

**keri michutka**  
CERTIFIED PUBLIC ACCOUNTANT

**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance;  
and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

**Independent Auditor's Report**

Mayor and Council  
City of Bridge City, Texas

**Report on Compliance for Each Major Federal Program**

We have audited City of Bridge City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Bridge City's major federal programs for the year ended September 30, 2013. City of Bridge City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Bridge City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Bridge City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Bridge City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

**Report on Internal Control Over Compliance**

Management of City of Bridge City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Bridge City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not 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 City of Bridge City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of City of Bridge City as of and for the year ended September 30, 2013, and have issued our report thereon dated February 7, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Bridge City, Texas  
February 7, 2014

**CITY OF BRIDGE CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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 – DRS210001.
- 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, 2013

None noted.

CITY OF BRIDGE CITY  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

No corrective action is necessary for the City during the year ended September 30, 2013.

CITY OF BRIDGE CITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/Pass-Through:	Federal CFDA Number	Federal Expenditures
<b>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		
<u>Passed through Office of Texas Department of Agriculture</u>		
Texas Community Development Block Grant - Hurricane Ike - DRS010001	14.228	\$ 1,677,987
Texas Community Development Block Grant - Hurricane Ike - DRS210001	14.228	979,788
Texas Community Development Block Grant - 712031	14.228	223,223
Texas Community Development Block Grant - 710091	14.228	<u>141,504</u>
<b>TOTAL DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		<u>3,022,503</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 3,022,503</u>

**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, 2013. Thus amounts above may not agree to amounts in the financial statements.



CITY OF BRIDGE CITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2014

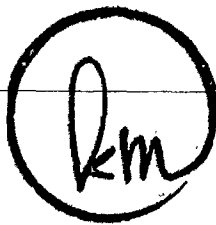


CITY OF BRIDGE CITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30,2014

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CERTIFIED PUBLIC ACCOUNTANT

## Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information

### Independent Auditor's Report

Mayor and City Council  
City of Bridge City, Texas

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bridge City as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bridge City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Texas Municipal Retirement System Schedule of Funding Progress on pages 3-11 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Bridge City's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of City of Bridge City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bridge City's internal control over financial reporting and compliance.



Bridge City, Texas  
December 9, 2014

## 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, 2014. 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 2014 by \$20,817,003. Of this amount \$4,457,140 is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$2,728,003 and may be used to meet the government's ongoing obligations. The unrestricted net assets of the City's business-type activities are \$1,729,137 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 \$3,305,977 in the fiscal year 2014.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,858,686, an increase of \$530,311. Approximately 8.93% or \$255,186 of this total amount is considered unassigned at September 30, 2014 and is available for spending.
- The general fund reported a fund balance of \$310,421 at the end of the current fiscal year. The unassigned fund balance for the general fund was \$255,186 or 7.61% of total general fund expenditures (excluding transfers out).
- The City's total long-term bonded debt increased by \$1,250,000 for a new certificate of obligation and decreased by \$580,000 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 position* 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 position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net 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 12 to 14 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 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 funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City 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 15 to 21 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 Position and the Statement of Cash Flows*. All activities associated with providing such services are including in 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 22 to 24 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 25 to 41 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 \$20,760,319 at September 30, 2014. 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 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	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 4,530,459	\$ 3,708,818	\$ 2,262,642	\$ 1,902,750	\$ 6,793,101	\$ 5,611,568
Capital Assets	15,060,655	12,156,666	3,797,524	3,736,999	18,858,179	15,893,665
Total Assets	19,591,114	15,865,484	6,060,166	5,639,749	25,651,280	21,505,233
Long-Term Liabilities						
Outstanding	3,943,410	3,266,321			3,943,410	3,266,321
Other Liabilities	414,046	271,121	476,821	456,765	890,867	727,886
Total Liabilities	4,357,456	3,537,442	476,821	456,765	4,834,277	3,994,207
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	12,505,655	9,021,666	3,797,524	3,736,999	16,303,179	12,758,665
Unrestricted	2,728,003	3,306,376	1,785,821	1,445,985	4,513,824	4,752,361
Total Net Assets	\$ 15,233,658	\$ 12,328,042	\$ 5,583,345	\$ 5,182,984	\$ 20,817,003	\$ 17,511,026

The total unrestricted net assets of \$4,513,824 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 \$3,305,977 during the current fiscal year. Net assets for the governmental activities increased \$2,905,616 and net assets for the business-type activities increased \$400,361.

TABLE2

## CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 790,625	\$ 541,018	\$ 2,900,504	\$ 2,687,487	\$ 3,691,129	\$ 3,228,505
General Revenues:						
Property Taxes	1,605,177	1,583,692			1,605,177	1,583,692
Sales Taxes	1,348,115	1,262,087			1,348,115	1,262,087
Franchise Taxes	434,383	423,732			434,383	423,732
Other Taxes	185,961	173,860			185,961	173,860
Penalty & Interest	27,963	28,337			27,963	28,337
Grants and Contributions	242,454	32,662			242,454	32,662
Other	158,189	103,602			158,189	103,602
Investment Earnings	(1,448)	5,199	(328)	1,574	(1,776)	6,773
Total Revenues	<u>4,791,419</u>	<u>4,154,189</u>	<u>2,900,176</u>	<u>2,689,061</u>	<u>7,691,595</u>	<u>6,843,250</u>
<b>Expenses:</b>						
General Government	997,692	876,933			997,692	876,933
Public Safety	2,078,642	2,027,653			2,078,642	2,027,653
Public Works	2,472,349	2,058,106			2,472,349	2,058,106
Community Development	281,503	203,428			281,503	203,428
Parks & Recreation	75,097	69,007			75,097	69,007
Library	141,848	136,806			141,848	136,806
Interest on Long-Term Debt	93,964	105,975			93,964	105,975
Utilities			2,514,955	2,433,066	2,514,955	2,433,066
Other	2,500	2,000			2,500	2,000
Total Expenses	<u>6,143,595</u>	<u>5,479,908</u>	<u>2,514,955</u>	<u>2,433,066</u>	<u>8,658,550</u>	<u>7,912,974</u>
<b>Increase (Decrease)</b>						
in Net Assets Before Transfers	(1,352,176)	(1,325,719)	385,221	255,995	(966,955)	(1,069,724)
Special item - Resource		85,012				
Extraordinary item - Resource	4,272,051	3,895,064	51,777	364,727	4,323,828	4,259,791
Special item (Use)		(77,400)				
Extraordinary item - Use		(1,805,739)	(50,896)	(364,727)	(50,896)	(2,170,466)
Transfers In (Out)	(14,259)	(1,201,335)	14,259	1,201,335		
<b>Increase (Decrease) in Net Assets</b>	<u>2,905,616</u>	<u>(430,117)</u>	<u>400,361</u>	<u>1,457,330</u>	<u>3,305,977</u>	<u>1,027,213</u>
<b>Net Assets Beginning</b>	<u>12,328,042</u>	<u>12,758,159</u>	<u>5,182,984</u>	<u>3,725,654</u>	<u>17,511,026</u>	<u>16,483,813</u>
<b>Net Assets Ending</b>	<u>\$ 15,233,658</u>	<u>\$ 12,328,042</u>	<u>\$ 5,583,345</u>	<u>\$ 5,182,984</u>	<u>20,817,003</u>	<u>\$ 17,511,026</u>

**GOVERNMENTAL ACTIVITIES**

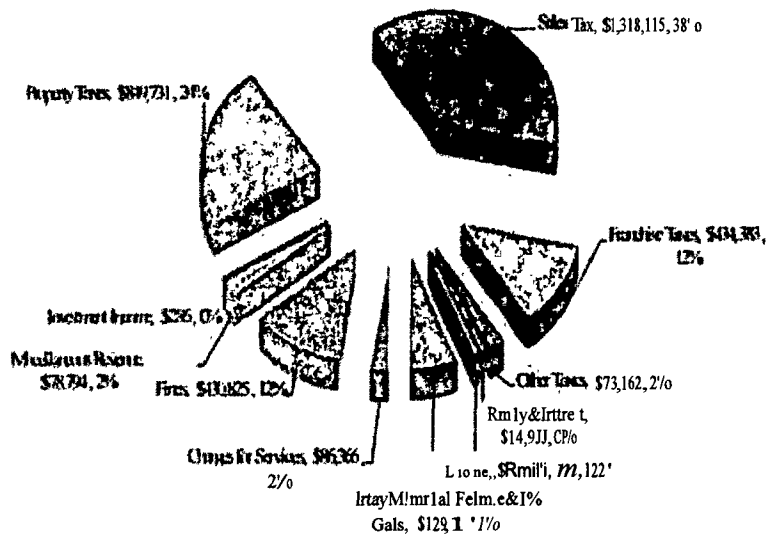
Governmental activities increased the City's net assets by \$2,905,616. The most significant resource increases were from Grants received as a result of Hurricane Ike. These extraordinary items were reimbursements for prior years expenses and for repairs to the City's infrastructure damaged by Hurricane Ike in September 2008.

**BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the City's net assets by \$400,361. This increase is primarily attributable to an increase in Charges for Services in the amount of \$213,017.

## GOVERNMENTAL ACTIVITIES- REVENUE BY SOURCE

### General Revenues 2014



## 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, unassigned 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 \$2,858,686 an increase of \$530,311 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 \$255,186 while the total fund balance was \$310,421. 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.

The fund balance of the City's general fund decreased by \$133,307 during the current fiscal year.

The debt service fund has a total fund balance of \$879,723, an increase of \$74,407, all of which is restricted 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 \$1,668,542, all of which is restricted. The fund balance increased by \$589,211 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 \$1,729,137. Net position in the water, sewer and sanitation fund increased by \$400,361. 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 2013 – 2014, 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 \$133,307 therefore, the general fund reserves decreased by \$133,307 (includes transfers).

A comparison of final budgetary resources and appropriations can be found on page 21.

## 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, 2014, amounted to \$18,858,177 (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	
	2014	2013	2014	2013	2014	2013
Land	\$ 370,793	\$ 370,793	\$ 53,420	\$ 53,420	\$ 424,213	\$ 424,213
Buildings, Plants, and Equipment	958,177	990,720			958,177	990,720
Infrastructure	12,330,131	8,113,144			12,330,131	8,113,144
Vehicles, Machinery, & Equipment	1,333,496	1,618,087	3,744,103	1,914,763	5,077,599	3,532,850
Furniture and Fixtures	68,057	84,389			68,057	84,389
Construction in Progress		979,538		1,768,815		2,748,353
	<u>\$ 15,060,654</u>	<u>\$ 12,156,671</u>	<u>\$ 3,797,523</u>	<u>\$ 3,736,998</u>	<u>\$ 18,858,177</u>	<u>\$ 15,893,669</u>

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

o Acquisitions of Infrastructure \$5,251,592

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

o Investment in Machinery and Equipment \$2,147,971

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 \$3,805,000 which 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 debt position of the City is summarized below and is more fully analyzed in Note G on page 34 of the financial statements.

Table 5

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

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General Obligation						
Refunding Bonds:						
Series 1998						
Refunding Bonds	\$	\$ 490,000	\$	\$	\$	\$ 490,000
Tax and Waterworks						
and Sewer System						
Certificates of Obligation:						
Series 1998 Tax and						
Waterworks	410,000	500,000			410,000	500,000
Water & Sewer System						
Improvements						
Certificates of Obligation:						
Series 2012	2,145,000	2,145,000			2,145,000	2,145,000
Water & Sewer System						
Improvements						
Certificates of Obligation						
Series 2014	1,250,000				1,250,000	
	\$ 3,805,000	\$ 3,135,000	\$	\$	\$ 3,805,000	\$ 3,135,000

The City's total debt decreased by \$580,000 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 2013 - 2014 tax rate per \$100 of assessed valuation is \$0.22435 for debt allocation and \$0.25910 for the operating & maintenance allocation, this sets the total tax rate at \$0.48345, 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 \$7,089 during the current fiscal year.

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

Economic factors for fiscal year 2013-2014:

- During the one year period from October 2013 to September 2014 the City collected \$1,348,115 in Sales Tax, this was a 6.82% increase from the previous fiscal year of 2012-2013. The average for the last five years in sales tax collections is \$1,216,209. The sales tax revenue accounts for approximately 38% of the General Fund Revenues.
- The ad valorem taxable values for the 2013 - 2014 budget increased by more than 6% over the prior year. The adopted tax rate of .48345 per \$100 of assessed property evaluation is a 5.55% 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 2013 - 2014 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 (DRS010001) 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, 2014.
- A Texas Community Development Block Grant contract (#712031) in the amount of \$275,000 was signed by the Texas Department of Agriculture and the City in October 2012. The grant is being used to repair deteriorated and undersized water lines along with aged water meters and fire hydrants located on Paula Avenue and was completed during the 2013 - 2014 fiscal year.
- In September 2012, the City of Bridge City was awarded a \$4,174,572 Hurricane Ike Disaster Recovery Grant (DRS210001). 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 additionally be used to resurface a number of existing streets. These projects are in progress as of September 30, 2014.
- The City of Bridge City and the General Land Office signed another contract in 2012 in the amount of \$3,000,954 for Hurricane Ike Recovery (DRS220001). The funding will be to resurface a number of streets in Census Tracts 223 and 224. These projects are in progress as of September 30, 2014.
- The City of Bridge City has received to date, more than \$5.2 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. As of September 30, 2014 the estimated reimbursement remaining due to the city is \$229,891.
- In June 2014, the City of Bridge City was able to issue Tax and Waterworks & Sanitary Sewer System Subordinate Lien Revenue Certificates of Obligation, Series 2014. The proceeds from the sale of the Certificates will be used to appeal the Department of Homeland Security's Federal Emergency Management Agency's Flood Insurance Rate Map and Flood Insurance Study Report for Orange County, Texas and Incorporated Areas. This project is very important to the welfare of Bridge City in the future. The FEMA produced DFIRMS do not accurately depict the flood hazard threat at any point in Orange County. The Engineering firm will have the task of providing an improved hydraulic analysis that is more reliable, defensible, and is able to be defined on a site specific basis for developing DFIRMS and defining BFEs for Orange County with a very large portion lying in Bridge City. The remaining proceeds will be used for water and sewer infrastructure projects.

#### Economic factors for fiscal year 2014-2015:

- O The City of Bridge City's adopted 2014 – 2015 ad valorem tax rate of .47807 will produce a 1.11% levy decrease over the 2013 – 2014 tax rate of .48345.
- O One month into the 2014 – 2015 fiscal year, the Sales Tax collections are 2.22% higher than budgeted.

#### Hurricane Ike

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. Storm tides of 10-15 feet were common in these areas.

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.

By 1:30 a.m. Saturday, Sept. 13, flood waters 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 salt grass, 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?

In September 2009, the City of Bridge City was awarded the first Disaster Recovery Grant for Hurricane Ike. As of September 30, 2014 the City is still working with the General Land Office to complete all the Disaster Recovery Projects.

#### 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

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GOVERNMENT-WIDE STATEMENTS

CITY OF BRIDGE CITY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,782,183	\$ 1,760,918	\$ 4,543,101
Receivables (net of allowance for uncollectibles)	1,687,210	445,040	2,132,250
Inventories	55,235	56,684	111,919
Prepaid Items	5,831		5,831
Capital Assets:			
Land	370,793	53,420	424,213
Infrastructure, net	12,330,131		12,330,131
Buildings, net	958,177	18,293	976,470
Machinery and Equipment, net	1,333,497		1,333,497
Furniture and Fixtures, net	68,057	3,725,811	3,793,868
Total Assets	19,591,114	6,060,166	25,651,280
<b>LIABILITIES</b>			
Accounts Payable	159,016	138,047	297,063
Intergovernmental Payable		3,850	3,850
Accrued Interest Payable	21,941		21,941
Deferred Revenues		296,030	296,030
Other Current Liabilities	233,089	38,894	271,983
Noncurrent Liabilities			
Due Within One Year	693,410		693,410
Due in More Than One Year	3,250,000		3,250,000
Total Liabilities	4,357,456	476,821	4,834,277
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,505,655	3,797,524	16,303,179
Unrestricted Net Position	2,728,003	1,785,821	4,513,824
Total Net Position	\$ 15,233,658	\$ 5,583,345	\$ 20,817,003

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, 2014

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
Personnel and Purchasing	\$ 75,255	\$	\$
City Manager	137,265		
City Secretary	99,612		
Municipal Court	158,256	608,113	
City Attorney	39,488		
Administration	334,468		
Municipal Court Judges	17,640		
Finance	135,708		
Police	2,002,077		
Fire	8,430		
Animal Control	68,135	1,009	
Streets and Drainage	2,472,349	176,014	
Parks and Recreation	75,097		563
Library	141,848	5,489	12,000
Community Development	281,503		
Bond Interest	93,964		
Fiscal Agent's Fees	2,500		
Total Governmental Activities:	6,143,595	790,625	12,563
BUSINESS-TYPE ACTIVITIES:			
	2,514,955	2,900,504	
Total Business-Type Activities:	2,514,955	2,900,504	
TOTAL PRIMARY GOVERNMENT:	\$ 8,658,550	\$ 3,691,129	\$ 12,563

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 Position

Net Position- Beginning

Net Position--Ending

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



Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (75,255)	\$	\$ (75,255)
(137,265)		(137,265)
(99,612)		(99,612)
449,857		449,857
(39,488)		(39,488)
(334,468)		(334,468)
(17,640)		(17,640)
(135,708)		(135,708)
(2,002,077)		(2,002,077)
(8,430)		(8,430)
(67,126)		(67,126)
(2,296,335)		(2,296,335)
(74,534)		(74,534)
(124,359)		(124,359)
(281,503)		(281,503)
(93,964)		(93,964)
(2,500)		(2,500)
(5,340,407)		(5,340,407)
	385,549	385,549
	385,549	385,549
(5,340,407)	385,549	(4,954,858)
856,797		856,797
748,380		748,380
1,348,115		1,348,115
434,383		434,383
185,961		185,961
27,963		27,963
229,891		229,891
158,189		158,189
(1,448)	(328)	(1,776)
4,272,051	51,777	4,323,828
	(50,896)	(50,896)
(14,259)	14,259	
8,246,023	14,812	8,260,835
2,905,616	400,361	3,305,977
12,328,042	5,182,984	17,511,026
\$ 15,233,658	\$ 5,583,345	\$ 20,817,003

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Street Maintenance Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 41,591	\$ 282,044	\$ 879,723
Taxes Receivable (Net)	210,543		84,630
Receivables (Net)	232,433	28,347	
Inventories	55,235		
Prepaid Items	5,831		
Total Assets	\$ 545,633	\$ 310,391	\$ 964,353
<b>LIABILITIES</b>			
Accounts Payable	\$ 95,669	\$ 47,275	\$
Wages and Salaries Payable	15,998		
Other Current Liabilities	47,808	150,827	
Total Liabilities	159,475	198,102	
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue- Property Taxes	75,737		84,630
Total Deferred Inflows of Resources	75,737		84,630
<b>FUND BALANCES</b>			
Inventories	55,235		
Restricted		112,289	
Retirement of Long-Term Debt			879,723
Unassigned Fund Balance	255,186		
Total Fund Balances	310,421	112,289	879,723
Total Liabilities, Deferred Inflows & Fund Balances	\$ 545,633	\$ 310,391	\$ 964,353

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

Capital Projects Fund	Other Funds	Total Governmental Funds
\$ 1,206,530	\$ 372,295	\$ 2,782,183
	11,956	307,129
		260,780
		55,235
		5,831
\$ 1,206,530	\$ 384,251	\$ 3,411,158
\$	\$ 74	\$ 143,018
		15,998
	34,454	233,089
	34,528	392,105
		160,367
		160,367
		55,235
1,206,530	349,723	1,668,542
		879,723
		255,186
1,206,530	349,723	2,858,686
\$ 1,206,530	\$ 384,251	\$ 3,411,158

CITY OF BRIDGE CITY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30,2014

<b>Total Fund Balances - Governmental Funds</b>	\$ 2,858,686
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 \$27,541,017 and the accumulated depreciation was \$15,384,346. 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 position.	8,890,350
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 2014 capital outlays and debt principal payments is to increase net position.	3,654,000
The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,427,105)
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 position.	1,257,727
<b>Net Position of Governmental Activities</b>	<u>\$ 15,233,658</u>

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, 2014

	General Fund	Street Maintenance Fund	Debt Service Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 849,731	\$	\$ 738,266
General Sales and Use Taxes	1,348,115		
Franchise Tax	434,383		
Other Taxes	73,162		
Penalty and Interest on Taxes	14,930		13,033
Licenses and Permits	29,122		
Intergovernmental Revenue and Grants	229,891		
Charges for Services	86,366	165,316	
Fines	430,825		
Investment Earnings	286	(262)	(667)
Contributions & Donations from Private Sources			
Other Revenue	78,794		665
<b>Total Revenues</b>	<b>3,575,605</b>	<b>165,054</b>	<b>751,297</b>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Personnel and Purchasing	75,255		
City Manager	137,265		
City Secretary	99,612		
Municipal Court	137,268		
City Attorney	39,488		
Administration	284,089		
Municipal Court Judges	17,640		
Finance	135,708		
Public Safety:			
Police	1,915,285		
Fire	8,430		
Animal Control	67,985		
Streets and Drainage	770,713	370,343	
Culture and Recreation:			
Parks and Recreation	70,684		
Library	136,291		
Community Development	183,317		
Debt Service:			
Bond Principal			580,000
Bond Interest			94,390
Fiscal Agent's Fees			2,500
<b>Total Expenditures</b>	<b>4,079,030</b>	<b>370,343</b>	<b>676,890</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(503,425)	(205,289)	74,407
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from Bond			
Transfers In	370,161		
Transfers Out	(43)		
<b>Total Other Financing Sources (Uses)</b>	<b>370,118</b>		
<b>EXTRAORDINARY ITEMS:</b>			
Extraordinary Item - Resource			
Extraordinary Item- (Use)			
Net Change in Fund Balances		(205,289)	74,407
Fund Balance- October 1 (Beginning)		317,578	805,316
<b>Fund Balance- September 30 (Ending)</b>	<b>\$ 310,421</b>	<b>\$ 112,289</b>	<b>\$ 879,723</b>

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

Capital Projects Fund	Other Funds	Total Governmental Funds
\$	\$	\$
		1,587,997
		1,348,115
		434,383
	112,799	185,961
		27,963
		29,122
		229,891
	8,247	259,929
	72	430,897
(409)	(396)	(1,448)
	12,563	12,563
	18,603	98,062
(409)	151,888	4,643,435
		75,255
		137,265
		99,612
	20,988	158,256
		39,488
43,593		327,682
		17,640
		135,708
	28,641	1,943,926
		8,430
		67,985
		1,141,056
		70,684
	31,255	167,546
	98,122	281,439
		580,000
		94,390
		2,500
43,593	179,006	5,348,862
(44,002)	(27,118)	(705,427)
1,250,000		1,250,000
43	81,416	451,620
(384,420)	(81,416)	(465,879)
865,623		1,235,741
	4,272,051	4,272,051
	(4,272,054)	(4,272,054)
821,621	(27,121)	530,311
384,909	376,844	2,328,375
\$ 1,206,530	\$ 349,723	\$ 2,858,686

## 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, 2014

<b>Total Net Change in Fund Balances- Governmental Funds</b>	<b>\$ 530,311</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 2014 capital outlays and debt principal payments is to increase (decrease) the change in net position.	3,654,000
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 the change in net position.	(1,427,105)
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 the change in net position.	148,410
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 2,905,616</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 30,2014

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 960,000	\$ 960,000	\$ 849,731	\$ (110,269)
General Sales and Use Taxes	1,300,000	1,300,000	1,348,115	48,115
Franchise Tax	475,000	475,000	434,383	(40,617)
Other Taxes	73,000	73,000	73,162	162
Penalty and Interest on Taxes	14,500	14,500	14,930	430
Licenses and Permits	34,200	34,200	29,122	(5,078)
Intergovernmental Revenue and Grants			229,891	229,891
Charges for Services	82,000	82,000	86,366	4,366
Fines	400,000	400,000	430,825	30,825
Investment Earnings	900	900	286	(614)
Other Revenue	17,000	17,000	78,794	61,794
Total Revenues	3,356,600	3,356,600	3,575,605	219,005
EXPENDITURES:				
Current:				
General Government:				
Personnel and Purchasing	74,638	74,638	75,255	(617)
City Manager	136,008	136,008	137,265	(1,257)
City Secretary	99,927	97,465	99,612	(2,147)
Municipal Court	140,671	143,683	137,268	6,415
City Attorney	39,036	39,036	39,488	(452)
Administration	228,041	252,491	284,089	(31,598)
Municipal Court Judges	18,427	18,427	17,640	787
Finance	136,345	136,345	135,708	637
Public Safety:				
Police	1,923,079	1,923,079	1,915,285	7,794
Fire	9,500	9,500	8,430	1,070
Animal Control	71,111	71,111	67,985	3,126
Streets and Drainage	775,474	775,474	770,713	4,761
Culture and Recreation:				
Parks and Recreation	79,594	79,594	70,684	8,910
Library	140,823	140,823	136,291	4,532
Community Development	199,349	199,349	183,317	16,032
Contingency	25,000			
Total Expenditures	4,097,023	4,097,023	4,079,030	17,993
Excess (Deficiency) of Revenues Over (Under) Expenditures	(740,423)	(740,423)	(503,425)	236,998
OTHER FINANCING SOURCES (USES):				
Transfers In	740,423	740,423	370,161	(370,262)
Transfers Out			(43)	(43)
Total Other Financing Sources (Uses)	740,423	740,423	370,118	(370,305)
Net Change in Fund Balances			(133,307)	(133,307)
Fund Balance- October 1 (Beginning)	443,728	443,728	443,728	
Fund Balance- September 30 (Ending)	\$ 443,728	\$ 443,728	\$ 310,421	\$ (133,307)

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

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PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	Business Type Activities
<hr/>	
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 1,760,918
Accounts Receivable (Net)	445,040
Inventories	56,684
Total Current Assets	<u>2,262,642</u>
<b>Noncurrent Assets:</b>	
Capital Assets:	
Land	53,420
Buildings	18,293
Machinery and Equipment	14,343,581
Accumulated Depreciation	(10,617,770)
Total Noncurrent Assets	<u>3,797,524</u>
Total Assets	<u>6,060,166</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	101,175
Wages and Salaries Payable	4,770
Compensated Absences Payable	32,102
Intergovernmental Payable	3,850
Unearned Revenue - Customer Advance Payments	296,030
Other Current Liabilities	38,894
Total Liabilities	<u>476,821</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,797,524
Restricted for Inventories	56,684
Unrestricted Net Position	<u>1,729,137</u>
Total Net Position	<u>\$ 5,583,345</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 POSITION~~  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Water Services	\$ 1,067,614
Charges for Sewerage Service	992,052
Charges for Sanitation Service	682,554
Prop.Fund Charges for Services - Other	158,284
Total Operating Revenues	<u>2,900,504</u>
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	674,460
Personnel Services- Employee Benefits	282,678
Purchased Professional & Technical Services	248,987
Purchased Property Services	834,347
Other Operating Expenses	105,490
Supplies	50,362
Depreciation	318,631
Total Operating Expenses	<u>2,514,955</u>
Operating Income	<u>385,549</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	(328)
Total Non-operating Revenue (Expenses)	<u>(328)</u>
Income Before Transfers, Gains or Losses	385,221
Non-Operating Transfer In	384,420
Transfers Out	(370,161)
Extraordinary Item- Resource	51,777
Extraordinary Item- (Use)	(50,896)
Change in Net Position	<u>400,361</u>
Total Net Position -October 1 (Beginning)	<u>5,182,984</u>
Total Net Position September 30 (Ending)	<u>\$ 5,583,345</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, 2014

	Business Type Activities
Cash Flows from Operating Activities:	
Cash Received from User Charges	\$ 2,879,474
Cash Payments to Employees for Services	(957,138)
Cash Payments for Suppliers	(107,046)
Cash Payments for Other Operating Expenses	(1,168,768)
Net Cash Provided by Operating Activities	646,522
Cash Flows from Non-Capital Financing Activities:	
Proceeds from Extraordinary Item	881
Operating Transfers	14,259
Net Cash Provided by Non-Capital Financing Activities	15,140
Cash Flows from Capital & Related Financing Activities:	
Acquisition of Capital Assets	(379,156)
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	(328)
Net Increase in Cash and Cash Equivalents	282,178
Cash and Cash Equivalents at Beginning of the Year:	1,478,740
Cash and Cash Equivalents at the End of the Year:	\$ 1,760,918
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income:	\$ 385,549
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	318,631
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(21,030)
Decrease (increase) in Inventories	(56,684)
Increase (decrease) in Accounts Payable	12,859
Increase (decrease) in Other Payables	7,197
Net Cash Provided by Operating Activities	\$ 646,522

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

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF BRIDGE CITY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

**I. 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 Position 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 Position 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 Position. 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 Position 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 sometimes 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 Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

### 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 position. 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:

Assets Buildings	Years
Infrastructure	20-40
Furniture & Fixtures	20
Machinery & Equipment	10
	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 POSITION**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. 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	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	\$ 370,793	\$	\$ 370,793	
Buildings	1,605,695	614,974	990,721	
Furniture & Fixtures	163,332	78,942	84,390	
Machinery & Equipment	3,303,052	1,684,968	1,618,084	
Infrastructure	21,118,607	13,005,462	8,113,145	
Construction in Progress	<u>979,538</u>		<u>979,538</u>	
Change in Net Position				12,156,671
Long-term Liabilities at the Beginning of the year			Payable at the Beginning of the Year	
Bonds Payable			3,135,000	
Compensated Absences			<u>131,321</u>	
Change in Net Position				(3,266,321)
Net Adjustment to Net Position				<u>\$ 8,890,350</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 position 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 position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
Current Year Capital Outlay			
Machinery & Equipment	\$ 27,780		
Buildings	31,255		
Infrastructure	5,251,592		
Construction in Progress	(979,538)		
Total Capital Outlay	<u>4,331,089</u>	<u>4,331,089</u>	<u>4,331,089</u>
Debt Principal Issuance & Payments			
Bond Principal	(670,000)		
Other	<u>(7,089)</u>		
Total Change in Debt Principal	<u>(677,089)</u>	<u>(677,089)</u>	<u>(677,089)</u>
Total Adjustments to Net Position		<u>\$ 3,654,000</u>	<u>\$ 3,654,000</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:

	Amount	Adjustments to Change in Net Assets	Adjustments to Net Assets
<b>Adjustments to Revenue and Deferred Revenue</b>			
Taxes Collected from Prior Year Levies	\$ 27,802	\$ (27,802)	
Uncollected Taxes (assumed collectible) from Current Year Levy	51,258	51,258	51,258
Uncollected Taxes (assumed collectible) from Prior Year Levy	109,109		109,109
Difference in prior year estimated collectible and current year collections	(6,276)	(6,276)	
Accrued interest on long-term debt	21,941	(21,941)	(21,941)
Prior year accrued interest on long-term debt	22,367	22,367	
Reclassify fines receivable assessed but not received this year		130,804	1,119,301
Total		<u>\$ 148,410</u>	<u>\$ 1,257,727</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, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,108,374 and the bank balance was \$3,301,967. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014 were entirely 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 \$3,925,570 and the par value was \$4,835,000.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,394,626 and occurred during the month of September.
- 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 counterparty'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, 2014, are shown below:

Name	Carrying Amount	Market Value	Category
TexPool Local Government Investment Pool	\$ 954,368	\$ 954,368	
TexStar	\$480,359	\$ 480,359	

## R 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, 2014.

Interfund transfers for the year ended September 30, 2014, consisted of the following individual amounts:

#### Transfers to General Fund from:

Utility Fund	<u>\$ 370,161</u>
	\$ 370,161

#### Transfer to Utility Fund from:

Capital Projects Fund	<u>\$ 384,420</u>
	\$ 384,420

#### Transfer to Capital Projects Fund from:

General Fund	<u>\$ 43</u>
	\$ 43

#### Transfer to Hurricane Ike Recovery DRS210001 Fund from:

Hurricane Ike Recovery DRS 10000 Fund	<u>\$ 81,416</u>
	\$ 81,416

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2014, were as follows:

	Property Taxes	Other Taxes	Other	Total <u>Receivables</u>
<b>Governmental Activities:</b>				
General Fund	\$ 75,737	\$ 134,806	\$ 232,433	\$442,976
Street Maintenance Fund	0	0	28,347	28,347
Debt Service Fund	84,630	0	0	84,630
Other Funds	<u>0</u>	<u>11,956</u>	<u>0</u>	<u>11,956</u>
Total - Governmental Activities	\$ 160,367	\$ 146,762	\$ 260,780	\$ 567,909
 <b>Business-type Activities:</b>				
Utility Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$445,040</u>	<u>\$445,040</u>
Total Business-Type Activities	\$ 0	\$ 0	\$445,040	\$445,040

Payables at September 30, 2014, were as follows:

	Accounts	Other	Total Payables
<b>Governmental Activities:</b>			
General Fund	\$ 95,669	\$ 63,806	\$ 159,475
Street Maintenance Fund	47,275	150,827	198,102
Other Funds	<u>74</u>	<u>34,454</u>	<u>34,528</u>
Total - Governmental Activities	\$ 143,018	\$249,087	\$ 392,105
 <b>Business-Type Activities:</b>			
Utility Fund	\$101,175	\$ 47,514	\$ 148,689
Total Business-Type Activities	\$101,175	\$ 47,514	\$ 148,689

## F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2014, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 370,793	\$	\$	\$ 370,793
Buildings and Improvements	1,605,695	31,255		1,636,950
Furniture and Fixtures	163,332			163,332
Machinery and Equipment	3,303,051	27,780	(12,978)	3,317,853
Infrastructure	21,118,607	5,251,592		26,370,199
Construction in Progress	979,538		(979,538)	
Totals at Historic Cost	27,541,017	5,310,627	(992,516)	31,859,127
Less Accumulated Depreciation for:				
Buildings and Improvements	(614,974)	(63,799)		(678,773)
Furniture and Fixtures	(78,942)	(16,333)		(95,275)
Machinery and Equipment	(1,684,968)	(312,367)	12,978	(1,984,357)
Infrastructure	(13,005,462)	(1,034,606)		(14,040,068)
Total Accumulated Depreciation	(15,384,346)	(1,427,105)	12,978	(16,798,473)
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 12,156,671</b>	<b>\$ 3,883,522</b>	<b>\$ (979,538)</b>	<b>\$ 15,060,654</b>
<b>Business-type Activities:</b>				
Land	\$ 53,420			\$ 53,420
Buildings	18,293			18,293
Machinery & Equipment	12,195,610	2,147,971		14,343,581
Construction in Progress	1,768,815		(1,768,815)	
Totals at Historic Cost	14,036,138	2,147,971	(1,768,815)	14,415,294
Less Accumulated Depreciation				
Buildings	(18,293)			(18,293)
Machinery & Equipment	(10,280,847)	(318,631)		(10,599,478)
Total Accumulated Depreciation	(10,299,139)	(318,631)		(10,617,769)
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 3,736,999</b>	<b>\$ 1,829,340</b>	<b>\$ (1,768,815)</b>	<b>\$ 3,797,524</b>

Depreciation expense was charged to governmental functions  
as follows:

Administration	\$ 6,786
Police Department	78,842
Streets & Drainage	1,331,293
Animal Control	150
Parks & Recreation	4,413
Community Development	64
Library	<u>5,557</u>

Total Depreciation Expense \$ 1,427,105



## 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, 2014 are included in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Refunding Bonds, Series 1998	\$ 490,000	\$	\$ 490,000	\$
Tax & Revenue Certificates of Obligation, Series 1998	500,000		90,000	410,000
Certificates of Obligation Series 2012	2,145,000			2,145,000
Certificates of Obligation Series 2014		1,250,000		1,250,000
Compensated Absences	<u>131,321</u>	<u>156,848</u>	<u>149,759</u>	<u>138,410</u>
Total Debt Payable	<u>\$ 3,266,321</u>	<u>\$ 1,406,848</u>	<u>\$ 729,759</u>	<u>\$ 3,943,410</u>

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.

On December 1, 2012, the city issued \$2,145,000 in Tax and Waterworks Certificates of Obligation, Series 2012. The proceeds from the 2012 certificates are being used to pay for contractual obligations incurred for the purchase and installation of a new water meter system and to pay issuance costs related to the certificates.

On June 1, 2014 the City issued \$1,250,000 in Tax and Waterworks Certificates of Obligation, Series 2014. The proceeds from the 2014 certificates are being used to appeal the Department of Homeland Security's Federal Emergency Management Agency's Flood Insurance Rate Map and Flood Insurance Study Report for Orange County, Texas and Incorporated Areas. The remaining proceeds will be used for water and sewer infrastructure projects and to pay issuance costs related to the certificates.

Long-term debts are comprised of the following individual issues at September 30, 2014:

Description	Interest Rates	Date Issued	Series Matures	Outstanding
Tax and Waterworks and Sewer System Certificates of Obligation, Series 1998 Waterworks & Sewer	4.375%	1998	2015	\$ 410,000
Tax and Waterworks Certificates of Obligation, Series 2012	2.0-3.0%	2012	2027	2,145,000
Tax and Waterworks Certificates of Obligation, Series 2014	0.75-1.55%	2014	2018	1,250,000
				\$ 3,805,000

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, 2014 are as follows:

Year Ending September 30,	Tax and Waterworks and Sewer System Certificates of Obligation Series 1998	Tax and Waterworks Certificates of Obligation Series 2012	Tax and Waterworks Certificates of Obligation Series 2014	Annual Debt Service
2015	\$ 427,938	\$ 52,180	\$ 161,783	\$ 641,901
2016		207,180	393,868	601,048
2017		207,530	400,068	607,598
2018		207,730	340,192	547,922
2019		207,780		207,780
Thereafter		1,640,310		1,640,310
Total	\$ 427,938	\$ 2,522,710	\$ 1,295,910	\$ 4,246,558

The tax and waterworks and sewer system certificates of obligation series 1998, 2012 and 2014 include interest amounts of \$17,938, \$377,710, and \$45,910, respectively.

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

Upon retirement of certain employees, the City pays up to 350 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:

	Sick Leave	Vacation Leave
Balance September 30, 2013	\$ 735,707	\$ 168,137
Additions - New Entrants and Salary Increments	205,554	190,897
Deductions- Payments to Participants	(155,966)	(188,522)
Balance September 30, 2014	\$ 785,295	\$ 170,512

#### 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.

Plan provisions for the City were as follows:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate:	7%	7%
Matching ratio (city to employee):	2 to 1	2 to 1
Years required for vesting	10	10
Service requirement eligibility (expressed as age/years of service)	60/110, 0/20	60/110, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% ofCPI	70% ofCPI

**Contributions** Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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:

Annual Required Contribution (ARC)	\$ 474,498
Interest on Net Pension Obligation	
Adjustment to the ARC	
Annual Pension Cost (APC)	474,498
Contributions Made	(474,498)
Increase (decrease) to net pension	
Net Pension Obligation/(Asset), beginning of year	
Net Pension Obligation/(Asset), end of year	\$

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.6 years; closed period	24.7 years; closed period	30.0 years; closed period
Amortization Period for new Gains/ Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

#### *Funded Status and Funding Progress*

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	VALL as a Percentage of Covered Payroll
12/31/2013	\$ 12,682,046	\$ 16,476,223	77.0%	\$ 3,794,177	\$ 2,980,101	127.3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

#### ***Contributions***

The City contributes to the SDBF at a non-actuarially required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$6,860, \$6,534 and \$6,540, respectively, which equaled the required contributions each year.

## **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 is with Humana Insurance Company. After the \$1,500 deductible is met, the policy pays in-network at 100% and out-of-network at 70% with a lifetime maximum of \$5,000,000.

# **K. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended September 30, 2014, 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>					
Bonds and Notes Payable					
General Obligation Bonds	\$ 490,000	\$	\$ (490,000)	\$	\$
Certificates of Obligation	2,645,000	1,250,000	(90,000)	3,805,000	555,000
Total Bonds and Notes Payable	3,135,000	1,250,000	(580,000)	3,805,000	555,000
Other Liabilities					
Compensated Absences	131,321	156,848	(149,759)	138,410	138,410
Total Other Liabilities	131,321	156,848	(149,759)	138,410	138,410
Total Governmental Activities	\$ 3,266,321	\$ 1,406,848	\$ (729,759)	\$ 3,943,410	\$ 693,410
Long-term Liabilities					
<b>Business-type Activities</b>					
Compensated Absences	\$ 36,815	\$ 34,050	\$ (38,763)	\$ 32,102	\$ 32,102
Total Business-type Activities	\$ 36,815	\$ 34,050	\$ (38,763)	\$ 32,102	\$ 32,102
Long-term Liabilities					

# **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	\$ 75,737	\$ 84,630	\$ 1,603,667
Total Deferred Revenue	\$ 75,737	\$ 84,630	\$ 1,603,667

# **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>Street Maintenance Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 849,731		\$ 738,266			\$ 1,587,997
Other Taxes	1,855,660				112,799	1,968,459
Penalties and Interest on Taxes	14,930		13,033			27,963
Licenses and Permits	29,122					29,122
Intergovernmental Grants	229,891					229,891
Fines	430,825				72	430,897
Charges for Services	86,366	165,316			8,247	259,929
Investment Earnings	286	(262)	(667)	(409)	(396)	(1,448)
Contributions and Donations					12,563	12,563
Other	78,794		665		18,603	98,062
Total	\$ 3,575,605	\$ 165,054	\$ 751,297	\$ (409)	\$ 151,888	\$ 4,643,435

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, 2014.

P. HURRICANE IKE

Hurricane Ike, 2008

As of the writing of this audit report, FEMA has committed approximately \$5.2 million in reimbursements for labor, equipment, debris removal, repairs to streets, drainage and for emergency shelters, showers and office trailers. As of September 2014, \$4,977,698 has 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, 2014, \$12,142,555 has been received from the General Land Office and \$229,891 is due from FEMA.

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 December 9, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION



TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS  
(unaudited)

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of ; Covered Payroll
12/31/2011	\$ 10,769,228	\$ 13,950,497	77.2%	\$ 3,181,269	\$ 2,700,515	117.8%
12/31/2012	\$ 11,700,499	\$ 14,960,383	78.2%	\$ 3,259,884	\$ 2,891,729	112.7%
12/31/2013	\$ 12,682,046	\$ 16,476,223	77.0%	\$ 3,794,177	\$ 2,980,101	127.3%

COMBINING AND INDIVIDUAL FUND STATEMENTS

CITY OF BRIDGE CITY COMBINING  
BALANCE SHEET NONMAJOR  
GOVERNMENTAL FUNDS SEPTEMBER  
30, 2014

	Hotel/ Motel Fund	Municipal Court Security	Child Safety Fund	Gambling Forfeiture
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 203,262	\$ 47,328	\$ 19,981	\$ 26,794
Taxes Receivable (Net)	11,956			
Total Assets	<u>\$ 215,218</u>	<u>\$ 47,328</u>	<u>\$ 19,981</u>	<u>\$ 26,794</u>
<b>LIABILITIES</b>				
Accounts Payable	\$	\$	\$	\$
Other Current Liabilities	13,717			20,484
Total Liabilities	<u>13,717</u>			<u>20,484</u>
<b>FUND BALANCES</b>				
Restricted	201,501	47,328	19,981	6,310
Total Fund Balances	<u>201,501</u>	<u>47,328</u>	<u>19,981</u>	<u>6,310</u>
Total Liabilities and Fund Balances	<u>\$ 215,218</u>	<u>\$ 47,328</u>	<u>\$ 19,981</u>	<u>\$ 26,794</u>

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

Municipal Court Technology	Police Special	Park Construction	Thwarting Fund	Police State Seizures	Library Expansion	Hurricane Ike Recovery DRSIOOOOI	Hurricane Ike Recovery DRS220001
\$ 15,169	\$ 32,020	\$ 12,618	\$ 103	\$ 670	\$ 14,103	\$ -	\$
<u>\$ 15,169</u>	<u>\$ 32,020</u>	<u>\$ 12,618</u>	<u>\$ 103</u>	<u>\$ 670</u>	<u>\$ 14,103</u>	<u>\$ -</u>	<u>\$</u>
\$ 24	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ -	\$
'253							
<u>277</u>			<u>50</u>				
14,892	32,020	12,618	53	670	14,103		
<u>14,892</u>	<u>32,020</u>	<u>12,618</u>	<u>53</u>	<u>670</u>	<u>14,103</u>		
<u>\$ 15,169</u>	<u>\$ 32,020</u>	<u>\$ 12,618</u>	<u>\$ 103</u>	<u>\$ 670</u>	<u>\$ 14,103</u>	<u>\$ -</u>	<u>\$</u>

CITY OF BRIDGE CITY COMBINING  
BALANCE SHEET NONMAJOR  
GOVERNMENTAL FUNDS SEPTEMBER  
30, 2014

	Hurricane Ike Recovery DRS210001	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 247	\$ 372,295	\$ 372,295
Taxes Receivable (Net)		11,956	11,956
Total Assets	\$ 247	\$ 384,251	\$ 384,251
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 74	\$ 74
Other Current Liabilities		34,454	34,454
Total Liabilities		34,528	34,528
<b>FUND BALANCES</b>			
Restricted	247	349,723	349,723
Total Fund Balances	247	349,723	349,723
Total Liabilities and Fund Balances	\$ 247	\$ 384,251	\$ 384,251

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

CITY OF BRIDGE CITY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES- NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Hotel/ Motel Fund	Municipal Court Security	Child Safety Fund	Gambling Forfeiture
<b>REVENUES:</b>				
Taxes:				
Other Taxes	\$ 112,799	\$ -	\$ -	
Charges for Services		8,247		
Fines				
Investment Earnings	(165)	(41)	(17)	(28)
Contributions & Donations from Private Sources				
Other Revenue			2,195	
Total Revenues	<u>112,634</u>	<u>8,206</u>	<u>2,178</u>	<u>(28)</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Municipal Court		3,433		
Public Safety:				
Police				861
Culture and Recreation:				
Librmy				
Community Development	98,122			
Total Expenditures	<u>98,122</u>	<u>3,433</u>		<u>861</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,512</u>	<u>4,773</u>	<u>2,178</u>	<u>(889)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)				
<b>EXTRAORDINARY ITEMS:</b>				
Extraordinary Item - Resource				
Extraordinary Item- (Use)				
Net Change in Fund Balance	<u>14,512</u>	<u>4,773</u>	<u>2,178</u>	<u>(889)</u>
Fund Balance - October 1 (Beginning)	<u>186,989</u>	<u>42,555</u>	<u>17,803</u>	<u>7,199</u>
Fund Balance- September 30 (Ending)	\$ 201,501	\$ 47,328	\$ 19,981	\$ <u>6,310</u>

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

Municipal Court Technology	Police Special	Park Construction	Thwarting Fund	Police State Seizures	Library Expansion	Hurricane lke Recovery DRS100001	Hurricane lke Recovery DRS220001
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(23)	(66)	(12)	72		*	(36)	
12,086	4,322	563				12,000	
12,063	4,256	551	72		11,964		
17,504			51				
	27,780						
					31,255		
17,504	27,780		51		31,255		
(5,441)	(23,524)	551	21		(19,291)		
						(81,416)	
						(81,416)	
						860,276	1,988,854
						(778,860)	(1,988,854)
(5,441)	(23,524)	551	21		(19,291)		
20,333	55,544	12,067	32	670	33,394		
\$ 14,892	\$ 32,020	\$ 12,618	\$ 53	\$ 670	\$ 14,103	\$ -	\$ -

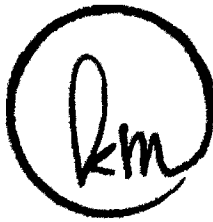


CITY OF BRIDGE CITY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES -NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Hurricane Ike Recovery DRS210001	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Other Taxes	\$	\$ 112,799	\$ 112,799
Charges for Services		8,247	8,247
Fines		72	72
Investment Earnings	(8)	(396)	(396)
Contributions & Donations from Private Sources		12,563	12,563
Other Revenue		18,603	18,603
Total Revenues	(8)	151,888	151,888
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Municipal Court		20,988	20,988
Public Safety:			
Police		28,641	28,641
Culture and Recreation:			
Library		31,255	31,255
Community Development		98,122	98,122
Total Expenditures		179,006	179,006
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8)	(27,118)	(27,118)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	81,416	81,416	81,416
Transfers Out		(81,416)	(81,416)
Total Other Financing Sources (Uses)	81,416		
<b>EXTRAORDINARY ITEMS:</b>			
Extraordinary Item - Resource	1,422,921	4,272,051	4,272,051
Extraordinary Item- (Use)	(1,504,340)	(4,272,054)	(4,272,054)
Net Change in Fund Balance	(II)	(27,121)	(27,121)
Fund Balance - October 1 (Beginning)	258	376,844	376,844
Fund Balance - September 30 (Ending)	\$ 247	\$ 349,723	\$ 349,723

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

FEDERAL SECTION



**keri michutka**  
CERTIFIED PUBLIC ACCOUNTANT

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, Texas

We have audited, 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, 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, 2014 which collectively comprise the City of Bridge City's basic financial statements and have issued our report thereon dated December 9, 2014.

**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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

*Bc : 4Lr*

December 9, 2014



**keri michutka**  
CERTIFIED PUBLIC ACCOUNTANT

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance;  
and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

Mayor and Council  
City of Bridge City, Texas

**Report on Compliance for Each Major Federal Program**

We have audited City of Bridge City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Bridge City's major federal programs for the year ended September 30, 2014. City of Bridge City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of City of Bridge City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Bridge City's compliance.

*Opinion on Each Major Federal Program*

In our opinion, the City of Bridge City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

**Report on Internal Control Over Compliance**

Management of City of Bridge City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Bridge City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not 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 City of Bridge City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of City of Bridge City as of and for the year ended September 30, 2014, and have issued our report thereon dated December 9, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Bridge City, Texas  
December 9, 2014

CITY OF BRIDGE CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 unmodified 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 30,2014

None noted.



CITY OF BRIDGE CITY  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

No corrective action is necessary for the City during the year ended September 30, 2014.

CITY OF BRIDGE CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-Through:	Federal CFDA Number	Federal Expenditures
<b>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		
Passed through Office of Texas Department of Agriculture		
Texas Community Development Block Grant- Hurricane Ike- DRS100001	14.228	\$ 778,860
Texas Community Development Block Grant- Hurricane Ike- DRS210001	14.228	1,504,340
Texas Community Development Block Grant- Hurricane Ike- DRS220002	14.228	1,988,854
Texas Community Development Block Grant- 712031	14.228	<u>51,777</u>
<b>TOTAL DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		<u>4,323,831</u>
<b>DEPARTMENT OF JUSTICE</b>		
Passed through Office of Governor		
"JAG" Video Project	16.738	<u>11,589</u>
<b>TOTAL DEPARTMENT OF JUSTICE</b>		<u>11,589</u>
<b>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>		
Passed through Texas State Library and Archives Commission		
Edge Reimbursement Program	45.310	<u>2,891</u>
<b>TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>		<u>2,891</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 4,338,311</u>

## 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, 2014. Thus amounts above may not agree to amounts in the financial statements.

2000

1

2

3

# City of Bridge City



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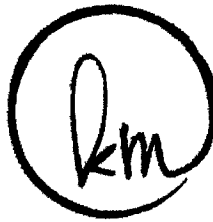
## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2015

**CITY OF BRIDGE CITY**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2015**

CITY OF BRIDGE CITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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**keri michutka**  
CERTIFIED PUBLIC ACCOUNTANT

**Unmodified Opinions on Basic Financial Statements Accompanied by  
Required Supplementary Information and Other Information**

**Independent Auditor's Report**

Mayor and City Council  
City of Bridge City, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bridge City as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bridge City as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note I to the financial statements, in 2015, the City adopted new accounting guidance prescribed by GASB #68 for its pension plan, an agent multiple-employer defined benefit pension plan. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the City's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the City's pension plan. Exhibit B-1 discloses the adjustment to the City's Beginning Net Position. Our opinion is not modified with respect to the matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Texas Municipal Retirement System pension related schedules on pages 3-12 and 44-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Bridge City's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016 on our consideration of City of Bridge City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bridge City's internal control over financial reporting and compliance.



Bridge City, Texas  
January 15, 2016



## 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, 2015. 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 2015 by \$18,054,135. Of this amount \$6,585,897 is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$4,570,930 and may be used to meet the government's ongoing obligations. The unrestricted net assets of the City's business-type activities are \$2,014,967 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 decreased by \$106,341 in the fiscal year 2015.
- ❑ As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,713,480, an increase of \$2,854,794. Approximately 10.26% or \$586,107 of this total amount is considered unreserved at September 30, 2015 and is available for spending.
- ❑ The general fund reported a fund balance of \$647,482 at the end of the current fiscal year. The unreserved fund balance for the general fund was \$586,107 or 15.43% of total general fund expenditures (excluding transfers out).
- ❑ The City's total long-term bonded debt increased by \$3,485,000 for a new certificate of obligation and decreased by \$555,000 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 position* 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 position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net 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 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 funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City 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 Position* and the *Statement of Cash Flows*. All activities associated with providing such services are including in 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.

## 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 43 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 \$18,054,135 at September 30, 2015. 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 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	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 8,396,595	\$ 4,530,459	\$ 2,481,787	\$ 2,262,642	\$ 10,878,382	\$ 6,793,101
Capital Assets	13,629,180	15,060,655	4,574,058	3,797,524	18,203,238	18,858,179
Total Assets	22,025,775	19,591,114	7,055,845	6,060,166	29,081,620	25,651,280
Deferred Outflow - Pension Plan	393,368	-	-	-	393,368	-
Long-Term Liabilities						
Outstanding	9,212,758	3,943,410	-	-	9,212,758	3,943,410
Other Liabilities	1,247,519	414,046	466,820	476,821	1,714,339	890,867
Total Liabilities	10,460,277	4,357,456	466,820	476,821	10,927,097	4,834,277
Deferred Inflow - Pension Plan	493,756	-	-	-	493,756	-
Net Assets:						
Invested in Capital Assets.						
Net of Related Debt	6,894,180	12,505,655	4,574,058	3,797,524	11,468,238	16,303,179
Unrestricted	4,570,930	2,728,003	2,014,967	1,785,821	6,585,897	4,513,824
Total Net Assets	\$ 11,465,110	\$ 15,233,658	\$ 6,589,025	\$ 5,583,345	\$ 18,054,135	\$ 20,817,003

The total unrestricted net assets of \$6,585,897 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 decreased by \$106,341 during the current fiscal year. Net assets for the governmental activities decreased \$1,112,021 and net assets for the business-type activities increased \$1,005,680.

TABLE 2

## CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,013,166	\$ 790,625	\$ 3,108,087	\$ 2,900,504	\$ 4,121,253	\$ 3,691,129
General Revenues:						
Property Taxes	1,627,878	1,605,177	-	-	1,627,878	1,605,177
Sales Taxes	1,668,905	1,348,115	-	-	1,668,905	1,348,115
Franchise Taxes	413,411	434,383	-	-	413,411	434,383
Other Taxes	199,620	185,961	-	-	199,620	185,961
Penalty & Interest	30,644	27,963	-	-	30,644	27,963
Grants and Contributions	63,762	242,454	-	-	63,762	242,454
Other	196,719	158,189	-	-	196,719	158,189
Investment Earnings	1,450	(1,448)	836	(328)	2,286	(1,776)
Total Revenues	<u>5,215,535</u>	<u>4,791,419</u>	<u>3,108,923</u>	<u>2,900,176</u>	<u>8,324,478</u>	<u>7,691,595</u>
<b>Expenses:</b>						
General Government	924,608	997,692	-	-	924,608	997,692
Public Safety	2,091,652	2,078,642	-	-	2,091,652	2,078,642
Public Works	2,190,422	2,472,349	-	-	2,190,422	2,472,349
Community Development	172,716	281,503	-	-	172,716	281,503
Parks & Recreation	89,167	75,097	-	-	89,167	75,097
Library	142,409	141,848	-	-	142,409	141,848
Interest on Long-Term Debt	109,743	93,964	-	-	109,743	93,964
Utilities	-	-	2,708,684	2,514,955	2,708,684	2,514,955
Other	1,250	2,500	-	-	1,250	2,500
Total Expenses	<u>5,721,967</u>	<u>6,143,595</u>	<u>2,708,684</u>	<u>2,514,955</u>	<u>8,430,651</u>	<u>8,658,550</u>
<b>Increase (Decrease)</b>						
In Net Assets Before Transfers	(506,412)	(1,352,176)	400,239	385,221	(106,173)	(966,955)
Extraordinary item - Resource	887,524	4,272,051	180,723	51,777	1,068,247	4,323,828
Extraordinary item - Use	(887,524)	-	(180,891)	(50,896)	(1,068,415)	(50,896)
Transfers In (Out)	(605,609)	(14,259)	605,609	14,259	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>(1,112,021)</b>	<b>2,905,616</b>	<b>1,005,680</b>	<b>400,361</b>	<b>(106,341)</b>	<b>3,305,977</b>
<b>Net Assets Beginning</b>	<b>15,233,658</b>	<b>12,328,042</b>	<b>5,583,345</b>	<b>5,182,984</b>	<b>20,817,003</b>	<b>17,511,026</b>
<b>Prior Period Adjustment</b>	<b>(2,656,527)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,656,527)</b>	<b>-</b>
<b>Net Assets Ending</b>	<b><u>\$ 11,465,110</u></b>	<b><u>\$ 15,233,658</u></b>	<b><u>\$ 6,589,025</u></b>	<b><u>\$ 5,583,345</u></b>	<b><u>\$ 18,054,135</u></b>	<b><u>\$ 20,817,003</u></b>

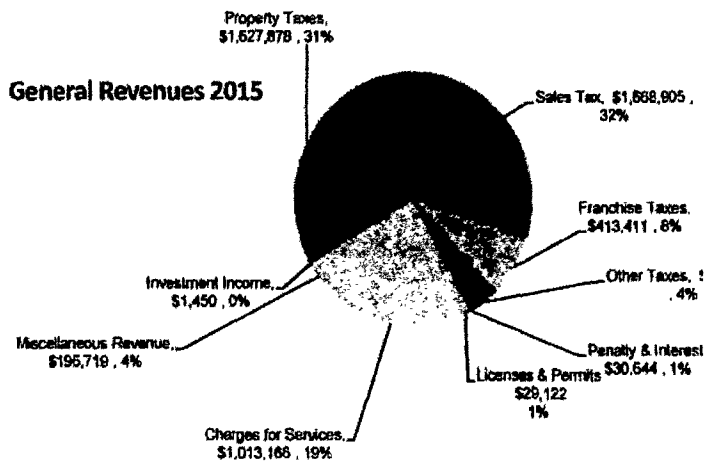
**GOVERNMENTAL ACTIVITIES**

Governmental activities decreased the City's net assets by \$1,112,021. The most significant resource decreases were from Grants received as a result of Hurricane Ike as these projects are completing. A prior period adjustment in the amount of \$2,656,527 is a result of the GASB 68 (pension) implementation, see Note I.

**BUSINESS-TYPE ACTIVITIES**

Business-type activities increased the City's net assets by \$1,005,680. This increase is primarily attributable to an increase in Charges for Services in the amount of \$207,583.

## GOVERNMENTAL ACTIVITIES – REVENUE BY SOURCE



## 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 \$5,713,480 an increase of \$2,854,794 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 \$586,107 while the total fund balance was \$647,482. 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.

The fund balance of the City's general fund increased by \$337,061 during the current fiscal year.

The debt service fund has a total fund balance of \$966,299, an increase of \$86,576, all of which is restricted 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 \$4,099,699, all of which is restricted. The fund balance increased by \$2,431,157 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 \$1,924,184. Net position in the water, sewer and sanitation fund increased by \$1,005,680. 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 2014 - 2015, 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 \$337,061 therefore, the general fund reserves increased by \$337,061 (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, 2015, amounted to \$18,203,238 (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	
	2015	2014	2015	2014	2015	2014
Land	\$ 370,793	\$ 370,793	\$ 53,420	\$ 53,420	\$ 424,213	\$ 424,213
Buildings, Plants, and Lines	957,460	958,177	-	-	957,460	958,177
Infrastructure	11,174,198	12,330,131	-	-	11,174,198	12,330,131
Vehicles, Machinery, & Equip	1,075,005	1,333,496	4,520,638	3,744,103	5,595,643	5,077,999
Furniture and Fixtures	51,724	68,057	-	-	51,724	68,057
Construction in Progress	-	-	-	-	-	-
	<u>\$ 13,629,180</u>	<u>\$ 15,060,654</u>	<u>\$ 4,574,038</u>	<u>\$ 3,797,523</u>	<u>\$ 18,203,238</u>	<u>\$ 18,858,177</u>

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

- ☐ Acquisitions of Infrastructure \$85,669

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

- ☐ Investment in Machinery and Equipment \$1,256,797

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 \$6,735,000 which 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 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		Business-Type		Totals	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General Obligation						
Certificates of Obligation:						
Series 2015	\$ 3,485,000	\$ -	\$ -	\$ -	\$ 3,485,000	\$ -
Tax and Waterworks						
and Sewer System						
Certificates of Obligation:						
Series 1998 Tax and						
Waterworks		410,000				410,000
Water & Sewer System						
Improvements						
Certificates of Obligation:						
Series 2012	2,145,000	2,145,000			2,145,000	2,145,000
Water & Sewer System						
Improvements						
Certificates of Obligation:						
Series 2014	1,105,000	1,250,000	-	-	1,105,000	1,250,000
	<u>\$ 6,735,000</u>	<u>\$ 3,805,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,735,000</u>	<u>\$ 2,555,000</u>

The City's total debt decreased by \$555,000 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 2014 - 2015 tax rate per \$100 of assessed valuation is \$0.21021 for debt allocation and \$0.26786 for the operating & maintenance allocation, this sets the total tax rate at \$0.47807, 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 \$6,151 during the current fiscal year.

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

### Economic factors for fiscal year 2014 – 2015:

- ❑ During the one year period from October 2014 to September 2015 the City collected \$1,433,356 in Sales Tax. This was a 6.23% increase from the previous fiscal year of 2013 – 2014. In addition, the City received a one-time audit payment in the amount of \$235,549. The average for the last five years in sales tax collections is \$1,274,564. The sales tax revenue accounts for approximately 38% of the General Fund Revenues.
- ❑ The ad valorem taxable values for the 2014 - 2015 budget increased by more than 6% over the prior year. The adopted tax rate of .47807 per \$100 of assessed property evaluation is a 5.45% 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 2014 – 2015 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 (DRS010001) 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, 2015.
- ❑ A Texas Community Development Block Grant contract (#7214050) in the amount of \$272,700 was signed by the Texas Department of Agriculture and the City in October 2014. The grant is being used to repair deteriorated sewer yard service lines that have resulted in excessive inflow and infiltration.
- ❑ In September 2011, the City of Bridge City was awarded a \$4,174,572 Hurricane Ike Disaster Recovery Grant (DRS210001). 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 additionally be used to resurface a number of existing streets. These projects are in progress as of September 30, 2015.
- ❑ The City of Bridge City and the General Land Office signed another contract in 2012 in the amount of \$3,000,954 for Hurricane Ike Recovery (DRS220001). The funding will be to resurface a number of streets in Census Tracts 223 and 224. These projects are in progress as of September 30, 2015.
- ❑ The City of Bridge City has received to date, more than \$5.2 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. As of September 30, 2015 the estimated reimbursement remaining due to the city is \$252,114.
- ❑ In June 2014, the City of Bridge City was able to issue Tax and Waterworks & Sanitary Sewer System Subordinate Lien Revenue Certificates of Obligation, Series 2014. The proceeds from the sale of the Certificates will be used to appeal the Department of Homeland Security's Federal Emergency Management Agency's Flood Insurance Rate Map and Flood Insurance Study Report for Orange County, Texas and Incorporated Areas. This project is very important to the welfare of Bridge City in the future. The FEMA produced DFIRMS do not accurately depict the flood hazard threat at any point in Orange County. The Engineering firm will have the task of providing an improved hydraulic analysis that is more reliable, defensible, and is able to be defined on a site specific basis for developing DFIRMS and defining BFEs for Orange County with a very large portion lying in Bridge City. The remaining proceeds will be used for water and sewer infrastructure projects.
- ❑ In June 2015, the City of Bridge City issued Tax and Waterworks & Sanitary Sewer System Subordinate Lien Revenue Certificates of Obligation, Series 2015 in the amount of \$3,485,000. The proceeds will be used to pay



for contractual obligations to be incurred for design, construction, development, redevelopment, improvement or rehabilitation and equipping (i) water and wastewater system improvements for the City, (ii) a City Municipal Court and Police Station, (iii) a City records storage building, (iv) a splash pad for Bridge City Park (collectively the "Projects") and (v) professional services for engineering, architectural, surveying, geotechnical, auditing, financial advisory, legal counsel and (vi) cost of issuance of the Certificates and, if applicable, municipal bond insurance.

**Economic factors for fiscal year 2015 – 2016:**

- ❑ The City of Bridge City's adopted 2015 – 2016 ad valorem tax rate of .49920 will produce a 4.42% levy increase over the 2014 – 2015 tax rate of .47807.
- ❑ One month into the 2015 – 2016 fiscal year, the Sales Tax collections are 1.95% higher than budgeted.

**Hurricane Ike**

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 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. Storm tides of 10-15 feet were common in these areas.

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.

By 1:30 a.m. Saturday, Sept. 13, flood waters 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 salt grass, 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?

In September 2009, the City of Bridge City was awarded the first Disaster Recovery Grant for Hurricane Ike. As of September 30, 2015 the City is still working with the General Land Office to complete all the Disaster Recovery Projects.

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## **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 POSITION  
SEPTEMBER 30, 2015

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,400,112	\$ 1,896,214	\$ 8,296,326
Receivables (net of allowance for uncollectibles)	1,923,030	493,701	2,416,731
Inventories	61,375	90,783	152,158
Prepaid Items	12,078	1,089	13,167
Capital Assets:			
Land	370,793	53,420	424,213
Infrastructure, net	11,174,198	-	11,174,198
Buildings, net	957,460	18,293	975,753
Improvements other than Buildings, net	1,075,005	-	1,075,005
Machinery and Equipment, net	51,724	4,502,345	4,554,069
Total Assets	<u>22,025,775</u>	<u>7,055,845</u>	<u>29,081,620</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	\$ 393,368	\$ -	\$ 393,368
Total Deferred Outflows of Resources	<u>393,368</u>	<u>-</u>	<u>393,368</u>
<b>LIABILITIES</b>			
Accounts Payable	114,694	106,519	221,213
Intergovernmental Payable	-	4,540	4,540
Accrued Interest Payable	45,365	-	45,365
Unearned Revenues	-	307,290	307,290
Other Current Liabilities	1,087,460	48,471	1,135,931
Noncurrent Liabilities			
Due Within One Year	679,561	-	679,561
Due in More Than One Year	6,200,000	-	6,200,000
Net Pension Liability	2,333,197	-	2,333,197
Total Liabilities	<u>10,460,277</u>	<u>466,820</u>	<u>10,927,097</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Resource Inflow Related to Pension Plan	493,756	-	493,756
Total Deferred Inflows of Resources	<u>493,756</u>	<u>-</u>	<u>493,756</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	6,894,180	4,574,058	11,468,238
Unrestricted Net Position	4,570,930	2,014,967	6,585,897
Total Net Position	<u>\$ 11,465,110</u>	<u>\$ 6,589,025</u>	<u>\$ 18,054,135</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, 2015

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
Personnel and Purchasing	\$ 72,461	\$ -	\$ -
City Manager	135,544	-	-
City Secretary	107,741	-	-
Municipal Court	166,735	792,633	-
City Attorney	42,679	-	-
Administration	246,725	-	-
Municipal Court Judges	19,937	-	-
Finance	132,786	-	-
Police	2,013,306	-	16,305
Fire	10,320	-	-
Animal Control	68,026	1,398	-
Streets and Drainage	2,190,422	213,203	-
Parks and Recreation	89,167	-	-
Library	142,409	5,932	25,023
Community Development	172,716	-	-
Bond Interest	109,743	-	-
Fiscal Agent's Fees	1,250	-	-
Total Governmental Activities:	5,721,967	1,013,166	41,328
<b>BUSINESS-TYPE ACTIVITIES:</b>			
	2,708,684	3,108,087	-
Total Business-Type Activities:	2,708,684	3,108,087	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 8,430,651</b>	<b>\$ 4,121,253</b>	<b>\$ 41,328</b>

**General Revenues:**

<b>Taxes:</b>
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 Position
Net Position - Beginning
Prior Period Adjustment
Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (72,461)	\$ -	\$ (72,461)
(135,544)	-	(135,544)
(107,741)	-	(107,741)
625,898	-	625,898
(42,679)	-	(42,679)
(246,725)	-	(246,725)
(19,937)	-	(19,937)
(132,786)	-	(132,786)
(1,997,001)	-	(1,997,001)
(10,320)	-	(10,320)
(66,628)	-	(66,628)
(1,977,219)	-	(1,977,219)
(89,167)	-	(89,167)
(111,454)	-	(111,454)
(172,716)	-	(172,716)
(109,743)	-	(109,743)
(1,250)	-	(1,250)
(4,667,473)	-	(4,667,473)
-	399,403	399,403
-	399,403	399,403
(4,667,473)	399,403	(4,268,070)
907,322		907,322
720,556		720,556
1,668,905		1,668,905
413,411		413,411
199,620		199,620
30,644	-	30,644
22,434	-	22,434
196,719	-	196,719
1,450	836	2,286
887,524	180,723	1,068,247
(887,524)	(180,891)	(1,068,415)
(605,609)	605,609	-
3,555,452	606,277	4,161,729
(1,112,021)	1,005,680	(106,341)
15,233,658	5,583,345	20,817,003
(2,656,527)	-	(2,656,527)
\$ 11,465,110	\$ 6,589,025	\$ 18,054,135

GOVERNMENTAL FUND FINANCIAL STATEMENTS



CITY OF BRIDGE CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 342,337	\$ 966,299	\$ 4,307,863
Taxes Receivable (Net)	232,279	84,832	-
Receivables (Net)	255,838	-	-
Inventories	61,375	-	-
Prepaid Items	12,078	-	-
Total Assets	<u>\$ 903,907</u>	<u>\$ 1,051,131</u>	<u>\$ 4,307,863</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 85,059	\$ -	\$ -
Wages and Salaries Payable	22,588	-	-
Other Current Liabilities	63,585	-	997,565
Total Liabilities	<u>171,232</u>	<u>-</u>	<u>997,565</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	85,193	84,832	-
Total Deferred Inflows of Resources	<u>85,193</u>	<u>84,832</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
Inventories	61,375	-	-
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	-	-	-
Capital Projects	-	-	3,310,298
Retirement of Long-Term Debt	-	966,299	-
Unassigned Fund Balance	586,107	-	-
Total Fund Balances	<u>647,482</u>	<u>966,299</u>	<u>3,310,298</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 903,907</u>	<u>\$ 1,051,131</u>	<u>\$ 4,307,863</u>

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

Other Funds	Total Governmental Funds
\$ 783,613	\$ 6,400,112
10,058	327,169
29,087	284,925
-	61,375
-	12,078
<u>\$ 822,758</u>	<u>\$ 7,085,659</u>
\$ 7,047	\$ 92,106
-	22,588
26,310	1,087,460
<u>33,357</u>	<u>1,202,154</u>
-	170,025
-	170,025
-	61,375
789,401	789,401
-	3,310,298
-	966,299
-	586,107
<u>789,401</u>	<u>5,713,480</u>
<u>\$ 822,758</u>	<u>\$ 7,085,659</u>

CITY OF BRIDGE CITY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2015

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 5,713,480</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 \$31,859,127 and the accumulated depreciation was \$16,798,473. 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 position.	11,117,244
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 2015 capital outlays and debt principal payments is to decrease net position.	(2,746,406)
The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,621,219)
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 position.	1,435,596
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,333,197, a deferred resource inflow related to TMRS in the amount of \$493,756, and a deferred resource outflow related to TMRS in the amount of \$393,368. This resulted in a decrease in net position by \$2,433,585.	(2,433,585)
<b>Net Position of Governmental Activities</b>	<b>\$ 11,465,110</b>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 904,094	\$ 714,127	\$ -
General Sales and Use Taxes	1,668,905	-	-
Franchise Tax	413,411	-	-
Other Taxes	68,787	-	-
Penalty and Interest on Taxes	15,927	14,717	-
Licenses and Permits	46,060	-	-
Intergovernmental Revenue and Grants	43,401	-	-
Charges for Services	111,557	-	-
Fines	526,901	-	-
Investment Earnings	125	301	840
Contributions & Donations from Private Sources	200	-	-
Other Revenue	81,648	-	-
Total Revenues	3,881,016	729,145	840
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Personnel and Purchasing	76,168		
City Manager	142,778		
City Secretary	112,030		-
Municipal Court	149,662		-
City Attorney	42,679		-
Administration	239,792		44,062
Municipal Court Judges	19,937		-
Finance	139,688		-
Public Safety:			
Police	2,063,679		12,098
Fire	10,320		-
Animal Control	70,982		-
Streets and Drainage	740,380		-
Culture and Recreation:			
Parks and Recreation	80,087		85,669
Library	139,901	-	-
Community Development	167,060	-	-
Debt Service:			
Bond Principal	-	555,000	-
Bond Interest	-	86,319	-
Fiscal Agent's Fees	-	1,250	-
Total Expenditures	4,195,143	642,569	141,829
Excess (Deficiency) of Revenues Over (Under)	(314,127)	86,576	(140,989)
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital-related Debt Issued (Regular Bonds)	-	-	3,485,000
Transfers In	651,188	-	-
Premium or Discount on Issuance of Bonds	-	-	118,845
Bond Issuance Costs	-	-	(102,291)
Transfers Out (Use)	-	-	(1,256,797)
Total Other Financing Sources (Uses)	651,188	-	2,244,757
<b>OTHER FINANCING SOURCES (USES):</b>			
Extraordinary Item - Resource	-	-	-
Extraordinary Item - (Use)	-	-	-
Net Change in Fund Balances	337,061	86,576	2,103,768
Fund Balance - October 1 (Beginning)	310,421	879,723	1,206,530
Fund Balance - September 30 (Ending)	\$ 647,482	\$ 966,299	\$ 3,310,298

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