

CITY OF PORT NECHES, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Prepared by Finance Department

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April 15, 2021

To the Honorable Mayor, Members of the City Council,
And the Citizens of Port Neches, Texas

It is our pleasure to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Port Neches (City) for the fiscal year ended September 30, 2020. This report was prepared by City management and staff, in accordance with the City Charter, and in compliance with State law, to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City.

The CAFR consists of representations by City management concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive internal control framework that is established for the purpose of providing accurate data in all material respects. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements.

The City's financial statements have been audited by Mitchell T. Fontenote, Certified Public Accountant, Inc. which is a firm of licensed certified public accountants. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended September 30, 2020, and that they are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

The report from the CPA firm Mitchell T. Fontenote, Certified Public Accountant, Inc. is presented as the first component of the financial section of this document. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). Finally, the statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Port Neches, incorporated in 1927, is located in the southeast corner of the state in Jefferson County. With a population of 13,040 the City occupies a land area of 8.99 square miles. The City is served by a regional airport, has ready rail access to all parts of the country, and is located on the Neches River. Although empowered to levy a property tax on both real and personal properties located within its boundaries, the City collects no personal or corporate taxes from residents, nor is a State income tax assessed.

The City is a Council-Manager form of government. It is governed by an elected City Council composed of a Mayor and five (5) Council members, who each serve three (3) year staggered terms. The City Council is charged with formulating public policy, enacting local legislation, adopting budgets, and appointing the City Manager, City Attorney, and Municipal Court Judge. The City Manager is the chief administrative and executive officer of the City, and implements Council directives and policies, administers the fiscal affairs, and is responsible for the administration of municipal operations. The City provides a full range of services including police and fire protection, the construction and maintenance of streets and other infrastructure, and recreational and cultural facilities. Additionally, water, sanitary sewer, and solid waste services are operated by the City.

The financial reporting entity includes all the funds of the primary government as well as its legally separate component unit, the Port Neches Economic Development Corporation.

Factors Affecting Financial Conditions

The City is located in a metropolitan area in Southeast Texas frequently referred to as the Golden Triangle and is a component of the Beaumont-Port Arthur-Orange MSA. Retail and service businesses, along with residential construction firms, continue to experience growth as the overall local economy remains strong. The regional economy is substantially based on petroleum refining and the production and processing of chemicals and petrochemicals. Area refineries are aggressively expanding their refining infrastructure, several Liquefied Natural Gas facilities are operational and/or under development, and significant construction activity remains in progress to support the personnel and corresponding service needs associated with the industrial projects. These improvements, totaling approximately \$20 billion, have provided massive economic stimulus to communities throughout our regional energy corridor. Local school entities have upgraded educational infrastructure, creating both an economic and quality of life impact for our citizens.

The City continues with its conservative approach to the expansion of various public services. The City continues to invest in quality of life improvements and basic infrastructure maintenance, and has not encountered any need to reduce the level of services to its citizens. While the economic environment and public expenditure policies are subject to change and reevaluation, it is anticipated that the City will experience manageable growth that will not be disruptive to the current financial position of the City.

Major Initiatives and Long Term Planning

The City continues to be the recipient of numerous Federal and State grants. These funds have been and continue to be utilized for the construction of municipal facilities, infrastructure improvements, and the purchase/acquisition of equipment.

The City has been awarded approximately \$3 million in Hurricane Harvey relief funding. These monies will be utilized to (1) rehabilitate one of the City's water towers and (2) construct a water line which will result in the creation of a loop within the distribution system. Engineering/design was initiated in 2020 with construction expected to occur in 2021.

In May 2020, the City issued \$5.2 million in Certificates of Obligation to fund various improvements throughout the municipality. More specifically, these projects involve upgrades and enhancements at both the Water Treatment Plant and the Wastewater

Treatment Plant, replacement of sanitary sewer lines, roadway repairs and improvements, the purchase and installation of new generators for critical infrastructure, and the purchase of a new pumper truck for the Fire Department. Some work on these projects was initiated in 2020, while other components will be addressed in 2021.

In 2020, the City responded to the impacts of COVID-19 on the community. City operations and functions, while somewhat modified, continued to provide the full range of municipal services to residents. Sales tax remained strong and exceeded budgetary projections despite the pandemic.

The City was also impacted by two (2) other significant events during the fiscal year. In late November 2019, the community experienced a significant disruption in a petrochemical facility which resulted in a large explosion that damaged multiple properties, both residential and commercial, throughout the City. In August 2020, Hurricane Laura made landfall near Port Neches causing varying degrees of damage to the area. In both situations, the resulting impacts were primarily short-term although some limited amounts of recovery/restoration efforts remain on-going.

The City, in conjunction with the Port Neches Economic Development Corporation, also completed infrastructure improvements to the riverfront area including street enhancements and water/sewer construction to facilitate the continued commercial development of this site. Additionally, engineering/design work was completed for a riverfront walkway with construction scheduled to begin 2021. In conjunction with the commercial development improvements at the riverfront, the City sold an adjoining land tract which will allow for the construction of a new residential subdivision consisting of approximately 100 homes; construction of the necessary infrastructure by the developer will begin in 2021.

The regional area continues to benefit from a strong employment base associated with the multi-national oil and petrochemical employers despite the downturn in certain sectors. Additionally, favorable monetary conditions and federal stimulus have helped the City experience a boom in housing renovation and new construction. It is anticipated that the base taxable values of both industry and residential properties will expand over the next several years. The strong economy is expected to support expansion in commercial ventures as well.

The Port Neches Economic Development Corporation (PNEDC) continues to collaborate with the private sector to provide funding mechanisms that assist in the placement of new business in the community. Likewise, the PNEDC also continues to facilitate the retention and expansion of exiting businesses. In 2020, all PNEDC debt was retired in association with the aforementioned sale of riverfront property for the subdivision.

Relevant Financial Policies - Budgetary Control, Risk Management and Pension Obligations

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager by mid-May. A proposed budget is then prepared which is presented to the City Council for review by August 15. In accordance with the City Charter and State statutes, public hearings on the proposed budget and corresponding tax rate are then conducted.

The budget and tax rate must be approved and adopted by the City Council no later than September 30.

The appropriated budget is prepared by fund and department. Transfers of appropriations between funds require the approval of the City Council, with certain adjustments within departments can be authorized by the City Manager. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

The primary objective of the City's investment policy is safety of principal in order to minimize credit and market risks, while maintaining a competitive yield on its portfolio.

The City is exposed to a variety of accidental losses and has initiated a risk management strategy that attempts to minimize both losses and the cost of insurance. Risk control methods have been established to reduce possible losses to property owned or under the control of the City and to assure that the City's employees are aware of their duties and responsibilities. The primary method used for risk financing and control is participation in the Texas Municipal League Intergovernmental Risk Pool.

The City provides pension benefits for all full-time employees, through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. As a matter of policy, the City fully funds the annual required contribution to the pension plan as determined by the TMRS actuary. The City provides additional post employment benefits in the form of medical, dental, and life insurance.

Single Audit

OMB Uniform Guidance (2.CFR.200) requirements were utilized to review the funding of State and Federal Awards for the fiscal year ended September 30, 2020. The City did not meet the threshold for Single Audit in this period.

Awards and Acknowledgements

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 comprehensive annual financial report for the fiscal year ended September 30, 2019. This is the thirty fourth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1) year only. The City believes that the current comprehensive annual financial report continues to meet the requirement of the Certificate of Achievement Program and, as such, the City will submit this document to the GFOA to determine its eligibility for another certificate.

I very much appreciate the Mayor and the members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. I also wish to express my gratitude to all employees

of the City for their contributions in the preparation of this financial report as well as their ongoing commitment to serving the citizens of Port Neches.

Respectively submitted,

A handwritten signature in black ink, consisting of a long horizontal stroke with a small upward curve at the left end and a small downward curve at the right end.

Andre' Wimer
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Port Neches
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morrill

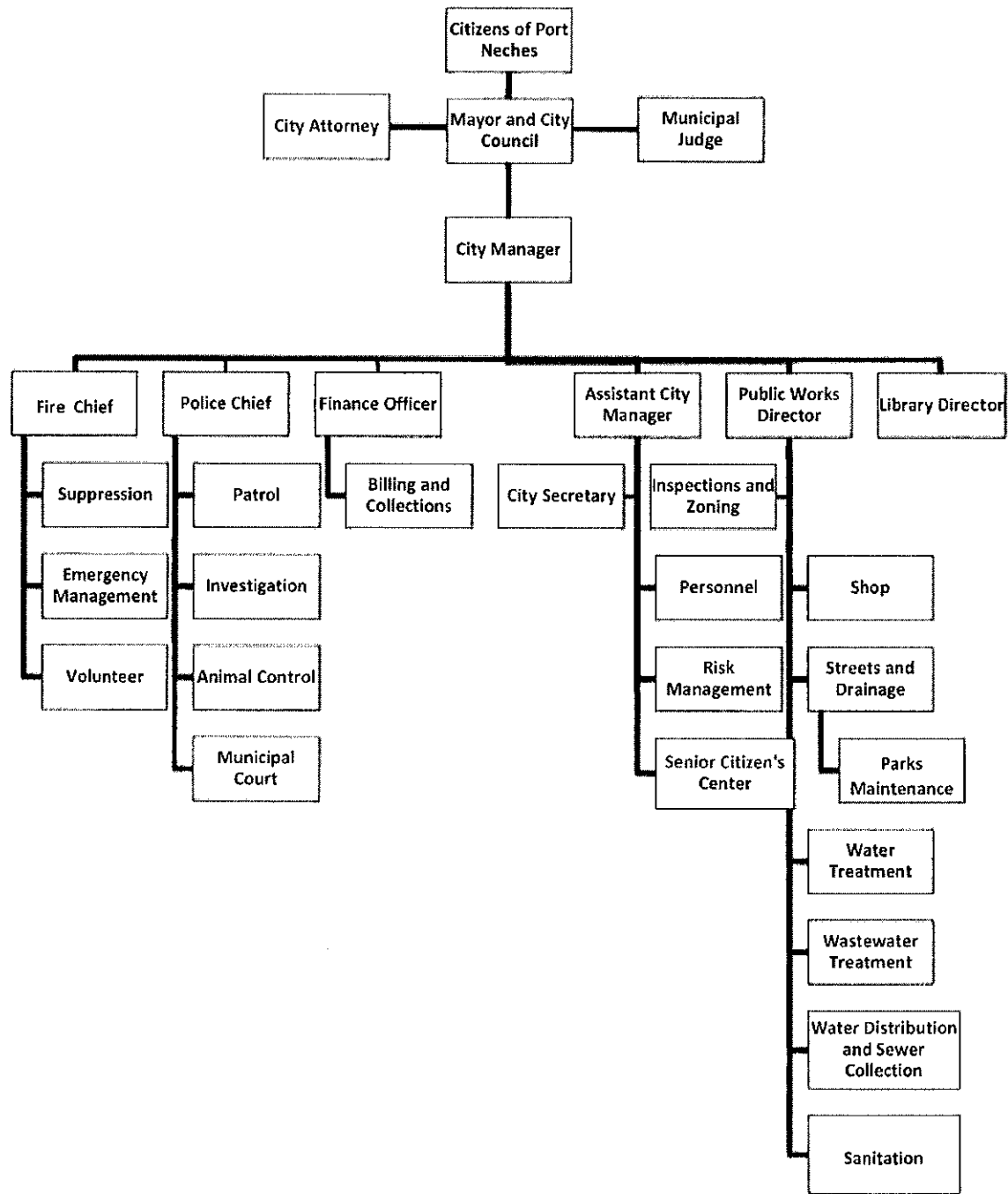
Executive Director/CEO

CITY OF PORT NECHES, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
September 30, 2020

CITY OFFICIALS	ELECTED POSITIONS
Glenn Johnson	Mayor
Chris McMahon	Council Member - Place 1
Adam Anders	Council Member - Place 2
John Davenport	Council Member - Place 3
Robert Arnold	Council Member - Place 4
Julie Gauthier	Council Member - Place 5

KEY STAFF	POSITION
Andre' Wimer	City Manager
David Miller	Assistant City Manager
Amy Guidroz	Finance Officer
Jamie Mendoza	City Secretary
Taylor Shelton	Public Works Director
Paul Lemoine	Police Chief
Paul Nelson	Fire Chief / Emergency Management Coordinator
Mark Durham	Library Director

CITY OF PORT NECHES ORGANIZATIONAL CHART



FINANCIAL SECTION

MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT, INC.

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Port Neches, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Neches, Texas, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Neches, Texas, 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 and budgetary comparison information on pages 3-8, 16 and 51 the schedule of changes in net pension liability and related ratios on page 42, the schedule of employer contributions – pension plan on page 43, and the schedule changes in other postemployment benefits liability on page 44, as listed 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 Port Neches, Texas's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 and individual nonmajor fund financial statements 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.

Mitchell T Fontenote CPA, Inc.

April 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Port Neches (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. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

The net position of the City exceeded its liabilities at the close of 2020 by \$44,689,554. Of this amount, (\$5,104,621) is considered unrestricted. The unrestricted net position of the City's governmental activities is (\$264,336). The unrestricted net position of the City's business-type activities is (\$4,840,285). The total net position of the City decreased by \$7,025,765 from current year operations.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$16,313,983 which is an increase of \$4,163,030. Approximately 50% of this total amount, \$8,181,619, is unassigned at September 30, 2020 and is considered available for spending.

The General Fund reported a fund balance of \$8,235,407 at the end of the current fiscal year. The unassigned fund balance for the General Fund was \$8,181,619 or 73% of total General Fund expenditures (excluding transfers out net of debt issuance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which 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.

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 businesses.

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. 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 government'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 the cash flows. Thus, revenue and expenses reported in this statement for some items may result in cash flows in future fiscal periods.

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 a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, public works, public safety, and community enrichment. The business-type activities of the City include the water/wastewater system and a solid waste collection system.

A component unit is included in the City's basic financial statements. The Port Neches Economic Development Corporation (PNEDC), a legally separate entity, is comprised of a board appointed by the City Council and derives funding from sales tax revenue. Financial information for this component unit is reported separately from the financial information presented for the primary government. Separately published financial statements for the PNEDC are not available. The government-wide financial statements can be found in Exhibits A and B of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 the near-term inflows 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 this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvement Fund, and Debt Service Fund. Data from other 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 elsewhere in this report.

The City of Port Neches adopts an annual appropriated budget for its General Fund. A budgetary comparison is provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in Exhibits C and D of this report.

Proprietary Funds are maintained by two different types. Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements. The City uses enterprise funds to account for its water distribution/wastewater treatment systems and the solid waste operation. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions for the payment of compensated absences at termination, including unused sick leave. The basic proprietary fund financial statements can be found in Exhibits F, G, and H of this report. The Internal Service Fund financial statement is also included in Exhibit H.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds as noted in Exhibit I.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 41 of this report.

Required Supplementary Information is presented in addition to the basic financial statements and accompanying notes. This report provides certain required supplementary information concerning the City's pension liability and other post-employment benefits. Required supplementary information can be found in Exhibit J-I through Exhibit J-3 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and the internal service fund follow the required supplementary information on pensions. Combining and individual fund statements and schedules can be found in Exhibits K through N of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$44,689,554 at the close of the most recent fiscal year. The portion of the City's net position, \$48,777,773, reflects its investment in capital assets (e.g. land, buildings, improvements, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, 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 debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The City's deferred outflows and inflow of resources changed significantly from the prior year mainly due to investment experience as well as changes in assumptions related to pensions and other post-employment benefits.

Net Position

September 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 18,014,026	\$ 13,508,631	\$ 3,269,015	\$ 3,286,761	\$ 21,283,041	\$ 16,795,392
Capital Assets	33,533,676	38,675,382	32,369,097	32,922,120	65,902,773	71,597,502
Total Assets	<u>51,547,702</u>	<u>52,184,013</u>	<u>35,638,112</u>	<u>36,208,881</u>	<u>87,185,814</u>	<u>88,392,894</u>
Deferred Outflows	<u>2,894,606</u>	<u>2,460,769</u>	<u>1,425,701</u>	<u>1,212,020</u>	<u>4,320,307</u>	<u>3,672,789</u>
Current Liabilities	902,239	644,297	739,116	735,973	1,641,355	1,380,270
Long-term Liabilities						
Outstanding	<u>35,345,706</u>	<u>30,958,702</u>	<u>8,286,788</u>	<u>8,066,545</u>	<u>43,632,494</u>	<u>39,025,247</u>
Total Liabilities	<u>36,247,945</u>	<u>31,602,999</u>	<u>9,025,904</u>	<u>8,802,518</u>	<u>45,273,849</u>	<u>40,405,517</u>
Deferred Inflows	<u>1,033,621</u>	<u>-</u>	<u>509,097</u>	<u>-</u>	<u>1,542,718</u>	<u>-</u>
Net Position						
Net Investment in						
Capital Assets	16,408,676	25,150,382	32,369,097	32,922,120	48,777,773	58,072,502
Restricted	1,016,402	1,027,164	-	-	1,016,402	1,027,164
Unrestricted	<u>(264,336)</u>	<u>(3,135,763)</u>	<u>(4,840,285)</u>	<u>(4,303,737)</u>	<u>(5,104,621)</u>	<u>(7,439,500)</u>
Total Net Position	<u>\$ 17,160,742</u>	<u>\$ 23,041,783</u>	<u>\$ 27,528,812</u>	<u>\$ 28,618,383</u>	<u>\$ 44,689,554</u>	<u>\$ 51,660,166</u>

The City's net position reflects a current year decrease of \$7,025,765 as of the fiscal year end. The City's net position of governmental activities decreased by \$5,881,041 in the current year. This decrease is the result of a loss on the sale of a land parcel and an increase in the City's OPEB liability. Overall, operating revenues were stable as the City benefited from strong retail sales tax collections and favorable interest earnings despite service reductions related to COVID protocols, an industrial accident, and natural weather disaster events. The net position of the business activities decreased by \$1,144,724 in the current year. This decrease is related to depreciation of the water and sewer infrastructure and the increase in the OPEB liability.

Changes in Net Position

For the fiscal years ended September 30, 2020 and 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 337,396	\$ 387,040	\$ 4,914,809	\$ 4,847,405	\$ 5,252,205	\$ 5,234,445
Capital Grants and Contributions	199,047	184,424	-	-	199,047	184,424
General Revenues						
Property Taxes	7,038,279	6,704,371	-	-	7,038,279	6,704,371
Sales Tax	1,637,877	1,120,965	-	-	1,637,877	1,120,965
In Lieu of Tax Payments	3,330,732	3,280,077	-	-	3,330,732	3,280,077
Gross Receipts Tax	708,221	746,479	-	-	708,221	746,479
Gain (Loss) on Sale of Asset	(4,141,760)	-	-	-	(4,141,760)	-
Miscellaneous	877,648	603,401	231,930	31,316	1,109,578	634,717
Investment Earnings	225,425	199,717	-	87,694	225,425	287,411
Total Revenues	10,212,865	13,226,474	5,146,739	4,966,415	15,359,604	18,192,889
Expenses						
General Government	2,750,811	3,070,576	-	-	2,750,811	3,070,576
Public Safety	6,425,710	6,313,651	-	-	6,425,710	6,313,651
Public Works	1,863,626	1,836,131	-	-	1,863,626	1,836,131
Community Enrichment	1,080,172	1,009,362	-	-	1,080,172	1,009,362
Contingent	3,516,810	1,880,658	-	-	3,516,810	1,880,658
Interest on Long Term Debt	432,949	403,402	-	-	432,949	403,402
Water	-	-	5,047,592	4,921,381	5,047,592	4,921,381
Sanitation	-	-	1,267,699	1,212,994	1,267,699	1,212,994
Total Expenses	16,070,078	14,513,780	6,315,291	6,134,375	22,385,369	20,648,155
Increase (Decrease) in Net Assets before Transfers	(5,857,213)	(1,287,306)	(1,168,552)	(1,167,960)	(7,025,765)	(2,455,266)
Special item - source	-	-	-	449,930	-	449,930
Transfers	(23,828)	686,197	23,828	(413,000)	-	273,197
Increase (Decrease) in Net Assets	(5,881,041)	(601,109)	(1,144,724)	(1,131,030)	(7,025,765)	(1,732,139)
Net Position at Beginning of Year	23,041,783	23,552,240	28,618,383	29,749,413	51,660,166	53,301,653
Prior Period Adjustment	-	90,652	55,153	-	55,153	90,652
Net Position at End of Year	\$ 17,160,742	\$ 23,041,783	\$ 27,528,812	\$ 28,618,383	\$ 44,689,554	\$ 51,660,166

Financial Analysis of the City's Funds

As noted earlier, the City utilizes fund accounting to ensure and demonstrate compliance with finance related requirements.

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

As of September 30, 2020, the City's government funds reported combined ending fund balances of \$16,313,983. Approximately 50.0% of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is assigned or restricted to indicate that it is not available for new spending because it has previously been committed to inventories, capital projects, and/or debt service.

The General Fund is the chief operating fund of the City. At September 30, 2020, unassigned fund balance of the General Fund was \$8,181,619, while total fund balance was \$8,235,407. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures (including transfers out). Unassigned fund balance represents 73% of total General Fund expenditures (including transfers out), while total fund balance represents 73% of the same amount.

Financial Analysis of the City's Funds (Continued)

The fund balance of the City's General Fund increased in 2020 by \$583,163. Overall, revenues were collected in line with budgeted amounts as amended. The expenditures in total did not exceed budgeted amounts as amended.

The fund balance of the Capital Improvement Fund increased by \$3,313,953. The majority of this increase is due to bonds issued for \$5,200,000.

The Debt Service Fund has a total fund balance of \$1,016,402. The net decrease in fund balance during 2020 in this fund was \$10,762. The Debt Service Fund is funded with property tax revenue at the level necessary to meet debt service requirements.

General Fund Budgetary Highlights

During the fiscal year, the City delivered quality service levels within a moderately higher operating budget. As the fiscal year progressed, retail sales tax collections exceeded budgeted amounts. Increase in expenditure levels were authorized by budget amendment for wage scale increases and special programs related to Emergency Management.

Proprietary Funds

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

Unrestricted net position at the end of the year amounted to \$(4,435,482) for both the Water and Sewer Fund and Sanitation Fund. The net position of this fund decreased by \$1,211,071 for the year. The decrease was due primarily to the adjustment to the net pension liability required for financial statement reporting by the GASB 68 pronouncement. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2020, amounts to \$65,902,773 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, streets, and drainage systems. The City authorized the sale of a parcel of riverfront land to a residential developer during the fiscal year. This sale resulted in a capital loss that is reflected as a decrease in both capital assets and net position for the governmental activities.

	Balance September 30, 2020	Balance September 30, 2019
<u>Governmental Activities</u>		
Land	\$ 3,366,967	\$ 9,308,420
Construction in Progress	165,922	975,146
Buildings and Improvements	20,307,758	19,015,998
Infrastructure	17,387,975	16,412,829
Machinery and Equipment	10,177,165	10,132,073
Vehicles	2,922,952	1,979,853
	<u>54,328,739</u>	<u>57,824,319</u>
Less: Accumulated Depreciation	(20,795,063)	(19,148,937)
Total Governmental Activities	<u>\$ 33,533,676</u>	<u>\$ 38,675,382</u>
<u>Business-Type Activities</u>		
Construction in Progress	\$ 178,039	\$ -
Buildings and System	45,385,919	45,385,919
Machinery and Equipment	14,485,183	13,817,080
	<u>60,049,141</u>	<u>59,202,999</u>
Less: Accumulated Depreciation	(27,680,044)	(26,280,879)
Total Business Activities	<u>\$ 32,369,097</u>	<u>\$ 32,922,120</u>

Additional information of the City's capital assets can be found in Note 1 and Note 3.

Long-Term Debt

At September 30, 2020, the City had \$17,125,000 outstanding in long-term debt. All debt is backed by the full faith and credit of the City.

The City's bond ratings by Standard & Poor's Corporation and Moody's Investor Services, Inc. are A+ and A1, respectively.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Bonds Payable	\$ 17,125,000	\$ 13,525,000	\$ -	\$ -	\$ 17,125,000	\$ 13,525,000
Net Pension Obligation	4,759,826	6,543,475	2,344,392	3,222,906	7,104,218	9,766,381
OPEB Liability	11,415,601	9,029,593	5,622,611	4,447,414	17,038,212	13,477,007
Compensated Absences	2,045,279	1,849,565	319,785	396,225	2,365,064	2,245,790
Unamortized Bond Premium	-	11,069	-	-	-	11,069
	<u>\$ 35,345,706</u>	<u>\$ 30,958,702</u>	<u>\$ 8,286,788</u>	<u>\$ 8,066,545</u>	<u>\$ 43,632,494</u>	<u>\$ 39,025,247</u>

More detailed information about the City's debt is presented in the Notes to the Financial Statements, Note 3: E, page 33.

Economic Factors and Next Year's Budgets and Rates

Jefferson County Appraisal District's certified tax roll indicates the 2020 property tax levy has increased by \$172,572 to \$7,166,786.

The property tax rate for the 2020 fiscal year is \$0.73500 per \$100 assessed valuation. Overall property values remained at a stable level throughout the City.

For FY 2020, Industrial District values have decreased by \$33,610,300. Industrial contracts will produce approximately \$3,165,134 in revenue, which is a decrease of \$153,336. These items were considered in preparing the City of Port Neches budget for the 2020 fiscal year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report may be addressed to the Municipal Administration Department, P.O. Box 758, Port Neches, Texas 77651. General information on the City of Port Neches, Texas is available at <http://www.ci.port-neches.tx.us>.

BASIC FINANCIAL STATEMENTS

CITY OF PORT NECHES, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

EXHIBIT A

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Nonmajor Component Unit
ASSETS				
Cash and Cash Equivalents	\$ 17,100,651	\$ 2,200,317	\$ 19,300,968	\$ 2,551,355
Receivables (net of allowance)	172,154	448,703	620,857	57,951
Other Receivable	687,433	-	687,433	-
Inventories	53,788	209,320	263,108	-
Restricted Cash	-	410,675	410,675	73,960
Capital Assets:				
Land	3,366,967	-	3,366,967	-
Infrastructure, net	9,449,104	-	9,449,104	-
Buildings, net	14,257,884	-	14,257,884	-
Machinery and Equipment, net	4,912,836	-	4,912,836	-
Vehicles, net	1,380,963	-	1,380,963	-
Capital Assets, net	-	32,369,097	32,369,097	-
Construction in Progress	165,922	-	165,922	-
Total assets	<u>51,547,702</u>	<u>35,638,112</u>	<u>87,185,814</u>	<u>2,683,266</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to Pension Plan	1,039,341	511,914	1,551,255	-
Deferred Outflow Related to OPEB	1,855,265	913,787	2,769,052	-
Total Deferred Outflows of Resources	<u>2,894,606</u>	<u>1,425,701</u>	<u>4,320,307</u>	<u>-</u>
LIABILITIES				
Accounts Payable	608,556	714,440	1,322,996	100,120
Other Current Liabilities	293,683	24,676	318,359	-
Noncurrent Liabilities				
Due Within One Year	2,064,056	63,957	2,128,013	-
Due in More Than One Year	33,281,650	8,222,831	41,504,481	-
Total liabilities	<u>36,247,945</u>	<u>9,025,904</u>	<u>45,273,849</u>	<u>100,120</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Pension Plan	1,033,621	509,097	1,542,718	-
Total Deferred Inflows of Resources	<u>1,033,621</u>	<u>509,097</u>	<u>1,542,718</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	16,408,676	32,369,097	48,777,773	-
Restricted for Debt Service	1,016,402	-	1,016,402	-
Unrestricted Net Position	(264,336)	(4,840,285)	(5,104,621)	2,583,146
Total Net Position	<u>\$ 17,160,742</u>	<u>\$ 27,528,812</u>	<u>\$ 44,689,554</u>	<u>\$ 2,583,146</u>

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,750,811	\$ -	\$ -	\$ -
Public Safety	6,425,710	114,615	-	199,047
Public Works	1,863,626	222,781	-	-
Community Enrichment	1,080,172	-	-	-
Contingent	3,516,810	-	-	-
Bond Interest	432,949	-	-	-
Total Governmental Activities	16,070,078	337,396	-	199,047
Business-type Activities				
Water and Sewer Fund	5,047,592	3,449,188	-	-
Sanitation	1,267,699	1,465,621	-	-
Total Business-type Activities	6,315,291	4,914,809	-	-
TOTAL PRIMARY GOVERNMENT	\$ 22,385,369	\$ 5,252,205	\$ -	\$ 199,047
Component Unit:				
Nonmajor Component Unit	236,760	-	-	-
TOTAL COMPONENT UNITS	\$ 236,760	\$ -	\$ -	\$ -

General Revenues:

Taxes

Property Taxes, Levied for General Purposes

Sales Taxes

In Lieu of Tax Contracts

Gross Receipts Business Tax

Miscellaneous Revenue

Investment Earnings

Loss on sale of property

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

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

CITY OF PORT NECHES, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Nonmajor Component Unit
\$ (2,750,811)	\$ -	\$ (2,750,811)	\$ -
(6,112,048)	-	(6,112,048)	-
(1,640,845)	-	(1,640,845)	-
(1,080,172)	-	(1,080,172)	-
(3,516,810)	-	(3,516,810)	-
(432,949)	-	(432,949)	-
<u>(15,533,635)</u>	<u>-</u>	<u>(15,533,635)</u>	<u>-</u>
-	(1,598,404)	(1,598,404)	-
-	197,922	197,922	-
-	<u>(1,400,482)</u>	<u>(1,400,482)</u>	<u>-</u>
<u>\$ (15,533,635)</u>	<u>\$ (1,400,482)</u>	<u>\$ (16,934,117)</u>	<u>\$ -</u>
-	-	-	(236,760)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (236,760)</u>
7,038,279	-	7,038,279	-
1,637,877	-	1,637,877	548,623
3,330,732	-	3,330,732	-
708,221	-	708,221	-
877,648	231,930	1,109,578	1,230,000
225,425	-	225,425	5,125
(4,141,760)	-	(4,141,760)	-
(23,828)	23,828	-	-
<u>9,652,594</u>	<u>255,758</u>	<u>9,908,352</u>	<u>1,783,748</u>
(5,881,041)	(1,144,724)	(7,025,765)	1,546,988
<u>23,041,783</u>	<u>28,618,383</u>	<u>51,660,166</u>	<u>1,036,158</u>
-	55,153	55,153	-
<u>\$ 17,160,742</u>	<u>\$ 27,528,812</u>	<u>\$ 44,689,554</u>	<u>\$ 2,583,146</u>

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

BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service	Capital Improvement	Other Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 8,627,623	\$ 761,077	\$ 6,290,819	\$ 795,483	\$ 16,475,002
Taxes Receivable	205,826	101,592	-	-	307,418
Allowance for Uncollectible Taxes	(90,563)	(44,701)	-	-	(135,264)
Other Receivable	362,158	-	-	325,275	687,433
Due From Other Funds	140,064	255,326	-	-	395,390
Inventory	53,788	-	-	-	53,788
Total assets	<u>9,298,896</u>	<u>1,073,294</u>	<u>6,290,819</u>	<u>1,120,758</u>	<u>17,783,767</u>
LIABILITIES					
Accounts Payable	399,217	-	198,337	11,002	608,556
Other Current Liabilities	293,683	-	-	-	293,683
Due to Other Funds	255,326	-	-	140,064	395,390
Total liabilities	<u>948,226</u>	<u>-</u>	<u>198,337</u>	<u>151,066</u>	<u>1,297,629</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	115,263	56,892	-	-	172,155
Total Deferred Inflows of Resources	<u>115,263</u>	<u>56,892</u>	<u>-</u>	<u>-</u>	<u>172,155</u>
FUND BALANCE					
Non-spendable					
Inventories	53,788	-	-	-	53,788
Restricted					
Public Safety	-	-	-	87,926	87,926
Community Enrichment	-	-	-	86,319	86,319
Retirement of Long-term Debt	-	1,016,402	-	-	1,016,402
Assigned					
Other Assigned	-	-	6,092,482	795,447	6,887,929
Unassigned fund balance	8,181,619	-	-	-	8,181,619
Total fund balance	<u>\$ 8,235,407</u>	<u>\$ 1,016,402</u>	<u>\$ 6,092,482</u>	<u>\$ 969,692</u>	<u>\$ 16,313,983</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 9,298,896</u>	<u>\$ 1,073,294</u>	<u>\$ 6,290,819</u>	<u>\$ 1,120,758</u>	<u>\$ 17,783,767</u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total Fund Balance - Governmental Funds Balance Sheet		\$	16,313,983
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
	Total Capital Assets	54,328,739	
	Accumulated Depreciation	(20,795,063)	33,533,676
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds			
			172,155
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.			
	Bonds outstanding	17,125,000	
	Bond premium outstanding	-	(17,125,000)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.			
	Deferred outflows	1,039,341	
	Deferred inflows	(1,033,621)	
	Net pension obligation	(4,759,826)	(4,754,106)
Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.			
	Deferred outflows	1,855,265	
	Deferred inflows	-	
	Net OPEB obligation	(11,415,601)	(9,560,336)
The internal service fund is used by the City to charge compensated absences to the individual funds. The assets and liabilities of the internal service fund related to the governmental funds that are included in the Statement of Net Position.			
			(1,419,630)
Net Position of Governmental Activities - Statement of Net Position		\$	<u>17,160,742</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Debt Service	Capital Improvement	Other Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property Tax	\$ 5,078,122	\$ 1,958,338	\$ -	\$ -	\$ 7,036,460
Sales Tax	1,466,471	-	-	171,406	1,637,877
In Lieu of Tax Contracts	3,330,732	-	-	-	3,330,732
Gross Receipts Business Tax	708,221	-	-	-	708,221
Licenses and Permits	222,781	-	-	-	222,781
Grants, Contributions, and Other Governmen	181,229	-	-	17,818	199,047
Fines	114,615	-	-	-	114,615
Interest	174,958	18,274	31,867	326	225,425
Other Revenue	353,379	-	151,000	373,269	877,648
Total revenues	11,630,508	1,976,612	182,867	562,819	14,352,806
EXPENDITURES					
General Government	1,130,763	-	-	-	1,130,763
Public Safety	5,709,257	-	-	-	5,709,257
Public Works	1,756,758	-	-	-	1,756,758
Community Enrichment	895,973	-	-	58,455	954,428
Contingent	1,782,064	-	1,230,000	219,542	3,231,606
Debt Service:					
Debt Principal - Bonded Debt	-	1,600,000	-	-	1,600,000
Debt Interest - Bonded Debt	-	385,774	-	-	385,774
Fiscal Agent's Fees	-	1,600	-	-	1,600
Capital Outlay	-	-	2,195,134	11,146	2,206,280
Total operations	11,274,815	1,987,374	3,425,134	289,143	16,976,466
Excess (deficiency) of revenues over (under) expenditures	355,693	(10,762)	(3,242,267)	273,676	(2,623,660)
OTHER FINANCING SOURCES (USES)					
Bonds Proceeds	-	-	5,200,000	-	5,200,000
Cost of Issuance	-	-	(56,645)	-	(56,645)
Proceeds on Sale of Property	-	-	1,799,693	-	1,799,693
Transfers In	363,000	-	-	-	363,000
Transfers Out	(132,530)	-	(386,828)	-	(519,358)
Total Other Financing Sources (Uses)	230,470	-	6,556,220	-	6,786,690
Net Changes in Fund Balances	586,163	(10,762)	3,313,953	273,676	4,163,030
Fund Balance - October 1	7,649,244	1,027,164	2,778,529	696,016	12,150,953
Fund Balance - September 30	\$ 8,235,407	\$ 1,016,402	\$ 6,092,482	\$ 969,692	\$ 16,313,983

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

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

Net Change in Fund Balances - Total Governmental Funds		\$	4,163,030
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds			1,819
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation			
	Capital outlay	2,445,873	2,445,873
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resource of governmental funds; however, neither transaction has an effect on net position			
	Bond proceeds	(5,200,000)	
	Principal payments	1,600,000	
	Bond amortization	11,069	(3,588,931)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Conversely, certain items reported as expenditures in the governmental funds are considered assets in the government-wide statements.			
	Loss on Sale of Asset	(5,941,453)	
	Depreciation	(1,646,126)	
	Pension expense	(494,571)	
	OPEB expense	(707,572)	(8,789,722)
The net revenues of certain activities of internal service funds are reported with governmental activities.			(113,110)
Change in Net Position of Governmental Activities - Statement of Activities		\$	<u>(5,881,041)</u>

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

**FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property Tax	\$ 5,090,000	\$ 5,090,000	\$ 5,078,122	\$ (11,878)
Sales Tax	980,000	980,000	1,466,471	486,471
In Lieu of Tax Contracts	3,300,000	3,300,000	3,330,732	30,732
Gross Receipts Business Tax	745,000	725,000	708,221	(16,779)
Licenses and Permits	130,900	204,900	222,781	17,881
Grants, Contributions, and Other Governments	15,000	15,000	181,229	166,229
Fines	172,350	132,350	114,615	(17,735)
Interest	100,000	140,000	174,958	34,958
Other Revenue	311,400	457,400	353,379	(104,021)
Total revenues	10,844,650	11,044,650	11,630,508	585,858
EXPENDITURES				
General Government	1,213,800	1,213,800	1,130,763	83,037
Public Safety	5,857,620	5,908,020	5,709,257	198,763
Public Works	1,830,700	1,803,350	1,756,758	46,592
Community Enrichment	953,700	960,650	895,973	64,677
Contingent	1,464,800	1,874,800	1,782,064	92,736
Capital Outlay	-	-	-	-
Total operations	11,320,620	11,760,620	11,274,815	485,805
Excess of revenues over (under) expenditures	(475,970)	(715,970)	355,693	1,071,663
OTHER FINANCING SOURCES (USES)				
Transfers In	363,000	363,000	363,000	-
Transfers Out	(132,530)	(132,530)	(132,530)	-
Total Other Financing Sources (Uses)	230,470	230,470	230,470	-
Net Changes in Fund Balances	(245,500)	(485,500)	586,163	1,071,663
Fund Balance - October 1	7,649,244	7,649,244	7,649,244	-
	-	-	-	-
Fund Balance - September 30	\$ 7,403,744	\$ 7,163,744	\$ 8,235,407	\$ 1,071,663

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020**

	Business-Type Activities - Enterprise Funds			Governmental
	Water and	Sanitation	Total	Activities
	Sewer Fund	Fund	Enterprise Funds	Internal Service Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,589,472	\$ 695,864	\$ 2,285,336	\$ 540,634
Accounts Receivable - Net of Uncollectible Allowance	348,534	100,169	448,703	-
Inventories	177,910	31,410	209,320	-
Restricted Cash	296,540	114,135	410,675	-
Total assets	<u>2,412,456</u>	<u>941,578</u>	<u>3,354,034</u>	<u>540,634</u>
Noncurrent Assets:				
Capital Assets:				
Capital Assets	58,059,529	1,811,573	59,871,102	-
Accumulated Depreciation	(26,503,184)	(1,176,860)	(27,680,044)	-
Construction in Progress	178,039	-	178,039	-
Total Noncurrent Assets	<u>31,734,384</u>	<u>634,713</u>	<u>32,369,097</u>	<u>-</u>
Total Assets	<u>34,146,840</u>	<u>1,576,291</u>	<u>35,723,131</u>	<u>540,634</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to Pension Plan	511,914	-	511,914	-
Deferred Outflow Related to OPEB	913,787	-	913,787	-
Total Deferred Outflows of Resources	<u>1,425,701</u>	<u>-</u>	<u>1,425,701</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	603,697	110,743	714,440	-
Compensated Absences Payable	-	-	-	473,013
Refundable Customer Credits	24,676	-	24,676	-
Total liabilities	<u>628,373</u>	<u>110,743</u>	<u>739,116</u>	<u>473,013</u>
NonCurrent Liabilities:				
Compensated Absences Payable	-	-	-	1,892,051
Net Pension Liability	2,344,392	-	2,344,392	-
Other Post Employment Benefits Liability	5,622,612	-	5,622,612	-
Total Noncurrent Liabilities	<u>7,967,004</u>	<u>-</u>	<u>7,967,004</u>	<u>1,892,051</u>
Total Liabilities	<u>8,595,377</u>	<u>110,743</u>	<u>8,706,120</u>	<u>2,365,064</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Pension Plan	509,097	-	509,097	-
Total Deferred Inflows of Resources	<u>509,097</u>	<u>-</u>	<u>509,097</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	31,734,384	634,713	32,369,097	-
Unrestricted Net Position	<u>(5,266,317)</u>	<u>830,835</u>	<u>(4,435,482)</u>	<u>(1,824,430)</u>
Total Net Position	<u>\$ 26,468,067</u>	<u>\$ 1,465,548</u>	<u>\$ 27,933,615</u>	<u>\$ (1,824,430)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(404,803)	
Net Position of Business Type Activities			<u>\$ 27,528,812</u>	

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Sanitation Fund	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES				
Water Service	\$ 1,992,587	\$ -	\$ 1,992,587	\$ -
Sewer Service	1,432,107	-	1,432,107	-
Sanitation Service	-	1,465,621	1,465,621	-
Tap fees	24,494	-	24,494	-
Penalties and Other	51,445	18,848	70,293	-
Miscellaneous Income	149,857	11,780	161,637	-
Total Operating Revenues	3,650,490	1,496,249	5,146,739	-
OPERATING EXPENSES				
Proprietary Expenses				
Supplies and Purification	1,697,471	-	1,697,471	-
Water and Sewer Maintenance	810,551	-	810,551	-
Billing and Collection	264,518	-	264,518	-
Waste Water Plant	1,013,875	-	1,013,875	-
Sanitation	-	1,106,058	1,106,058	-
Sick Leave Charges	-	-	-	269,291
Total Proprietary Expenses	3,786,415	1,106,058	4,892,473	269,291
Depreciation	1,237,524	161,641	1,399,165	-
Total Operating Expenses	5,023,939	1,267,699	6,291,638	269,291
Operating Income (Loss)	(1,373,449)	228,550	(1,144,899)	(269,291)
Income (Loss) Before Contributions & Transfers	(1,373,449)	228,550	(1,144,899)	(269,291)
Capital Contributions	-	-	-	-
Transfer In	386,828	-	386,828	222,530
Tranfers Out	(323,000)	(130,000)	(453,000)	-
Change in Net Position	(1,309,621)	98,550	(1,211,071)	(46,761)
Total Net Position - October 1	27,741,060	1,348,473	29,089,533	(1,777,669)
Prior Period Adjustment	36,628	18,525	55,153	-
Total Net Position - October 1 Restated	27,777,688	1,366,998	29,144,686	(1,777,669)
Total Net Position - September 30	\$ 26,468,067	\$ 1,465,548	\$ 27,933,615	\$ (1,824,430)
Adjustment to reflect the consolidating of internal service fund activities related to enterprise funds			66,347	
Change in net position of business type activities on Exhibit B-1			<u>\$ (1,144,724)</u>	

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

CITY OF PORT NECHES, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT H

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Sanitation Fund	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities</u>				
Receipts from customers	\$ 3,650,490	\$ 1,496,249	\$ 5,146,739	\$ -
Cash Payments to Employees for Services	(1,496,844)	(741,059)	(2,237,903)	-
Cash Payments for Goods and Services	(1,784,794)	(241,884)	(2,026,678)	(150,017)
Net Cash Provided by (Used for) Operating Activities	<u>368,852</u>	<u>513,306</u>	<u>882,158</u>	<u>(150,017)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Transfer (Out) In	(323,000)	(130,000)	(453,000)	222,530
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(323,000)</u>	<u>(130,000)</u>	<u>(453,000)</u>	<u>222,530</u>
<u>Cash Flows from Capital & Related Financing Activities</u>				
Acquisition of Capital Assets	(235,080)	(224,234)	(459,314)	-
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(235,080)</u>	<u>(224,234)</u>	<u>(459,314)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(189,228)	159,072	(30,156)	72,513
Cash and Cash Equivalents at Beginning of the Year	1,877,664	650,927	2,528,591	468,121
Cash and Cash Equivalents at End of the Year	1,688,436	809,999	2,498,435	540,634
Restricted Cash - Customer Deposits	(98,964)	(114,135)	(213,099)	-
Cash on Balance Sheet:	<u>\$ 1,589,472</u>	<u>\$ 695,864</u>	<u>\$ 2,285,336</u>	<u>\$ 540,634</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</u>				
Operating Income (Loss)	\$ (1,373,449)	\$ 228,550	\$ (1,144,899)	\$ (269,291)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	1,237,524	161,641	1,399,165	-
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in receivables	(70,328)	102,166	31,838	-
Decrease (increase) in inventories	5,365	(4,554)	811	-
Increase (decrease) in accounts payable	(25,094)	25,503	409	-
Increase (decrease) in intergovernmental payable	-	-	-	-
Increase (decrease) in customer deposits	2,734	-	2,734	-
Increase (decrease) related to pension liability	243,594	-	243,594	-
Increase (decrease) related to OPEB	348,506	-	348,506	-
Increase (decrease) in noncurrent liabilities	-	-	-	119,274
Net Cash Provided by (Used for) Operating Activities	<u>\$ 368,852</u>	<u>\$ 513,306</u>	<u>\$ 882,158</u>	<u>\$ (150,017)</u>
<u>Non-cash Investing and Financing Activities</u>				
Transfer of capital assets from Capital Improvement Fund	\$ 386,828			

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

CITY OF PORT NECHES, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020

EXHIBIT I

	<u>Agency</u> <u>Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 34,847
Total assets	<u>\$ 34,847</u>
LIABILITIES	
Due to Employee Groups	\$ 34,847
Total liabilities	<u>\$ 34,847</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF PORT NECHES, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Port Neches, Texas (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the City.

A. Reporting Entity

The City of Port Neches, Texas was incorporated in October of 1927, and was chartered as a Home Rule City on April 16, 1955. The City operates under a Council-Manager form of government and is governed by an elected body comprised of a Mayor and five (5) Council members. The City provides the following services: Police, Fire, Streets, Water and Sewer, Sanitation, Parks, Library, Planning and Zoning, and General Administrative Services.

As required by GAAP, these statements present the financial activities of the City of Port Neches, Texas (the primary government) and its component unit. The component unit is a legally separate entity that is included in the reporting entity because of the significance of the operational or financial relationship with the City. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

The Port Neches Economic Development Corporation (PNEDC) was created under Section 4B of the Development Corporation Act of 1979. As an entity legally separate from the City, the PNEDC is governed by a board of directors appointed by the City Council. The PNEDC is comprised of a single fund that is reported as a governmental fund type. Separately issued financial statements for the PNEDC are not available. The specific purpose of the PNEDC is to promote community and economic vitality in Port Neches.

The PNEDC's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The PNEDC is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the appropriate utilization of 4b sales tax proceeds through the appointment of the PNEDC Board and the ability of the City to approve the PNEDC operating budget. Directors serve at the will of the City Council and may be appointed/removed at any time, thereby reflecting the City Councils' ability to impose their will upon the entity.

The notes to the financial statements include disclosures pertaining to the City as the primary government and also the PNEDC as a component unit.

Joint Venture

The City participates in a joint venture, as follows:

Mid-County Dispatch

The City of Port Neches and two neighboring cities, Nederland and Groves, have a contractual agreement to pool resources and share the costs, risks, and rewards of providing a central radio dispatching service for the participating cities in compliance with the "Interlocal Cooperation Act". Each of the participating cities has an ongoing financial interest in, and responsibility for the Mid-County Dispatch. Costs of operations are shared based on each City's percentage of combined population of the three cities.

CITY OF PORT NECHES, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The Mid-County Dispatch facility is located at the City of Nederland's police station. The City of Nederland has both a responsibility for the daily supervision of the facility as well as a financial responsibility to account for the financial operations of the Mid-County Dispatch. Separately issued financial statements are not available for this joint venture.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and service charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be pay liabilities of the current period. For this purpose, the government considers revenues 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, claims and judgments, are recorded only when the payment is due.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, sales tax, industrial payments, 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. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Improvement Fund* accounts for the financial resources to be used for the construction or acquisition of major capital facilities (other than those financed by proprietary funds or trust funds).

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the water and sewer utility operations of the City. This fund includes water treatment and distribution, wastewater collection and treatment, and the related revenue collection activity.

The *Sanitation Fund* accounts for solid waste disposal services for residents and commercial businesses.

Additionally, the City reports the following fund types:

An *Internal Service Fund* accounts for the liability associated with accrued compensated absences for eligible employees that retire and/or separate from service. Funds are transferred on an annual basis as available from the General Fund, the Water and Sewer Fund, and the Sanitation Fund to provide resources for the liability.

Fiduciary Funds account for amounts employees have placed in a trustee or agency capacity for certain activities and therefore cannot be used to support the general programs of the government. The City has established *The Employee Benefits Trust* to record contributions and related premium costs for medical, dental, and life insurance coverage for active employees and retirees.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenue and expense 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. The principal operating revenue of the Water and Sewer Fund, and the Sanitation Fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the City's intent to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Statutes of the State of Texas and policies adopted by City Council authorize the City to invest in obligations of the U.S. Treasury, securities issued by U.S. government agencies, certificates of deposit, and local government investment pools.

2. Property Taxes

Property appraisal within the City is the responsibility of the Jefferson County Appraisal District. The Appraisal district is required under the Property Tax Code to appraise all property within the county on the basis of 100% of its market value.

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Taxes are applicable to the fiscal year in which they are levied. They become delinquent, with an enforceable lien on property, on February 1 of the subsequent calendar year. The City has contracted with the Jefferson County Tax Assessor-Collector for property tax billing and collection.

3. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type are reported in the government-wide financial statements as "internal balances".

4. Inventories and Prepaid Items

Inventories are valued at cost 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. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Assets

The refundable customer advance payments account is used to account for customer meter deposits held on behalf of water customers and recorded as a liability of the Water and Sewer Fund.

CITY OF PORT NECHES, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

6. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. streets, water lines, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two 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 rather than fair value.

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. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed. Property, plant, and equipment of the City are depreciated using the straight-line method over estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-80
System Improvements	40-80
Vehicles	5-10
Operating Equipment	5-10
Computer Equipment	3-5

7. Compensated Absences

It is the policy of the City to permit employees to accumulate earned but unused sick pay benefits. No liability is reported for unpaid accumulated sick leave in the governmental or enterprise funds.

The City has established an internal service fund to account for the liability related to compensated absences. The assets reserved for the payment of this benefit total \$540,634. Eligible employees may be compensated for accrued sick leave in an amount which is dependent on City policy at the time of a qualified retirement from service. Civil Service employees that separate from service for non-retirement reasons may be eligible to receive accumulated sick leave compensation in accordance with Civil Service statutes unless governed by collective bargaining stipulations. Additionally, a limited number of employees may be eligible for payment of deferred vacation pay and other accrued leave types associated with comp time accrued during a disaster. As of September 30, 2020, the liability for accumulated sick leave was approximately \$2,365,064 as indicated in the Internal Service Fund. The amount expected to be paid from current resources was \$473,013. Prior to a policy change occurring in December of 2003, employees were allowed to accumulate vacation time and carry the time forward to the subsequent years. The employees were eligible to defer the accrued vacation time until their retirement and receive compensation at the time of retirement for all unused vacation days. As of September 30, 2020, the liability for deferred vacation compensation was approximately \$2,149. The City has reviewed the policy related to Accrued Leave compensation for retirees and attempted to minimize the challenge of funding this liability in the context of the overall increase in benefit costs by implementing policy modifications on a periodic basis.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

8. Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The City has only one item that qualifies for this category, which arises only under the modified accrual basis of accounting, unavailable property tax revenue. These amounts are recognized as an inflow of resources in the period that the amounts become available.

In government-wide and proprietary financial statements, deferred outflows and inflows of resources are recorded for deferred outflows and inflows of resources related to pensions.

9. 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 or proprietary fund type Statement of Net Position. When significant, bond premiums, discounts, and amounts deferred on refunding, are deferred and amortized over the life of the bonds using the straight-line method. 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.

10. Fund Equity

Beginning with fiscal year 2011, the City of Port Neches implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory, and prepaid items have been properly classified in the Governmental Funds Balance Sheet. At September 30, 2020 the City had a nonspendable fund balance of \$53,788.

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. At September 30, 2020 the City had a restricted fund balance of \$1,190,647.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision –making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. At September 30, 2020 the City had a committed fund balance of \$0.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

10. Fund Equity (Continued)

Assigned fund balance – The City Council has retained the rights to assign portion of Fund Balance and has designated the City Manager or Finance Officer as individuals with the right to assign portions of fund balance. With the exception of Capital Improvement Funds, the City has traditionally not utilized the assignment of fund balance. At September 30, 2020 the City had an assigned fund balance of \$6,887,929.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund. At September 30, 2020 the City had an unassigned fund balance of \$8,181,619.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City has not adopted a policy stating which fund balance category is spent first when committed, assigned, or unassigned fund balances are available. By default, the City will consider amounts to have been spent first out of committed funds, then assigned and finally unassigned funds.

11. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category represents net position that has external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and the restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the City not restricted for any project or other purpose.

12. Date of Management's Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 15, 2021, the date that the financial statements were available to be issued. See Note 8 for additional details on items identified during review.

13. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflow 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.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclose of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for all governmental fund types of the primary government except special revenue and capital project funds, which are unbudgeted. All annual appropriations lapse at fiscal year-end. The City also budgets the Water and Sewer Fund and the Sanitation Fund for fiscal control.

On or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers' comments. Prior to October 1, the budget is legally enacted through passage of an ordinance at the fund level.

Transfers of appropriations between funds require the approval of the City Council, although certain budgetary adjustments between departments may be authorized by the City Manager. Formal integration is employed as a management control device during the year for the General Fund and Debt Service Fund. Any amendments are submitted by the City Manager to the City Council for appropriate action. All budgets are adopted on a basis consistent with GAAP except that depreciation is not budgeted in the enterprise funds and capital outlay is recorded at cost in the year of acquisition. All budgeted appropriations lapse at fiscal year-end and may not be carried over to the following year. All budgets are as originally adopted and as amended by the City Council.

Encumbrance accounting is employed in governmental funds. Outstanding encumbrances (e.g. purchase orders and contracts) lapse at fiscal year-end. Encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2020.

B. Deficit Fund Equity

The Compensated Absences (Sick Leave) Fund had a deficit in net position of \$(1,824,430) at September 30, 2020. The Fund is an internal service fund established to account for the liability for employees' accrued compensated absences.

The City transfers funds from the General, Water and Sewer, and Sanitation funds to the Internal Service Fund for the liability related to accrued compensated absences (Sick Leave Fund). At fiscal year end, the cash balance in the fund was \$540,634.

NOTE 3: DETAILED NOTE ON ALL FUNDS

A. Deposits and Investments

Cash Deposits

At September 30, 2020, the City's carrying amount of deposits (including PNEDC) was \$21,931,228. The City held no outside investments in Government Investment Pools or Certificates of Deposit. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was collateralized with letters of credit and securities held by the pledging financial institution's agent in the City's name. State statutes require that all deposits in financial institution be fully collateralized by U.S. Government obligations or those of its agencies and instrumentalities. Direct obligations of the State of Texas or its agencies and instrumentalities are also acceptable as collateral. Evidence of collateral is maintained and reviewed by the City to assure that the market value of pledged securities exceeds 102% of deposits.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3: DETAILED NOTE ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. It is the policy of the City to require that all deposits not covered by FDIC insurance be fully collateralized with securities held by the bank's agent in the City's name.

Interest rate risk: In accordance with the investment policy, the City manages exposure to declines in fair value by investing in interest bearing demand deposits.

Restricted Assets

Funds set aside for payment of enterprise fund customer deposits and reserve fund requirements for the Economic Development Corporation sales tax revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures or by City Council policy. Components of restricted assets are as follows:

Customer Deposits	Economic Development Corporation	Total
410,675	73,960	484,635
<u>\$ 410,675</u>	<u>\$ 73,960</u>	<u>\$ 484,635</u>

B. Receivables

In the fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter) are recognized as revenue in the year of levy. Receivables as of September 30, 2020, for the government's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service	Water and Sewer	Sanitation	Other Funds	Total
Taxes	\$ 205,826	\$ 101,592	\$ -	\$ -	\$ -	\$ 307,418
Grant receivables	-	-	-	-	-	-
Other receivables	362,158	-	355,388	103,124	325,275	1,145,945
Gross receivables	567,984	101,592	355,388	103,124	325,275	1,453,363
Less: Allowance for Uncollectibles	(90,563)	(44,701)	(6,854)	(2,955)	-	(145,073)
Net Total Receivables	<u>\$ 477,421</u>	<u>\$ 56,891</u>	<u>\$ 348,534</u>	<u>\$ 100,169</u>	<u>\$ 325,275</u>	<u>\$ 1,308,290</u>

Accounts receivable utility service charges are recognized when earned with no allowance for uncollectible amounts since customer deposits are held against uncollectible amounts. An estimated amount has been recorded for services rendered, but not yet billed at the close of the years involved.

Governmental funds report *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows and unearned revenue reported in the governmental funds included \$115,263 for the general fund and \$56,892 for the debt service fund.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3: DETAILED NOTE ON ALL FUNDS (CONTINUED)

C. Capital Assets

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

	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Capital Assets, Not Being Depreciated:				
Land	\$ 9,308,420	\$ -	\$ (5,941,453)	\$ 3,366,967
Construction in Progress	975,146	165,922	(975,146)	165,922
Total Capital Assets, Not Being Depreciated	<u>10,283,566</u>	<u>165,922</u>	<u>(6,916,599)</u>	<u>3,532,889</u>
Capital Assets, Being Depreciated:				
Building & Improvements	19,015,998	1,291,760	-	20,307,758
Infrastructure	16,412,829	975,146	-	17,387,975
Machinery & Equipments	10,132,073	45,092	-	10,177,165
Vehicles	1,979,853	943,099	-	2,922,952
Total Capital Assets, Being Depreciated	<u>47,540,753</u>	<u>3,255,097</u>	<u>-</u>	<u>50,795,850</u>
Less Accumulated Depreciation:				
Building & Improvements	(5,574,494)	(475,380)	-	(6,049,874)
Infrastructure	(7,476,499)	(462,372)	-	(7,938,871)
Machinery & Equipments	(4,736,707)	(527,622)	-	(5,264,329)
Vehicles	(1,361,237)	(180,752)	-	(1,541,989)
Total Accumulated Depreciation	<u>(19,148,937)</u>	<u>(1,646,126)</u>	<u>-</u>	<u>(20,795,063)</u>
Total Capital Assets, Being Depreciated, Net	<u>28,391,816</u>	<u>1,608,971</u>	<u>-</u>	<u>30,000,787</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,675,382</u>	<u>\$ 1,774,893</u>	<u>\$ (6,916,599)</u>	<u>\$ 33,533,676</u>

Depreciation expense of the governmental activities was charged to functions/programs as follows:

General Government	161,119
Public Safety	813,495
Public Works	250,315
Community Enrichment	135,994
Contingent	285,203
Total Depreciation Expense - Governmental Activities	<u>\$ 1,646,126</u>

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3: DETAILED NOTE ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
<u>Capital Assets, Not Being Depreciated:</u>				
Construction in Progress	\$ -	\$ 178,039	\$ -	\$ 178,039
Total Capital Assets, Not Being Depreciated	-	178,039	-	178,039
<u>Capital Assets, Being Depreciated:</u>				
Building & Improvements	45,385,919	-	-	45,385,919
Machinery & Equipments	13,817,080	668,103	-	14,485,183
Total Capital Assets, Being Depreciated	59,202,999	668,103	-	59,871,102
<u>Less Accumulated Depreciation:</u>				
Building & Improvements	(18,711,342)	(908,313)	-	(19,619,655)
Machinery & Equipments	(7,569,537)	(490,852)	-	(8,060,389)
Total Accumulated Depreciation	(26,280,879)	(1,399,165)	-	(27,680,044)
Total Capital Assets, Being Depreciated, Net	32,922,120	(731,062)	-	32,191,058
Business-Type Activities Capital Assets, Net	\$ 32,922,120	\$ (553,023)	\$ -	\$ 32,369,097

Depreciation expense of the business-type activities was charged to functions/programs as follows:

Water and Sewer	1,237,524
Sanitation	161,641
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,399,165</u>

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3: DETAILED NOTE ON ALL FUNDS (CONTINUED)

D. Interfund Transfers

Interfund transfers are budgeted cost allocations between funds for items such as administrative and insurance expenses. Certain transfers also fund cash matches as required by grant agreements. Interfund transfers at September 30, 2020 consisted of the following:

	Fund Financial Statements		Government-Wide
	Transfers In	Transfers Out	Statements Transfers In (Out)
Governmental Funds			
General	363,000	(132,530)	363,000
Other	-	(386,828)	(386,828)
Total Governmental Funds	363,000	(519,358)	(23,828)
Enterprise Funds			
Water and Sewer	386,828	(323,000)	123,828
Sanitation	-	(130,000)	(100,000)
Total Governmental Funds	386,828	(453,000)	23,828
Internal Service Funds	222,530	-	-
Total Internal Service Funds	222,530	-	-
Total Transfers	<u>\$ 972,358</u>	<u>\$ (972,358)</u>	
Total Transfer (Exhibit B)			<u>\$ -</u>

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3: DETAILED NOTE ON ALL FUNDS (CONTINUED)

E. Long-Term Debt

The City issues General Obligation bonds and Certificates of Obligation to provide funds for the acquisition and construction of major capital facilities. General Obligation bonds and Certificates of Obligation are direct obligations and pledge the full faith and credit of the government.

General Obligation bonds and Certificates of Obligation payable at September 30, 2020, are summarized as follows:

Date of Issue	Original Issue	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2011	4,300,000	2021	\$0 to \$1,395,000	3.00% - 3.25%	\$ 1,395,000
2016	7,250,000	2028	\$50,000 to \$1,150,000	2.11%	7,000,000
2020	5,200,000	2032	\$75,000 to 835,000	1.20%	5,200,000
					<u>\$ 17,125,000</u>

Annual debt service requirements to maturity for the bonds are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	1,730,000	379,200	2,109,200
2022	1,590,000	330,145	1,920,145
2023	1,455,000	297,459	1,752,459
2024-2028	7,490,000	991,942	8,481,942
2029-2034	4,860,000	292,580	5,152,580
Total	<u>\$ 17,125,000</u>	<u>\$ 2,291,326</u>	<u>\$ 19,416,326</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Certificates of Obligation	\$ 13,525,000	\$ 5,200,000	\$ (1,600,000)	\$ 17,125,000	\$ 1,655,000
Total Bonds Payable	<u>13,525,000</u>	<u>5,200,000</u>	<u>(1,600,000)</u>	<u>17,125,000</u>	<u>1,655,000</u>
Net Pension Liability	6,543,475	1,860,629	(3,644,278)	4,759,826	-
OPEB Liability	9,029,593	2,728,803	(342,795)	11,415,601	-
Unamortized Bond Premium	11,069	-	(11,069)	-	-
Compensated Absences	1,849,565	243,985	(48,271)	2,045,279	409,056
Governmental Activities					
Long-Term Liabilities	<u>\$ 30,958,702</u>	<u>\$ 10,033,417</u>	<u>\$ (5,646,413)</u>	<u>\$ 35,345,706</u>	<u>\$ 2,064,056</u>
Business-Type Activities:					
Net Pension Liability	3,222,906	916,429	(1,794,943)	2,344,392	-
OPEB Liability	4,447,414	1,344,037	(168,840)	5,622,611	-
Compensated Absences	396,225	20,214	(96,654)	319,785	63,957
Governmental Activities					
Long-Term Liabilities	<u>\$ 8,066,545</u>	<u>\$ 2,280,680</u>	<u>\$ (2,060,437)</u>	<u>\$ 8,286,788</u>	<u>\$ 63,957</u>

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

E. Long-Term Debt (Continued)

For the governmental activities, compensated absences are generally liquidated by the Internal Service Fund.

Arbitrage Rebate Liability

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The City had no arbitrage liability as of September 30, 2020.

Port Neches Economic Development Corporation Sales Tax Revenue Bond

The Port Neches Economic Development (PNEDC) issued Certificates of Obligation, Series 2007 to provide funds for the acquisition of land for parks and park facilities, open space improvements, and related store, restaurant, concession, and automobile parking facilities within the City or any other use of the Corporation permitted by law and to pay the cost of the issuance of the bonds. This issue, \$2.9 million, pledged the sales tax revenue of the PNEDC. A full cash defeasance occurred on 1/31/2020.

NOTE 4: OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City obtains insurance coverage through commercial insurance carriers. The City obtained general liability coverage by joining with other governmental entities in the Texas Municipal League Intergovernmental Risk Pool (TML-IRP). Worker's compensation, property, and auto liability insurance are also covered through participation in this public entity risk pool, where risk is transferred to the pool within policy limits purchased. There were no significant reductions in commercial insurance coverage and the amount of settled claims did not exceed insurance coverage in any of the past three years.

Contingent Liabilities

The City is defendant in various lawsuits arising in the ordinary course of its municipal and enterprise activities. In the opinion of City management, the outcome of all pending litigation will not materially affect the financial position of the City. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 5: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Management Association Retirement Corporation (ICMARC). All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore, the plan activities are not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City provides a 50% match to this elective deferral not to exceed 4% of total gross wages.

NOTE 6: PENSION PLAN

Texas Municipal Retirement System (TMRS)

A. Plan Description

The City of Port Neches participates as one of 872 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 the System 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 from TMRS' website at www.TMRS.com.

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

B. 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 payments 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.

Employees covered by benefit terms.

At December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	85
Inactive employees entitled to but not yet receiving benefits	25
Active Employees	96
Total	<u>206</u>

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 6: PENSION PLAN (CONTINUED)

C. 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. Under the State law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability.

Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. Funds are budgeted in the General Fund, Water/Sewer Fund and the Sanitation Fund to provide funding for the pension obligation on an annual basis.

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 12.67% and 13.88% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$1,017,449, and were equal to the required contributions.

D. 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 Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for populations declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disables 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The 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.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 6: PENSION PLAN (CONTINUED)

D. Net Pension Liability (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the are between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

Discount Rate

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

	Trust Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/18	\$ 51,909,923	\$ 42,143,542	\$ 9,766,381
Changes for the year:			
Service Cost	1,220,322	-	1,220,322
Interest	3,462,869	-	3,462,869
Difference between expected and actual experience	425,283	-	425,283
Changes of assumptions	105,233	-	105,233
Contributions - employer	-	904,710	(904,710)
Contributions - employee	-	499,839	(499,839)
Net investment income	-	6,509,242	(6,509,242)
Benefit payments, including refunds of employee contributions	(2,436,649)	(2,436,649)	-
Administrative expense	-	(36,815)	36,815
Other Changes	-	(1,106)	1,106
Net changes	2,777,058	5,439,221	(2,662,163)
Balance at 12/31/19	\$ 54,686,981	\$ 47,582,763	\$ 7,104,218

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 6: PENSION PLAN (CONTINUED)

D. Net Pension Liability (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
City's net pension liability	\$ 14,323,686	\$ 7,104,218	\$ 1,124,089

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.tmr.com.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$1,013,506.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences in expected and actual economic expense	\$ 640,555	\$ 100,516
Changes in actuarial assumptions	163,483	-
Differences in expected and actual investment earnings	-	1,442,202
Contributions subsequent to the measurement date	747,217	-
	<u>\$ 1,551,255</u>	<u>\$ 1,542,718</u>

An amount of \$747,217 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of the net pension liability but before the end of the City's fiscal year will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than the current fiscal period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2019	(207,039)
2020	(234,502)
2021	303,207
2022	(626,569)
2023	26,223
Thereafter	-
	<u>\$ (738,680)</u>

NOTE 7: OTHER POST EMPLOYMENT BENEFITS

Program Description

In addition to the pension benefits described in this note, the City provides for payment of premiums for health, life, and dental insurance coverage in accordance with City policies. The definition of a retiree in the policy reads: "Any employee who withdraws from service and 1) has completed a minimum of five years of service with the City, and 2) is eligible for retirement under the provisions of the City's retirement plan." On October 6, 2011, the City Council amended the policy related to retiree insurance benefits to exclude the payments for these insurance premiums for all employees with a hire date of October 10, 2011 or later. For financial reporting purposes, the Retiree Health Program costs are accounted for in the Employee Benefit Trust.

Plan Description. The City, as a single-employer plan, provides post-retirement medical insurance, dental insurance, and life insurance benefits for retirees who have completed a minimum of five years of service with the City and who are eligible to retire under the provisions of the Texas Municipal Retirement System (TMRS). TMRS requires (1) ten years of service and an attained age of 60 or above at retirement or (2) twenty years of service at any age. Dependent family members are eligible to remain in the medical and dental plans, if at the time of the employee's retirement they were covered by the City's health plan. As of September 30, 2020, there were 68 retirees and their dependents receiving the benefits. An additional 49 active employees are considered for potential benefits in the actuarial analysis.

All of the agent multiple employer plans are fully insured with insurance companies. The plans provide for separate rate schedules for active employees and retirees. The City contributes 100% of the retiree premiums for retirees under age 65 choosing the Standard medical plan. Retirees choosing the Premium medical plan are expected to pay the difference in premiums between the two plans. Retirees age 65 and older are provided with a choice of Medicare Supplement policies for which the City's maximum monthly contribution was \$228.75 at the time of the most recent actuarial valuation. The City contributes 100% of the dental premiums and life insurance premiums for retirees. Retirees are expected to pay 100% of the premiums for dependents remaining in the medical and dental plans. The contribution requirements of the City are established by and may be amended by the City Council. For the fiscal year ending September 30, 2020, the City contributed \$499,064 toward the cost of retiree insurance premiums.

Funding Policy

The plan's premium rates are determined annually by City management and approved by the City Council. For the 2020 fiscal year, members receiving medical benefits contribute \$0 per month for retiree-only health coverage. The City employs a pay-as-you go method and ensures that the annual employer contributions are equal to the benefits paid on behalf of the retirees. The City currently pays for post-employment health care benefits on a pay-as-you-go basis and these financial statements assume that this funding method will continue for the near future. The General Fund is used to provide the funding for liabilities that are liquidated on an annual basis.

Total OPEB Liability

The City's total OPEB liability of \$17,038,212 was measured as of September 30, 2020 for the measurement period October 1, 2019 through September 30, 2020 and was determined by an actuarial valuation as of September 30, 2020.

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 7: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

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

Valuation Date	7/1/2018
Measurement Date	7/1/2020
Actuarial Cost Method	Entry Age Normal
Inflation	2.30%
Salary Increases	3.0% including inflation
Discount Rate	2.21%
Discount Rate Basis	Bond Buyer 20-Bond GO Index

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 OPEB Liability

The changes in the total OPEB liability for the plan are as follows:

Service Cost	\$ 293,614
Interest on the total OPEB liability	473,095
Changes of assumptions	3,306,131
Benefit Payments	(511,635)
Net change in total OPEB liability	3,561,205
Total OPEB liability - beginning	<u>13,477,007</u>
Total OPEB liability - ending	<u>\$ 17,038,212</u>

Presented in Exhibit A as follows:

Governmental Activities	11,415,601
Business-Type Activities	<u>5,622,611</u>
Total OPEB liability	<u>\$ 17,038,212</u>

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

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using 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 Rate	1% Increase
City's OPEB Liability	<u>2.50%</u>	<u>3.50%</u>	<u>4.50%</u>
	\$ 19,500,928	\$ 17,038,212	\$ 14,945,067

CITY OF PORT NECHES, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 7: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Rate	1% Increase
City's OPEB Liability	2.50%	3.50%	4.50%
	<u>\$ 14,730,280</u>	<u>\$ 17,038,212</u>	<u>\$ 19,989,972</u>

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

For the fiscal year ended September 30, 2020, the City recognized OPEB expense of \$1,567,713. At September 30, 2020, the City's deferred inflows and outflows or resources related to OPEB are as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences in expected and actual economic expense	\$ -	\$ -
Changes in actuarial assumptions	2,769,052	-
Contributions subsequent to the measurement date	-	-
	<u>\$ 2,769,052</u>	<u>\$ -</u>
Presented in Exhibit A as follows:		
Governmental Activities	\$ 1,855,265	\$ -
Business-Type Activities	913,787	-
Total Deferred Outflows/Inflows	<u>\$ 2,769,052</u>	<u>\$ -</u>

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

Fiscal year ending September 30,	
2020	800,749
2021	858,605
2022	809,394
2023	300,304
	<u>\$ 2,769,052</u>

NOTE 8: SUBSEQUENT EVENTS

The dates as of and periods for which information is provided occurred during the worldwide COVID-19 pandemic and the measures instituted to slow it. The pandemic has adversely affected travel, commerce, and financial markets globally and is expected to adversely affect economic output worldwide and in Texas, including within the city. These affects may slow the growth of or reduce future property values and the collection of sales and other excise taxes, charges, and fees within the city, as well as the assets of pension funds, and increase city expenses, to an extent that cannot currently be predicted, but could be material. Accordingly, the historical information set forth in this audited financial statement is not indicative of future results or performance due to these and other factors.

NOTE 9: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to increase the net position of the business-type funds by a total of \$55,153 to reflect the correct beginning balance of restricted cash. The increase to the Water and Sewer fund is \$36,628 and the increase to the Sanitation fund is \$18,525.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORT NECHES, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT J-1

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability						
Service cost	\$ 1,220,322	\$ 1,184,133	\$ 1,126,503	\$ 1,095,238	\$ 1,087,175	\$ 885,371
Interest on total pension liability	3,462,869	3,333,960	3,187,853	3,084,774	3,018,432	2,889,986
Change of benefit terms	-	-	-	-	-	-
Difference in expected and actual experience	425,283	124,690	503,684	(331,636)	(146,949)	(145,737)
Changes of assumptions	105,233	-	-	-	816,516	-
Benefit payments/refunds or contributions	(2,436,649)	(3,065,595)	(2,299,015)	(2,374,807)	(2,023,800)	(1,767,363)
Net change in total pension liability	2,777,058	1,577,188	2,519,025	1,473,569	2,751,374	1,862,257
Total pension liability, beginning	51,909,923	50,332,735	47,813,710	46,340,141	43,588,767	41,726,510
Total pension liability, ending (a)	\$ 54,686,981	\$ 51,909,923	\$ 50,332,735	\$ 47,813,710	\$ 46,340,141	\$ 43,588,767
Fiduciary Net Position						
Contributions - Employer	904,710	844,113	813,361	755,336	769,087	699,240
Contributions - Employee	499,839	488,734	469,376	455,807	451,645	401,203
Net investment income	6,509,242	(1,355,081)	5,635,399	2,649,764	59,016	2,201,443
Benefit payments/refunds of contributions	(2,436,649)	(3,065,595)	(2,299,015)	(2,374,807)	(2,023,800)	(1,767,363)
Administrative expenses	(36,816)	(26,202)	(29,212)	(29,932)	(35,949)	(22,987)
Other	(1,106)	(1,369)	(1,481)	(1,613)	(1,774)	(1,890)
Net change in fiduciary net position	5,439,220	(3,115,400)	4,588,428	1,454,555	(781,775)	1,509,646
Fiduciary net position, beginning	42,143,541	45,258,941	40,670,513	39,215,958	39,997,733	34,488,087
Fiduciary net position, ending (b)	\$ 47,582,761	\$ 42,143,541	\$ 45,258,941	\$ 40,670,513	\$ 39,215,958	\$ 39,997,733
Net pension liability/(asset), ending = (a) - (b)	\$ 7,104,220	\$ 9,766,382	\$ 5,073,794	\$ 7,143,197	\$ 7,124,183	\$ 3,591,034
Fiduciary net position as a % of total pension liability	87.01%	81.19%	89.92%	85.06%	84.63%	91.76%
Covered payroll	\$ 7,140,564	\$ 6,981,915	\$ 6,705,369	\$ 6,511,515	\$ 6,452,074	\$ 5,726,888
Net pension liability as a % of covered payroll	99.49%	139.88%	75.67%	109.70%	110.42%	62.70%

**These schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF PORT NECHES, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT J-2

SCHEDULE OF CONTRIBUTIONS – PENSION PLAN

	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Actuarially Determined Contribution	\$ 1,017,449	\$ 863,791	\$ 837,930	\$ 755,336	\$ 758,935	\$ 725,619
Contributions in relation to the actuarially determined contribution	1,017,449	863,791	837,930	755,336	758,935	730,209
Contribution deficiency (excess)	-	-	-	-	-	(4,590)
Covered Payroll	\$ 7,717,434	\$ 6,904,430	\$ 6,924,680	\$ 6,664,519	\$ 6,493,423	\$ 6,092,535
Contributions as a percentage of covered payroll	13.18%	12.51%	12.10%	11.33%	11.69%	11.99%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
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; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post Retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP>
Notes	Granted 30% ad hoc COLA

**These schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF PORT NECHES, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT J-3

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Total Other Post Employment Benefits Liability			
Service cost	\$ 293,614	\$ 293,614	\$ 305,892
Interest on total OPEB liability	473,095	487,554	457,049
Change of benefit terms	-	-	-
Difference in expected and actual experience	-	-	-
Changes of assumptions	3,306,131	640,165	(423,069)
Benefit payments/refunds or contributions	(511,635)	(493,316)	(499,064)
Net change in total OPEB liability	<u>3,561,205</u>	<u>928,017</u>	<u>(159,192)</u>
Total OPEB liability, beginning	13,477,007	12,548,990	12,708,182
Total OPEB liability, ending	<u>\$ 17,038,212</u>	<u>\$ 13,477,007</u>	<u>\$ 12,548,990</u>
Pensionable covered pay roll	\$ 7,116,233	\$ 6,904,430	\$ 6,924,680
Net pension liability as a % of covered pay roll	239.43%	195.19%	181.22%

This schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF PORT NECHES, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trust, or major capital projects that are for specific purposes. Included in this heading are the following individual funds:

Library Improvement Fund This fund is used to account for the improvements of the Hebert Municipal Library. A grant from the Hebert Foundation is used to finance these projects.

Hazard Mitigation Fund This fund accounts for insurance proceeds and grants for the purpose of removing debris and replacing and/or repairing items damaged or destroyed during hurricanes and to provide for mitigation improvements to protect and preserve the assets of the City from future natural disasters of this type.

Asset Forfeiture Funds These funds are used to account for the City's share of proceeds from assets seized in drug-related actions by the Police Department. These funds are legally restricted to expenses for the purchase of assets by the Police Department related to drug enforcement activities.

Senior Citizens Association The Association provides funding for expenditures that support the Senior Citizens Center programs.

CITY OF PORT NECHES, TEXAS

EXHIBIT K

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	Library Improvement Fund	Street Maintenance Fund	Hazard Mitigation Fund	State Forfeiture Fund	Federal Forfeiture Fund	Senior Citizens Association	COVID-19	Total Nonmajor Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 54,758	\$ 113,455	\$ 367,231	\$ 79,869	\$ 8,057	\$ 31,723	\$ 140,390	\$ 795,483
Other Receivable	-	57,951	267,324	-	-	-	-	325,275
Total assets	<u>54,758</u>	<u>171,406</u>	<u>634,555</u>	<u>79,869</u>	<u>8,057</u>	<u>31,723</u>	<u>140,390</u>	<u>1,120,758</u>
LIABILITIES								
Accounts Payable	162	-	10,840	-	-	-	-	11,002
Due to Other Funds	-	-	-	-	-	-	140,064	140,064
Total liabilities	<u>162</u>	<u>-</u>	<u>10,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,064</u>	<u>151,066</u>
FUND BALANCE								
Restricted								
Public Safety	-	-	-	79,869	8,057	-	-	87,926
Community Enrichment	54,596	-	-	-	-	31,723	-	86,319
Assigned								
Other Assigned	-	171,406	623,715	-	-	-	326	795,447
Unassigned fund balance								
Total fund balance	<u>54,596</u>	<u>171,406</u>	<u>623,715</u>	<u>79,869</u>	<u>8,057</u>	<u>31,723</u>	<u>326</u>	<u>969,692</u>
Total liabilities and fund balance	<u>\$ 54,758</u>	<u>\$ 171,406</u>	<u>\$ 634,555</u>	<u>\$ 79,869</u>	<u>\$ 8,057</u>	<u>\$ 31,723</u>	<u>\$ 140,390</u>	<u>\$ 1,120,758</u>

CITY OF PORT NECHES, TEXAS

EXHIBIT L

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Library Improvement Fund	Street Maintenance Fund	Hazard Mitigation Fund	State Forfeiture Fund	Federal Forfeiture Fund	Senior Citizens Association	COVID-19	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES									
Taxes:									
Sales Tax	\$ -	\$ 171,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,406	\$ 171,406
Grants, Contributions, and Other									
Governments	-	-	-	17,818	-	-	-	17,818	17,818
Interest	-	-	-	-	-	-	326	326	326
Other Revenue	90,200	-	279,294	-	-	3,775	-	373,269	373,269
Total revenues	90,200	171,406	279,294	17,818	-	3,775	326	562,819	562,819
EXPENDITURES									
Community Enrichment	62,399	-	-	-	-	(3,944)	-	58,455	58,455
Contingent	-	-	219,542	-	-	-	-	219,542	219,542
Capital Outlay	-	-	11,146	-	-	-	-	11,146	11,146
Total operations	62,399	-	230,688	-	-	(3,944)	-	289,143	289,143
Excess of revenues over (under) expenditures									
	27,801	171,406	48,606	17,818	-	7,719	326	273,676	273,676
Net Changes in Fund Balances									
	27,801	171,406	48,606	17,818	-	7,719	326	273,676	273,676
Fund Balance - October 1									
	26,795	-	575,109	62,051	8,057	24,004	-	696,016	696,016
Fund Balance - September 30									
	\$ 54,596	\$ 171,406	\$ 623,715	\$ 79,869	\$ 8,057	\$ 31,723	\$ 326	\$ 969,692	\$ 969,692

CITY OF PORT NECHES, TEXAS

FIDUCIARY FUNDS

The Fiduciary Funds are used to account for assets held by the City as a trustee or agent for individuals. Included in this heading is the following individual fund:

Employee Benefit Trust Fund This fund is used to account for amounts withheld from employee pay checks to pay employee health insurance premiums and, therefore, cannot be used to support the City's own programs.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020**

	Employee Benefit Trust Fund	Total
ASSETS		
Cash and Cash Equivalents	\$ 34,847	\$ 34,847
Total assets	<u>\$ 34,847</u>	<u>\$ 34,847</u>
LIABILITIES		
Due to Employee Groups	\$ 34,847	\$ 34,847
Total liabilities	<u>\$ 34,847</u>	<u>\$ 34,847</u>

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020
FIDUCIARY				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 1,714,399	\$ 1,679,552	\$ 34,847
Liabilities:				
Due to Employee Groups	\$ -	\$ 1,714,399	\$ 1,679,552	\$ 34,847
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 1,714,399	\$ 1,679,552	\$ 34,847
Liabilities:				
Due to Employee Groups	\$ -	\$ 1,714,399	\$ 1,679,552	\$ 34,847

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property Tax	\$ 1,980,400	\$ 1,980,400	\$ 1,958,338	\$ (22,062)
Interest	8,000	8,000	18,274	10,274
Total revenues	1,988,400	1,988,400	1,976,612	(11,788)
EXPENDITURES				
Debt Service:				
Debt Principal - Bonded Debt	1,600,000	1,600,000	1,600,000	-
Debt Interest - Bonded Debt	365,670	365,670	385,774	(20,104)
Fiscal Agent's Fees	800	800	1,600	(800)
Total operations	1,966,470	1,966,470	1,987,374	(20,904)
Excess of revenues over (under) expenditures	21,930	21,930	(10,762)	(32,692)
Net Changes in Fund Balances	21,930	21,930	(10,762)	(32,692)
Fund Balance - October 1	1,027,164	1,027,164	1,027,164	-
	-	-	-	-
Fund Balance - September 30	\$ 1,049,094	\$ 1,049,094	\$ 1,016,402	\$ (32,692)

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Port Neches, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information states about the government's overall financial condition.

Contents	Page
Financial Trends	53
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	57
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	61
<i>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.</i>	
Demographic and Economic Information	67
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	69
<i>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.</i>	

CITY OF PORT NECHES, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

SCHEDULE I

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Invested in capital assets, net of related debt	\$ 10,410,363	\$ 18,745,470	\$ 23,455,477	\$ 25,017,840	\$ 26,780,838	\$ 28,572,151	\$ 21,767,601	\$ 25,044,575	25,150,382	16,408,676
Restricted	11,199,503	4,117,039	2,949,653	1,907,366	1,443,433	1,077,141	1,038,193	1,015,798	1,027,164	1,016,402
Unrestricted	2,974,337	3,884,433	2,255,383	2,054,999	965,736	319,689	6,437,187	(2,508,233)	(3,135,763)	(1,264,316)
Total governmental activities net position	\$ 24,584,203	\$ 26,746,942	\$ 28,660,513	\$ 28,980,205	\$ 29,190,007	\$ 29,968,981	\$ 29,242,981	\$ 23,552,140	\$ 23,041,783	\$ 17,160,742
Business-Type Activities										
Invested in capital assets, net of related debt	\$ 36,849,011	\$ 37,502,254	\$ 36,420,288	\$ 37,457,481	\$ 36,388,841	\$ 35,940,340	\$ 34,971,920	\$ 33,867,134	32,922,120	32,369,097
Restricted	227,416	-	-	-	-	-	-	-	-	-
Unrestricted	1,566,187	822,710	338,364	(65,412)	(691,215)	(837,462)	(1,404,655)	(4,117,720)	(4,303,737)	(4,840,285)
Total Business-Type activities net position	\$ 38,642,614	\$ 38,324,964	\$ 36,758,652	\$ 37,392,069	\$ 35,697,626	\$ 35,102,878	\$ 33,567,265	\$ 29,749,414	\$ 28,618,383	\$ 27,528,812
Primary Government										
Net investment in capital assets	\$ 47,259,374	\$ 56,247,724	\$ 59,875,765	\$ 62,475,321	\$ 63,169,679	\$ 64,512,491	\$ 56,739,521	\$ 58,911,709	\$ 58,072,502	\$ 48,777,773
Restricted	11,426,919	4,117,039	2,949,653	1,907,366	1,443,433	1,077,141	1,038,193	1,015,798	1,027,164	1,016,402
Unrestricted	4,540,524	4,707,143	2,593,747	1,989,587	274,521	(517,773)	5,032,532	(6,623,933)	(7,439,500)	(5,104,621)
Total primary government net position	\$ 63,226,817	\$ 65,071,906	\$ 65,419,165	\$ 66,372,274	\$ 64,887,633	\$ 65,071,859	\$ 62,810,246	\$ 53,301,554	\$ 51,660,166	\$ 44,689,554

CITY OF PORT NECHES, TEXAS

SCHEDULE II

CHANGES IN NET POSITION
LAST TEN FISCAL YEAR

(ACCRUAL BASIS OF ACCOUNTING)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
General government	\$ 2,874,580	\$ 2,453,950	\$ 1,520,748	\$ 1,981,365	\$ 2,052,064	\$ 2,145,283	\$ 2,894,365	\$ 2,762,191	\$ 3,070,576	\$ 2,750,811
Public safety	4,447,628	4,550,839	4,447,626	4,672,996	4,878,058	5,171,748	5,592,646	5,912,107	6,313,611	6,425,710
Public works	1,491,390	1,524,926	1,941,432	1,978,676	1,902,831	1,194,321	1,708,675	1,768,054	1,836,131	1,863,626
Community enrichment	913,181	863,604	912,008	868,606	887,927	848,890	782,868	885,855	1,099,262	1,080,172
Contingent	-	-	1,373,985	1,611,720	1,210,884	1,502,993	1,438,099	1,344,876	1,880,658	3,516,810
Miscellaneous	-	-	53,060	-	-	-	-	-	-	-
Interest on long-term debt	567,318	572,575	500,275	452,266	354,477	344,919	461,025	432,596	403,492	432,949
Total governmental activities	10,294,297	9,967,894	10,751,134	11,565,939	11,286,241	11,206,354	12,877,678	13,105,589	14,513,780	16,070,078
Business-type activities										
Water and sewer	3,852,855	4,214,345	3,959,295	4,256,651	4,547,064	4,841,234	3,979,632	4,556,214	4,921,181	5,047,592
Sanitation	1,110,099	1,158,265	1,188,839	1,257,330	1,164,471	1,171,180	1,934,125	1,237,937	1,212,994	1,267,699
Leased building	46,951	166,482	-	-	-	-	-	-	-	-
Total business-type activities	\$ 5,009,905	\$ 5,539,092	\$ 5,148,134	\$ 5,513,981	\$ 5,711,535	\$ 6,012,414	\$ 5,913,757	\$ 5,794,151	\$ 6,134,175	\$ 6,315,291
Program Revenues										
Governmental activities										
Charges for services										
Public safety	\$ 496,171	\$ 141,724	\$ 152,343	\$ 154,385	\$ 190,497	\$ 152,647	\$ 142,660	\$ 167,268	\$ 169,811	\$ 114,615
Community enrichment general government	40,593	18,517	37,500	28,791	-	9,752	16,917	-	-	-
Public works	276,774	113,565	99,451	105,758	107,145	101,584	173,382	121,652	217,229	222,781
Capital Grants and Contributions	-	2,673,435	1,583,324	2,087,261	617,651	342,273	301,241	133,441	184,424	199,047
Total governmental activities	\$ 813,538	\$ 2,947,241	\$ 1,872,618	\$ 2,376,195	\$ 915,293	\$ 606,256	\$ 634,260	\$ 422,361	\$ 571,464	\$ 536,443
Business activities										
Charges for services										
Water and sewer	\$ 3,172,147	\$ 2,918,993	\$ 3,133,207	\$ 3,303,623	\$ 3,161,004	\$ 3,187,710	\$ 3,269,824	\$ 3,335,917	\$ 3,407,713	\$ 3,449,188
Sanitation	1,204,725	1,271,883	1,338,434	1,402,127	1,380,327	1,375,299	1,352,781	1,361,605	1,439,692	1,465,621
Leased building	102,950	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	346,800	-	-	-	-	208,717	-	-	-	-
Total business-type activities	\$ 4,786,622	\$ 4,190,876	\$ 4,471,641	\$ 4,705,750	\$ 4,541,331	\$ 4,771,726	\$ 4,622,605	\$ 4,697,522	\$ 4,847,405	\$ 4,914,809
Total program revenues	5,600,160	7,138,117	6,346,279	7,081,945	5,456,624	5,377,982	5,196,805	5,319,883	5,418,869	5,451,252
Net (expense) revenue										
Governmental activities	\$ (9,480,739)	\$ (7,020,653)	\$ (8,878,516)	\$ (9,189,744)	\$ (10,370,948)	\$ (10,609,098)	\$ (12,243,478)	\$ (12,683,228)	\$ (13,942,316)	\$ (15,533,635)
Business-type activities	(223,283)	(1,348,216)	(674,473)	(808,231)	(1,170,204)	(1,240,688)	(1,351,152)	(886,629)	(1,286,970)	(1,400,482)
Total net expense	\$ (9,704,022)	\$ (8,368,869)	\$ (9,552,989)	\$ (9,997,975)	\$ (11,541,152)	\$ (11,849,786)	\$ (13,594,630)	\$ (13,569,857)	\$ (15,229,286)	\$ (16,934,117)
General Revenues										
Governmental activities										
Property taxes, penalties and interest	\$ 5,603,574	\$ 5,766,604	\$ 5,897,634	\$ 5,974,272	\$ 5,957,457	\$ 6,169,189	\$ 6,284,273	\$ 6,568,215	\$ 6,704,371	\$ 7,018,279
In lieu of tax contracts	2,454,178	2,431,656	2,314,665	2,786,202	3,102,815	3,444,217	2,599,503	2,652,809	3,280,877	3,330,732
Sales tax	839,205	873,808	850,551	1,023,058	1,050,724	1,025,774	1,058,840	1,159,192	1,120,965	1,637,877
Gross receipts tax	834,901	773,545	766,777	777,635	729,162	699,852	724,889	742,476	746,479	708,221
Interest	37,085	22,781	17,201	74,932	13,293	36,170	133,288	197,096	199,717	225,425
Miscellaneous	-	-	-	(291,563)	-	-	-	-	-	877,648
Other miscellaneous, Less on Sales of Asset	329,099	324,246	273,114	580,835	836,222	158,879	382,685	705,561	603,401	(4,141,760)
Transfers	261,953	(1,069,248)	850,738	(1,446,215)	(11,744)	(155,000)	363,000	413,000	686,197	(23,828)
Total general revenues, transfers, and special	\$ 10,359,995	\$ 9,183,292	\$ 10,970,700	\$ 9,569,176	\$ 11,677,929	\$ 11,379,072	\$ 11,517,478	\$ 12,478,349	\$ 13,341,207	\$ 9,652,934
Business-type activities										
Interest	\$ 1,832	\$ 1,835	\$ 2,729	\$ 1,059	\$ -	\$ 4,940	\$ 79,250	\$ 99,376	\$ 31,316	\$ -
Capital Contribution, Other	26,564	(9,483)	-	-	-	486,000	99,289	84,393	537,624	231,920
Transfers	(261,953)	1,009,248	(850,738)	1,446,215	11,744	155,000	(363,000)	(413,000)	(613,000)	23,828
Total business-type activities	\$ (233,557)	\$ 1,030,566	\$ (848,009)	\$ 1,447,274	\$ 11,744	\$ 645,940	\$ (184,461)	\$ (229,211)	\$ 155,940	\$ 253,758
Total primary government	\$ 10,126,438	\$ 10,213,958	\$ 10,122,691	\$ 11,016,450	\$ 11,689,673	\$ 12,025,012	\$ 11,333,017	\$ 12,249,118	\$ 13,497,147	\$ 9,908,352
Change in Net Position										
Governmental activities	\$ 879,236	\$ 2,162,739	\$ 2,092,184	\$ 379,432	\$ 1,306,981	\$ 778,974	\$ (726,000)	\$ (204,479)	\$ (601,199)	\$ (5,881,041)
Business-type activities	(456,840)	(317,650)	(1,522,482)	639,043	(1,158,460)	(594,248)	(1,535,613)	(1,115,860)	(1,131,030)	(1,144,724)
Total Change in Net Position	\$ 422,396	\$ 1,845,089	\$ 569,702	\$ 1,018,475	\$ 148,521	\$ 184,726	\$ (1,261,613)	\$ (1,320,339)	\$ (1,732,159)	\$ (7,025,765)

FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (AMOUNTS EXPRESSED IN THOUSANDS)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	26	83	49	43	45	81	77	54	54	54
Unassigned	4,346	4,624	4,874	5,240	6,236	6,136	6,165	6,842	7,595	8,182
Total general fund	<u>\$ 4,372</u>	<u>\$ 4,707</u>	<u>\$ 4,923</u>	<u>\$ 5,283</u>	<u>\$ 6,281</u>	<u>\$ 6,217</u>	<u>\$ 6,242</u>	<u>\$ 6,896</u>	<u>\$ 7,649</u>	<u>\$ 8,236</u>
All other governmental funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Restricted										
Debt Service	1,588	1,597	1,437	1,362	1,283	1,017	1,038	1,016	1,027	1,016
Grants and Other	(18)	-	184	164	232	132	169	133	120	174
Assigned	5,469	2,711	5,670	2,603	2,236	9,113	7,240	3,690	3,354	6,888
Unassigned	-	-	95	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 7,039</u>	<u>\$ 4,308</u>	<u>\$ 7,386</u>	<u>\$ 4,129</u>	<u>\$ 3,751</u>	<u>\$ 10,262</u>	<u>\$ 8,447</u>	<u>\$ 4,839</u>	<u>\$ 4,501</u>	<u>\$ 8,078</u>

(1) The City implemented GASB Statement No. 54 in fiscal year 2011.

CITY OF PORT NECHES, TEXAS

SCHEDULE IV

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Property taxes	\$ 5,616,912	\$ 5,786,571	\$ 5,883,619	\$ 6,001,891	\$ 5,923,310	\$ 6,172,284	\$ 6,273,437	\$ 6,575,651	\$ 6,688,788	\$ 7,036,460
In lieu of tax contracts	2,454,178	2,431,656	2,314,665	2,786,202	3,102,815	3,444,217	2,590,503	2,692,809	3,280,077	3,330,732
Sales tax	839,205	873,808	850,551	1,023,058	1,050,724	1,025,774	1,038,840	1,159,192	1,120,965	1,637,877
Gross receipts tax	834,861	773,545	766,777	777,635	729,162	699,852	724,889	742,476	746,479	708,221
Permits, licenses and fees	82,683	113,565	99,452	105,758	107,146	101,584	173,382	121,652	217,229	222,781
Fines	125,002	141,724	152,343	154,385	190,496	152,646	142,660	167,268	169,811	114,615
Insurance	-	-	-	-	-	-	-	-	-	-
Interest	37,085	11,114	17,201	74,932	13,293	36,170	133,288	197,096	199,717	225,425
Other governmental agencies	23,674	15,735	-	-	-	-	-	-	-	-
Grants and private contributions	605,853	1,725,251	1,620,824	2,116,052	617,651	352,025	318,158	133,441	184,424	199,047
Other miscellaneous	305,425	320,178	300,474	580,855	836,222	259,661	382,685	705,561	605,363	877,648
Total Revenues	10,924,878	12,193,147	12,005,906	13,620,768	12,570,819	12,244,213	11,777,842	12,495,146	13,212,853	14,352,806
Expenditures										
Current										
General government	1,181,550	874,549	938,405	1,039,096	994,318	1,045,880	1,035,449	1,033,517	1,058,278	1,130,763
Public safety	3,809,916	4,579,805	3,843,133	4,068,698	4,367,165	4,598,833	4,966,980	5,214,844	5,469,270	5,709,257
Public works	1,526,286	1,355,199	1,786,893	1,376,300	1,287,093	1,380,331	1,478,268	1,532,035	1,765,723	1,756,758
Community enrichment	825,218	769,261	789,944	818,538	837,860	966,904	958,686	768,457	699,217	954,428
Contingent	834,227	1,073,603	1,258,035	1,622,690	1,185,700	1,477,704	1,171,896	1,138,649	1,429,141	3,231,606
Capital Outlay	2,083,498	2,442,188	2,750,268	4,918,490	1,199,450	665,739	2,266,626	4,059,125	704,567	2,206,280
Debt Service:										
Principal retirement	1,925,000	1,805,000	1,700,000	1,800,000	1,810,000	1,890,000	1,430,000	1,470,000	1,545,000	1,600,000
Interest and fiscal charges	567,517	572,575	502,600	469,993	421,879	402,123	472,096	443,378	414,473	387,374
Issuance costs	-	-	71,018	-	-	65,050	-	-	-	-
Total Expenditures	12,753,212	13,472,180	13,640,296	16,113,805	12,103,465	12,492,564	13,780,001	15,660,205	13,085,669	16,976,466
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(1,828,334)	(1,279,033)	(1,634,390)	(2,493,037)	467,354	(248,351)	(2,002,159)	(3,165,059)	127,184	(2,623,660)
Other Financing Sources (Uses)										
Bonds issued	4,303,747	-	4,300,000	-	-	7,250,000	-	-	-	5,200,000
Payment of bond issuance costs	-	-	-	-	-	-	-	-	-	(56,645)
Proceeds from Sale of Property	-	-	-	-	-	-	-	-	-	1,799,693
Transfers in	419,369	1,490,898	1,463,410	642,998	257,645	300,000	763,000	413,000	486,197	363,000
Transfers out	(132,950)	(2,680,146)	(782,672)	(1,047,983)	(281,645)	(855,000)	(550,000)	(200,000)	(200,000)	(519,358)
Total Other Financing Sources and Uses	4,590,166	(1,189,248)	4,980,738	(404,985)	(24,000)	6,695,000	213,000	213,000	286,197	6,786,690
Net Change in Fund Balance	\$ 2,761,832	\$ (2,468,281)	\$ 3,346,348	\$ (2,898,022)	\$ 443,354	\$ 6,446,649	\$ (1,789,159)	\$ (2,952,059)	\$ 413,381	\$ 4,163,030
Debt service as a % of noncapital expenditures	23.4%	21.6%	18.3%	16.2%	18.0%	18.7%	14.0%	12.9%	15.2%	13.7%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

TAX YEAR	ESTIMATED MARKET VALUE		LESS EXEMPTIONS	TAXABLE VALUE	INDUSTRIAL CONTRACTS (a)	ALL TAXABLE PROPERTY	TOTAL DIRECT TAX RATE
	REAL PROPERTY	PERSONAL PROPERTY					
2011-12	1,013,823,036	58,209,560	215,503,676	856,528,920	361,608,699	1,218,137,619	0.672455
2012-13	987,035,260	67,516,150	189,278,135	865,273,275	341,361,429	1,206,634,704	0.678066
2013-14	995,920,698	64,447,330	205,287,533	855,080,495	400,616,770	1,255,697,265	0.695478
2014-15	986,561,998	70,430,780	206,468,807	850,523,971	446,252,981	1,296,776,952	0.695478
2015-16	995,708,816	87,254,530	195,332,110	887,631,236	358,890,157	1,246,521,393	0.695000
2016-17	999,757,130	81,754,360	195,174,472	886,337,018	367,447,180	1,253,784,198	0.705000
2017-18	1,040,536,977	64,419,780	199,772,709	905,184,048	371,395,988	1,276,580,036	0.725000
2018-19	1,036,813,908	79,167,430	202,060,123	913,921,215	447,747,699	1,361,668,914	0.735000
2019-20	1,094,330,670	90,522,210	212,539,115	972,313,765	455,879,590	1,428,193,355	0.727993
2020-21 #	1,120,748,744	77,136,060	222,822,777	975,062,027	430,630,540	1,405,692,567	0.735000

Exemptions are primarily on homestead property and for disabled persons or persons 65 years of age or older. The homestead exemptions is 20% of appraised value and the exemption for disabled persons or for those 65 years of age or older is \$16,600.

Source: Jefferson County Tax Reports

(a) Taxable Valuation of Industrial Property - In Lieu of Tax Agreements 75% of Assessed Value

PROPERTY TAX RATES- DIRECT AND OVERLAPPING GOVERNMENTS (Per \$100 Assessed Value)

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates			Total
	General Fund	Debt Service Fund	Total City Tax Rate	Jefferson County	Drainage District No. 7	PNGISD	
2012	0.413855	0.305645	0.7195	0.3650	0.1389	1.43650	2.6599
2013	0.400000	0.272455	0.672455	0.3650	0.1409	1.43650	2.6149
2014	0.422774	0.255292	0.678066	0.3650	0.1409	1.38807	2.5721
2015	0.443000	0.252478	0.695478	0.3650	0.1499	1.43400	2.6444
2016	0.443000	0.252478	0.695478	0.3650	0.1499	1.44441	2.6548
2017	0.491259	0.213741	0.705000	0.3650	0.1605	1.44410	2.6746
2018	0.518937	0.206063	0.725000	0.364977	0.199875	1.44441	2.734262
2019	0.520774	0.214226	0.735000	0.364977	0.239850	1.44441	2.784237
2020	0.525753	0.202240	0.727993	0.364977	0.311805	1.34275	2.747525
2021	0.518600	0.216400	0.735000	0.365000	0.295000	1.34300	2.738000

Source:Jefferson County

PRINCIPAL TAXPAYERS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

TAXPAYER	Taxable NATURE OF PROPERTY	TAX YEAR 2010			TAX YEAR 2020 (a)		
		Assessed Valuation	Rank	Percent of Estimated Actual Value	Taxable Assessed Valuation	Rank	Percent of Estimated Actual Value
Huntsman	Chemical Plant	\$ 134,415,790	1	15.85%	\$ 162,389,004	1	16.65%
RBF Port Neches	BioFuel	10,935,960	3	1.29%	30,415,832	2	3.12%
Indorama Ventures	Chemical Plant	-			15,832,388	3	1.62%
Calabrian Corporation	Chemical Plant	6,400,870	2	0.75%	8,321,594	5	0.85%
Entergy Gulf States	Utilities	5,810,730	4	0.69%	9,226,949	4	0.95%
Aron Housing Group LLC	Apartments	2,993,570	10	0.35%	5,335,189	6	0.55%
M&E Food Mart, Inc. #2	Grocery Store	3,645,980	5	0.43%	3,478,116	9	0.36%
Neches Federal Credit Union	Bank	2,992,430	6	0.35%	2,990,875	10	0.31%
Salanor Investments Inc	Commercial	2,997,340	7	0.35%	4,090,701	7	0.42%
Spectrum/Time Warner	Utilities	2,919,660	8	0.34%	3,488,603	8	0.36%
Phelan , AM and Harry	Commercial	2,680,970	9	0.32%	-	10	0.00%
Total		<u>\$ 175,793,300</u>		<u>20.73%</u>	<u>\$ 245,569,251</u>		<u>25.18%</u>
Total Assessed Property Values		<u>\$ 847,980,654</u>		<u>100.0%</u>	<u>\$ 975,062,027</u>		<u>100.0%</u>

Source: Jefferson County Appraisal District:

City of Port Neches, Financial Data

CITY OF PORT NECHES, TEXAS
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN YEARS
 UNAUDITED

SCHEDULE VIII

TAX YEAR	TAX LEVY WITHIN THE FISCAL YEAR OF THE LEVY	TOTAL LEVY YEAR COLLECTIONS		SUBSEQUENT DELINQUENT TAX COLLECTIONS	TOTAL COLLECTIONS @9.30.20	PERCENT OF TOTAL TAX COLLECTIONS AT TOTAL TAX LEVY	OUTSTANDING TAX LEVY @9.30.20
		\$ AMOUNT COLLECTED	% OF LEVY				
2010-2011	5,596,014	5,509,480	98.45%	77,903	5,587,383	99.85%	8,631
2011-2012	5,818,573	5,679,728	97.61%	130,227	5,809,955	99.85%	8,618
2012-2013	5,858,386	5,772,220	98.53%	76,976	5,849,196	99.84%	9,190
2013-2014	5,928,013	5,850,581	98.69%	68,261	5,918,842	99.85%	9,171
2014-2015	5,899,599	5,808,822	98.46%	77,189	5,886,011	99.77%	13,588
2015-2016	6,129,729	6,045,593	98.63%	63,482	6,109,075	99.66%	20,654
2016-2017	6,241,155	6,143,009	98.43%	70,644	6,213,653	99.56%	27,502
2017-2018	6,541,446	6,457,479	98.72%	48,915	6,506,394	99.46%	35,052
2018-2019	6,684,524	6,590,156	98.59%	41,774	6,631,930	99.21%	52,594
2019-2020	6,994,124	6,907,116	98.76%	-	6,907,116	98.76%	87,008

(1) Source: City's detailed accounting records - based on original levy

Does not include penalties and interest.

CITY OF PORT NECHES, TEXAS
RATIOS FOR OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

SCHEDULE IX

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds (1)	Special Assesment Bonds	Capital Leases	Sewer Bonds	General Obligation Bonds			
2010-11	15,340,000	-	-	-	-	15,340,000	n/a	1,176
2011-12	13,535,000	-	-	-	-	13,535,000	n/a	1,038
2012-13	16,135,000	-	-	-	-	16,135,000	n/a	1,237
2013-14	14,420,000	-	-	-	-	14,420,000	n/a	1,106
2014-15	12,610,000	-	-	-	-	12,610,000	n/a	967
2015-16	17,970,000	-	-	-	-	17,970,000	n/a	1,378
2016-17	16,540,000	-	-	-	-	16,540,000	n/a	1,291
2017-18	15,070,000	-	-	-	-	15,070,000	n/a	1,177
2018-19	13,525,000	-	-	-	-	13,525,000	n/a	1,056
2019-20	17,125,000	-	-	-	-	17,125,000	n/a	1,337

(1) Includes Certificates of Obligation

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2010-11	15,340,000	1,430,132	13,909,868	1.62%	1,067
2011-12	13,535,000	1,406,173	12,128,827	1.40%	930
2012-13	16,135,000	1,436,968	14,698,032	1.70%	1,127
2013-14	14,420,000	1,362,167	13,057,833	1.53%	1,001
2014-15	12,610,000	1,283,070	11,326,930	1.33%	869
2015-16	17,970,000	1,016,743	16,953,257	1.91%	1,300
2016-17	16,540,000	1,204,520	15,335,480	1.73%	1,291
2017-18	15,070,000	1,015,798	14,054,202	1.55%	1,177
2018-19	13,525,000	1,027,164	12,497,836	1.37%	1,056
2019-20	17,125,000	1,016,402	16,108,598	1.66%	1,337

(1) Includes Certificates of Obligation

(2) Amount restricted for debt service payments

(3) See Schedule V for property value data - excluding industrial values

(4) See Schedule XV for population data

Direct and Overlapping Governmental Activities Debt
 As of September 30, 2020
 UNAUDITED

Jurisdiction	Reference	Bonded Debt Outstanding	Estimated (a) Percentage Applicable to City of Port Neches	Amount Applicable to City of Port Neches
Overlapping				
Jefferson County, Texas	(1)	\$ 35,565,000	3.40%	\$ 1,209,210
Jefferson County - Drainage District #7	(1)	15,365,000	7.22%	1,109,353
Nederland Independent School District	(1)	88,770,000	2.96%	2,627,592
Port Neches-Groves				
Independent School District	(1)	139,445,000	28.78%	40,132,271
Total Overlapping				<u>45,078,426</u>
City of Port Neches	(2)	17,125,000	100.00%	<u>17,125,000</u>
Total				<u>\$ 62,203,426</u>

- (1) Jefferson County Texas Auditor
- (2) City of Port Neches

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

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes; City	\$ 17,125,000	100%	\$ 17,125,000

LEGAL DEBT MARGIN INFORMATION
 LAST TEN YEARS
 (AMOUNTS EXPRESSED IN THOUSANDS)
 UNAUDITED

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 102,410	\$ 107,203	\$ 105,455	\$ 106,037	\$ 105,699	\$ 108,296	\$ 108,151	\$ 110,495	\$ 111,598	\$ 118,485
Total net debt applicable to limit	13,910	12,105	14,698	13,058	11,328	16,953	17,744	16,086	12,498	16,086
Legal debt margin	\$ 88,500	\$ 95,098	\$ 90,757	\$ 92,979	\$ 94,371	\$ 91,343	\$ 90,407	\$ 94,409	\$ 99,100	\$ 102,399
Total net debt applicable to the limit as a percentage of debt limit	13.6%	11.3%	13.9%	12.3%	10.7%	15.7%	16.4%	14.6%	11.2%	13.6%

Legal Debt Margin Calculation for Fiscal Year 2019:

Total assessed value	\$ 1,184,853
Debt limit (10% of total assessed value)	118,485
Debt applicable to limit:	
Outstanding Debt (CO's)	17,125
Less: Amount set aside for repayment of debt	1,016
Total net debt applicable to limit	16,109
Legal debt margin	\$ 102,376

Note: Considering guidelines set forth by the Attorney General of Texas, this presentation applies a measurement tool whereby outstanding debt should not exceed 10% of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. The City of Port Neches has no GO Debt outstanding, and has elected to use Certificates of Obligation for this presentation.

CITY OF PORT NECHES, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN YEARS

SCHEDULE XIV

TAX YEAR	GROSS REVENUE (1)	EXPENSES EXCLUDING DEPRECIATION (1)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
2010-11	3,172,148	2,948,778	223,370	-	-	-	-
2011-12	2,918,993	3,037,239	(118,246)	-	-	-	-
2012-13	3,135,207	2,784,383	350,824	-	-	-	-
2013-14	3,303,623	2,985,721	317,902	-	-	-	-
2014-15	3,161,004	3,228,395	(67,391)	-	-	-	-
2015-16	3,396,427	3,621,376	(224,949)	-	-	-	-
2016-17	3,353,875	3,414,568	(60,693)	-	-	-	-
2017-18	3,645,431	3,226,112	419,319	-	-	-	-
2018-19	3,496,169	3,648,585	(152,416)	-	-	-	-
2019-20	3,650,490	3,786,415	(135,925)	-	-	-	-

SOURCE: (1) Statement of Revenue, Expenditures and Changes in Fund Net Position, Water and Sewer Fund. Includes interest income and other nonoperating revenue, but excludes tax revenue and industrial contracts dedicated to sewer renovations.

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Population	Personal Income (amounts expressed in thousands \$)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate (1)
2011	13,040	293,506	26,284	34	14.5	4,720	11.10%
2012	13,040	293,506	26,284	34	14.5	4,807	9.00%
2013	13,040	293,506	26,284	34	14.5	4,850	7.50%
2014	13,040	293,506	26,284	34	14.5	4,900	6.50%
2015	13,040	295,000	26,284	36	14.5	4,950	6.00%
2016	13,040	295,000	26,284	36	14.5	4,950	5.25%
2017	12,809	303,000	26,284	36	14.5	4,950	5.25%
2018	12,809	303,000	26,284	36	14.5	4,950	5.25%
2019	12,809	303,000	26,284	36	14.5	4,950	5.25%
2020	12,809	303,000	26,284	36	14.5	4,950	5.25%

(1) Represents regional data; Port Neches unemployment is estimated at 6% or less

Data Sources: Southeast Texas Workforce Development Board...LMI Report
Bureau of Census, Port Neches Groves ISD

CITY OF PORT NECHES, TEXAS

Schedule XVI

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS PRIOR

EMPLOYER	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Rank	% of Total City Employment
PNGISD	655	652	652	680	655	712	712	712	712	750	1	16.4%
Huntsman/Indorama	525	580	596	610	610	625	625	625	625	587	2	14.4%
Lion Elastomers (Ashland/ISP)	238	238	240	240	201	199	199	199	199	206	3	4.6%
Texas Petrochemical	n/a	n/a	n/a	n/a	n/a	168	168	168	168	72	6	3.9%
City of Port Neches	95	90	90	92	94	93	93	94	96	96	5	2.1%
Neches FCU	85	85	85	85	85	90	90	90	90	115	4	2.1%
M&E Food Mart (Market Basket)	76	76	76	75	72	80	80	80	80	66	7	1.8%
Calabrian Corp.	57	64	64	72	75	65	65	65	65	61	8	1.5%
Dunn Pallet (Groves Pallet)	46	51	50	70	35	43	43	43	43	45	9	1.0%

Source: Port Neches Economic Development Corporation Estimates

(1) The requirement for statistical data is ten years; only seven years are available at this time.

Operating Indicators by Function/Program,
Last Ten Calendar Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Police										
Traffic citations	1,305	1,487	1,867	2,000	1,776	1,538	1,384	1,340	1,877	530
Dispatch calls for service (Central Dispatch)	9,264	10,341	12,301	12,746	12,148	11,128	11,063	10,869	11,072	7,614
Fire										
Total runs	1,323	1,220	1,126	1,185	1,310	1,338	1,446	1,400	1,387	1,494
Library										
Circulation recorded	60,607	68,361	61,930	63,140	60,734	62,403	62,663	57,671	51,109	18,934
Visiting patrons recorded	94,189	88,690	93,498	104,925	100,903	118,358	96,530	136,471	107,030	55,881
Utilities										
Gallons purchased (in millions)	651	628	565	575	599	569	588	663	597	634
Gallons sold (in millions)	555	494	491	477	455	454	457	505	463	447
Number of connections	5,335	5,341	5,353	5,353	5,352	5,385	5,441	5,472	5,533	5,538
Solid waste										
City disposal (in cubic yards)	26,033	25,204	25,834	25,961	25,923	26,716	30,626	31,086	30,735	38,840
Green waste disposal (cubic yards)	9,225	12,913	14,546	13,796	15,194	16,362	19,402	17,835	20,390	24,395
Inspections										
Total value of permits issued	\$5,866,460	\$18,920,000	\$12,588,000	\$10,347,000	\$9,776,000	\$9,409,660	\$8,096,000	\$ 9,563,000	\$ 27,788,000	\$ 12,372,000

CITY OF PORT NECHES, TEXAS

SCHEDULE XVIII

FULL-TIME CITY GOVERNMENT EMPLOYEES BY DEPARTMENT
 SELECTED FISCAL YEARS

Department	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Municipal Administration	6	6	6	6	6	6	6	6	6	6
Library	5	5	5	5	5	5	5	5	5	5
Police	21	21	21	23	23	23	23	23	24	24
Fire/Emergency Management	13	13	13	13	15	15	15	15	15	15
Inspections	1	1	1	1	1	1	1	1	1	1
Garage and Warehouse	2	2	2	2	2	2	2	2	2	2
Streets/Drainage	10	10	10	10	10	10	10	10	10	10
Solid Waste	10	10	10	10	10	10	10	10	11	11
Water Plant	4.5	4.5	4.5	5	5	5	5	5	5	5
Waste Water Plant	4	4	4	4	4	4	4	4	4	4
Customer Svc/Billing & Coll.	2	2	2	2	2	2	2	2	2	2
Water Dist/Water Coll.	8	8	8	8	8	8	8	8	8	8
Parks	2.5	2.5	2.5	2	2	2	2	2	2	2
Other Recreation	1	1	1	1	1	1	1	1	1	1
	90	90	90	92	94	94	94	94	96	96

CAPITAL ASSET STATISTICS BY FUNCTION

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Police Station	1	1	1	1	1	1	1	1	1	1
Fire Station	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets-Paved (miles)	56	56	56	56	56	57	57	57	57	57
Roads (miles)	7	7	7	7	7	7	7	7	7	7
Cultural & Recreation										
Parks (acres)	50	50	50	50	50	50	50	50	50	50
Swimming Pools	0	0	0	0	0	0	0	0	0	0
Library	1	1	1	1	1	1	1	1	1	1
Splash Park	1	1	1	1	1	1	1	1	1	1
Water & Sewer										
Water Main (miles)	84	84	84	84	84	85	85	85	85	85
Sanitary Sewer (miles)	84	84	84	84	84	84	84	84	84	84

Source: City Departments

CITY OF PORT NECHES, TEXAS
INDUSTRIAL CONTRACT REVENUE
UNAUDITED

SCHEDULE XX

	2020 Adjusted Assessed Valuation (a)	2020 Assessed Discounts	of Tax Contract Valuation	Payments
Huntsman Petrochemical Corp.	\$ 250,090,235	25%	\$ 187,567,676	\$ 1,378,622
MOTIVA Refinery	120,232,254	25%	90,174,191	662,780.30
Texas PetroChemical LP	12,307,587	25%	9,230,690	67,845.57
Air Liquide Large Industries	119,723,824	25%	89,792,868	659,977.58
Lion Elastomers	35,544,996	25%	26,658,747	195,941.79
Huntsman Propylene Oxide Ltd.	9,834,700	25%	7,376,025	54,213.78
ExxonMobil Corp.	4,195,890	25%	3,146,918	23,129.84
Motiva Chemical LLC	11,214,844	25%	8,411,133	61,821.83
Indorama Ventures	7,634,581	25%	5,725,936	42,085.63
Entergy Gulf States, Inc.	2,243,299	25%	1,682,474	12,366.19
Ameripol Synpol Company	97,530	25%	73,148	537.63
Centana	4,039	25%	3,029	22.26
DirectTV Inc.	179,100	25%	134,325	987.29
Zydeco Pipeline Company LLC	871,174	25%	653,381	4,802.35
Total	<u>\$ 574,174,053</u>		<u>\$ 430,630,540</u>	<u>\$ 3,165,134</u>

	2019 Adjusted Assessed Valuation (a)	2019 Assessed Discounts	of Tax Contract Valuation	Payments
Huntsman Petrochemical Corp.	\$ 226,556,619	25%	\$ 169,917,464	\$ 1,236,987
MOTIVA Refinery	123,028,155	25%	92,271,116	\$ 671,727
Texas PetroChemical LP	60,233,726	25%	45,175,295	\$ 328,873
Air Liquide Large Industries	130,919,859	25%	98,189,894	\$ 714,816
Lion Elastomers	39,389,224	25%	29,541,918	\$ 215,063
Huntsman Propylene Oxide Ltd.	10,311,200	25%	7,733,400	\$ 56,299
ExxonMobil Corp.	4,195,913	25%	3,146,935	\$ 22,909
Motiva Chemical LLC	7,683,668	25%	5,762,751	\$ 41,952
Ashland/ISP Waste Management	2,219,713	25%	1,664,785	\$ 12,120
Entergy Gulf States, Inc.	2,149,657	25%	1,612,243	\$ 11,737
Ameripol Synpol Company	97,530	25%	73,148	\$ 533
Centana	7,094	25%	5,321	\$ 39
DirectTV Inc.	137,911	25%	103,433	\$ 753
Zydeco Pipeline Company LLC	909,184	25%	681,888	\$ 4,964
Total	<u>\$ 607,839,453</u>		<u>\$ 455,879,590</u>	<u>\$ 3,318,772</u>