610,962 | $ 5,769,934 | $ 37,841,028 | 13.23% |
| 2012 | 3,240,152,902 | 43,742,064 | 5,846,610 | 37,895,454 | 13.37% |
| 2013 | 3,367,863,527 | 45,466,158 | 5,756,878 | 39,709,280 | 12.66% |
| 2014 | 3,629,418,407 | 48,997,148 | 6,031,311 | 42,965,837 | 12.31% |
| 2015 | 4,022,863,562 | 54,308,658 | 6,578,526 | 47,730,132 | 12.11% |
| 2016 | 4,492,435,794 | 60,647,883 | 6,827,676 | 53,820,207 | 11.26% |
| 2017 | 4,822,467,803 | 65,103,315 | 7,569,476 | 57,533,839 | 11.63% |
| 2018 | 4,894,809,224 | 66,079,925 | 8,891,755 | 57,188,170 | 13.46% |
| 2019 | 4,795,283,304 | 64,736,325 | 9,290,428 | 55,445,897 | 14.35% |
| 2020 | 4,817,269,587 | 65,033,139 | 9,574,239 | 55,458,900 | 14.72% |

Note: General obligation debt is limited by the State of Texas. The State limit is established by Article XI, Section 5 of the Texas Constitution. Article XI, Section 5 limits the maximum ad valorem tax rate to $2.50 per $100 of assessed valuation (for all City purposes). Administratively, the Attorney General of the State of Texas prohibits the issuance of debt by a municipality if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% of collections.

(1) Debt service limited to $1.50 per $100 of assessed valuation calculated at 90% of collections.
(2) Total principal and interest payments made on general obligation debt.

**CITY OF BELLAIRE, TEXAS**
***DEMOGRAPHIC AND ECONOMIC STATISTICS***
***LAST TEN FISCAL YEARS***

| Fiscal Year | Population (1) | Personal Income (2) | Per Capita Personal Income (3) | Median Age (2) | School Enrollment (4) | Unemployment Rate (5) |
|---|---|---|---|---|---|---|
| 2011 | 16,855 | $ 1,318,701,490 | $ 78,238 | 41.6 | 7,470 | 7.9% |
| 2012 | 16,855 | 1,279,581,035 | 75,917 | 41.7 | 7,570 | 6.2% |
| 2013 | 16,855 | 1,286,441,020 | 76,324 | 42.4 | 7,518 | 5.9% |
| 2014 | 16,855 | 1,306,970,410 | 77,542 | 41.6 | 7,667 | 4.8% |
| 2015 | 16,855 | 1,402,218,015 | 83,193 | 42.3 | 8,002 | 4.8% |
| 2016 | 18,593 | 1,593,643,216 | 85,712 | 43.0 | 7,548 | 5.7% |
| 2017 | 18,593 | 1,729,595,232 | 93,024 | 43.7 | 7,805 | 4.8% |
| 2018 | 18,797 | 1,807,124,783 | 96,139 | N/A | 8,250 | 4.1% |
| 2019 | 18,966 | 1,882,432,398 | 99,253 | N/A | 8,288 | 3.7% |
| 2020 | 18,971 | 1,917,911,187 | 101,097 | N/A | 8,250 | 9.6% |

Data Sources:
(1) United States Census Bureau
(2) United States Census Bureau, some data not available
(3) Computed (Personal Income / Population)
(4) Houston Independent School District and private schools
(5) Bureau of Labor Statistics (Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area)

**CITY OF BELLAIRE, TEXAS**
***PRINCIPAL EMPLOYERS***
***CURRENT YEAR (1)***

| Employer | Total Employees |
|---|---|
| Worley Parsons Ltd | 500-999 |
| Bellaire High School | 100-499 |
| Brighton Gardens of Bellaire | 100-499 |
| Chevron Oronite Co. LLC | 100-499 |
| Chevron Pipe Line Co. | 100-499 |
| First Street Hospital | 100-499 |
| First Surgical Partners | 100-499 |
| PFM, LLC | 100-499 |
| Pin Oak Middle School | 100-499 |
| Randall's | 100-499 |

(1) The requirement is the ten largest employers, the number of employees for each of the ten largest employers, and each employer's percentage of total employment. However, this data for the current year, along with ten years ago, is not available.

Source: Municipal Advisory Council of Texas

**CITY OF BELLAIRE, TEXAS**

***FULL-TIME EQUIVALENT CITY GOVERNMENT BUDGETED EMPLOYEES BY FUNCTION***
***LAST TEN FISCAL YEARS***

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| General Fund: | | | | | |
| Administrative | 7.0 | 7.0 | 7.0 | 8.0 | 8.5 |
| Facilities | 3.0 | 3.0 | 3.0 | 3.0 | - |
| Finance | 9.0 | 9.0 | 9.0 | 9.0 | 8.5 |
| Development services | 8.0 | 8.0 | 10.0 | 11.0 | 9.0 |
| Fire department | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| Police department | 57.5 | 57.5 | 57.5 | 57.5 | 59.0 |
| Library | 7.0 | 7.0 | 8.0 | 8.0 | 7.5 |
| Public works | 10.0 | 10.0 | 10.0 | 10.0 | 9.0 |
| Parks and recreation | 10.0 | 13.5 | 13.5 | 13.5 | - |
| Parks, recreation, and facilities | - | - | - | - | 25.5 |
| General Fund Total | 135.5 | 139.0 | 142.0 | 144.0 | 151.0 |
| Special Revenue Fund: | | | | | |
| Police | - | - | - | - | - |
| Special Revenue Fund Total | - | - | - | - | - |
| Enterprise Fund: | | | | | |
| Administration | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Water | 4.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Sewer | 9.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Solid waste | 10.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Enterprise Fund Total | 25.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| **Total City Positions** | 160.5 | 169.0 | 172.0 | 174.0 | 181.0 |

Source: City of Bellaire adopted budget

## CITY OF BELLAIRE, TEXAS

***FULL-TIME EQUIVALENT CITY GOVERNMENT BUDGETED EMPLOYEES BY FUNCTION***
***LAST TEN FISCAL YEARS***

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| General Fund: | | | | | |
| Administrative | 10.0 | 10.0 | 11.0 | 10.0 | 10.0 |
| Facilities | - | - | - | - | - |
| Finance | 9.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Development services | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| Fire department | 24.0 | 24.0 | 24.0 | 24.0 | 25.0 |
| Police department | 59.5 | 59.5 | 59.5 | 59.5 | 59.0 |
| Library | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| Public works | 9.0 | 9.0 | 8.0 | 9.0 | 10.0 |
| Parks and recreation | - | - | - | - | - |
| Parks, recreation, and facilities | 24.5 | 24.5 | 24.5 | 25.5 | 24.5 |
| General Fund Total | 151.5 | 152.5 | 152.5 | 153.5 | 154.0 |
| Special Revenue Fund: | | | | | |
| Police | - | - | - | 0.5 | 1.5 |
| Special Revenue Fund Total | - | - | - | 0.5 | 1.5 |
| Enterprise Fund: | | | | | |
| Administration | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Water | 6.0 | 6.0 | 6.0 | 5.0 | 5.0 |
| Sewer | 11.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Solid waste | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 |
| Enterprise Fund Total | 32.0 | 31.0 | 31.0 | 30.0 | 30.0 |
| **Total City Positions** | 183.5 | 183.5 | 183.5 | 184.0 | 185.5 |

Source: City of Bellaire adopted budget

**CITY OF BELLAIRE, TEXAS**
***OPERATING INDICATORS BY FUNCTION***
***LAST TEN FISCAL YEARS***

| Function | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Police | | | | | |
| Arrests | 1,147 | 1,114 | 908 | 1,042 | 1,026 |
| Accident reports | 663 | 636 | 556 | 628 | 786 |
| Citations | 6,854 | 4,974 | 4,796 | 4,443 | 3,953 |
| Offense reports | 1,011 | 627 | 841 | 1,110 | 1,021 |
| Calls for service | 33,815 | 33,133 | 28,713 | 31,570 | 29,793 |
| Fire | | | | | |
| Emergency responses | 1,962 | 1,948 | 1,905 | 2,057 | 2,019 |
| Fire incidents | 45 | 40 | 49 | 39 | 29 |
| Average response time | 4:11 | 4:06 | 4:05 | 4:06 | 4:13 |
| Water | | | | | |
| New accounts | 763 | 701 | 769 | 668 | 639 |
| Source: | | | | | |
| Surface water | 58% | 56% | 47% | 58% | 48% |
| Well water | 42% | 44% | 53% | 42% | 52% |
| Average daily consumption (millions of gallons) | 3.577 | 3.131 | 3.227 | 2.777 | 2.842 |
| Surface water pumped (millions of gallons) | 755.293 | 767.591 | 549.190 | 586.787 | 502.745 |
| Well water pumped (millions of gallons) | 547.500 | 485.734 | 628.581 | 426.920 | 534.453 |
| Total consumption (millions of gallons) | 1,302.250 | 1,253.250 | 1,177.771 | 1,101.371 | 1,037.198 |
| Peak daily consumption (millions of gallons) | 7.210 | 5.862 | 6.214 | 7.809 | 8.654 |
| Sewer | | | | | |
| Average daily sewage treatment (millions of gallons) | 1.620 | 1.624 | 1.440 | 1.572 | 1.451 |
| Total (millions of gallons) | 591.475 | 592.760 | 525.907 | 568.334 | 529.434 |
| Peak daily treatment (millions of gallons) | 5.600 | 5.800 | 3.800 | 2.200 | 4.600 |

Source: Various City Departments

**CITY OF BELLAIRE, TEXAS**
***OPERATING INDICATORS BY FUNCTION***
***LAST TEN FISCAL YEARS***

| Function | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Police | | | | | |
| Arrests | 1,066 | 1,125 | 1,115 | 956 | 723 |
| Accident reports | 771 | 717 | 740 | 783 | 339 |
| Citations | 5,833 | 4,508 | 4,029 | 3,701 | 1,435 |
| Offense reports | 973 | 1,080 | 1,012 | 996 | 743 |
| Calls for service | 31,815 | 32,732 | 29,420 | 31,616 | 22,972 |
| Fire | | | | | |
| Emergency responses | 2,184 | 2,266 | 2,285 | 2,260 | 1,997 |
| Fire incidents | 26 | 29 | 63 | 39 | 32 |
| Average response time | 6:00 | 4:50 | 5:19 | 4:37 | 5:41 |
| Water | | | | | |
| New accounts | 611 | 691 | 712 | 662 | 619 |
| Source: | | | | | |
| Surface water | 52% | 52% | 58% | 53% | 54% |
| Well water | 48% | 48% | 42% | 47% | 46% |
| Average daily consumption | | | | | |
| (millions of gallons) | 3.035 | 3.033 | 3.152 | 2.800 | 2.575 |
| Surface water pumped | | | | | |
| (millions of gallons) | 537.111 | 573.869 | 685.761 | 572.678 | 644.410 |
| Well water pumped | | | | | |
| (millions of gallons) | 505.696 | 533.468 | 464.802 | 483.687 | 483.614 |
| Total consumption (millions of gallons) | 1,042.810 | 1,107.34 | 1,150.56 | 1,056.37 | 1,127.96 |
| Peak daily consumption | | | | | |
| (millions of gallons) | 2.980 | 2.960 | 3.582 | 4.4300 | 4.9740 |
| Sewer | | | | | |
| Average daily sewage treatment | | | | | |
| (millions of gallons) | 1.464 | 1.345 | 1.361 | 1.128 | 1.268 |
| Total (millions of gallons) | 534.432 | 490.925 | 496.949 | 411.734 | 462.820 |
| Peak daily treatment | | | | | |
| (millions of gallons) | 4.400 | 3.200 | 4.975 | 3.005 | 2.633 |

Source: Various City Departments

**CITY OF BELLAIRE, TEXAS**
***CAPITAL ASSETS STATISTICS BY FUNCTION***
***LAST TEN FISCAL YEARS***

| Function | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Police | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 8 | 8 | 8 | 8 | 8 |
| Fire | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Highways and streets | | | | | |
| Streets (miles - centerlines) | 67 | 67 | 67 | 67 | 67 |
| Streetlights | 925 | 925 | 925 | 1,017 | 1,061 |
| Culture and recreation | | | | | |
| Parks | 12 | 12 | 12 | 14 | 15 |
| Park acreage in City limits | 31.4 | 36.4 | 36.4 | 46.4 | 51.0 |
| Aquatics facilities | 2 | 2 | 2 | 2 | 2 |
| Baseball/softball diamonds | 3 | 3 | 3 | 3 | 3 |
| Tennis courts | 7 | 7 | 7 | 7 | 7 |
| Recreation centers | 1 | 1 | 1 | 1 | 1 |
| Houston ISD licensed fields | 4 | 4 | 4 | 4 | 4 |
| Houston ISD acreage | 15 | 15 | 15 | 15 | 15 |
| Water | | | | | |
| Water mains (miles) | 73 | 73 | 73 | 73 | 73 |
| Fire hydrants | 760 | 760 | 760 | 760 | 760 |
| Storage capacity (millions of gallons) | 4.23 | 3.23 | 3.23 | 3.23 | 3.23 |
| Sewer | | | | | |
| Sanitary sewers (miles) | 70 | 70 | 70 | 70 | 70 |
| Storm sewers (miles) | 49 | 49 | 49 | 49 | 49 |
| Open ditch/creek/canal drainage (miles) | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 |
| Treatment capacity (millions of gallons) | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |

Source: Various City Departments

***CAPITAL ASSETS STATISTICS BY FUNCTION***
***LAST TEN FISCAL YEARS***

| Function | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Police | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 8 | 8 | 8 | 8 | 8 |
| Fire | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Highways and streets | | | | | |
| Streets (miles - centerlines) | 67 | 67 | 67 | 67 | 67 |
| Streetlights | 1,061 | 1,026 | 1,026 | 1,030 | 1,036 |
| Culture and recreation | | | | | |
| Parks | 15 | 14 | 14 | 14 | 14 |
| Park acreage in City limits | 51.0 | 121.3 | 121.3 | 121.3 | 121.3 |
| Aquatics facilities | 2 | 2 | 2 | 2 | 2 |
| Baseball/softball diamonds | 3 | 3 | 3 | 3 | 3 |
| Tennis courts | 7 | 7 | 7 | 7 | 7 |
| Recreation centers | 1 | 1 | 1 | 1 | 1 |
| Houston ISD licensed fields | 4 | 4 | 4 | 4 | 4 |
| Houston ISD acreage | 15 | 15 | 15 | 15 | 15 |
| Water | | | | | |
| Water mains (miles) | 73 | 73 | 73 | 73 | 73 |
| Fire hydrants | 760 | 744 | 755 | 760 | 764 |
| Storage capacity (millions of gallons) | 3.23 | 3.23 | 3.23 | 3.23 | 3.23 |
| Sewer | | | | | |
| Sanitary sewers (miles) | 70 | 70 | 70 | 70 | 70 |
| Storm sewers (miles) | 49 | 49 | 49 | 49 | 49 |
| Open ditch/creek/canal drainage (miles) | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 |
| Treatment capacity (millions of gallons) | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |

Source: Various City Departments

City of Bellaire

# GLOSSARY

City of Bellaire

**ACCOUNT**
A term used to identify an individual asset, liability, expenditure control, revenue control, encumbrance control, or fund balance.

**ACCOUNT PAYABLE**
A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

**ACCOUNT RECEIVABLE**
An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government.

**ACCOUNTING SYSTEM**
The total set of records and procedures, which are used to record, classify, and report information on the financial status and operations of an entity.

**ACCRUAL ACCOUNTING**
A basis of accounting in which revenues are recognized in the period in which they are earned and become measurable, and expenses are recognized in the period incurred instead of when cash is actually received or spent.

**ACCRUED INTEREST**
Interest that has been earned and recorded, but has not been received.

**ACTUARIAL**
Relating to actuaries or their work of compiling and analyzing statistical calculations to assess risk in insurance, finance and other industries and professions.

**AD VALOREM TAX**
A tax based on value of land and improvements (property tax). (See also *PROPERTY TAX.*)

**AGENDA**
A formal listing of items to be discussed during a public meeting. Agendas for public meetings are posted 72 hours in advance, in compliance with the Open Meetings Act.

**AMORTIZE**
To amortize is to allocate the cost of an intangible asset over a period of time.

**ANNUITY**
A fixed sum of money paid to someone each year, typically for the rest of their life.

**APPROPRIATION**
An authorization granted by City Council to make expenditures and to incur obligations for specific purpose. Usually limited in amount and as to the time when it may be expended.

**ARBITRAGE**
With respect to the issuance of municipal securities, arbitrage usually refers to the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds of the bonds in higher-yielding taxable securities. Federal income tax laws generally restrict the ability to earn positive arbitrage in connection with tax-exempt bonds.

**ASSESSED VALUATION**
A valuation set upon real estate or other property by government as a basis for levying taxes. (See also *TAXABLE VALUE.*)

**ASSETS**
Property owned by a government, which has economic value, especially which could be converted to cash.

**AUDIT**
In general, an official inspection of an individual's or organization's accounts by an independent body. The City's charter requires an annual audit of the books of accounts, financial records, and transactions of all administrative departments of the City by an independent certified public accountant. In practice, that means the City contracts with an independent certified public accountant to audit the year-end financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

**AUDIT FINANCE BOARD**
The Audit Finance Board ("AFB") is responsible for recommending to the City Council an independent auditor as needed, reviewing the audit of the City's basic financial statements prior to submission to the City Council, and assisting the independent auditor and city staff with the presentation of the audit to the City Council. The AFB is composed of three (3) members of the City Council, a citizen appointee with financial and/or audit experience, as well as the City Manager and the Chief Financial Officer of the City. The Council Members are appointed by the Mayor and the citizen member is appointed by the entire City Council to a one-year term commencing February 1 each year through January 31 of the following year. Council Members, excluding the mayor, are limited to a maximum of three consecutive terms. The mayor and the citizen appointee are not subject to term limits. The AFB reports to the City Council at the time the audit is presented and at any other time as the AFB deems appropriate. Meetings are as needed, but at least annually**.**

**BALANCE SHEET**
A statement purporting to present the financial position of an entity by disclosing the value of its assets, liabilities, and equities as of a specified date.

**BALANCED BUDGET**
A budget in which total recurring expenditures for any fiscal year do not exceed total recurring revenues for that same fiscal year.

**BASE LEVEL SERVICES**
Funding required to meet current service level.

**BASIC FINANCIAL STATEMENTS**
The basic financial statements are comprised of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City and the related notes to the financial statements, and are subjected to an annual audit by an independent certified public accountant. The basic financial statements are included in the Comprehensive Annual Financial Report along with unaudited information, including introductory information, required supplementary information, other supplementary information, and statistical information.

**BASIS OF ACCOUNTING**
Refers to when revenues and expenditures are recognized in the accounts and reported in the financial records of the City, regardless of the measurement focus applied. Accounting records for governmental fund types are maintained on a modified accrual basis of accounting, with revenue being recorded when available and measurable, and expenditures being recorded when services or goods are received and the liabilities are incurred.

**BASIS OF BUDGETING** (See also *MODIFIED ACCRUAL.*)
The City's basis for budgeting is the modified accrual basis for governmental funds, including the General Fund. Budgeting for proprietary funds, which includes the Enterprise Fund, is essentially on the full accrual basis. Encumbrances are recognized by both governmental and proprietary funds since encumbrances represent a commitment of funding for goods and services.

**BEGINNING BALANCE**
The residual non-restricted funds brought forward from the previous fiscal year (ending balance).

**BONDS**
Debt instruments that require repayment of a specified principal amount on a certain date (maturity date), together with interest at a stated rate or formula for determining the interest rate.

**BOND DEBT**
That portion of indebtedness represented by outstanding bonds.

**BOND PROPOSITION**
A recommendation to issue debt and a proposal as to the best use of the bonds.

**BUDGET**
A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. The term is also sometime used to denote the officially approved expenditure ceiling under which a government and its departments operate.

**BUDGET AMENDMENT**
A revision of the adopted budget that, when approved, replaces the original provision and increases or decreases the budget appropriation.

**BUDGET CALENDAR**
The schedule of key dates that a government follows in preparation and adoption of the budget.

**BUDGET ENHANCEMENT**
A request to enhance current service level beyond current funding.

**BUDGET ORDINANCE**
Governmental action which appropriates revenues and fund balances for specified purposes, functions, or activities for a budget period.

**BUDGET PERIOD**
The period for which a budget is proposed or a budget ordinance is adopted.

**BUDGETARY CONTROL**
The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within limitations of available appropriation and available revenues.

**BUDGETED FUNDS**
Funds for which an annual budgets are legally adopted, as opposed to non-budgeted funds for which annual budgets are not legally adopted. Budgeted funds are typically supported by tax revenues, charges for services, fees, fines, and/or penalties, while non-budgeted funds are typically supported by transfers from other funds, grant revenue, donations, or regulated fees such as municipal court fees.

**BUSINESS-TYPE ACTIVITIES**
Business-type activities include any activity engaged in the primary purpose of making a profit. Business-type activities are financed in whole or in part by fees charged to external users for goods or services and are generally reported in Enterprise Funds.

**CAPITAL IMPROVEMENT**
The addition of a permanent structural change or the restoration of some aspect of a property that will either enhance the property's overall value, increase its useful life or adapt it to new uses.

**CAPITAL IMPROVEMENT PLAN**
A comprehensive plan that projects the capital needs of a community. Generally, it is a cyclical process that estimates the needs for a set number of years. Capital Improvements Plans are essential for sound infrastructure and financial planning.

**CAPITAL ASSET**
An item costing more than $10,000 and having a useful life of more than four years.

**CAPITAL EXPENDITURE**
Also called a CAPITAL OUTLAY - An expenditure to acquire a capital asset.

**CAPITAL PROJECTS FUND**
Is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings for capital improvement projects.

**CASH BASIS**
A method of accounting in which revenues and expenses are recognized and recorded when received, not necessarily when earned.

**CASH EQUIVALENTS**
Cash equivalents are investments securities that are for short-term investing, and they have high credit quality and are highly liquid. Cash equivalents, also known as "cash and equivalents," are one of the three main asset classes, along with stocks and bonds. These securities have a low-risk, low-return profile and include U.S. government Treasury bills, bank certificates of deposit, bankers' acceptances, corporate commercial paper and other money market instruments.

**CHART OF ACCOUNTS**
The classification system used by the City to organize the accounting for various funds.

**CHARTER**
A written instrument setting forth principles and laws of government within boundaries of the City.

**CHIEF FINANCIAL OFFICER**
The officer of the City that has primary responsibility for managing the City's finances, including financial planning, management of financial risks, record-keeping, and financial reporting.

**CIP**
CIP is an acronym for **Capital Improvement Plan**. (See also *CAPITAL IMPROVEMENT PLAN.*)

**CITY COUNCIL**
The legislative body that governs the City.

**CITY COUNCIL PRIORITIES**
A five-year planning horizon focusing on safety, infrastructure and facilities, residential and recreational, budget and finance, and commercial redevelopment.

**CITY MANAGER**
An appointed official who directs the administration of the City.

**CITIZEN**
An inhabitant of the City.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
Comprehensive Annual Financial Report is a set of U.S. government financial statements comprising the financial report of a state, municipal or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board.

**COMPREHENSIVE PLAN**
A Comprehensive Plan is to anticipate and guide future development trends in a manner that will provide a community with a balance of land uses that promote a superior quality of life.

**CONSUMER PRICE INDEX**
The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living; the CPI is one of the most frequently used statistics for identifying periods of inflation or deflation. The CPI is calculated by the U.S. Bureau of Labor Statistics.

**CONTINGENCY**
Funds set aside in a reserve account for major expenditures or for emergencies.

**COUNTERPARTY**
A counterparty is the other party that participates in a financial transaction, and every transaction must have a counterparty for the transaction to go through.

**CPI**
CPI is an acronym for **Consumer Price Index**. (See also *CONSUMER PRICE INDEX.*)

**CREDIT RISK**
Credit risk is the probable risk of loss resulting from a borrower's failure to repay a loan or meet contractual obligations.

**CURRENT ASSETS**
Cash and other assets expected to be converted to cash, sold, or consumed within in a year or in the operating cycle.

**CURRENT FINANCIAL RESOURCES MEASUREMENT**
Current financial resources measurement focus is where the financial statements report the near-term (current) inflows, outflows, and balances of expendable financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operation of governmental funds.

**CURRENT LIABILITIES**
Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded within one year.

**CUSTODIAL CREDIT RISK**
In the case of deposits, this is the risk that the event of a bank failure, the City's deposits may not be returned to it. 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 in the position of an outside party.

**DEBT SERVICE**
The amount of money required for interest and principal payments on an outstanding debt in any given year.

**DEBT SERVICE FUND**
Also called a SINKING FUND - A fund established to account for the accumulation of resources for the payment of principal and interest on long term debt.

**DEBT RATE**
The City's property tax rate has two components, the **general rate** which generates property tax revenues used to fund operations and the **debt rate** which generates property tax revenues used to fund the repayment of debt. (See also *PROPERTY TAX RATE.)*

**DEFERRED INFLOW OF RESOURCES**
Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. The acquisition (inflow of resources) has occurred, but the recognition of the acquisition as revenue is deferred to a future reporting period. An example of a deferred inflow of resources would be certain grant funds received in advance. Typically grants reimburse a government for funds already expended. Occasionally, grants are made before the recipient government has met all grant eligibility requirements. Normally, these funds are accounted for as a liability since the funds would be owed back to the grantor until the eligibility requirements are met; however, if all eligibility requirements have been meet except for a time requirement – for example if the grant funds may not be used until the next fiscal year – then the grant should be recognized as a deferred inflow of resources, As the passage of time is a given – the requirement will certainly be met – there is no circumstance where the grant eligibility requirements would not be met, so there is no liability and the grant funds would be recorded as a deferred inflow of resources. Once the time requirement has been met, the revenue would be recorded, and the deferred inflow of resources balance would be reduced. Other common sources of deferred inflows of resources include differences between expected and actual pension experience, differences in projected and actual earnings on pension plan assets, differences between expected and actual OPEB experience, and changes to assumption used in calculating the OPEB liability.

**DEFERRED OUTFLOW OF RESOURCES**
Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. The consumption (outflow of resources) has occurred, but the recognition of the consumption as an expense is deferred to a future reporting period. An example of a deferred outflow of resources would be deferred charges on bond refundings. If the reacquisition price (amount deposited into the escrow account to pay the principal and interest on refunded bonds) exceeds the net carrying amount of the refunded debt, the difference should not be a current year expense and is also not properly classified as an asset since it cannot be used to provide services. Instead the difference is recorded as a deferred outflow of resources and the amount is recognized as a component of interest expense in a systematic manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Other common sources of deferred outflow of resources include differences between expected and actual pension experience, differences in projected and actual earnings on pension plan assets, contributions to a pension plan after the measurement date, differences between expected and actual OPEB experience, changes to assumptions used in calculating the OPEB liability, and contributions of OPEB subsequent to the measurement date.

**DEFICIT**
The excess of expenditures over revenues during an accounting period; or in the case of Enterprise Funds, the excess of expense over income during an accounting period.

**DELINQUENT TAXES**
Taxes remaining unpaid on and after the date to which a penalty for nonpayment is attached.

**DEPRECIATION**
A non-cash expense that reduces the value of an asset as a result of wear and tear, deterioration, action of the physical elements, inadequacy, or obsolescence.

**DISCOUNT RATE**
The interest rate you need to earn on a given amount of money today to end up with a given amount of money in the future.

**EFFECTIVE TAX RATE**
The tax rate required to generate the same amount of revenue as in the preceding year on the same properties.

**ENCLAVE**
A portion of territory within or surrounded by a larger territory.

**ECONOMIC RESOURCES**
Economic resources are the goods or services available to the City used to produce valuable consumer products. The classic economic resources include land, labor and capital.

**ECONOMIC RESOURCES MEASUREMENT FOCUS**
Economic resources measurement focus is where a set of financial statements reports all inflows, outflows, and balances affecting or reflecting an entity's net position. The economic resources measurement focus is used for proprietary and trust funds, as well as for government-wide financial reporting.

**ENCUMBRANCE**
Obligations in the form of purchase orders, contracts, or other commitments that are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or actual liability is set up, at which point they become expenditures.

**ENDING BALANCE**
The dollars remaining after current expenditures for operations and debt service are subtracted from the sum of the beginning fund balance and current resources. Portions of the fund balance may be reserved for various purposes, such as contingencies or encumbrances.

**ENTERPRISE FUND**
A fund established to account for operations which: (a) finance and operate 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 and services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**EXPENDITURES**
Decreases in net financial resources. They include current operating expenses that require the current or future use of net current assets, debt service, and capital outlay.

**FEES**
Charges for services.

**FEMA**
FEMA is an acronym for **Federal Emergency Management Agency**.

**FIDUCIARY**
A fiduciary is a person who holds a legal or ethical relationship of trust with one or more other parties (person or group of persons). Typically, a fiduciary prudently takes care of money or other assets for another person.

**FINANCIAL STATEMENTS**
Written records that convey the business activities and the financial performance of the City.

**FISCAL FORECAST**
A management tool that presents estimated information based on past, current, and projected financial conditions. This will help identify future revenue and expenditure trends that may have an immediate or long-term influence on government policies, strategic goals, or community services.

**FISCAL YEAR**
A twelve-month period of time to which the annual budget applies, and at the end of which, the City determines its financial position and results of operation. The fiscal year for the City of Bellaire runs from October 1 to September 30 of the following year.

**FIXED ASSETS**
Assets of long-term character intended to continue to be held or used. Examples are land, buildings, and improvements such as machinery and equipment.

**FIXED COST**
Costs which do not change with increases or decreases in the amount of services provided, such as rent.

**FRANCHISE**
A special privilege granted by a government, permitting the continued use of public property, such as City streets, and usually involving the elements of monopoly and regulation.

**FTE**
FTE is an acronym for **Full-Time Equivalent**. (See also *FULL TIME EQUIVALENT.)*

**FULL TIME EQUIVALENT**
A unit that indicates the workload of a single full-time worker. The concept is used to convert the hours worked by part-time employees into the hours worked by full-time employees. For example, someone who works a half-day would be 0.5 full time equivalents. The City budgets authorized employment positions using full time equivalents. For example, there might be a part-time library assistant position budgeted as 0.5 FTE, which would be the equivalent of one-half of a full time employee.

**FUND**
A fiscal and accounting entity with a self-balancing set of accounts. It records cash and other financial resources, all related liabilities, residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**FUND BALANCE**
The balance of net financial resources that is spendable or available. Portions of the fund balance may be reserved for various purposes, such as contingencies or encumbrances.

**FUND BALANCE POLICY**
A policy requiring a minimum fund balance to be kept in reserve. Fund balances over the policy requirements may be appropriated in the budget.

**FUND FINANCIAL STATEMENTS**
For governmental and proprietary funds, special and extraordinary items are reported separately at the bottom of the statement of revenues, expenditures and changes in fund balances or the statement of revenues, expenses and changes in net position, respectively.

**FUNDING SOURCE**
Specifically identified dollars allocated to meet budgeted requirements.

**FY (as in FY 2020)**
FY is an acronym for **Fiscal Year**. (See also *FISCAL YEAR.)*

**GAAP**
GAAP is an acronym for **Generally Accepted Accounting Principles**. (See also *GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.)*

**GENERAL FIXED ASSETS**
Capital assets that are not assets of any particular fund, but of the government unit as a whole. Most often these assets arise from the expenditure of the financial resources of governmental funds (as opposed to proprietary funds).

**GENERAL FUND**
A fund established to account for all financial resources except those required to be accounted for in another fund. Examples of General Fund departments include Parks, Facilities and Recreation, Fire Department, Library, Finance and Municipal Court, Streets and Drainage, Development Services, and Police Department.

**GENERAL OBLIGATION BONDS (G.O. BONDS)**
Bonds secured by the full faith and credit of the issuer. General obligation bonds issued by local units of government are secured by a pledge of the issuer's ad valorem taxing power. They are usually issued to pay for general capital improvements such as parks and streets.

**GENERAL RATE**
The City's property tax rate has two components, the **General Rate** which generates property tax revenues used to fund operations and the **Debt Rate** which generates property tax revenues used to fund the repayment of debt. The General Rate is sometimes referred to as the Maintenance and Operations Rate, or M&O Rate. (See also *PROPERTY TAX RATE.)*

**GENERAL REVENUE**
Funds acquired through business and property taxation. Monies that may be utilized for any purposes as received at the state and local levels of government.

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**
The uniform minimum standards of, and guidelines to, financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompass the conventions, rules, and procedures necessary to define the accepted accounting practices at a particular time. They include both broad guidelines of general application and detailed practices and procedures. GAAP provide a standard by which to measure financial presentations.

**GEOGRAPHIC INFORMATION SYSTEM**
A system is designed to capture, store, manipulate, analyze, manage, and present all types of spatial or geographical data allowing one to visualize, question, analyze, and interpret data to understand relationships, patterns, and trends.

**GIS**
GIS is an acronym for **Geographic Information System**. (See also *GEOGRAPHIC INFORMATION SYSTEM*.)

**GOVERNEMENT-WIDE FINANCIAL STATEMENTS**
Government-wide financial statements report information about the government as a whole without displaying individual funds or fund types.

**GOVERNMENTAL ACCOUNTING**
The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of government.

**GOVERNMENTAL ACCOUNTING STANDARD BOARD (GASB)**
The governing body that sets accounting standards specifically for governmental entities at the state and local level.

**GOVERNMENTAL ACTIVITIES**
Governmental activities are general government activities and are financed primarily through taxes. Governmental activities generally are reported in governmental funds. All general capital assets and general long-term liabilities are part of governmental activities as well. Common examples of governmental activities include general administration, public safety, education, streets and roads, and health and sanitation.

**GOVERNMENTAL FINANCE OFFICERS ASSOCIATION (GFOA)**
Professional association of state/provincial and local finance officers in the United States and Canada dedicated to the sound management of government financial resources.

**GOVERNMENTAL FUNDS**
Funds generally used to account for tax-supported activities. There are five different types of governmental funds: general funds, special revenue funds, debt service funds, capital projects funds, and permanent funds.

**GRANT**
A contribution by one government unit or funding source to another unit. The contribution is usually made to aid in a specified function (for example, education), but it is sometimes also for general purposes.

**HOME RULE CHARTER**
Texas cities operate under two different categories of local government: 1) General Law; and Home Rule. Texas law grants General Law cities limited specific authority. Cities under 5,000 in population are required to be General Law cities. Cities over 5,000 in population can adopt a Home Rule Charter which defines the structure, power, duties, and authority of the local government. Rather than looking to state statues to determine what they may do, as General Law cities must do, Home Rule cities look to their local charters to determine what they may do. A Home Rule city may generally take any action that is not prohibited by the Texas Constitution or statues as long as the authority is granted in the charter of the city. Home Rule is essentially the privilege of citizens at the grass roots level to manage their own affairs with minimal interference from the State.

**INCOME**
A term used in proprietary fund-type accounting to represent (1) revenues or (2) the excess of revenues over expenses.

**INFRASTRUCTURE**
Immovable fixed assets having value only to the governmental unit. Common examples of infrastructure include roads, sidewalks, bridges, and streetlights.

**INTERGOVERNMENTAL REVENUE**
Revenue received from another governmental unit for a specific purpose.

**INTEREST RATE RISK**
Interest rate risk is the risk that arises for bond owners from fluctuating interest rates. How much interest rate risk a bond has depends on how sensitive its price is to interest rate changes in the market. The sensitivity depends on two things, the bond's time to maturity, and the coupon rate of the bond.

**INTERESTED PARTY**
People or organizations who may be affected by a situation.

**INTERNAL CONTROLS**
Processes designed to assure achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, loss prevention, and compliance with laws, regulations, and policies.

**INVESTMENTS**
Securities and real estate held for production of revenue in the form of interest, dividend, rental, or lease payments. The term does not include fixed assets used in governmental operations.

**LEASE/PURCHASE**
A financing tool utilized to fund large capital outlays where the city may not have cash immediately available for purchase. This arrangement allows the city to use the item while payments are being made.

**LED**
LED is an acronym for **Light Emitting Diode**. (See also *LIGHT EMITTING DIODE*.)

**LETTER OF TRANSMITTAL**
A cover letter from the City's Chief Financial Officer that accompanies the comprehensive annual financial report.

**LEVY**
To impose taxes or special assessments. The total of taxes or special assessments imposed by a governmental unit.

**LIABILITIES**
Debt or other legal obligations arising out of transactions in the past, which must be liquidated, renewed, or refunded at some future date.

**LIGHT EMITTING DIODE**
A two-lead semiconductor light source. Light emitting diodes (LEDs) emit light through the process of electroluminescence when suitable voltage is applied. LEDs have many advantages over traditional incandescent light sources including lower energy consumption, longer lifetime, improved physical robustness, smaller size, and faster switching. LEDs are now used in applications as diverse as aviation lighting, automotive headlamps, advertising, general lighting, traffic signals, street lighting, and camera flashes.

**LOCAL GOVERNMENT INVESTMENT POOL**
A local government investment pool (LGIP), is a state or local government pool offered to public entities for the investment of public funds. These pools are important investments tools, offering safety with a competitive yield.

**LONG-TERM DEBT**
Debt with a maturity of more than one year.

**LONG-TERM LIABILITIES**
Long-term liabilities are financial obligations of a company that become due more than one year.

**LINE ITEM BUDGET**
A budget format in which departmental outlays are grouped according to the items that will be purchased with one item or group of items on each line.

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**
The portion of the City's Comprehensive Annual Report in which management addresses the company's performance over the previous twelve months.

**MAYOR**
The elected head of the City.

**METRO**
METRO is an acronym for Metropolitan Transit Authority of Harris County. (See also *METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY.*)

**METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY**
The Metropolitan Transit Authority of Harris County (METRO) is a major public transportation agency based in Houston, Texas. It operates bus, light rail, bus rapid transit, HOV and HOT lanes, and paratransit service in the city as well as most of Harris County. Pursuant to a General Mobility Program Interlocal Agreement between METRO and the City, METRO provides funding to the City which is restricted in use to eligible transportation projects.

**MODIFIED ACCRUAL**
City of Bellaire's governmental funds are budgeted using the modified accrual basis, with revenues recognized when they become measurable. Revenue is "measurable" when the amount of the transaction can be reasonably determined. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred and is expected to be liquidated within 60 days.

**MUNICIPAL FACILITIES**
City owned structures, mechanicals, and building systems

**NET PENSION LIABILITY**
The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries

**NET POSITION**
Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

**NON-BUDGETED FUNDS**
Funds for which an annual budgets are not legally adopted, as opposed to budgeted funds for which annual budgets are legally adopted. Budgeted funds are typically supported by tax revenues, charges for services, fees, fines, and/or penalties, while non-budgeted funds are typically supported by transfers from other funds, grant revenue, donations, or regulated fees such as municipal court fees. The resources supporting non-budgeted funds are typically either transfers that were budged as expenditures at a budgeted fund or revenues that are restricted by third parties such as grant revenue, donations, or regulated fees.

**NON-RECURRING REVENUE**
One-time windfall revenue that is budgeted only for one fiscal year.

**OPEB**
OPEB is an acronym for Other Post-Employment Benefits. (See also *OTHER POSTEMPLOYMENT BENEFITS*.)

**OPERATING BUDGET**
Plans of current expenditures and the proposed means of financing them.

**OPERATING REVENUE**
Operating revenue is revenue generated from the City's business activities.

**ORDINANCE**
A formal legislative enactment by the City Council. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the City.

**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**
Other postemployment benefits (or OPEB) is a term used in the United States to describe the benefits that an employee begins to receive at the start of their retirement. These benefits do not include the pension paid to the retired employee.

**OVERLAPPING DEBT**
Overlapping debt refers to the financial obligations of one political jurisdiction that also falls partly on a nearby jurisdiction. Overlapping debt is common in most states because states are divided into numerous jurisdictions for different tax purposes, such as building a new public school and building a new road.

**PENSION**
A regular payment made during a person's retirement from an investment fund to which that person or their employer has contributed during their working life.

**PLANNING AND ZONING COMMISSION**
An appointed seven-member board that makes recommendations to City Council regarding the physical development of the City, including the Comprehensive Plan that serves as the basis for the City's zoning regulations. It also reviews and approves applications for subdivision plats and replats.

**PROJECTION**
A forecast of future trends in the operation of financial activities done through the remainder of the fiscal year to gain a better picture of the City's finances.

**PROPERTY TAX**
An annual or semi-annual tax paid to one or more governmental jurisdictions based on the real and personal property's assessed valuation and the tax rate, done in compliance with the State Property Tax Code.

**PROPERTY TAX RATE**
The rate applied to the taxable value of property to determine the property taxes due. The City's property tax rate has two components, the **general tax rate** which generates property tax revenues used to fund operations and the **debt tax rate** which generates property tax revenues used to fund the repayment of debt. Property tax rates are commonly presented as the amount of tax levied for each $100 of assessed valuation.

**PROPRIETARY FUNDS**
Funds generally used to account for a government's ongoing organizations and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges or on a cost reimbursement basis. There are two types of proprietary funds: enterprise funds (used to account for any activity for which a fee is charged to external users for goods or services); and internal service funds (used to account for the provision of goods or services by one department to other departments of a governmental unit). (See also *ENTERPRISE FUND*.)

**PUBLIC HEARING**
A public hearing may be a formal meeting for receiving testimony from the public at large on a local issue, or proposed government action. Testimony from both sides of an issue is usually recorded for public record, and a report summarizing the key points is generated.

**RATINGS**
Designations used by credit rating agencies to give relative indications of credit quality.

**REFERENDUM**
The principle or practice of referring measures proposed or passed by a legislative body, head of state, etc., to the vote of the electorate for approval or rejection (plural referenda).

**REFUNDING BONDS**
Bonds issued to retire bonds already outstanding.

**REPORT OF INDEPENDENT AUDITORS**
The report of independent auditors, published in the comprehensive annual financial report, opines on whether the City's basic financial statements comply with generally accepted accounting principles.

**REQUIRED SUPPLEMENTARY INFORMATION**
Required supplementary information (RSI) is information that a designated accounting standard-setter (e.g., FASB, GASB) requires to accompany the basic financial statements.

**RESERVE**
An account used to indicate that a portion of fund equity is legally restricted for a specific purpose or not available for appropriation and subsequent spending.

**RESOLUTION**
A special or temporary order of a legislative body requiring less legal formality than an ordinance or statute.

**RESTRICTED NET POSITION**
The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

**RESTRICTED RESOURCES**
Restricted resources refer to a reserve of money that can only be used for specific projects or purposes.

**UNRESTRICTED RESOURCES**
Unrestricted resources refer to a reserve of money that can be used as the City sees fit.

**REVENUE**
Revenue is (1) an increase in a governmental fund's net current assets from other than expenditure refunds and residual equity or (2) an increase in a proprietary fund's net total assets from other than expense refunds, capital contributions, and residual equity transfers.

**ROLLBACK RATE**
The highest tax rate an entity may adopt without being subject to a rollback election.

**SCADA**
SCADA is an acronym for **Supervisory Control and Data Acquisition**. (See also *SUPERVISORY CONTROL AND DATA ACQUISITION*.)

**SDBF**
SDBF is an acronym for **Supplemental Death Benefits Fund**. (See also *SUPPLEMENTAL DEATH BENEFITS FUND*.)

**SERVICE PLANS**
Each department within the City has a three-year plan, outlining their strategic priorities for the City.

**SPECIAL REVENUE FUND**
A Fund used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

**STEWARDSHIP**
The job of supervising or taking care of something, such as an organization or property.

**STRUCTURAL BALANCE**
The state at which recurring revenue sufficiently supports recurring expenditures.

**SUPERVISORY CONTROL AND DATA ACQUISITION**
An industrial computer system that monitors and controls a process. Supervisory control and data acquisition systems (also known as SCADA systems) are used to monitor and control a plant or equipment in industries such as telecommunications, water and waste control, energy, oil and gas refining and transportation. A SCADA system gathers information, such as where a leak on a pipeline has occurred and transfers the information back to a central site. SCADA systems frequently are used to manage processing systems that include geographically disbursed components.

**SUPPLEMENTAL DEATH BENEFITS FUND (SDBF)**
A defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System. The City participates in program which provides coverage for active employees and retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary. The death benefits fund for retirees is considered as other postemployment benefit (OPEB) and is a fixed amount of $7,500.

**TAX LEVY**
The total amount to be raised by general property taxes for intentions specified in the Tax Levy Ordinance.

**TAX RATE**
The amount of tax levied for each $100 of assessed valuation.

**TAXABLE VALUE**
A valuation to which the property tax rate is applied to calculate property taxes. The Taxable value of property is generally equal to the assessed valuation less any qualifying exemptions (such as a homestead exemption).

**TAXES**
Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits, such as special assessments, or charges for services rendered, such as sewer service.

**TBD**
TBD is an acronym for **To Be Determined**.

**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**
TMRS is a statewide retirement system that provides retirement, disability, and death benefits for employees of participating Texas cities.

**TMRS**
An acronym for **Texas Municipal Retirement System**. (See also *TEXAS MUNICIPAL RETIREMENT SYSTEM.)*

**TORT**
A wrongful act or an infringement of a right (other than under contract) leading to civil legal liability.

**TRANSFERS**
Authorized exchanges of cash or other resources between funds.

**UNASSIGNED FUND BALANCE**
In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

**UNRESTRICTED NET POSITION**

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**YIELD**

The rate earned on an investment based on the price paid for the investment, the interest earned during the period held, and the selling price or redemption value of the investment.

City of Bellaire