



## Notice to Current Customers, Neighboring Systems and Cities

Melvin Block'S  
(Seller's or Transferor's Name)

NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) NO Portion of CCN 11438Cherry Hill Subdivision

TO City of Bridge City  
(Purchaser's or Transferee's Name)

IN Orange COUNTY, TEXAS

To: Chad Mirabella Date Notice Mailed \_\_\_\_\_, 20\_\_\_\_\_  
(Name of Customer, Neighboring System or City)  
258 Nelson  
(Address)  
Orange, Texas 77630  
City State Zip

Melvin Block P. O. Box 389, Vidor Texas 77670-0389  
Sellers or Transferors' Name Address City/State/ Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer water or sewer (please select) CCN No. 11438 in Orange County [County Name]

County to: City of Bridge City P. O. Box 846 Bridge City, Texas 77611  
Purchasers or Transferee's Name Address City/State/ Zip Code

The sale is scheduled to take place as approved by the Commission (V.T.C.A., Water Code §13.301). The transaction and the transfer of the CCN include the following subdivision(s):

Cherry Hill Subdivision

The area subject to this transaction is located approximately 2.41 miles West [direction] of downtown Bridge City, [City or Town] Texas, and is generally bounded on the north by Willoughby Street; on the east by Nelson Street; on the south by F.M. Hwy. 1442; and on the west by Spooner Street.

The total area being requested includes approximately 26.3 acres and serves 31 current customers.

This transaction will have the following effect on the current customer's rates and services:

Rates will go from Min. 25.60 for the first 3000 Gal. and 1.42 per Gal. for each additional 1000 Gal. to 23.50 for the first 0 - 2000 Gal. (Minimum) and 6.50 per Gal. for each additional 3,000 - 50,000 Gal., and 5.32 per Gal. for over 50,000 Gal.; also each customer will be required to furnish a \$100.00 meter deposit in keeping with city's ordinances.

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name; application number or another recognizable reference to this application;
- (3) include the statement "I/we request a public hearing";
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Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk  
Public Utility Commission of Texas  
1701 North Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326  
Se desea informacion en Espanol, puede llamar al 1-888-782-8477

\_\_\_\_\_  
Utility Representative

\_\_\_\_\_  
Utility Name Page



**Notice to Current Customers, Neighboring Systems and Cities**

Melvin Block's  
(Seller's or Transferor's Name)

**NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) NO Portion of CCN 11438**  
**Cherry Hill Subdivision**

TO City of Bridge City  
(Purchaser's or Transferee's Name)

IN Orange COUNTY, TEXAS

To: Jason Putnam Date Notice Mailed \_\_\_\_\_, 20\_\_\_\_\_  
(Name of Customer, Neighboring System or City)  
403 Nelson  
(Address)  
Orange, Texas 77630  
City State Zip

Melvin Block P. O. Box 389, Vidor Texas 77670-0389  
Sellers or Transferors' Name Address City/State/ Zip Code

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(Seller's or Transferor's Name)

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TO City of Bridge City  
(Purchaser's or Transferee's Name)

IN Orange COUNTY, TEXAS

To: Tammy Simmons Date Notice Mailed \_\_\_\_\_, 20\_\_\_\_\_  
(Name of Customer, Neighboring System or City)  
201 Spooner  
(Address)  
Orange, Texas 77630  
City State Zip

Melvin Block P. O. Box 389, Vidor Texas 77670-0389  
Sellers or Transferors' Name Address City/State/ Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer water or sewer (please select) CCN No. 11438 in Orange County [County Name]

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Utility Name Page



## Notice to Current Customers, Neighboring Systems and Cities

Melvin Block's  
(Seller's or Transferor's Name)

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**Cherry Hill Subdivision**

TO City of Bridge City  
(Purchaser's or Transferee's Name)

IN Orange COUNTY, TEXAS

To: Robert Vidrine Date Notice Mailed \_\_\_\_\_, 20\_\_\_\_\_  
(Name of Customer, Neighboring System or City)  
198 Nelson  
(Address)  
Orange, Texas 77630  
City State Zip

Melvin Block P. O. Box 389, Vidor Texas 77670-0389  
Sellers or Transferors' Name Address City/State/ Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer water or ~~sewer~~ (please select) CCN No. 11438 in Orange County [County Name]

County to: City of Bridge City P. O. Box 846 Bridge City, Texas 77611  
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Utility Name Page





**Notice to Current Customers, Neighboring Systems and Cities**

Melvin Block's  
(Seller's or Transferor's Name)

**NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) NO Portion of CCN 11438**  
**Cherry Hill Subdivision**

TO City of Bridge City  
(Purchaser's or Transferee's Name)

IN Orange COUNTY, TEXAS

To: Warren Wilson Date Notice Mailed \_\_\_\_\_, 20\_\_\_\_\_  
(Name of Customer, Neighboring System or City)  
352 Nelson  
(Address)  
Orange, Texas 77630  
City State Zip

Melvin Block P. O. Box 389, Vidor Texas 77670-0389  
Sellers or Transferors' Name Address City/State/ Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer  
water or sewer (please select) CCN No. 11438 in Orange County [County Name]

County to: City of Bridge City P. O. Box 846 Bridge City, Texas 77611  
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Utility Name Page



## Notice to Current Customers, Neighboring Systems and Cities

Melvin Block's  
(Seller's or Transferor's Name)

**NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) NO Portion of CCN 11438**  
**Cherry Hill Subdivision**

TO City of Bridge City  
(Purchaser's or Transferee's Name)

IN Orange COUNTY, TEXAS

To: Melissa Winn Date Notice Mailed \_\_\_\_\_, 20\_\_\_\_  
(Name of Customer, Neighboring System or City)  
179 Spooner  
(Address)  
Orange, Texas 77630  
City State Zip

Melvin Block P. O. Box 389, Vidor Texas 77670-0389  
Sellers or Transferors' Name Address City/State/ Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer water or sewer (please select) CCN No. 11438 in Orange County [County Name]

County to: City of Bridge City P. O. Box 846 Bridge City, Texas 77611  
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Utility Name Page



## Notice to Current Customers, Neighboring Systems and Cities

Melvin Block's  
(Seller's or Transferor's Name)

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**Cherry Hill Subdivision**

TO City of Bridge City  
(Purchaser's or Transferee's Name)

IN Orange COUNTY, TEXAS

To: City of Bridge City Date Notice Mailed \_\_\_\_\_, 20\_\_\_\_\_  
(Name of Customer, Neighboring System or City)  
P. O. Box 846  
(Address)  
Bridge City, Texas 77611  
City State Zip

Melvin Block P. O. Box 389, Vidor Texas 77670-0389  
Sellers or Transferors' Name Address City/State/ Zip Code

has submitted an application with the Public Utility Commission of Texas to sell facilities and transfer water or sewer (please select) CCN No. 11438 in Orange County [County Name]

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**Cherry Hill Subdivision**

TO City of Bridge City  
(Purchaser's or Transferee's Name)

IN Orange COUNTY, TEXAS

To: Orangefield Water Supply Corporation Date Notice Mailed \_\_\_\_\_, 20\_\_\_\_\_  
(Name of Customer, Neighboring System or City)  
P.O. Box 398  
(Address)  
Orangefield, Texas 77639  
City State Zip

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Utility Representative

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(Seller's or Transferor's Name)

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TO City of Bridge City  
(Purchaser's or Transferee's Name)

IN Orange COUNTY, TEXAS

To: Susan Circle Community WS Date Notice Mailed \_\_\_\_\_, 20\_\_\_\_\_  
(Name of Customer, Neighboring System or City)  
P. O. Box 389  
(Address)  
Vidor, Texas 77670  
City State Zip

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- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transaction and transfer of the CCN; and
- (5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Commission will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Commission may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Filing Clerk  
Public Utility Commission of Texas  
1701 North Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

Se desea informacion en Espanol, puede llamar al 1-888-782-8477

\_\_\_\_\_  
Utility Representative

\_\_\_\_\_  
Utility Name Page





# **ACTION CIVIL ENGINEERS, PLLC**

*Firm Registration No. F-3356*

November 21, 2016

Attachment 3 Question 14  
Cherry Hill Subdivision CCN Transfer

See Attached Rate Sheet



**CITY OF BRIDGE CITY  
WATER AND SEWER RATES  
EFFECTIVE OCTOBER 1, 2015**

**OUTSIDE RATES**

**WATER RATES:**

**INSIDE CITY LIMITS:**

0 - 2,000 GALLONS (MINIMUM)-----	\$	23.50	(Increased 1.00)
3,000 - 50,000 GALLONS-----	\$	6.50	PER 1,000 (Increased .50)
OVER 50,000 GALLONS-----	\$	5.32	PER 1,000

**SEWER RATES:**

**INSIDE CITY LIMITS:**

0 - 2,000 GALLONS (MINIMUM)-----	\$	22.30	
3,000 - 50,000 GALLONS-----	\$	6.30	PER 1,000
OVER 50,000 GALLONS-----	\$	6.32	PER 1,000





## **ACTION CIVIL ENGINEERS, PLLC**

*Firm Registration No. F-3356*

Attachment 4 Question 16  
Cherry Hill Subdivision CCN Transfer

See Attached Rate Sheet  
Financial, Managerial and Technical information

Audit	2011
Audit	2012
Audit	2013
Audit	2014
Audit	2015





**CITY OF BRIDGE CITY**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2011**

CITY OF BRIDGE CITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council  
City of Bridge City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bridge City (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bridge City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of City of Bridge City, Texas, taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Keri Michutka*

June 14, 2012

## **CITY OF BRIDGE CITY, TEXAS**

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

As management of the City of Bridge City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. The purpose of financial reporting is to provide external parties that read financial statements with information that will help them to make decisions or draw conclusions about an entity. There are many external parties that read the City's financial statements, however these parties do not always have the same specific objectives.

#### **FINANCIAL HIGHLIGHTS**

These financial highlights summarize the City's financial position and operations as presented in more detail in the Financial Statements, as listed in the accompanying Table of Contents.

- ❑ The assets of the City exceeded its liabilities at the close of 2011 by \$15,412,238. Of this amount \$6,604,819 is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$2,655,857. The unrestricted net assets of the City's business-type activities are \$3,984,962 and may be used to meet the ongoing obligations of the City's water, sewer, and solid waste business-type activities.
- ❑ The City's total net assets increased by \$2,803,193 in the fiscal year 2011.
- ❑ As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,923,607, an increase of \$277,133. Approximately 97.8% or \$2,861,627 of this total amount is considered unassigned at September 30, 2011 and is available for spending.
- ❑ The general fund reported a fund balance of \$1,733,367 at the end of the current fiscal year. The unassigned fund balance for the general fund was \$1,671,387 or 40.9% of total general fund expenditures.
- ❑ The City's total long-term bonded debt decreased by \$570,000 for routine bond payments.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave and compensatory time).

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

The government wide financial statements can be found on pages 13 to 15 of this report.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Establishment of some funds is required by state law and bond covenants. However, the City Council establishes other funds to help control and manage particular purposes or as evidence of meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

## **GOVERNMENTAL FUNDS**

The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the available balances at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there has been an increase or decrease in financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, 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 fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other twelve 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 adopts an annual appropriated budget for its general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 16 to 22 of this report.

## **PROPRIETARY FUNDS**

The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City maintains six individual enterprise funds (a component of proprietary funds) to account for its water, sewer, and sanitation operations. All activities associated with providing such services are accounted for in these funds, including administration,

operation, maintenance, improvements, billing and collection. The City's intent is that costs of providing these services to the general public on a continuing basis is financed through charges in a manner similar to a private enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flows.

The basic proprietary fund financial statements can be found on pages 23 to 25 of this report.

## **FIDUCIARY FUNDS**

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 these 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. The City has no fiduciary funds.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 42 of this report.

## **THE CITY AS A WHOLE – GOVERNMENT WIDE FINANCIAL ANALYSIS**

The City's combined net assets were \$15,412,238 as of September 30, 2011. As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. Analyzing the net assets and net expenses of governmental and business activities separately, the business type activities net assets are \$3,948,962. This analysis focuses on the net assets (table 1) and changes in general revenues (table 2) of the City's governmental and business-type activities.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1

## NET ASSETS

	Governmental Activities 2011	Business-Type Activities 2011	Total 2011
Current and Other Assets	\$ 4,249,340	\$ 2,038,181	\$ 6,287,521
Capital Assets	10,987,419	2,487,612	13,475,031
Total Assets	15,236,759	4,525,793	19,762,552
Long-Term Liabilities Outstanding	2,785,289	-	2,785,289
Other Liabilities	988,194	576,831	1,565,025
Total Liabilities	3,773,483	576,831	4,350,314
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,807,419	-	8,807,419
Restricted	-	-	-
Unrestricted	2,655,857	3,948,962	6,604,819
Total Net Assets	\$ 11,463,276	\$ 3,948,962	\$ 15,412,238

The unrestricted net assets, \$6,604,819 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the City as whole as well as for its separate governmental activities, and business-type activities.

As reflected in the following table (table 2) the City's net assets increased by \$2,803,193 during the current fiscal year. The increase is split between both the governmental activities and the business-type activities. Net assets for the governmental activities increased \$2,632,894 and net assets for the business-type activities increased \$170,299.



TABLE 2

## CHANGES IN NET ASSETS

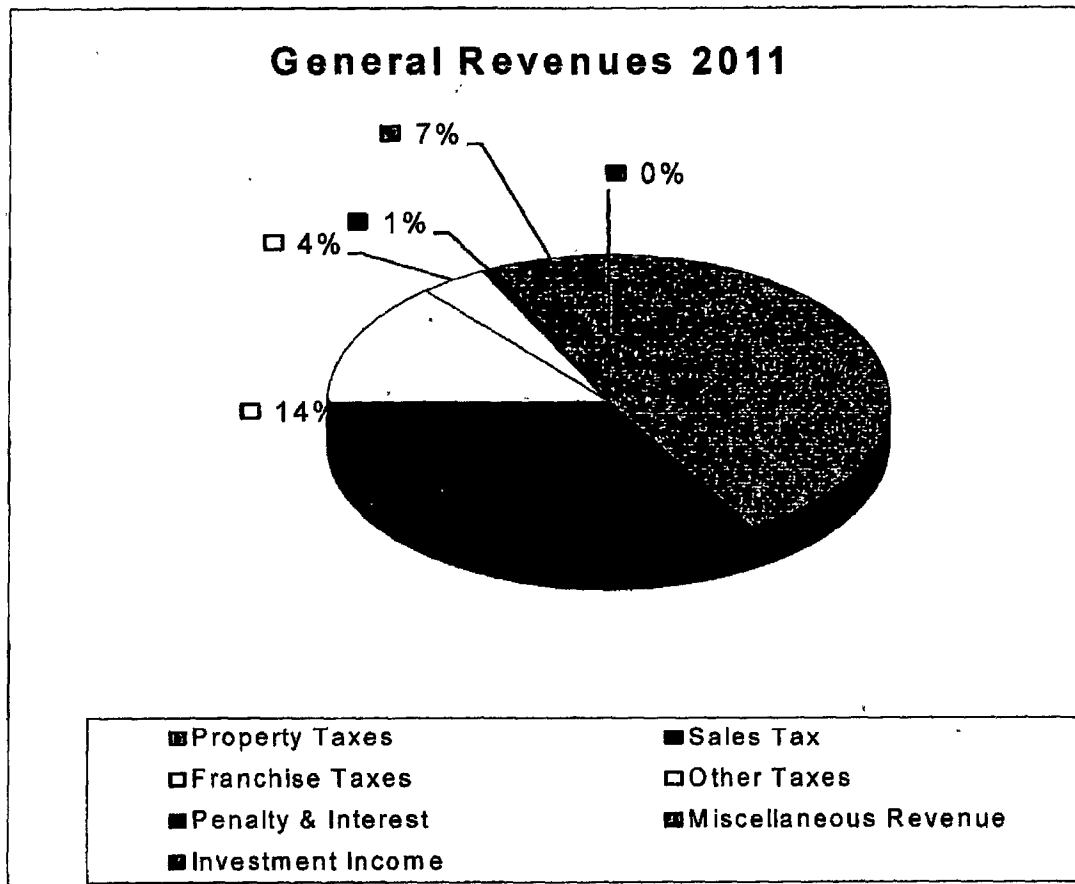
	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$ 785,221	\$ 2,653,396	\$ 3,438,617
<b>General Revenues:</b>			
Property Taxes	1,435,612		1,435,612
Sales Taxes	1,157,365		1,157,365
Franchise Taxes	474,577		474,577
Other Taxes	131,952		131,952
Penalty & Interest	27,750		27,750
Grants and Contributions	60,969	-	60,969
Other	228,843	-	228,843
Investment Earnings	3,641	1,328	4,969
<b>Total Revenues</b>	<u>4,305,930</u>	<u>2,654,724</u>	<u>6,960,654</u>
<b>Expenses:</b>			
General Government	1,028,181	-	1,028,181
Public Safety	1,805,024		1,805,024
Public Works	1,859,707		1,859,707
Community Development	181,694		181,694
Parks & Recreation	86,551	-	86,551
Library	126,915	-	126,915
Interest on Long-Term Debt	120,595	-	120,595
Utilities	-	2,489,610	2,489,610
Other	3,000	-	3,000
<b>Total Expenses</b>	<u>5,211,667</u>	<u>2,489,610</u>	<u>7,701,277</u>
<b>Increase (Decrease)</b>			
<b>in Net Assets Before Transfers</b>	(905,737)	165,114	(740,622)
Extraordinary item - Resource	3,751,405	-	3,751,405
Extraordinary item - Use	(207,589)	-	(207,589)
Transfers	(5,185)	5,185	-
<b>Increase (Decrease) in Net Assets</b>	<u>2,632,894</u>	<u>170,299</u>	<u>2,803,194</u>
Net Assets at 9/30/10	8,830,382	3,778,663	12,609,045
Net Assets at 9/30/11	<u>\$ 11,463,276</u>	<u>\$ 3,948,962</u>	<u>\$ 15,412,238</u>

## GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by \$2,632,894.

The general revenues are as follows: (Table 3):

	<u>2011</u>
Property Taxes	\$ 1,435,612
Sales Tax	1,157,365
Franchise Taxes	474,577
Other Taxes	131,952
Penalty & Interest	27,750
Miscellaneous Revenue	228,843
Investment Income	3,641
	<u>\$ 3,459,740</u>



The most significant governmental expense for the City was in streets and drainage for the City, which incurred expenses of \$1,859,707. These expenses were offset by revenues collected from a variety of sources, with the largest being street maintenance revenue of \$177,411 for the fiscal year ended September 30, 2011. The most significant portion of expense for the streets and drainage department is the cost of depreciation, which is \$977,568.

#### **BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the City's net assets by \$170,299.

#### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **GOVERNMENTAL FUNDS**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,923,607 an increase of \$277,133 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,671,387 while the total fund balance was \$1,733,367. 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. Unassigned fund balance represents 40.9% of total general fund expenditures, while total fund balance represents 42.4% of total general fund expenditures.

The fund balance of the City's general fund increased by \$8,778 during the current fiscal year.

The debt service fund has a total fund balance of \$689,629, an increase of \$70,128, all of which is reserved for the payment of debt service.

#### **PROPRIETARY FUNDS**

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

Unrestricted net assets of the Utility Fund (water, sewer, wastewater, and sanitation) at the end of the fiscal year amounted to \$3,948,962. Net assets in the water, sewer and sanitation fund increased by \$170,299. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2010 – 2011, the City Council did not amend the original budget for the general fund. However, there were line item adjustments made throughout the year but the overall total of the budget never changed.

During the year actual revenues exceeded expenditures by \$8,778 therefore the general fund reserves increased by \$8,778 (includes transfers).

A comparison of final budgetary resources and appropriations can be found on page 22.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**CAPITAL ASSETS** - The City's investment on capital assets for its governmental and business-type activities as of September 30, 2011, amount to \$13,475,031 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants, water and sewer lines, streets, vehicles, machinery, equipment, furniture and fixtures. Capital assets held by the City at the end of the current year are summarized as follows: (Table 4)

Table 4

### Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities 2011	Business-Type Activities 2011	Total 2011
Land	\$ 370,793	\$ 53,420	\$ 424,213
Buildings, Plants, and Lines	1,071,961	18,293	1,090,254
Infrastructure, net	7,484,548	-	7,484,548
Vehicles, Machinery, and Equipment	1,943,061	2,415,899	4,358,960
Furniture and Fixtures	117,056	-	117,056
	<u>\$ 10,987,419</u>	<u>\$ 2,487,612</u>	<u>\$ 13,475,031</u>

During the current year, major capital additions for governmental activities were as follows:

- ☐ Acquisitions of infrastructure \$1,002,177
- ☐ Acquisitions of machinery & equipment 1,802,457

In addition, the following major acquisitions were made for the business-type activities:

- ☐ Investment in Machinery and Equipment \$87,465

Additional information about the City's capital assets is presented in Note F of the financial statements.

**LONG-TERM DEBT** -- At the end of the current fiscal, the City had total bonds outstanding of \$2,720,000. Of this amount \$2,220,000 is tax supported debt. The remaining \$500,000 is secured by tax and certain surplus revenues, after deduction of expenses of operation and maintenance of the City's water and sewer system. The City also has a Community Disaster Loan payable in the amount of \$1,175,289.

The debt position of the City is summarized below and is more fully analyzed in Note G on page 35 of the financial statements.

Table 5

Long-Term Debt Obligations Outstanding  
General Obligation Bonds and Certificates of Obligation

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
General Obligation						
Refunding Bonds:						
Series 1998						
Refunding Bonds	\$ 1,760,000	\$ 1,440,000	\$ -	\$ -	\$ 1,760,000	\$ 1,440,000
Series 1998T						
Taxable Refunding						
Bonds	460,000	240,000			460,000	240,000
Tax and Waterworks and Sewer System						
Certificates of Obligation:						
Series 1998 Tax and Waterworks	500,000	500,000	-	-	500,000	500,000
	<u>\$ 2,720,000</u>	<u>\$ 2,180,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,720,000</u>	<u>\$ 2,180,000</u>

The City's total debt decreased by \$550,000 during the current fiscal year, which represents the debt principal payments.

There is no direct debt limitation in the City Charter or under State Law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation. The Attorney General of the State of Texas permits allocation of \$1.50 of the \$2.50 maximum rate for general obligation debt service. The current tax rate per \$100 of assessed valuation is \$0.23806 for debt allocation and \$0.23969 for the operating & maintenance allocation, this sets the total tax rate at \$0.47775, which is below the City's maximum allowable tax rate.

The City also has long-term liabilities related to compensated absences. The liability for governmental activities decreased by \$8,002 during the current fiscal year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- ❑ During the one year period from October 2010 to September 2011 the City collected \$1,157,365 in Sales Tax, this was a 1.66% increase from the previous fiscal year of 2009 – 2010. The average for the last five years in sales tax collections is \$1,176,706. The sales tax revenue accounts for approximately 41% of the General Fund Revenues.
- ❑ The ad valorem taxable values for the 2010 - 2011 budget increased by 73.59% over the prior year. The adopted tax rate of .47775 per \$100 of assessed property evaluation is a 63.40% increase over the calculated effective rate.
- ❑ The City of Bridge City has only one industrial (in lieu of taxes) contract. A portion of Firestone Polymers is in the City's extra-territorial jurisdiction. Firestone pays based on the assessed valuation of that property.
- ❑ The budget for 2010 – 2011 contains a 3% cost of living increase for all employees.
- ❑ The City of Bridge City was awarded a \$9,689,353 Hurricane Ike Disaster Recovery Grant. The Texas Community Development Block Grant contract was signed by the Texas Department of Rural Affairs and the City in September 2009. This grant will be used to add generators to the water and sewer systems, rebuild streets and clean out drainage ditches throughout the City.
- ❑ In September 2011, the City of Bridge City was awarded a \$4,174,572 Hurricane Ike Disaster Recovery Grant. This grant will be used for improvements to the public sewer system and to various streets.

## **Hurricane Ike, 2008**



Just two weeks after the city had evacuated for Hurricane Gustav, the second most destructive hurricane of the 2008 Atlantic hurricane season, Hurricane Ike came ashore on September 13, 2008 at Galveston Island. The storm had been downgraded from a Category 4 hurricane to a strong Category 2. Ike's coastal landfall on the upper Texas coast left more devastation for its resident's than many realize. Ike was an unusually large storm with a tropical storm wind field estimated to have been up to 400 miles across. Although Ike's powerful size may have not been reflected in the strength of its winds, the enormous size of Ike's wind field and time over the Gulf of Mexico, produced a surge more characteristic of a Category 4 wind storm.

In fact, Ike's integrated kinetic energy was among the highest of any Atlantic storm in the last 40 years, including Katrina.

Therefore, the resulting storm surge left a far more destructive effect on the coastal areas along the upper Texas coast than one would imagine from only experiencing the storm's wind. In addition, we could add even more height to the surge when the astronomical tide was in "sync" with the already terribly destructive storm surge. As one would expect, the highest surges occurred on the right side of Ike's circulation.

High storm tides flooded the upper Texas and southwest Louisiana coast twenty four hours ahead of landfall. Storm tides of 10-15 feet were common in these areas. Power was lost to approximately four and a half million people at the height of Hurricane Ike.

Ike was the third costliest Atlantic hurricane of all time, behind Hurricane Andrew of 1992 and Hurricane Katrina of 2005. The hurricane also resulted in the largest evacuation of Texans in the state's history. It also became the largest search-and-rescue operation in U.S. history.

Bridge City and the surrounding area would be on Ike's bad side, the right front quadrant that historically brings the heaviest rains and the highest storm surge. In Ike's case, torrential rains were accompanied by a tidal surge not seen since the Great Hurricane of 1900.

A declaration of disaster was issued on September 9, 2008 and a mandatory evacuation was issued at 6:00 AM on September 11, 2008. Hurricane Ike made landfall on September 13, 2008. The mandatory evacuation was lifted September 20, 2008. A curfew was put in place from 7PM until 6AM on September 20, 2008 and changed to 10PM until 6AM on October 3, 2008. On October 26, 2008 the water was declared potable for the Bridge City residents.

By 1:30 a.m. Saturday, Sept. 13, flood water were creeping into Bridge City homes. Within another 30 minutes, residents who stayed behind were fleeing to their attics as the storm surge rose toward ceilings in some cases. Every business and every home with the exception of fifteen (15) had anywhere from 3 inches to 8 foot of water in them.

In the flood water's wake, green lawns were littered with soggy saltgrass, and a thick layer of silt covered roads. Homes and businesses were drenched with the black tar gumbo river mud. As residents began to return home, the stench of the storm's debris permeated the air. How are we going to rebuild? Where are these people going to live?

Ten year old Little Cypress resident, Jaden Lewis celebrated her birthday on September 23, 2008. Instead of keeping the \$100 she received as birthday gifts, she chose to donate the money to Bridge City Mayor Kirk Roccaforte as a gift to the City and asked him to build a levee to protect the community from future flooding

In September 2009, the City of Bridge City was awarded the first Disaster Recovery Grant for Hurricane Ike and has applied for more.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of the City of Bridge City's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Bridge City, City Secretary, P. O. Box 846, Bridge City, TX 77611.

## BASIC FINANCIAL STATEMENTS



GOVERNMENT WIDE STATEMENTS

CITY OF BRIDGE CITY  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,454,394	\$ 1,529,705	\$ 3,984,099
Receivables (net of allowance for uncollectibles)	1,727,824	447,610	2,175,434
Other Current Assets	-	59,001	59,001
Inventories	61,980	-	61,980
Prepaid Items	5,142	1,865	7,007
Capital Assets:			
Land	370,793	53,420	424,213
Infrastructure, net	7,484,548	-	7,484,548
Buildings, net	1,071,961	18,293	1,090,254
Machinery and Equipment, net	1,943,061	2,415,899	4,358,960
Furniture and Fixtures, net	117,056	-	117,056
Total Assets	<u>15,236,759</u>	<u>4,525,793</u>	<u>19,762,552</u>
<b>LIABILITIES</b>			
Accounts Payable	237,380	434,655	672,035
Intergovernmental Payable	-	6,675	6,675
Other Current Liabilities	73,064	135,501	208,565
Noncurrent Liabilities			
Due Within One Year	677,750	-	677,750
Due in More Than One Year	2,785,289	-	2,785,289
Total Liabilities	<u>3,773,483</u>	<u>576,831</u>	<u>4,350,314</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	8,807,419	-	8,807,419
Unrestricted Net Assets	2,655,857	3,948,962	6,604,819
Total Net Assets	<u>\$ 11,463,276</u>	<u>\$ 3,948,962</u>	<u>\$ 15,412,238</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF BRIDGE CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
Personnel and Purchasing	\$ 67,162	\$ -	\$ -
City Manager	126,581	-	-
City Secretary	87,642	-	-
Municipal Court	120,192	600,306	-
City Attorney	36,935	-	-
Administration	380,364	-	-
Municipal Court Judges	16,120	-	-
Finance	126,181	-	-
Police	1,796,936	-	-
Fire	8,088	-	-
Animal Control	67,004	1,346	-
Streets and Drainage	1,859,707	177,411	-
Parks and Recreation	86,551	-	-
Library	126,915	6,158	-
Community Development	181,694	-	-
Bond Interest	120,595	-	-
Fiscal Agent's Fees	3,000	-	-
Total Governmental Activities:	5,211,667	785,221	-
<b>BUSINESS-TYPE ACTIVITIES:</b>			
	2,489,610	2,653,396	-
Total Business-Type Activities:	2,489,610	2,653,396	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 7,701,277</b>	<b>\$ 3,438,617</b>	<b>\$ -</b>

**General Revenues:**

**Taxes:**

**Property Taxes:**

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Extraordinary Item - Resource

Extraordinary Item (Use)

Transfers In (Out)

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (67,162)	\$ -	\$ (67,162)
(126,581)	-	(126,581)
(87,642)	-	(87,642)
480,114	-	480,114
(36,935)	-	(36,935)
(380,364)	-	(380,364)
(16,120)	-	(16,120)
(126,181)	-	(126,181)
(1,796,936)	-	(1,796,936)
(8,088)	-	(8,088)
(65,658)	-	(65,658)
(1,682,296)	-	(1,682,296)
(86,551)	-	(86,551)
(120,757)	-	(120,757)
(181,694)	-	(181,694)
(120,595)	-	(120,595)
(3,000)	-	(3,000)
(4,426,446)	-	(4,426,446)
-	163,786	163,786
-	163,786	163,786
(4,426,446)	163,786	(4,262,660)
717,423		717,423
718,189		718,189
1,157,365		1,157,365
474,577		474,577
131,952		131,952
27,750	-	27,750
60,969	-	60,969
228,843	-	228,843
3,641	1,328	4,969
3,751,405	-	3,751,405
(207,589)	-	(207,589)
(5,185)	5,185	-
7,059,340	6,513	7,065,853
2,632,894	170,299	2,803,193
8,830,382	3,778,663	12,609,045
\$ 11,463,276	\$ 3,948,962	\$ 15,412,238

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

	General Fund	Hurricane Ike Disaster Recovery Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,553,879	\$ 25,000	\$ 689,629
Taxes Receivable	217,356	-	68,828
Receivables (Net)	223,646	314,725	-
Inventories	61,980	-	-
Prepaid Items	5,142	-	-
Total Assets	<u>\$ 2,062,003</u>	<u>\$ 339,725</u>	<u>\$ 758,457</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 166,796	\$ -	\$ -
Wages and Salaries Payable	70,584	-	-
Deferred Revenues	43,192	-	68,828
Other Current Liabilities	48,064	25,000	-
Total Liabilities	<u>328,636</u>	<u>25,000</u>	<u>68,828</u>
Fund Balances:			
Nonspendable Fund Balance:			
Inventories	61,980	-	-
Restricted Fund Balance:			
Restricted	-	314,725	689,629
Unassigned Fund Balance	1,671,387	-	-
Total Fund Balances	<u>1,733,367</u>	<u>314,725</u>	<u>689,629</u>
Total Liabilities and Fund Balances	<u>\$ 2,062,003</u>	<u>\$ 339,725</u>	<u>\$ 758,457</u>

The notes to the Financial Statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 185,886	\$ 2,454,394
-	286,184
-	538,371
-	61,980
-	5,142
<u>\$ 185,886</u>	<u>\$ 3,346,071</u>
\$ -	\$ 166,796
-	70,584
-	112,020
-	73,064
-	<u>422,464</u>
-	61,980
<u>185,886</u>	1,190,240
-	<u>1,671,387</u>
<u>185,886</u>	<u>2,923,607</u>
<u>\$ 185,886</u>	<u>\$ 3,346,071</u>

CITY OF BRIDGE CITY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2011

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,923,607</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$20,884,917 and the accumulated depreciation was \$11,632,421. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	5,241,455
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase net assets.	3,411,652
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,128,727)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	1,015,289
<b>Net Assets of Governmental Activities</b>	<b>\$ 11,463,276</b>

The notes to the Financial Statements are an integral part of this statement.



CITY OF BRIDGE CITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Hurricane Ike Disaster Recovery Fund	Debt Service Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 712,005	\$ -	\$ 717,147
General Sales and Use Taxes	1,157,365	-	-
Franchise Tax	474,577	-	-
Other Taxes	131,952	-	-
Penalty and Interest on Taxes	12,357	-	15,393
Licenses and Permits	42,337	-	-
Intergovernmental Revenue and Grants	5,902	-	-
Charges for Services	341,231	-	-
Fines	506,422	-	-
Investment Earnings	1,831	504	1,183
Contributions & Donations from Private Sources	55,067	-	-
Other Revenue	57,698	-	-
Total Revenues	3,498,744	504	733,723
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Personnel and Purchasing	67,162		
City Manager	126,581		
City Secretary	87,642		
Municipal Court	119,131		
City Attorney	36,935		
Administration	286,583		
Municipal Court Judges	16,120		
Finance	126,181		
Public Safety:			
Police	1,797,230		
Fire	8,088		
Animal Control	64,776		
Streets and Drainage	882,139		
Culture and Recreation:			
Parks and Recreation	93,356		
Library	189,452		-
Community Development	181,310		-
Debt Service:			
Bond Principal	-	-	540,000
Bond Interest	-	-	120,595
Fiscal Agent's Fees	-	-	3,000
Total Expenditures	4,082,686	-	663,595
Excess (Deficiency) of Revenues Over (Under)	(583,942)	504	70,128
Expenditures			
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	592,720	-	-
Transfers Out (Use)	-	(555,074)	-
Total Other Financing Sources (Uses)	592,720	(555,074)	-
<b>EXTRAORDINARY ITEMS:</b>			
Extraordinary Item - Resource	-	736,720	-
Extraordinary Item - (Use)	-	(127,016)	-
Net Change in Fund Balances	8,778	55,134	70,128
Fund Balance - October 1 (Beginning)	1,724,589	259,591	619,501
Fund Balance - September 30 (Ending)	\$ 1,733,367	\$ 314,725	\$ 689,629

The notes to the Financial Statements are an integral part of this statement.

		Total	
Other		Governmental	
Funds		Funds	
		<hr/>	
\$	-	\$	1,429,152
	-		1,157,365
	-		474,577
	-		131,952
			27,750
			42,337
	-		5,902
	-		341,231
	-		506,422
	123		3,641
	-		55,067
	-		57,698
			<hr/>
	123		4,233,094
			<hr/>
		67,162	
		126,581	
		87,642	
		119,131	
		36,935	
		286,583	
		16,120	
		126,181	
		1,797,230	
		8,088	
		64,776	
		882,139	
		93,356	
		189,452	
		181,310	
	-	540,000	
	-	120,595	
	-	3,000	
		<hr/>	
	-	4,746,281	
		<hr/>	
	123	(513,187)	
	33,650	626,370	
	(76,481)	(631,555)	
	<hr/>	<hr/>	
	(42,831)	(5,185)	
	3,014,685	3,751,405	
	(2,828,884)	(2,955,900)	
	<hr/>	<hr/>	
	143,093	277,133	
	42,793	2,646,474	
	<hr/>	<hr/>	
\$	185,886	\$	2,923,607
	<hr/>		<hr/>

CITY OF BRIDGE CITY  
 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, 2011

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 277,133</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase net assets.	3,411,652
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(1,128,727)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	72,836
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 2,632,894</b>

The notes to the Financial Statements are an integral part of this statement.

CITY OF BRIDGE CITY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 785,241	\$ 785,241	\$ 712,005	\$ (73,236)
General Sales and Use Taxes	1,400,000	1,400,000	1,157,365	(242,635)
Franchise Tax	375,000	375,000	474,577	99,577
Other Taxes	168,660	168,660	131,952	(36,708)
Penalty and Interest on Taxes	11,000	11,000	12,357	1,357
Licenses and Permits	58,750	58,750	42,337	(16,413)
Intergovernmental Revenue and Grants	-	-	5,902	5,902
Charges for Services	206,792	206,792	341,231	134,439
Fines	362,000	362,000	506,422	144,422
Investment Earnings	2,540	2,540	1,831	(709)
Contributions & Donations from Private Sources	-	-	55,067	55,067
Other Revenue	44,200	44,200	57,698	13,498
Council Auth. Use of Reserves	525,217	525,217	-	(525,217)
Total Revenues	3,939,400	3,939,400	3,498,744	(440,656)
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Personnel and Purchasing	70,332	70,332	67,162	3,170
City Manager	127,118	127,118	126,581	537
City Secretary	94,670	94,670	87,642	7,028
Municipal Court	154,261	154,261	119,131	35,130
City Attorney	35,862	35,862	36,935	(1,073)
Administration	270,554	270,554	286,583	(16,029)
Municipal Court Judges	17,061	17,061	16,120	941
Finance	127,431	127,431	126,181	1,250
Public Safety:				
Police	1,842,100	1,842,100	1,797,230	44,870
Fire	8,200	8,200	8,088	112
Animal Control	70,096	70,096	64,776	5,320
Streets and Drainage	1,007,782	1,007,782	882,139	125,643
Culture and Recreation:				
Parks and Recreation	80,549	80,549	93,356	(12,807)
Library	138,867	138,867	189,452	(50,585)
Community Development	307,881	307,881	181,310	126,571
Intergovernmental:				
Contingency	25,000	25,000	-	25,000
Total Expenditures	4,377,764	4,377,764	4,082,686	295,078
Excess (Deficiency) of Revenues Over (Under) Expenditures	(438,364)	(438,364)	(583,942)	(145,578)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	438,364	438,364	592,720	154,356
Total Other Financing Sources (Uses)	438,364	438,364	592,720	154,356
Net Change in Fund Balances	-	-	8,778	8,778
Fund Balance - October 1 (Beginning)	1,724,589	1,724,589	1,724,589	-
Fund Balance - September 30 (Ending)	\$ 1,724,589	\$ 1,724,589	\$ 1,733,367	\$ 8,778

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011

	Business Type Activities
<hr/>	
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 1,529,705
Accounts Receivable-Net of Uncollectible Allowance	447,610
Due from Other Governments	59,001
Prepaid Items	1,865
Total Current Assets	<u>2,038,181</u>
<b>Noncurrent Assets:</b>	
Capital Assets:	
Land	53,420
Buildings	18,293
Machinery and Equipment	12,061,585
Accumulated Depreciation	<u>(9,645,686)</u>
Total Noncurrent Assets	<u>2,487,612</u>
Total Assets	<u>4,525,793</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	113,097
Wages and Salaries Payable	19,705
Compensated Absences Payable	28,572
Customer Advance Payments Received, Not Earned	273,281
Intergovernmental Payable	6,675
Other Current Liabilities	<u>135,501</u>
Total Liabilities	<u>576,831</u>
<b>NET ASSETS</b>	
Unrestricted Net Assets	<u>3,948,962</u>
Total Net Assets	<u>\$ 3,948,962</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF BRIDGE CITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT D-2

	Business Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Water Services	\$ 957,769
Charges for Sewerage Service	889,338
Charges for Sanitation Service	620,266
Prop.Fund Charges for Services - Other	186,023
Investment Earnings	1,328
Total Operating Revenues	<u>2,654,724</u>
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	637,963
Personnel Services - Employee Benefits	295,583
Purchased Professional & Technical Services	114,106
Purchased Property Services	866,322
Other Operating Expenses	94,735
Supplies	132,138
Depreciation	348,763
Total Operating Expenses	<u>2,489,610</u>
Operating Income	<u>165,114</u>
NON-OPERATING REVENUES (EXPENSES):	
Transfers In	5,185
Total Non-operating Revenue (Expenses)	<u>5,185</u>
Change in Net Assets	170,299
Total Net Assets - October 1 (Beginning)	<u>3,778,663</u>
Total Net Assets - September 30 (Ending)	<u>\$ 3,948,962</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF BRIDGE CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business Type Activities
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfer In	5,185
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Capital Assets	(87,465)
Net Increase in Cash and Cash Equivalents	493,271
Cash and Cash Equivalents at Beginning of the Year:	1,036,434
Cash and Cash Equivalents at the End of the Year:	<u>\$ 1,529,705</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income:	\$ 165,114
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	348,763
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(66,881)
Decrease (increase) in Prepaid Expenses	686
Increase (decrease) in Accounts Payable	49,604
Increase (decrease) in Other Payables	78,265
Net Cash Provided by Operating Activities	<u>\$ 575,551</u>

The notes to the Financial Statements are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

CITY OF BRIDGE CITY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011

**L. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Bridge City (the "City") was incorporated in 1970 under the provision of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a council-manager form of government and provides the following services as authorized by its charter: Public Safety - Police and Fire, Highways and Streets, Sanitation, Health and Social Services, Culture, Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

**A. REPORTING ENTITY**

The Mayor and Council are elected by the public and they have the authority to make decisions, appoint administrators and managers, and significantly influence operations. They also have the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Council ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City of Bridge City nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" columns include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Council pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

#### **D. FUND ACCOUNTING**

The City reports the following major governmental funds:

1. **The General Fund** – The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. **The Debt Service Fund** - The Debt Service Fund accounts for the accumulation of resources to pay principal and interest on long-term debt.

The City reports the following major enterprise fund(s):

1. **The Utility Fund** - The Utility Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing utility services to the general public on a continuing basis are financed through user charges.

Additionally, the City reports the following fund type(s):

**Governmental Funds:**

1. **Capital Projects Funds** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
2. **Special Revenue Funds** - The Special Revenue Funds account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance often is accounted for in a Special Revenue Fund.

**E. OTHER ACCOUNTING POLICIES**

1. **Cash and Investments** For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. **Inventories** Inventories in the proprietary fund consist primarily of supplies for water and sewer repairs, valued at cost, which approximates market. Cost is determined using the first-in first-out method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.
3. **Long-term Debt** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

4. **Compensated Absences** Accumulated unpaid vacation is accrued when incurred in the proprietary fund. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The amount expected to be repaid from current resources is not significant.

5. ***Property, Plant and Equipment*** Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 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 are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Infrastructure	20
Furniture & Fixtures	10
Machinery & Equipment	3-10

6. ***Insurance Programs*** The City provides all regular full-time and part-time employees with group health, dental, life and accidental death and dismemberment benefits. In addition, the City offers dependent health and dental coverage at the employee's expense.
7. ***Fund Balance*** Restricted fund balance includes the portion of net resources on which limitations are imposed by external parties, constitutional provisions, or enabling legislation. Committed fund balance includes the portion of net resources upon which the City Council has imposed limitation on use. Commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint. Unassigned fund balance is the residual classification for the general fund, available for any purpose.

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the year	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 370,793	\$	\$ 370,793	
Buildings	1,485,561	429,414	1,056,147	
Furniture & Fixtures	163,332	29,943	133,389	
Machinery & Equipment	2,043,093	843,463	1,199,630	
Infrastructure	16,822,138	10,329,601	6,492,537	
Change in Net Assets				<u>9,252,496</u>
Long-term Liabilities at the Beginning of the year			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			2,720,000	
Notes Payable			1,175,289	
Compensated Absences			115,752	
Change in Net Assets				<u>(4,011,041)</u>
Net Adjustment to Net Assets				<u>\$ 5,241,455</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Machinery & Equipment	\$ 985,377		
Buildings	75,817		
Infrastructure	1,802,456		
Total Capital Outlay	<u>2,863,650</u>	<u>2,863,650</u>	<u>2,863,650</u>
<u>Debt Principal Issuance &amp; Payments</u>			
Bond Principal	540,000		
Other	8,002		
Total Change in Debt	<u>548,002</u>	<u>548,002</u>	<u>548,002</u>
Principal			
Total Adjustments to Net Assets		<u>\$ 3,411,652</u>	<u>\$ 3,411,652</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to</u> <u>Change in Net</u>	<u>Adjustments</u> <u>to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 26,954	\$ (26,954)	
Uncollected Taxes (assumed collectible) from Current Year Levy	39,551	39,551	39,551
Uncollected Taxes (assumed collectible) from Prior Year Levy	72,469		72,469
Difference in prior year estimated collectible and current year collections	6,137	(6,137)	
Reclassify fines receivable assessed but not received this year		66,376	903,269
Total		<u>\$ 72,836</u>	<u>\$ 1,015,289</u>

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **A. BUDGETARY DATA**

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund, Debt Service Fund, Capital Projects Fund, and the Enterprise Fund. Accordingly, all property tax revenues are budgeted to be received in the General Fund, although actual receipts are recorded in both the General Fund and the Debt Service Fund. The annual budgets for the General Fund, Debt Service Fund, and Capital Projects Fund are prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, nonoperating income and expense items are not considered. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the City Council. Prior to year-end, the City Council adopts an amended budget approving such additional expenditures/expenses. The amended budgets for the General Fund and Debt Service Fund are presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end.

### IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

#### **A. DEPOSITS AND INVESTMENTS**

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,552,057 and the bank balance was \$2,705,931. The City's cash deposits at September 30, 2011 and during the year ended September 30, 2011 were covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Bridge City State Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,273,047 and the par value was \$4,055,000.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,489,482 and occurred during the month of March.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

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

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Cash or Investments that are insured, registered or held by the City or by its agent in the City's name.

Category 2 - Cash or Investments that are uninsured and unregistered held by the counter-party's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the City's name.

Based on these three levels of risk, all of the City's investments are classified as Category 1.

The City's investments at September 30, 2011, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
TexPool Local Government Investment Pool	\$ 952,059	\$ 952,059	1
TexStar	\$ 479,163	\$ 479,163	1



## B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

## C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

## D. INTERFUND BALANCES AND TRANSFERS

There were no interfund balances due at September 30, 2011.

Interfund transfers for the year ended September 30, 2011, consisted of the following individual amounts:

### Transfers to General Fund from:

Hurricane Ike Disaster Recovery Fund	\$ 555,074
Hurricane Rita Disaster Recovery Fund	<u>37,646</u>
	\$ 592,720

### Transfer to Utility Fund from:

Rachal Tower Fund	\$ 5,185
	<u>5,185</u>

### Transfer to Hurricane Ike Disaster Recovery Fund from:

Rachal Tower Fund	\$ 33,650
	<u>33,650</u>

## E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2011, were as follows:

	<u>Property Taxes</u>	<u>Other Taxes</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>				
General Fund	\$ 43,629	\$ 173,727	\$ 223,646	\$ 441,002
Debt Service Fund	68,828	0	0	68,828
Special Revenue Fund	<u>0</u>	<u>0</u>	<u>314,725</u>	<u>314,725</u>
Total - Governmental Activities	\$ 112,457	\$ 173,727	\$ 538,371	\$ 824,555
<b>Business-type Activities:</b>				
Utility Fund	\$ 0	\$ 0	\$ 447,610	\$ 447,610
Total Business-Type Activities	\$ 0	\$ 0	\$ 447,610	\$ 447,610

Payables at September 30, 2011, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>				
General Fund	\$ 166,796	\$ 70,584	\$ 48,064	\$ 285,444
Special Revenue Funds	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Total - Gov. Activities	\$ 166,796	\$ 70,584	\$ 73,064	\$ 310,444
<b>Business-Type Activities:</b>				
Utility Fund	\$ 113,097	\$ 19,705	\$ 28,572	\$ 161,374
Total Bus. Type Activities	\$ 113,097	\$ 19,705	\$ 28,572	\$ 161,374

#### F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2011, was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	\$ 370,793	\$	\$	\$ 370,793
Buildings and Improvements	1,485,561	75,817		1,561,378
Furniture and Fixtures	163,332			163,332
Machinery and Equipment	2,043,092	1,002,177	(16,800)	3,028,469
Infrastructure	16,822,137	1,802,457		18,624,594
Totals at Historic Cost	20,884,917	2,880,450	(16,800)	23,748,567
Less Accumulated Depreciation for:				
Buildings and Improvements	(429,415)	(60,003)		(489,418)
Furniture and Fixtures	(29,944)	(16,333)		(46,277)
Machinery and Equipment	(843,464)	(248,386)	6,440	(1,085,410)
Infrastructure	(10,329,602)	(810,445)		(11,140,047)
Total Accumulated Depreciation	(11,632,421)	(1,135,167)	6,440	(12,761,148)
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 9,252,496</b>	<b>\$ 1,745,283</b>	<b>\$ (10,360)</b>	<b>\$ 10,987,419</b>
<b>Business-type Activities:</b>				
Land	\$ 53,420			\$ 53,420
Buildings	18,293			18,293
Machinery & Equipment	11,974,120	87,465		12,061,585
Totals at Historic Cost	12,045,833	87,465		12,133,298
Less Accumulated Depreciation				
Buildings	(18,239)	(54)		(18,293)
Machinery & Equipment	(9,278,686)	(348,709)		(9,627,395)
Total Accumulated Depreciation	(9,296,924)	(348,763)		(9,645,686)
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 2,748,909</b>	<b>\$ (261,298)</b>	<b>\$</b>	<b>\$ 2,487,612</b>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 93,781
Court	1,061
Police Department	53,670
Streets & Drainage	977,568
Animal Control	2,228
Parks & Recreation	4,741
Community Development	384
Library	<u>1,735</u>
Total Depreciation Expense	\$ <u>1,135,167</u>

#### G. GENERAL LONG-TERM DEBT

General long-term debts consist of general obligation refunding bonds, and tax and waterworks and sewer system certificates of obligation, and compensated absences. These obligations are being paid from the annual property tax receipts, and accordingly are classified in the general long-term debt account group. A summary of the City's long-term debt transactions for the year ended September 30, 2011 are included in the following table:

Description	Payable Amounts	Issued	Retired	Outstanding
	Outstanding			
General Obligation Refunding Bonds, Series 1998	\$ 1,760,000	\$ 0	\$ 320,000	\$ 1,440,000
Taxable G.O. Refunding Bonds, Series 1999	460,000	0	220,000	240,000
Tax & Revenue Certificates of Obligation, Series 1998	500,000	0	0	500,000
Community Disaster Loan – Hurricane Ike	1,175,289	0	0	1,175,289
Compensated Absences	<u>115,752</u>	<u>101,776</u>	<u>109,778</u>	<u>107,750</u>
Total	<u>\$ 4,011,041</u>	<u>\$ 101,776</u>	<u>\$ 649,778</u>	<u>\$ 3,463,039</u>

On April 28, 1994, the City issued \$2,410,000 in General Obligation Refunding Bonds in order to advance refund \$2,185,000 in existing general obligation bonds. The proceeds from the Refunding bonds were used for the payment of the costs of issuance of the securities and to purchase US government securities which were deposited in an irrevocable trust held by an escrow agent to provide for debt service payments on the general obligation bonds. As a result, the general obligation bonds are considered defeased, and accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2011, none of the bonds outstanding are considered defeased.

On October 1, 1998, the City issued \$3,900,000 in General Obligation Refunding Bonds, Series 1998, to defease and advance refund certain obligations of the City, the General Obligation Refunding Bonds, Series 1994, and the Tax and Waterworks and Sewer System Subordinate Lien Certificates of Obligation, Series 1994. The proceeds from the Refunding bonds were used for the payment of the costs of issuance of the securities and to purchase US government securities which were deposited in an irrevocable trust held by an escrow agent to provide for debt service payments on the general obligation bonds and certificates of obligation. As a result, the general obligation bonds and certificates of obligation are considered defeased, and accordingly, the trust account assets and the liability for the defeased bonds and certificates are not included in the City's financial statements. At September 30, 2011, \$925,000 of bonds and \$495,000 of certificates outstanding are considered defeased.

On October 1, 1998, the City issued \$2,520,000 in General Obligation Taxable Refunding Bonds, Series 1998T, to advance refund certain obligations of the City, the Waterworks and Sewer System Certificates of Obligation, Series 1987, and to pay issuance costs related to the bonds. The proceeds from the Refunding bonds were used for the payment of the costs of issuance of the securities and to purchase US government securities which were deposited in an irrevocable trust held by an escrow agent to provide for debt service payments on the general obligation bonds and certificates of obligation. As a result, the general obligation bonds and certificates of obligation are considered defeased, and accordingly, the trust account assets and the liability for the defeased bonds and certificates are not included in the City's financial statements. At September 30, 2011, \$255,000 of bonds are considered defeased.

On October 1, 1998, the city also issued \$500,000 in Tax and Waterworks and Sewer System Subordinate Lien Certificates of Obligation, Series 1998. The proceeds from the 1998 certificates are being used to pay for contractual obligations incurred for the construction of certain public works, including improvements to the City's waterworks and sewer system, improvements to the City's streets and roads, and the purchase of computer equipment, and to pay issuance costs related to the certificates.

Long-term debts are comprised of the following individual issues at September 30, 2011:

Description	Interest Rates	Date Issued	Series Matures	Outstanding
General Obligation Refunding Bonds, Series 1998	3.625-4.15%	1998	2014	\$ 1,440,000
General Obligation Taxable Refunding Bonds, Series 1998	5.0-5.6%	1998	2012	240,000
Tax and Waterworks and Sewer System Certificates of Obligation, Series 1998 Waterworks & Sewer	4.375%	1998	2015	<u>500,000</u>
				\$ 2,180,000

Annual debt service requirements to maturity for the general obligation refunding bonds and tax and waterworks and sewer system certificates of obligation outstanding at September 30, 2011 are as follows:

Year	General Obligation Refunding Bonds	Tax and Waterworks and Sewer System Certificates of Obligation	Total
2012	\$ 643,200	\$ 21,875	\$ 665,075
2013	666,065	21,875	687,940
2014	510,335	111,875	622,210
2015	<u>0</u>	<u>427,938</u>	<u>427,938</u>
	\$ 1,819,600	\$ 583,563	\$ 2,403,163

The general obligation refunding bonds and tax and waterworks and sewer system certificates of obligation include interest amounts of \$139,600 and \$83,563, respectively.

The Series 1998 Bonds maturing July 1, 2014, are subject to mandatory redemption prior to maturity on July 1 in each of the years and respective principal amounts set forth below, in each case at a redemption price equal to 100% of the principal amount plus accrued interest from the most recent interest payment date to the date of redemption.

**Term Bonds Due July 1, 2014**

<u>Year</u>	<u>Amount</u>
2012	\$ 330,000
2013	620,000
2014 (maturity)	490,000

The Series 1998T Bonds are subject to mandatory redemption prior to maturity on July 1 in each of the years and respective principal amounts set forth below, in each case at a redemption price equal to 100% of the principal amount plus accrued interest from the most recent interest payment date to the date of redemption.

**Term Bonds Due July 1, 2012**

<u>Year</u>	<u>Amount</u>
2012 (maturity)	\$ 240,000

The 1998 Certificates are subject to mandatory redemption prior to maturity on July 1 in each of the years and respective principal amounts set forth below, in each case at a redemption price equal to 100% of the principal amount plus accrued interest from the most recent interest payment date to the date of redemption.

**Term Certificates Due July 1, 2015**

<u>Year</u>	<u>Amount</u>
2014	\$ 90,000
2015 (maturity)	410,000

In early 2009, the City requested and incurred a long term Promissory Note payable from the Community Disaster Loan Program managed by the Federal Emergency Management Agency (FEMA), United States Department of Homeland Security. The Community Disaster Loan Program provides operating funding to help local governments that have incurred a significant loss in revenue, due to a Presidential declared disaster, that has or will adversely affect the local government's ability to provide essential municipal services. FEMA approved a loan to the city in the amount of \$1,175,289. Interest on the loan is accrued annually based on an interest rate of 1.875%. In August 2009, the City took a draw on this Promissory Note in the amount of \$515,289. The balance of the Promissory Note was taken by the City in February 2010 in the amount of \$660,000. The Note's maturity date is April 2, 2014, at which time the principal amount on those portions of the loan, which does not qualify for loan cancellation as determined by FEMA, becomes due. Accrued interest at September 30, 2011, was \$39,963. The Promissory Note is payable from and secured by a pledge of the City's revenues for each fiscal year while any of the Promissory Note balance is outstanding.

**H. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

Upon retirement of certain employees, the City pays up to 200 hours of accrued sick leave and all vacation leave in a lump cash payment to such employee. A summary of changes in the accumulated sick leave and vacation leave liability follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>
Balance September 30, 2010	\$ 532,538	\$ 140,740
Additions - New Entrants and Salary Increments	109,073	132,819
Deductions - Payments to Participants	<u>(71,975)</u>	<u>(137,237)</u>
Balance September 30, 2011	<u>\$ 569,636</u>	<u>\$ 136,322</u>

## I. EMPLOYEE'S RETIREMENT PLAN

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after	10 yrs

Members can retire at certain ages, based on the years of service with the City.  
The Service Retirement Eligibilities for the City are: 10 yrs/age 60, 20 yrs/any age

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

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

The annual pension cost and net pension obligation/(asset) are as follows:

Net Pension Obligation (NPO) at the Beginning of Period	\$	0
Annual Pension Cost:		
Annual required contribution (ARC)	Plus	\$ 502,119
Contributions Made	Less	<u>\$ (502,119)</u>
NPO at the end of the period		<u>\$ 0</u>

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, follows:

**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	12/31/2010 Prior to Restructuring	12/31/10 Restructured
Actuarial Value of Assets	\$ 5,901,573	\$ 9,909,794
Actuarial Accrued Liability	\$ 9,683,382	\$ 13,124,865
Percentage Funded	60.9%	75.5%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 3,781,809	\$ 3,215,071
Annual Covered Payroll	\$ 2,619,584	\$2,619,584
UAAL as a Percentage of Covered Payroll	144.4%	122.7%

**Actuarial Assumptions**

Actuarial Cost Method -	Projected Unit Credit
Amortization Method -	Level Percent of Payroll
Remaining Amortization Period -	26.6 Yrs; Closed Period
Asset Valuation Method -	10-year Smoothed Market
Investment Rate of Return -	7.5% (7.0% Restructured)
Projected Salary Increases -	Varies by age and service
Includes Inflation At -	3.0%
Cost-of-Living Adjustment -	2.1%

**J. HEALTH CARE COVERAGE**

The City provides all regular full-time and part-time employees with group health, dental, life and accidental death and dismemberment benefits. In addition, the City offers dependent and dental coverage at the employee's expense.

The City's current healthcare policy with Blue Cross Blue Shield Insurance Company pays in-network at 80% and out-of-network at 60% with a lifetime maximum of \$5,000,000.

## K. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds and Notes Payable:</b>					
General Obligation Bonds	\$ 2,220,000	\$ 0	\$ (540,000)	\$ 1,680,000	\$ 570,000
Certificates of Obligation	500,000	0	0	500,000	0
Community Disaster Loan	<u>1,175,289</u>	<u>0</u>	<u>0</u>	<u>1,175,289</u>	<u>0</u>
Total Bonds and Notes Payable	3,895,289	0	(540,000)	3,355,289	570,000
<b>Other Liabilities:</b>					
Compensated Absences	<u>115,752</u>	<u>101,776</u>	<u>(109,778)</u>	<u>107,750</u>	<u>107,750</u>
Total Other Liabilities	<u>115,752</u>	<u>101,776</u>	<u>(109,778)</u>	<u>107,750</u>	<u>107,750</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 4,011,041</u>	<u>\$ 101,776</u>	<u>\$ (649,778)</u>	<u>\$ 3,463,039</u>	<u>\$ 677,750</u>
<b>Business-type Activities:</b>					
Compensated Absences	<u>\$ 24,988</u>	<u>\$ 31,043</u>	<u>\$ (27,459)</u>	<u>\$ 28,572</u>	<u>\$ 28,572</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 24,988</u>	<u>\$ 31,043</u>	<u>\$ (27,459)</u>	<u>\$ 28,572</u>	<u>\$ 28,572</u>

## L. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 43,192	\$ 68,828	\$ 112,020
Total Deferred Revenue	<u>\$ 43,192</u>	<u>\$ 68,828</u>	<u>\$ 112,020</u>

## M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Property Taxes	\$ 712,005	\$ 717,147	\$	\$	\$ 1,429,152
Other Taxes	1,763,894				1,763,894
Penalties, Interest and Other					
Tax-related Income	12,357	15,393			27,750
Licenses and Permits	42,337				
Fines	506,422				506,422
Charges for Services	341,231				341,231
Investment Earnings	1,831	1,183	123	504	3,641
Other	<u>118,667</u>				<u>118,667</u>
Total	<u>\$ 3,498,744</u>	<u>\$ 733,723</u>	<u>\$ 123</u>	<u>\$ 504</u>	<u>\$ 4,233,094</u>



## **N. LITIGATION**

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential loss on all claims and lawsuits will not be significant to the City's financial statements.

## **O. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS**

There were no joint venture-shared service arrangements for The City of Bridge City for the fiscal year ended September 30, 2011.

## **P. HURRICANES RITA AND IKE**

### **Hurricane Rita, 2005**

On September 24, 2005, the City of Bridge City was hit by Hurricane Rita, a category three (3) hurricane. The City sustained a substantial amount of damage from the storm. By September 30, 2006, the City had received \$611,439.65 funding from FEMA and TML Intergovernmental Risk Pool. The City also received donations in the amount of \$21,250. By September 30, 2007, the City had received a TCDP Block Grant in the amount of \$300,000 for storm related repairs for street improvements, debris removal, demolition and clearance activities which continued beyond the scope of the awarded grant funding which expired in August 2008.

The City applied and was awarded in January 2008 another TCDP Block Grant in the amount of \$3.8 million dollars. The funding of this grant will be used for major projects that were the result of Hurricane Rita in September 2005. The grant projects that were approved are the demolition and reconstruction for the Rachal Street elevated water storage tank, repairs at the wastewater sewer plant, replace/relocate drainage along Ferry Drive and clean storm drains along Texas Ave silted by Rita. As of September 30, 2011, \$3.8 million had been received and the grant closed.

### **Hurricane Ike, 2008**

Just two weeks after Gustav, Hurricane Ike came ashore on September 13, 2008 at Galveston Island. The storm had been downgraded from a Category 4 hurricane to a strong Category 2. Ike's coastal landfall on the Upper Texas Coast left more devastation for its residents than many realize. Ike was the third costliest Atlantic hurricane of all time, behind Hurricane Andrew of 1992 and Hurricane Katrina of 2005. The hurricane also resulted in the largest evacuation of Texans in the state's history. It also became the largest search-and-rescue operation in U.S. history.

A declaration of disaster was issued on September 9, 2008 and continued until July 2, 2009 and a mandatory evacuation was issued at 6:00 a.m. on September 11, 2008. Hurricane Ike made landfall on September 13, 2008. The mandatory evacuation was lifted September 20, 2008. A curfew was put in place from 7 p.m. until 6 a.m. on September 20, 2008 and changed to 10 p.m. until 6 a.m. on October 3, 2008 and lasted until January 6, 2009. On October 26, 2008 the water was declared potable for the Bridge City residents. Evacuees who had left their homes for higher ground, watched in horror while national media broadcast from Bridge City. Literally swamped by the tidal surge, the city bore little resemblance to what its fleeing residents had left behind.

As of the writing of this audit report, FEMA has committed approximately \$5.8 million in reimbursements for labor, equipment, debris removal, repairs to streets, drainage and for emergency shelters, showers and office trailers. As of September 2011, \$4,168,578 had been received from FEMA. The City has also been awarded an additional \$16 million in various grants awarded through the Texas General Land Office for street repairs, drainage repairs, and generators for water and sewer facilities, and an inflow and infiltration study, all of which are a result of Hurricane Ike. As of September 30, 2011, \$2,900,548 had been received from these grants. In December of 2008, the City applied for a Community Disaster Loan, which may become a forgivable loan. The City was granted the loan in the

amount of \$1,175,289 in May of 2009. The City suffered a loss of property tax revenue because of the reduction in property values related to storm damage. This loan helped cover the loss of revenues the City encountered.

**Q. RELATED ORGANIZATIONS**

There are no "related organizations" of the City as defined by *Governmental Accounting Standards Board Statement No. 14*.

**R. SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through June 14, 2012, which is the date these financial statements were accepted by management.

FEDERAL SECTION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and City Council  
City of Bridge City

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bridge City, as of and for the year ended September 30, 2011 which collectively comprise the City of Bridge City's basic financial statements and have issued our report thereon dated June 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bridge City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bridge City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bridge City's internal control over financial reporting.

A *significant deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bridge City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Keri Michutka*

June 14, 2012

*Keri Michutka*  
certified public accountant

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Mayor and Council  
City of Bridge City

Compliance

We have audited the compliance of the City of Bridge City with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Bridge City's administrators. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bridge City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Bridge City's compliance with those requirements.

In our opinion, the City of Bridge City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

The administration of the City of Bridge City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance. Our auditing procedures were not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

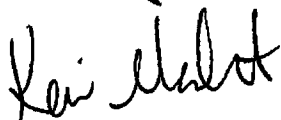
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a

control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program in such a way that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, Mayor and Council Members, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.



June 14, 2012

CITY OF BRIDGE CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

**I. Summary of the Auditor's Results:**

- a. The type of report issued on the financial statements of the City of Bridge City was an unqualified opinion.
- b. There were no control deficiencies or significant deficiencies in internal control disclosed by the audit of the financial statements and no material weakness.
- c. The audit disclosed no instances of noncompliance which are material to the financial statements of the City of Bridge City.
- d. There were no control deficiencies or significant deficiencies in internal control over major programs disclosed by the audit and no material weaknesses.
- e. The type of report the auditor issued on compliance for major programs was an unqualified opinion.
- f. The audit disclosed no audit findings, which the auditor is required to report under Section 510(a). These include:
  - 1. Control deficiencies or significant deficiencies in internal control over major programs.
  - 2. Material noncompliance with the provisions of laws, regulations, contracts, or grants agreements related to a major program.
  - 3. For a type of compliance requirement for a major program, known questioned costs when likely questioned costs are greater than \$10,000.
  - 4. Known question costs greater than \$10,000 for a Federal program which is not audited as a major program.
  - 5. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.
  - 6. Known fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.
  - 7. Instances where audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.
- g. The following were identified as major programs: TXCDBG – Hurricane Ike Grant
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000 and above for Type A programs and a floor of \$100,000 for Type B programs.
- i. The City did not qualify as a low-risk auditee.

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

None noted.

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I. f. Above**

None noted.

**CITY OF BRIDGE CITY  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**None noted.**



CITY OF BRIDGE CITY  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

No corrective action is necessary for the City during the year ended September 30, 2011.

CITY OF BRIDGE CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through:	Federal CFDA Number	Federal Expenditures
<b>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		
<u>Passed through Office of Rural Community Affairs</u>		
Texas Community Development Block Grant - Hurricane Rita	14.218	114,137
Texas Community Development Block Grant - Hurricane Ike	14.218	2,900,548
Texas Community Development Block Grant - Blueberry	14.228	<u>10,669</u>
<b>TOTAL DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		<b>3,025,354</b>
<b>DEPARTMENT OF HOMELAND SECURITY (FEMA)</b>		
<u>Passed through Texas Dept of Public Safety</u>		
Hurricane Ike Disaster Relief	97.036	275,982
Hazard Mitigation - Katy	97.039	<u>5,902</u>
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY (FEMA)</b>		<b><u>281,883</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 3,307,237</u></b>

**NOTES:**

The Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting rather than the modified accrual basis used in the preparation of the general purpose financial statements for the year ended September 30, 2011. Thus amounts above may not agree to amounts in the financial statements.

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# City of Bridge City



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## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2012

**CITY OF BRIDGE CITY**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2012**

CITY OF BRIDGE CITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council  
City of Bridge City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bridge City (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bridge City as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of City of Bridge City, Texas, taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Keri Michutka*  
February 14, 2013

## CITY OF BRIDGE CITY, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bridge City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with our transmittal at the front of this report and the City's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of 2012 by \$16,483,813. Of this amount \$5,737,194 is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$2,011,540 and may be used to meet the government's ongoing obligations. The unrestricted net assets of the City's business-type activities are \$3,725,654 and may be used to meet the ongoing obligations of the City's water, sewer, and solid waste business-type activities.
- The City's total net assets increased by \$1,071,575 in the fiscal year 2012.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,291,358, a decrease of \$632,249. Approximately 50.7% or \$1,161,741 of this total amount is considered unassigned at September 30, 2012 and is available for spending.
- The general fund reported a fund balance of \$1,218,538 at the end of the current fiscal year. The unassigned fund balance for the general fund was \$1,161,741 or 27.3% of total general fund expenditures (excluding transfers out).
- The City's total long-term bonded debt decreased by \$570,000 for routine bond payments.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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



The *government wide financial statements* can be found on pages 11 to 13 of this report.

## FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Establishment of some funds is required by state law and bond covenants. However, the City Council establishes other funds to help control and manage particular purposes or as evidence of meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

## GOVERNMENTAL FUNDS

The majority of the City's basic services are reported in *governmental funds*, which focus on how money flows into and out of those funds and the available balances at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there has been an increase or decrease in financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, 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 fifteen individual governmental funds. Information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures, and changes in fund balances* for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other twelve 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 adopts an annual appropriated budget for its general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 14 to 18 of this report.

## PROPRIETARY FUNDS

The City charges customers for the services it provides. These services are generally reported in proprietary funds. *Proprietary funds* are reported in the same manner that all activities are reported in the *Statement of Net Assets and the Statement of Activities*. In fact, the City maintains five individual enterprise funds (a component of proprietary funds) to account for its water, sewer, and sanitation operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, improvements, billing and collection. The City's intent is that costs of providing these services to the general public on a continuing basis is financed through charges in a manner similar to a private enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flows.

The basic *proprietary fund financial statements* can be found on pages 19 to 21 of this report.

## NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The *notes to the financial statements* can be found on pages 22 to 38 of this report.

### THE CITY AS A WHOLE – GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$16,483,813 at September 30, 2012. This analysis focuses on the net assets (table 1) and changes in general revenues (table 2) of the City's governmental and business-type activities.

The largest portion of the City's net assets (65%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1  
NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 3,574,585	\$ 4,249,340	\$ 2,039,959	\$ 2,038,181	\$ 5,614,544	\$ 6,287,521
Capital Assets	12,356,619	10,987,419	2,206,825	2,487,612	14,563,444	13,475,031
Total Assets	15,931,204	15,236,759	4,246,784	4,525,793	20,177,988	19,762,552
Long-Term Liabilities						
Outstanding	2,904,365	3,463,039	-	-	2,904,365	3,463,039
Other Liabilities	268,680	310,444	521,130	576,831	789,810	887,275
Total Liabilities	3,173,045	3,773,483	521,130	576,831	3,694,175	4,350,314
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	10,746,619	8,807,419	-	-	10,746,619	8,807,419
Restricted	-	-	-	-	-	-
Unrestricted	2,011,540	2,655,857	3,725,654	3,948,962	5,737,194	6,604,819
Total Net Assets	\$ 12,758,159	\$ 11,463,276	\$ 3,725,654	\$ 3,948,962	\$ 16,483,813	\$ 15,412,238

The total unrestricted net assets of \$5,737,194 may be used to meet the government's ongoing obligations to citizens and creditors. It is important to note that the net assets of the City's business-type activities may not be used to fund governmental activities and vice versa.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the City as whole as well as for its separate governmental activities, and business-type activities.

As reflected in the following table (table 2) the City's net assets increased by \$1,071,575 during the current fiscal year. Net assets for the governmental activities increased \$1,294,883 and net assets for the business-type activities decreased \$223,308.

TABLE 2

## CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 629,787	\$ 785,221	\$ 2,649,900	\$ 2,653,396	\$ 3,279,687	\$ 6,088,517
General Revenues:						
Property Taxes	1,512,606	1,435,612	-	-	1,512,606	1,435,612
Sales Taxes	1,221,515	1,157,365	-	-	1,221,515	1,157,365
Franchise Taxes	387,381	474,577	-	-	387,381	474,577
Other Taxes	163,199	131,952	-	-	163,199	131,952
Penalty & Interest	27,334	27,750	-	-	27,334	27,750
Grants and Contributions	4,978	60,969	-	-	4,978	60,969
Other	165,789	228,843	-	-	165,789	228,843
Investment Earnings	1,815	3,641	1,169	1,328	2,984	4,969
Total Revenues	<u>4,114,404</u>	<u>4,305,930</u>	<u>2,651,069</u>	<u>2,654,724</u>	<u>6,765,473</u>	<u>6,960,654</u>
<b>Expenses:</b>						
General Government	994,859	1,028,181	-	-	994,859	1,028,181
Public Safety	1,900,631	1,805,024	-	-	1,900,631	1,805,024
Public Works	1,859,057	1,859,707	-	-	1,859,057	1,859,707
Community Development	391,564	181,694	-	-	391,564	181,694
Parks & Recreation	98,522	86,551	-	-	98,522	86,551
Library	141,499	126,915	-	-	141,499	126,915
Interest on Long-Term Debt	173,875	120,595	-	-	173,875	120,595
Utilities	-	-	2,439,019	2,489,610	2,439,019	2,489,610
Other	3,000	3,000	-	-	3,000	3,000
Total Expenses	<u>5,563,007</u>	<u>5,211,667</u>	<u>2,439,019</u>	<u>2,489,610</u>	<u>8,002,026</u>	<u>7,701,277</u>
Increase (Decrease)						
in Net Assets Before Transfers	(1,448,603)	(905,737)	212,050	165,114	(1,236,553)	(740,623)
Extraordinary item - Resource	2,366,802	3,751,405	-	-	2,366,802	3,751,405
Extraordinary item - Use	(58,674)	(207,589)	-	-	(58,674)	(207,589)
Transfers	<u>435,358</u>	<u>(5,185)</u>	<u>(435,358)</u>	<u>5,185</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	1,294,883	2,632,894	(223,308)	170,299	1,071,575	2,803,193
Net Assets Beginning	11,463,276	8,830,382	3,948,962	3,778,663	15,412,238	12,609,045
Net Assets Ending	<u>\$ 12,758,159</u>	<u>\$ 11,463,276</u>	<u>\$ 3,725,654</u>	<u>\$ 3,948,962</u>	<u>16,483,813</u>	<u>\$ 15,412,238</u>

## GOVERNMENTAL ACTIVITIES

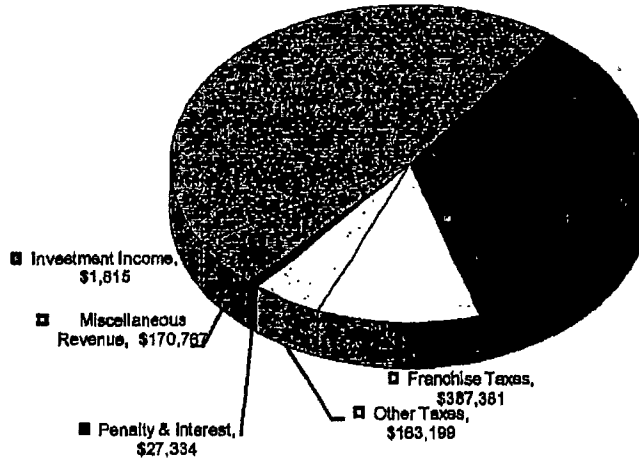
Governmental activities increased the City's net assets by \$1,294,883. The most significant governmental expense for the City was in Public Safety (Police & Fire) for the City, which incurred expenses of \$1,900,631. These expenses were offset by revenues collected from a variety of sources, with the largest being from property tax, which was \$1,512,606 for the fiscal year ended September 30, 2012. The most significant portion of expense for the Police Department is the cost of personnel, which is \$1,215,335.

## BUSINESS-TYPE ACTIVITIES

Business-type activities decreased the City's net assets by \$223,308. This decrease is primarily attributable to general operational deficiencies that allowed expenditures to exceed revenues. This decrease includes a transfer out to Governmental Activities in the amount of \$435,358 as an operational transfer.

## GOVERNMENTAL ACTIVITIES – REVENUE BY SOURCE

### General Revenues 2012



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,291,358 a decrease of \$632,249 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,161,741 while the total fund balance was \$1,218,538. 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. Unassigned fund balance represents 27.3% of total general fund expenditures, while total fund balance represents 28.6% of total general fund expenditures.

The fund balance of the City's general fund decreased by \$514,289 during the current fiscal year. It was budgeted to incur a decrease of \$675,172 in fund balance this year.

The debt service fund has a total fund balance of \$758,095, an increase of \$68,466, all of which is reserved for the payment of debt service. The Debt Service Fund is funded with property tax revenue at the level necessary to meet debt service requirements.

The other funds have a fund balance of \$314,725, all of which is reserved. The fund balance decreased by \$185,886 from the prior fiscal year.

## PROPRIETARY FUNDS

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

Unrestricted net assets of the Utility Fund (water, sewer, wastewater, and sanitation) at the end of the fiscal year amounted to \$3,725,654. Net assets in the water, sewer and sanitation fund decreased by \$223,308. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2011 -- 2012, the City Council did not amend the original budget for the general fund. However, there were line item adjustments made throughout the year but the overall total of the budget remained unchanged.

During the year actual expenditures exceeded revenues by \$514,829 therefore the general fund reserves decreased by \$514,289 (includes transfers).

A comparison of final budgetary resources and appropriations can be found on page 18.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**CAPITAL ASSETS** - The City's investment on capital assets for its governmental and business-type activities as of September 30, 2012, amounted to \$14,563,444 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, streets and drainage systems, vehicles, machinery, equipment, furniture and fixtures. Capital assets held by the City at the end of the current year are summarized as follows: (Table 4)

Table 4

Capital Assets at Year-End  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 370,793	\$ 370,793	\$ 53,420	\$ 53,420	\$ 424,213	\$ 424,213
Buildings, Plants, and Lines	1,023,619	1,071,961	18,293	18,293	1,041,912	1,090,254
Infrastructure	9,099,817	7,484,548	-	-	9,099,817	7,484,548
Vehicles, Machinery, and Equipment	1,761,668	1,943,061	2,135,112	2,415,899	3,896,780	4,358,960
Furniture and Fixtures	100,722	117,056	-	-	100,722	117,056
	<u>\$ 12,356,619</u>	<u>\$ 10,987,419</u>	<u>\$ 2,206,825</u>	<u>\$ 2,487,612</u>	<u>\$ 14,563,444</u>	<u>\$ 13,475,031</u>

During the current year, major capital additions for governmental activities were as follows:

- ☐ Acquisitions of infrastructure \$2,494,013
- ☐ Acquisitions of machinery & equipment 128,228

In addition, the following major acquisitions were made for the business-type activities:

- ☐ Investment in Machinery and Equipment \$44,335

Additional information about the City's capital assets is presented in Note F of the financial statements.

**LONG-TERM DEBT** – At the end of the current fiscal, the City had total bonds outstanding of \$1,610,000. Of this amount \$1,110,000 is tax supported debt. The remaining \$500,000 is secured by tax and certain surplus revenues, after deduction of expenses of operation and maintenance of the City's water and sewer system. The City also has a Community Disaster Loan payable in the amount of \$1,175,289.

The debt position of the City is summarized below and is more fully analyzed in Note G on page 31 of the financial statements.

Table 5

Long-Term Debt Obligations Outstanding  
General Obligation Bonds and Certificates of Obligation

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General Obligation						
Refunding Bonds:						
Series 1998						
Refunding Bonds	\$ 1,110,000	\$ 1,440,000	\$ -	\$ -	\$ 1,110,000	\$ 1,440,000
Series 1998T						
Taxable Refunding						
Bonds		240,000				240,000
Tax and Waterworks and Sewer System						
Certificates of Obligation:						
Series 1998 Tax and						
Waterworks	500,000	500,000	-	-	500,000	500,000
	<u>\$ 1,610,000</u>	<u>\$ 2,180,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,610,000</u>	<u>\$ 2,180,000</u>

The City's total debt decreased by \$570,000 during the current fiscal year, which represents the debt principal payments.

There is no direct debt limitation in the City Charter or under State Law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation. The Attorney General of the State of Texas permits allocation of \$1.50 of the \$2.50 maximum rate for general obligation debt service. The current (2011 – 2012) tax rate per \$100 of assessed valuation is \$0.22984 for debt allocation and \$0.24791 for the operating & maintenance allocation, this sets the total tax rate at \$0.47775, which is below the City's maximum allowable tax rate.

The City also has long-term liabilities related to compensated absences. The liability for governmental activities increased by \$11,326 during the current fiscal year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

### **Economic factors for fiscal year 2011 – 2012:**

- ❑ During the one year period from October 2011 to September 2012 the City collected \$1,221,585 in Sales Tax, this was a 5.27% increase from the previous fiscal year of 2010 – 2011. The average for the last five years in sales tax collections is \$1,204,493. The sales tax revenue accounts for approximately 41% of the General Fund Revenues.
- ❑ The ad valorem taxable values for the 2011 - 2012 budget increased by more than 4% over the prior year. The adopted tax rate of .47775 per \$100 of assessed property evaluation is a 6.71% increase over the calculated effective rate and the adopted tax rate remained the same.
- ❑ The City of Bridge City has only one industrial (in lieu of taxes) contract. A portion of Firestone Polymers is in the City's extra-territorial jurisdiction. Firestone pays based on the assessed valuation of that property.
- ❑ The budget for 2011 – 2012 contains a 3% cost of living increase for all employees.
- ❑ The City of Bridge City signed a \$9,689,353 Hurricane Ike Disaster Recovery Grant contract in September 2009 to purchase and install five natural gas generators at four water well sites and the Waterwood Water Plant; purchase and install ten natural gas generators at the City wastewater plant, the Waterwood wastewater plant and eight lift stations throughout the City; and repair approximately eleven miles of City streets. These projects are still in progress as of September 30, 2012.
- ❑ A Texas Community Development Block Grant contract (#710091) in the amount of \$250,000 was signed by the Texas Department of Rural Affairs and the City in September 2010. The grant is being used to repair the lift station located on Blueberry Street.
- ❑ In September 2011, the City of Bridge City was awarded a \$4,174,572 Hurricane Ike Disaster Recovery Grant. This grant will be used to rehabilitate the existing sewer system with point repairs; pipe bursting, repairing or replacing manholes; purchase and install generators; repair lift stations. The grant will be additionally be used to resurface a number existing streets.
- ❑ The City of Bridge City and the General Land Office signed another contract for Hurricane Ike Recovery in July 2012 in the amount of \$3,000,954. The funding will be to resurface a number of streets in Census Tracts 223 and 224.
- ❑ The City of Bridge City has received to date, more than \$5.1 million dollars in reimbursement funding from the Federal Emergency Management Agency (FEMA). The City is currently working with FEMA for further reimbursement funding by reviewing current projects and auditing completed projects authorized by FEMA.
- ❑ In February 2012 Moody's Investors Service affirmed an A2 underlying rating and removed the negative outlook on the City of Bridge City's General Obligation Bonds.

### **Economic factors for fiscal year 2012 – 2013:**

- ❑ The City of Bridge City's 2012 – 2013 ad valorem taxable values increased by approximately 3% over the values for the 2011 – 2012 fiscal year. The City also adopted an ad valorem tax rate (.47800) that is a 1.94% increase over the 2011 - 2012 ad valorem tax rate (.47775).
- ❑ Two months into the 2012 – 2013 fiscal year, the Sales Tax collections have increased more than 3%.
- ❑ In late 2012, the City of Bridge City was able to issue Tax and Waterworks & Sanitary Sewer System Subordinate Lien Revenue Certificates of Obligation, Series 2012. The proceeds from the sale of the

Certificates will be used for all materials and labor to purchase and replace water meters and purchase and install the AMI (Advanced Metering Infrastructure) system.

### **Hurricane Ike, 2008**

Just two weeks after the city had evacuated for Hurricane Gustav, Hurricane Ike, the second most destructive hurricane of the 2008 Atlantic hurricane season, came ashore on September 13, 2008 at Galveston Island. The storm had been downgraded from a Category 4 hurricane to a strong Category 2. Ike's coastal landfall on the upper Texas coast left more devastation for its residents than many realize. Ike was an unusually large storm with a tropical storm wind field estimated to have been up to 400 miles across! Although Ike's powerful size may have not been reflected in the strength of its winds, the enormous size of Ike's wind field and time over the Gulf of Mexico, produced a surge more characteristic of a Category 4 wind storm. In fact, Ike's integrated kinetic energy was among the highest of any Atlantic storm in the last 40 years, including Katrina.

Therefore, the resulting storm surge left a far more destructive effect on the coastal areas along the upper Texas coast than one would imagine from only experiencing the storm's wind. In addition, we could add even more height to the surge when the astronomical tide was in "sync" with the already terribly destructive storm surge. As one would expect, the highest surges occurred on the right side of Ike's circulation.

High storm tides flooded the upper Texas and southwest Louisiana coast twenty four hours ahead of landfall. Storm tides of 10-15 feet were common in these areas. Power was lost to approximately four and a half million people at the height of Hurricane Ike.

Ike was the third costliest Atlantic hurricane of all time, behind Hurricane Katrina of 2005 and now Hurricane Sandy of 2012 that ranks second. The hurricane also resulted in the largest evacuation of Texans in the state's history. It also became the largest search-and-rescue operation in U.S. history.

Bridge City and the surrounding area would be on Ike's bad side, the right front quadrant that historically brings the heaviest rains and the highest storm surge. In Ike's case, torrential rains were accompanied by a tidal surge not seen since the Great Hurricane of 1900.

A declaration of disaster was issued on September 9, 2008 and a mandatory evacuation was issued at 6:00 AM on September 11, 2008. Hurricane Ike made landfall on September 13, 2008. The mandatory evacuation was lifted September 20, 2008. A curfew was put in place from 7PM until 6AM on September 20, 2008 and changed to 10PM until 6AM on October 3, 2008. On October 26, 2008 the water was declared potable for the Bridge City residents.

By 1:30 a.m. Saturday, Sept. 13, flood water were creeping into Bridge City homes. Within another 30 minutes, residents who stayed behind were fleeing to their attics as the storm surge rose toward ceilings in some cases. Every business and every home with the exception of fifteen (15) had anywhere from 3 inches to 8 foot of water in them.

In the flood water's wake, green lawns were littered with soggy saltgrass, and a thick layer of silt covered roads. Homes and businesses were drenched with the black tar gumbo river mud. As residents began to return home, the stench of the storm's debris permeated the air. How are we going to rebuild? Where are these people going to live?

Ten year old Little Cypress resident, Jaden Lewis celebrated her birthday on September 23, 2008. Instead of keeping the \$100 she received as birthday gifts, she chose to donate the money to Bridge City Mayor Kirk Roccaforte as a gift to the City and asked him to build a levee to protect the community from future flooding

In September 2009, the City of Bridge City was awarded the first Disaster Recovery Grant for Hurricane Ike.

### **REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of the City of Bridge City's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Bridge City, City Secretary, P. O. Box 846, Bridge City, TX 77611.



## BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

CITY OF BRIDGE CITY  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,749,244	\$ 1,524,935	\$ 3,274,179
Receivables (net of allowance for uncollectibles)	1,760,105	453,972	2,214,077
Other Current Assets	-	59,001	59,001
Inventories	56,797	-	56,797
Prepaid Items	8,439	2,051	10,490
Capital Assets:			
Land	370,793	53,420	424,213
Infrastructure, net	9,099,817	-	9,099,817
Buildings, net	1,023,619	18,293	1,041,912
Machinery and Equipment, net	1,761,668	2,135,112	3,896,780
Furniture and Fixtures, net	100,722	-	100,722
Total Assets	<u>15,931,204</u>	<u>4,246,784</u>	<u>20,177,988</u>
<b>LIABILITIES</b>			
Accounts Payable	154,161	480,463	634,624
Intergovernmental Payable	-	3,690	3,690
Accrued Interest Payable	78,800	-	78,800
Other Current Liabilities	35,719	36,977	72,696
Noncurrent Liabilities			
Due Within One Year	739,076	-	739,076
Due in More Than One Year	2,165,289	-	2,165,289
Total Liabilities	<u>3,173,045</u>	<u>521,130</u>	<u>3,694,175</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	10,746,619	-	10,746,619
Unrestricted Net Assets	2,011,540	3,725,654	5,737,194
Total Net Assets	<u>\$ 12,758,159</u>	<u>\$ 3,725,654</u>	<u>\$ 16,483,813</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF BRIDGE CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
Personnel and Purchasing	\$ 72,607	\$ -	\$ -
City Manager	130,997	-	-
City Secretary	92,948	-	-
Municipal Court	102,158	452,733	-
City Attorney	36,448	-	-
Administration	347,530	-	-
Municipal Court Judges	16,870	-	-
Finance	127,863	-	-
Police	1,891,535	-	-
Fire	9,096	-	-
Animal Control	67,438	1,064	-
Streets and Drainage	1,859,057	170,984	-
Parks and Recreation	98,522	-	-
Library	141,499	5,006	-
Community Development	391,564	-	-
Bond Interest	111,875	-	-
Other Debt Interest	62,000	-	-
Fiscal Agent's Fees	3,000	-	-
Total Governmental Activities:	5,563,007	629,787	-
<b>BUSINESS-TYPE ACTIVITIES:</b>			
	2,439,019	2,649,900	-
Total Business-Type Activities:	2,439,019	2,649,900	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 8,002,026</b>	<b>\$ 3,279,687</b>	<b>\$ -</b>

**General Revenues:**

**Taxes:**

**Property Taxes:**

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

**Sales Taxes**

**Franchise Taxes**

**Other Taxes**

**Penalty and Interest**

**Grants and Contributions Not Restricted**

**Miscellaneous Revenue**

**Investment Earnings**

**Special Item - resource**

**Special Item (Use)**

**Transfers In (Out)**

**Total General Revenues, Special Items, and Transfers**

**Change in Net Assets**

**Net Assets--Beginning**

**Net Assets--Ending**

The notes to the Financial Statements are an integral part of this statement.