

ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2020

City of
Ingleside On The Bay, Texas



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

This page is left blank intentionally.

CITY OF INGLESIDE ON THE BAY

ANNUAL FINANCIAL REPORT Year Ended September 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
List of Principal Officials	i
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis (unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position – Exhibit 1	9
Statement of Activities – Exhibit 2.....	10
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Exhibit 3	12
Reconciliation of the Governmental Funds Balance Sheet to	
Statement of Net Position – Exhibit 3-R	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Exhibit 4	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balance of Governmental Funds to the Statement of Activities –	
Exhibit 4-R	15
Proprietary Funds	
Statement of Net Position – Exhibit 5.....	16
Statement of Revenues, Expenses and Changes in Fund Net Position – Exhibit 6.....	18
Statement of Cash Flows – Exhibit 7.....	19
Notes to Basic Financial Statements	20
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual – General Fund – Exhibit A-1.....	30
Notes to Required Supplementary Information – Exhibit A-2	31
Other Supplementary Information	
Utility Fund - Schedule of Operating Revenues and Expenses - By Department - Exhibit B ...	32
Schedule of Insurance Policies in Force – Exhibit C	33

This page is left blank intentionally.

INTRODUCTORY SECTION

This page is left blank intentionally.

CITY OF INGLESIDE ON THE BAY

List of Principal Officials As of September 30, 2020

ELECTED OFFICIALS

Jo Ann Ehmann	Mayor
Ann Nyberg	Mayor Pro-Tem
Tom Daley	Alderman
Leona Robbins	Alderman
Randy Cain	Alderman
Suzie Wilder	Alderman

APPOINTED OFFICIALS

Diane Hosea	City Secretary
Randy Cain	City Treasurer

This page is left blank intentionally.

FINANCIAL SECTION

This page is left blank intentionally.



Lovvorn & Kieschnick, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Honorable Mayor,
Members of City Council
City of Ingleside On The Bay, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Ingleside On The Bay, ("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. 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Ingleside On The Bay 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.

Our Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ingleside On The Bay, Texas's financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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 it.

Respectfully submitted,



Lovvorn & Kieschnick, LLP
Corpus Christi, Texas
September 10, 2021

This page is left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page is left blank intentionally.

CITY OF INGLESIDE ON THE BAY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

The City maintains two funds: Governmental Funds – the General Fund and Proprietary Funds – the Utility Enterprise Fund.

FINANCIAL HIGHLIGHTS

Net Position. The assets of the City exceeded its liabilities at September 30, 2020 by \$5,388,387 (presented as “net position”). Of this amount \$1,906,988 was reported as “unrestricted Net Position.” Unrestricted net position represents the amount not restricted by parties outside the City.

Changes in Net Position. The City's total net position increased by \$163,807 (a 3% increase) in fiscal year 2020.

The 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 private sector business. They present the financial picture of the City from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position contrasted with budgetary decisions should 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 net position changed during the most recent fiscal year using full accrual basis of accounting. 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 result in cash flows in future fiscal periods (e.g., net property taxes receivable).

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. Unlike the government-wide

financial statements, however, governmental funds 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 the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City maintains one governmental fund – the General Fund. The City adopts an annual appropriated budget as a management control device during the year for the General Fund. The Required Supplementary Information includes a budgetary comparison schedule (original versus final) for the General Fund to demonstrate compliance with budget.

Proprietary funds. The City maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its enterprise fund to account for its water utility, solid waste, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the general fund budgetary schedule.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	784,822	705,302	1,226,640	1,102,996	2,011,462	1,808,298
Capital assets	283,003	309,335	4,520,434	4,656,787	4,803,437	4,966,122
Total assets	1,067,825	1,014,637	5,747,074	5,759,783	6,814,899	6,774,420
Other liabilities	1,227	41,395	70,285	77,723	71,512	119,118
Long-term liabilities outstanding	-	-	1,355,000	1,430,000	1,355,000	1,430,000
Total liabilities	1,227	41,395	1,425,285	1,507,723	1,426,512	1,549,118
Net Position:						
Net Investment in capital assets,	283,003	309,335	3,165,434	3,226,787	3,448,437	3,536,122
Restricted for: Debt Service	-	-	32,962	17,753	32,962	17,753
Unrestricted	783,595	663,907	1,123,393	1,007,520	1,906,988	1,671,427
Total net position (deficit)	1,066,598	973,242	4,321,789	4,252,060	5,388,387	5,225,302

By far the largest portion of the City's net position (68%) reflects its investment in capital assets (e.g. land, buildings, utility plant, equipment, and infrastructure), net of any related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

Except for Debt Service, there is no portion of the City's net position representing resources that are subject to external restriction on how it may be used. The unrestricted net position of \$1,906,988 may be used to meet the City's ongoing obligations to citizens and creditors. Of the unrestricted net position, \$1,123,393 is attributable to business-type activities.

CHANGE IN NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	3,500	6,161	563,014	550,387	566,514	556,548
Operating grants and contributions	51,900	11,674	-	-	51,900	11,674
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Taxes						
Property taxes	173,564	162,530	-	-	173,564	162,530
Sales taxes	27,405	22,107	-	-	27,405	22,107
Franchise taxes	23,612	22,991	-	-	23,612	22,991
Unrestricted investment earnings	4,966	13,406	7,100	18,159	12,066	31,565
Other	9,826	6,379	-	-	9,826	6,379
Intergovernmental Grant	9,503	-	-	-	9,503	-
Total revenues	304,276	245,247	570,114	568,546	874,390	813,794
EXPENSES						
Program activities						
Governmental activities						
General government	61,043	66,588	-	-	61,043	66,588
Public Safety	78,070	65,300	-	-	78,070	65,300
Public Works	71,119	97,113	-	-	71,119	97,113
Cultural and Recreation	688	22,210	-	-	688	22,210
Business-type activities						
Water, Sewer and Sanitation	-	-	500,383	527,680	500,383	527,680
Total expenses	210,920	251,210	500,383	527,680	711,303	778,891
Excess (deficiency) before transfers	93,356	(5,963)	69,731	40,866	163,087	34,903
Transfers in (out)	-	-	-	-	-	-
Increase (decrease) in net position	93,356	(5,963)	69,731	40,866	163,087	34,903

Governmental activities. The most significant revenues of the governmental activities are general taxes (74%), which include property taxes (57%), franchise taxes (8%), and sales taxes (9%). Program revenues are 18% of the total revenues of the governmental activities, which include capital grants and contributions (0%), operating grants and contributions (17%), and charges for services (1%).

Public Safety expenses are the most significant (37%) of all governmental activities expenses, followed by Public Works (34%) and General Governmental (29%). Included in these amounts is depreciation expense, which is 12% of the total expenses for governmental activities.

Business-type activities. Business-type activities increased the City's net position by \$69,731. Charges for services increased \$12,627 (2%). Program expenses decreased by \$27,297 (5%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As of the end of the current fiscal year, the City's General Fund reported a total ending fund balance of \$775,361 an increase of \$122,137 in comparison with the prior year.

General Fund revenues were \$306,724 (\$65,277) more than in the prior fiscal year and expenditures were \$184,587, a decrease of \$39,083 (24%).

Proprietary funds: The City's Utility Fund provides the same type of information found in the government-wide financial statements, but in more detail.

The Utility Fund's net position increased \$69,729 in the current fiscal year. The most significant factors of the changes in income from operations have previously been discussed in the government-wide financial analysis of business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget. General Fund revenues of \$306,724 exceeded budgeted revenues of \$262,699 by \$44,025 (17%).

The actual expenditures of \$184,587 were less than the appropriations of \$262,698 by \$78,111(30%).

See Exhibits A-1 and A-2 in the Required Supplementary section for more detailed information about the 2020 budget.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2020, the City had \$7,163,908 invested in capital assets, including land, buildings, roads, vehicles and equipment.

CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Land	52,810	52,810	472,565	472,565	525,375	525,375
Construction in Progress	-	-	-	-	-	-
Buildings and Improvements	152,760	152,760	-	-	152,760	152,760
Equipment and Vehicles	294,044	294,044	10,685	10,685	304,729	304,729
Infrastructure	356,782	356,782	-	-	356,782	356,782
Utility System	-	-	5,824,262	5,824,262	5,824,262	5,824,262
Subtotal	856,396	856,396	6,307,512	6,307,512	7,163,908	7,163,908
Accumulated depreciation	(573,393)	(547,061)	(1,787,078)	(1,650,725)	(2,360,471)	(2,197,786)
Capital assets, net	<u>283,003</u>	<u>309,335</u>	<u>4,520,434</u>	<u>4,656,787</u>	<u>4,803,437</u>	<u>4,966,122</u>

Debt Outstanding

At year-end, the City had \$1,355,000 in debt outstanding versus \$1,430,000 last year, a decrease of \$75,000. Debt obligations are paid by the Utility Fund.

DEBT OUTSTANDING AT YEAR-END

	Business-type Activities		Increase (Decrease)
	2020	2019	
Combination Tax and Revenue			
Certificates of Obligation	<u>1,355,000</u>	<u>1,430,000</u>	<u>(75,000)</u>
Total	<u>1,355,000</u>	<u>1,430,000</u>	<u>(75,000)</u>

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Secretary at P.O. Box 309, Ingleside, Texas 78362.

This page is left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page is left blank intentionally.

CITY OF INGLESIDE ON THE BAY, TEXAS
GOVERNMENT - WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Texpool Accounts	778,937	1,064,195	1,843,132
Receivables and Allowances:			
Accounts			
Accounts Receivable	1,564	-	1,564
Ad valorem Taxes (net)	8,233	-	8,233
Franchise Taxes	2,463	-	2,463
Water & Wastewater Billings	-	118,828	118,828
Allowance for Uncollectible Accounts	-	(2,000)	(2,000)
Internal Balances	(6,375)	6,375	-
Restricted Assets:			
Cash	-	39,242	39,242
Capital Assets:			
Land	52,810	472,565	525,375
Buildings and Improvements	152,760	-	152,760
Equipment	39,713	10,685	50,398
Water and Sewer System	-	5,824,262	5,824,262
Vehicles	254,331	-	254,331
Infrastructure	356,782	-	356,782
Accumulated Depreciation	(573,393)	(1,787,078)	(2,360,471)
TOTAL ASSETS	1,067,825	5,747,074	6,814,899
LIABILITIES			
Accounts Payable	1,227	24,006	25,233
Accrued Interest	-	7,038	7,038
Deposits	-	39,242	39,242
Unearned Revenue	-	-	-
Noncurrent Liabilities:			
Due within one year	-	80,000	80,000
Due in more than one year	-	1,275,000	1,275,000
TOTAL LIABILITIES	1,227	1,425,286	1,426,513
NET POSITION			
Net Investment in Capital Assets	283,003	3,165,434	3,448,437
Restricted for: Debt Service	-	32,962	32,962
Unrestricted	783,595	1,123,393	1,906,988
TOTAL NET POSITION	1,066,598	4,321,789	5,388,387

See accompanying notes to basic financial statements.

CITY OF INGLESIDE ON THE BAY, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government and Administration	61,043	3,500	-	-
Public Safety	78,070	-	51,900	-
Public Works	71,119	-	-	-
Cultural and Recreational	688	-	-	-
Total Governmental Activities	<u>210,920</u>	<u>3,500</u>	<u>51,900</u>	<u>-</u>
Business-Type Activities:				
Water, Sewer and Sanitation	<u>500,383</u>	<u>563,014</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>500,383</u>	<u>563,014</u>	<u>-</u>	<u>-</u>
Total Government	<u><u>711,303</u></u>	<u><u>566,514</u></u>	<u><u>51,900</u></u>	<u><u>-</u></u>

General Revenues:

Taxes:

 Ad Valorem

 Sales

 Franchise

 Investment Earnings

 Miscellaneous

 Intergovernmental Grant

 Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

The accompanying notes to financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
(57,543)	-	(57,543)
(26,170)	-	(26,170)
(71,119)	-	(71,119)
(688)	-	(688)
<u>(155,520)</u>	<u>-</u>	<u>(155,520)</u>
-	62,631	62,631
-	62,631	62,631
<u>(155,520)</u>	<u>62,631</u>	<u>(92,889)</u>
173,564	-	173,564
27,405	-	27,405
23,612	-	23,612
4,966	7,100	12,066
9,826	-	9,826
9,503	-	9,503
<u>248,876</u>	<u>7,100</u>	<u>255,976</u>
93,356	69,731	163,087
973,242	4,252,060	5,225,302
<u>1,066,598</u>	<u>4,321,791</u>	<u>5,388,389</u>

CITY OF INGLESIDE ON THE BAY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

Exhibit 3

	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash Accounts	778,937	778,937
Receivables (Net of Allowance for Uncollectable)		
Accounts Receivable	1,564	1,564
Ad Valorem Taxes	8,234	8,234
Franchise Taxes	<u>2,463</u>	<u>2,463</u>
TOTAL ASSETS	<u><u>791,198</u></u>	<u><u>791,198</u></u>
LIABILITIES		
Accounts Payable / Accrued Expenses	1,227	1,227
Due To Other Funds	<u>6,375</u>	<u>6,375</u>
TOTAL LIABILITIES	<u><u>7,602</u></u>	<u><u>7,602</u></u>
DEFERRED INFLOWS OF RESOURCES:		
<i>Unavailable Revenue - Property Taxes</i>	<u>8,233</u>	<u>8,233</u>
Total Deferred Inflows of Resources	<u><u>8,233</u></u>	<u><u>8,233</u></u>
FUND BALANCE		
Committed To:		
Volunteer Fire Department	12,500	12,500
Assigned To:		
Capital Improvements	25,000	25,000
Unassigned	<u>737,861</u>	<u>737,861</u>
TOTAL FUND BALANCE	<u><u>775,361</u></u>	<u><u>775,361</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>791,197</u></u>	<u><u>791,197</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF INGLESIDE ON THE BAY, TEXAS
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2020*

Exhibit 3-R

Total fund balance - total governmental funds	775,361
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	283,003
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	8,234
Net position of governmental activities - statement of net position	<u>1,066,598</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF INGLESIDE ON THE BAY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Exhibit 4

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Property Taxes	176,010	176,010
Franchise Taxes	23,612	23,612
Sales Taxes	27,405	27,405
Licenses and Permits	3,500	3,500
Contributions	53,287	53,287
Interest	4,966	4,966
Other	<u>17,944</u>	<u>17,944</u>
TOTAL REVENUES	<u>306,724</u>	<u>306,724</u>
EXPENDITURES		
Current		
General Administration	54,229	54,229
Public Safety	78,070	78,070
Public Works	51,600	51,600
Cultural and Recreational	<u>688</u>	<u>688</u>
TOTAL EXPENDITURES	<u>184,587</u>	<u>184,587</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	122,137	122,137
OTHER FINANCING SOURCES (USES)		
Transfers In	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	122,137	122,137
FUND BALANCE, beginning of year	<u>653,224</u>	<u>653,224</u>
FUND BALANCE, end of year	<u><u>775,361</u></u>	<u><u>775,361</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF INGLESIDE ON THE BAY, TEXAS

Exhibit 4-R

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020*

Net change in fund balance - total governmental funds	122,137
Amounts reported for governmental activities in the statement of activities are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(26,333)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(2,448)
Change in net position of governmental activities - statement of activities	<u>93,356</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF INGLESIDE ON THE BAY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

Exhibit 5

	Business-Type Activities Enterprise Fund <hr/> Utility Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	1,064,195
Receivables and Allowances	
Accounts:	
Water and Wastewater Billings	118,828
Allowance for Uncollectible Accounts	(2,000)
Due from General Fund	<u>6,375</u>
Total Current Assets	<u>1,187,398</u>
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	<u>39,242</u>
Capital Assets:	
Land	472,565
Water System	2,649,438
Sewer System	3,174,824
Equipment	<u>10,685</u>
Total Capital Assets	6,307,512
Less Accumulated Depreciation	<u>(1,787,078)</u>
Net Capital Assets	<u>4,520,434</u>
Total Assets	<u>5,747,074</u>

CITY OF INGLESIDE ON THE BAY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

Exhibit 5
continued

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
LIABILITIES	
Current Liabilities	
Accounts Payable	24,006
Accrued Interest	7,038
Customer Meter Deposits	39,242
Current Portion of Bonds Payable	<u>80,000</u>
Total Current Liabilities	<u>150,286</u>
Long-Term Liabilities	
Bonds Payable	<u>1,275,000</u>
Total Long-Term Liabilities	<u>1,275,000</u>
Total Liabilities	<u>1,425,286</u>
NET POSITION	
Net Investment in Capital Assets	3,165,434
Restricted for: Debt Service	32,962
Unrestricted	<u>1,123,393</u>
Net Position	<u><u>4,321,789</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF INGLESIDE ON THE BAY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Exhibit 6

	Business-Type Activities Enterprise Fund <hr/> Utility Fund
OPERATING REVENUES	
Charges for Services	549,364
Other Fees and Charges	13,650
Total Operating Revenues	<hr/> 563,014
OPERATING EXPENSES	
Personnel Costs	56,149
Maintenance	23,223
Other Operating Expenses	16,684
Water Purchased	109,050
Sewer	30,165
Sanitation	83,834
EMS	787
Depreciation	136,353
Total Operating Expenses	<hr/> 456,245
Net Operating Income	<hr/> 106,769
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	7,100
Interest and Fiscal Charges	(44,140)
Intergovernmental Grant - Utility System Improvements	-
Intergovernmental Grant - FEMA Reimbursements	-
Net Non-Operating Revenues (Expenses)	<hr/> (37,040)
Income Before Transfers	69,729
Transfers Out	<hr/> -
Change in Net Position	69,729
NET POSITION BEGINNING OF YEAR	<hr/> 4,252,060
NET POSITION END OF YEAR	<hr/> <hr/> 4,321,789

The accompanying notes to financial statements are an integral part of this statement.

CITY OF INGLESIDE ON THE BAY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Exhibit 7

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
Cash flow from operating activities:	
Cash received from customers	555,076
Cash payments to suppliers for goods and services	(257,514)
Cash payments to employees for services	(56,149)
Net cash provided by operating activities	<u>241,413</u>
Cash flows from noncapital financing activities:	
Fema Reimbursements	-
Transfer to Other Funds	-
Net Change in Interfund Loans	(5,864)
Net Cash Used for Financing Activities	<u>(5,864)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Payment on bonds	(75,000)
Interest and Fiscal Charges Paid	(59,349)
Grants for Utility System Improvements	-
Purchase of Capital Assets	-
Net Cash Used for Capital and Related Financing Activities	<u>(134,349)</u>
Cash Flows from Investing Activities - Interest Income	<u>7,100</u>
Net Increase (Decrease) in Cash and Cash Equivalents	108,300
Cash and Cash Equivalents at Beginning of Year	<u>995,137</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,103,437</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	106,769
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	136,353
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	(9,481)
Increase (Decrease) in Accounts Payable	6,229
Increase (Decrease) in Customer Deposits	1,543
Net Cash Provided by Operating Activities	<u><u>241,413</u></u>

The accompanying notes to financial statements are an integral part of this statement.

This page is left blank intentionally.

CITY OF INGLESIDE ON THE BAY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Ingleside On The Bay (the City) was incorporated on November 5, 1991 as a Texas Class A General Law City. The City operates under a Mayor-Aldermen form of government and provides the garbage, water, and sewer services to its residents. The City is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," and there are no component units included within the reporting entity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. However, any interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. Currently, the City has only two funds.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund-

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

CITY OF INGLESIDE ON THE BAY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Utility Fund-

The Utility Fund is used to account for the provision of water, sewer and garbage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenue as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

CITY OF INGLESIDE ON THE BAY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

D. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the City's accounting system. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditure or liabilities until the commitments are honored by inclusion in the subsequent year's budget. There are no significant encumbrances outstanding at September 30, 2020.

E. Cash and Investments

The City can legally invest in certificates of deposit, obligations of the U.S. Government and its Agencies or instrumentalities, State obligations, local government investment pools and certain money market funds.

The City has implemented GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." As a governmental entity other than an external investment pool, in accordance with GASB 31 the City's investments are stated at market value, except for money market investments with remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts.

For purposes of the statement of cash flows, the enterprise fund considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Inventories

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. At September 30, 2020, there was no inventory carried in the Utility Fund.

H. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

I. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued

CITY OF INGLESIDE ON THE BAY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on capital assets.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 Years
Water and Sewer System	25-50 Years
Infrastructure	15 Years
Machinery and Equipment	5-10 Years
Vehicles	5-10 Years

K. Compensated Absences

In proprietary fund types, accumulated unpaid compensated absences are accrued when incurred. The accruals are reported as liabilities and expenses for the year incurred. The liability in the governmental fund types is recorded only in the Government-wide Financial Statements. At September 30, 2020, the City did not have any liability for compensated absences.

L. Net Position and Fund Equity

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net assets invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments). All other net position is considered unrestricted.

In the fund financial statements, fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated

CITY OF INGLESIDE ON THE BAY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund, conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

M. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

A. Cash Deposits

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,882,374 and the bank balance was \$1,902,512. The City's cash deposits at September 30, 2020 and during the period ended September 30, 2020, were covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF INGLESIDE ON THE BAY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

B. Investments

As of September 30, 2020, the City did not have any investments.

Interest Rate Risk – In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years.

Credit Risk – In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The City does not have a credit risk.

Concentration of Credit Risk – The City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Custodial Credit Risk – For an investment, custodial credit risk 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 does not have a custodial credit risk.

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Governmental Activities:				
Capital assets, not being depreciated				
Land	52,810	-	-	52,810
Construction In Progress	-	-	-	-
Total capital assets, not being depreciated	52,810	-	-	52,810
Capital assets, being depreciated				-
Building and Improvements	152,760	-	-	152,760
Equipment	39,713	-	-	39,713
Vehicles	254,331	-	-	254,331
Infrastructure	356,782	-	-	356,782
Total capital assets, being depreciated	803,586	-	-	803,586
Less accumulated depreciation for:				-
Buildings and Improvements	(76,049)	(9,221)	-	(85,270)
Equipment	(39,713)	-	-	(39,713)
Vehicles	(254,331)	-	-	(254,331)
Infrastructure	(176,967)	(17,112)	-	(194,079)
Total accumulated depreciation	(547,060)	(26,333)	-	(573,393)
Total capital assets, being depreciated, net	256,526	(26,333)	-	230,193
Governmental activities capital assets, net	309,336	(26,333)	-	283,003

CITY OF INGLESIDE ON THE BAY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Business-type Activities				
Capital assets, not being depreciated				
Land	472,565	-	-	472,565
Capital assets, being depreciated				
Water System	2,649,438	-	-	2,649,438
Sewer System	3,174,824	-	-	3,174,824
Equipment	10,685	-	-	10,685
Total capital assets, being depreciated	5,834,947	-	-	5,834,947
Less accumulated depreciation for:				
Water System	(707,393)	(68,281)	-	(775,674)
Sewer System	(932,647)	(68,072)	-	(1,000,719)
Equipment	(10,685)	-	-	(10,685)
Total accumulated depreciation	(1,650,725)	(136,353)	-	(1,787,078)
Total capital assets, being depreciated, net	4,184,222	(136,353)	-	4,047,869
Business-type activities capital assets, net	4,656,787	(136,353)	-	4,520,434

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	6,814
Public Safety	-
Public Works	19,519
Total depreciation expense - Governmental activities	26,333
Business-type activities:	
Water	68,281
Sewer	68,072
Total depreciation expense - Business-type activities	136,353

CITY OF INGLESIDE ON THE BAY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

4. LONG-TERM DEBT

At September 30, 2020, bonds payable consisted of the following individual issues:

	<u>BusinessType</u>
Combination Tax and Revenue Certificates of Obligation, Series 2013, due in annual installments through August 15, 2033, bearing an interest rate of 4.155% for Fiscal Years 2019-2023.* (Original Debt \$2,000,000)	
*The interest rate on the certificates of obligation shall adjust on August 15 in the years 2023 and 2028 to a per annum rate equal to 150% of the "Five Year Treasury Constant Maturity" most recently published by the Federal Reserve Board prior to the respective rate adjustment date, subject to a minimum rate of 3.25% per annum and a maximum rate of 4.35% per annum.	
Total long-term debt	<u><u>1,355,000</u></u>

The following is a summary of changes in long-term liabilities reported in the Utility Fund and in the government-wide financial statements for the year ended September 30, 2020:

<u>Business-Type Activities</u>	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30</u>	<u>Due Within</u> <u>One Year</u>
Combination Tax and Revenue Certificates of Obligation	1,430,000	-	75,000	1,355,000	80,000
Total Government	<u>1,430,000</u>	<u>-</u>	<u>75,000</u>	<u>1,355,000</u>	<u>80,000</u>

The annual requirements for long-term debt for years subsequent to September 30, 2020, are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Business-Type Activities</u>		
	<u>Combination Tax and Revenue Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	80,000	56,300	136,300
2022	85,000	52,976	137,976
2023	85,000	49,444	134,444
2024	90,000	N/A	N/A
2025	95,000	N/A	N/A
2026-2030	540,000	N/A	N/A
2031-2033	380,000	N/A	N/A
Total	<u>1,355,000</u>	<u>158,720</u>	<u>408,720</u>

N/A – Not available due to adjustable interest rate change provision.

CITY OF INGLESIDE ON THE BAY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Restricted Cash and Cash Equivalents - Utility Fund

The components of restricted cash and cash equivalents as of September 30, 2020 are as follows:

Customer Deposits	39,242
	<hr/>
Total Restricted Cash and Cash Equivalents	39,242
	<hr/> <hr/>

Payments of Certificates of Obligation

For Business-Type Activities, the debt for the Combination Tax and Revenue Certificates of Obligation is paid by the Utility Fund. Although the City is authorized to levy and collect ad valorem taxes sufficient to pay the principal and interest coming due each fiscal year, the City intends to make the annual debt payments from surplus revenues of the Utility Fund and not levy ad valorem taxes to pay the debt.

Defeased Bonds Outstanding-

At September 30, 2020 there was no outstanding principal of defeased bonds.

Authorized but Not Issued Debt-None

5. INTERFUND TRANSACTIONS AND BALANCES

There were no interfund transfers during the year ended September 30, 2020.

Interfund receivables and payables at September 30, 2020 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility Fund	General Fund	6,375
		<hr/> <hr/>

The inter-fund balance at September 30, 2020 is for a short-term loan to cover temporary cash flows and reimbursements.

6. PROPERTY TAXES

Property Taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 based on 100% of appraised value of property as listed on the previous January 1. Appraised values are determined by the San Patricio County Appraisal District; approved by the San Patricio County Appraisal Review Board; and certified by the Chief Appraiser. Property taxes are due upon receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed. The city does not offer a discount for early payment of taxes. The City's taxes are billed and collected by the San Patricio County Tax Assessor/Collector. Ad valorem taxes of \$171,786 were assessed on property values totaling \$77,440,896 using a tax rate of \$0.221817 for general operations per \$100 assessed valuation.

CITY OF INGLESIDE ON THE BAY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

7. PENSION PLAN

The City does not provide pension benefits for its employees.

8. 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; injuries to employees; and natural disasters. The City accounts for its risk management by purchasing commercial insurance.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three fiscal years.

9. COMMITMENTS AND CONTINGENT LIABILITIES

In the opinion of the City Attorney and management, there is no threatened or pending litigation which would have a material effect on the City's financial affairs.

10. OTHER DISCLOSURES

In the General Fund, expenditures exceeded budgeted appropriations in Public Safety and Culture and Recreation. In the future, the budget will be amended appropriately to cover all expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

This page is left blank intentionally.

CITY OF INGLESIDE ON THE BAY, TEXAS

Exhibit A-1

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Property Taxes	172,999	172,999	176,010	3,011
Franchise Taxes	22,000	22,000	23,612	1,612
Sales Taxes	18,000	18,000	27,405	9,405
Licenses and Permits	2,500	2,500	3,500	1,000
Contributions	3,500	3,500	53,287	49,787
Intergovernmental	6,500	6,500	-	(6,500)
Interest	9,500	9,500	4,966	(4,534)
Other	27,700	27,700	17,944	(9,756)
Total Revenues	<u>262,699</u>	<u>262,699</u>	<u>306,724</u>	<u>44,025</u>
EXPENDITURES				
Current				
General Administration	85,107	85,107	54,229	30,878
Public Safety	72,816	72,816	78,070	(5,254)
Public Works	101,276	101,276	51,600	49,676
Culture and Recreation	3,500	3,500	688	2,812
Total Expenditures	<u>262,699</u>	<u>262,699</u>	<u>184,587</u>	<u>78,112</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	122,137	122,137
OTHER FINANCING SOURCES (USES)				
Transfers From (To) Other Funds	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>122,137</u>	<u>122,137</u>
FUND BALANCE, beginning of year			653,224	
FUND BALANCE, end of year			<u>775,361</u>	

See accompanying notes to required supplementary information.

CITY OF INGLESIDE ON THE BAY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

BUDGETARY DATA

An annual budget is legally adopted on a GAAP basis for the General Fund. There were no budget amendments during the 2019-2020 fiscal year. Budgeted amounts reported in the 2019-2020 financial statements present the original and final amended budget approved by the Council. All unencumbered budget appropriations except project budgets, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to August 6th each year, a proposed budget is submitted to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Advertised public hearings are conducted.
3. The budget is required to be approved by September 20th.
4. The tax rates are approved after the budget has been approved.
5. The budget may be amended as considered necessary. The budget and tax rates are enacted through the passage of ordinances.

OTHER SUPPLEMENTARY INFORMATION

This page is left blank intentionally.

CITY OF INGLESIDE ON THE BAY, TEXAS

Exhibit B

UTILITY FUND

*SCHEDULE OF OPERATING REVENUES AND EXPENSES - BY DEPARTMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2020*

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
OPERATING REVENUES			
Charges For Services			
Water Sales	344,425	-	344,425
Sewer Sales	-	118,779	118,779
Water Taps	-	-	-
Sewer Taps	-	-	-
Garbage	85,350	-	85,350
EMS	810	-	810
Other	13,650	-	13,650
	<u>444,235</u>	<u>118,779</u>	<u>563,014</u>
Total Operating Revenue			
OPERATING EXPENSES			
Personnel Costs	38,459	17,690	56,149
Maintenance	7,984	15,239	23,223
Other Operating Expenses	13,002	3,682	16,684
Water Purchased	109,050	-	109,050
Sewer	-	30,165	30,165
Sanitation	83,834	-	83,834
EMS	787	-	787
Depreciation	68,281	68,072	136,353
	<u>321,397</u>	<u>134,848</u>	<u>456,245</u>
Total Operating Expenses			
NET OPERATING INCOME (LOSS)	<u><u>122,838</u></u>	<u><u>(16,069)</u></u>	<u><u>106,769</u></u>

CITY OF INGLESIDE ON THE BAY, TEXAS
SCHEDULE OF INSURANCE POLICIES IN FORCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Exhibit C

Type of Insurance	Insurer	Coverage	Expiration Date
General Liability	TML Intergovernmental Risk Pool	\$500,000 each occurrence \$1,000,000 Aggregate	10/01/20
Law Enforcement Liability	TML Intergovernmental Risk Pool	\$500,000 each occurrence \$1,000,000 Aggregate	10/01/20
Errors & Omissions Liability	TML Intergovernmental Risk Pool	\$500,000 each occurrence \$1,000,000 Aggregate	10/01/20
Automobile Liability	TML Intergovernmental Risk Pool	\$500,000 each occurrence \$25,000 each person	10/01/20
Real & Personal Property	TML Intergovernmental Risk Pool	\$752,626 limit of coverage	10/01/20
Windstorm & Hail	Texas Windstorm Ins. Association	\$478,233 limit of coverage	06/14/21