

| Other Funds | Total Governmental Funds |
|-------------------|--------------------------------|
| \$ - | \$ 1,618,221 |
| - | 1,668,905 |
| - | 413,411 |
| 130,833 | 199,620 |
| - | 30,644 |
| - | 46,060 |
| 2,500 | 45,901 |
| 211,865 | 323,422 |
| - | 526,901 |
| 184 | 1,450 |
| 17,661 | 17,861 |
| 23,665 | 105,313 |
| <u>386,708</u> | <u>4,997,709</u> |
| - | 76,168 |
| - | 142,778 |
| - | 112,030 |
| 22,763 | 172,425 |
| - | 42,679 |
| - | 283,854 |
| - | 19,937 |
| - | 139,688 |
| 1,188 | 2,076,965 |
| - | 10,320 |
| - | 70,982 |
| - | 740,380 |
| 12,259 | 178,015 |
| 9,109 | 149,010 |
| 14,000 | 181,060 |
| - | 555,000 |
| - | 86,319 |
| - | 1,250 |
| <u>59,319</u> | <u>5,038,860</u> |
| <u>327,389</u> | <u>(41,151)</u> |
| - | 3,485,000 |
| - | 651,188 |
| - | 118,845 |
| - | (102,291) |
| - | (1,256,797) |
| - | <u>2,895,945</u> |
| 887,524 | 887,524 |
| <u>(887,524)</u> | <u>(887,524)</u> |
| 327,389 | 2,854,794 |
| <u>462,012</u> | <u>2,858,686</u> |
| <u>\$ 789,401</u> | <u>\$ 5,713,480</u> |

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, 2015**

| | |
|--|-----------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 2,854,794 |
| 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 2015 capital outlays and debt principal payments is to decrease the change in net position. | (2,746,406) |
| 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. | (1,621,219) |
| 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, 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. | 177,868 |
| The implementation of GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource inflows. These contributions made after the measurement date of 12/31/15 caused the change in net position to increase by \$509,128. Contributions made before the measurement date but during the 2015 FY were also de-expended and recorded as a reduction in the net pension liability for the City. The City's proportionate share of the TMRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$286,186. The result of these amounts is to increase the change in net position by \$222,942. | 222,942 |
| Change in Net Position of Governmental Activities | \$ (1,112,021) |

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, 2015

EXHIBIT C-5

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------|----------------|---|
| | Original | Final | (GAAP BASIS) | Final Budget Positive or (Negative) |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 903,000 | \$ 903,000 | \$ 904,094 | \$ 1,094 |
| General Sales and Use Taxes | 1,375,000 | 1,375,000 | 1,668,905 | 293,905 |
| Franchise Tax | 450,000 | 450,000 | 413,411 | (36,589) |
| Other Taxes | 73,000 | 73,000 | 68,787 | (4,213) |
| Penalty and Interest on Taxes | 14,300 | 14,300 | 15,927 | 1,627 |
| Licenses and Permits | 35,300 | 35,300 | 46,060 | 10,760 |
| Intergovernmental Revenue and Grants | - | - | 43,401 | 43,401 |
| Charges for Services | 78,000 | 78,000 | 111,557 | 33,557 |
| Fines | 400,000 | 400,000 | 526,901 | 126,901 |
| Investment Earnings | 300 | 300 | 125 | (175) |
| Contributions & Donations from Private Sources | - | - | 200 | 200 |
| Other Revenue | 17,000 | 17,000 | 81,648 | 64,648 |
| Total Revenues | 3,345,900 | 3,345,900 | 3,881,016 | 535,116 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government: | | | | |
| Personnel and Purchasing | 77,089 | 77,089 | 76,168 | 921 |
| City Manager | 140,020 | 142,060 | 142,778 | (718) |
| City Secretary | 107,567 | 108,872 | 112,030 | (3,158) |
| Municipal Court | 140,692 | 150,992 | 149,662 | 1,330 |
| City Attorney | 40,160 | 42,040 | 42,679 | (639) |
| Administration | 258,966 | 259,066 | 239,792 | 19,274 |
| Municipal Court Judges | 19,431 | 20,156 | 19,937 | 219 |
| Finance | 138,071 | 139,066 | 139,688 | (622) |
| Public Safety: | | | | |
| Police | 1,996,800 | 1,996,800 | 2,063,679 | (66,879) |
| Fire | 9,000 | 10,320 | 10,320 | - |
| Animal Control | 73,447 | 73,447 | 70,982 | 2,465 |
| Streets and Drainage | 795,341 | 795,341 | 740,380 | 54,961 |
| Culture and Recreation: | | | | |
| Parks and Recreation | 77,460 | 82,385 | 80,087 | 2,298 |
| Library | 144,305 | 144,305 | 139,901 | 4,404 |
| Community Development | 170,852 | 170,852 | 167,060 | 3,792 |
| Contingency | 25,000 | 1,410 | - | 1,410 |
| Total Expenditures | 4,214,201 | 4,214,201 | 4,195,143 | 19,058 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (868,301) | (868,301) | (314,127) | 554,174 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 868,301 | 868,301 | 651,188 | (217,113) |
| Total Other Financing Sources (Uses) | 868,301 | 868,301 | 651,188 | (217,113) |
| Net Change in Fund Balances | - | - | 337,061 | 337,061 |
| Fund Balance - October 1 (Beginning) | 310,421 | 310,421 | 310,421 | - |
| Fund Balance - September 30 (Ending) | \$ 310,421 | \$ 310,421 | \$ 647,482 | \$ 337,061 |

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

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

| | Business Type Activities |
|--|-----------------------------|
| <hr/> | |
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 1,896,214 |
| Accounts Receivable (Net) | 493,701 |
| Inventories | 90,783 |
| Prepaid Items | 1,089 |
| Total Current Assets | <u>2,481,787</u> |
| Noncurrent Assets: | |
| Capital Assets: | |
| Land | 53,420 |
| Buildings | 18,293 |
| Machinery and Equipment | 15,600,378 |
| Accumulated Depreciation | <u>(11,098,033)</u> |
| Total Noncurrent Assets | <u>4,574,058</u> |
| Total Assets | <u>7,055,845</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 69,939 |
| Wages and Salaries Payable | 6,464 |
| Compensated Absences Payable | 30,116 |
| Intergovernmental Payable | 4,540 |
| Unearned Revenue - Customer Advance Payments | 307,290 |
| Other Current Liabilities | <u>48,471</u> |
| Total Liabilities | <u>466,820</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 4,574,058 |
| Restricted for Inventories | 90,783 |
| Unrestricted Net Position | <u>1,924,184</u> |
| Total Net Position | <u>\$ 6,589,025</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, 2015

| | Business Type Activities |
|---|-----------------------------|
| OPERATING REVENUES: | |
| Charges for Water Services | \$ 1,085,356 |
| Charges for Sewerage Service | 1,007,604 |
| Charges for Sanitation Service | 800,081 |
| Prop.Fund Charges for Services - Other | 215,046 |
| Total Operating Revenues | <u>3,108,087</u> |
| OPERATING EXPENSES: | |
| Personnel Services - Salaries and Wages | 684,740 |
| Personnel Services - Employee Benefits | 293,338 |
| Purchased Professional & Technical Services | 144,667 |
| Purchased Property Services | 919,742 |
| Other Operating Expenses | 113,840 |
| Supplies | 72,093 |
| Depreciation | 480,264 |
| Total Operating Expenses | <u>2,708,684</u> |
| Operating Income | <u>399,403</u> |
| NON-OPERATING REVENUES (EXPENSES): | |
| Investment Earnings | 836 |
| Total Non-operating Revenue (Expenses) | <u>836</u> |
| Income Before Transfers, Gains or Losses | 400,239 |
| Non-Operating Transfer In | 1,256,797 |
| Transfers Out | (651,188) |
| Extraordinary Item - Resource | 180,723 |
| Extraordinary Item - (Use) | (180,891) |
| Change in Net Position | <u>1,005,680</u> |
| Total Net Position October 1 (Beginning) | <u>5,583,345</u> |
| Total Net Position September 30 (Ending) | <u>\$ 6,589,025</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, 2015

| | Business Type Activities |
|---|-----------------------------|
| <hr/> | |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from User Charges | \$ 3,059,426 |
| Cash Payments to Employees for Services | (978,078) |
| Cash Payments for Suppliers | (137,428) |
| Cash Payments for Other Operating Expenses | (1,158,272) |
| Net Cash Provided by Operating Activities | <u>785,648</u> |
| <u>Cash Flows from Non-Capital Financing Activities:</u> | |
| Operating Transfer In | <u>605,609</u> |
| <u>Cash Flows from Capital & Related Financing Activities:</u> | |
| Acquisition of Capital Assets | <u>(1,256,797)</u> |
| <u>Cash Flows from Investing Activities:</u> | |
| Interest and Dividends on Investments | <u>836</u> |
| Net Increase in Cash and Cash Equivalents | 135,296 |
| Cash and Cash Equivalents at Beginning of the Year: | <u>1,760,918</u> |
| Cash and Cash Equivalents at the End of the Year: | <u>\$ 1,896,214</u> |
| <u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u> | |
| Operating Income: | \$ 399,403 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 480,264 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | |
| Decrease (increase) in Receivables | (48,661) |
| Decrease (increase) in Inventories | (34,099) |
| Decrease (increase) in Prepaid Expenses | (1,089) |
| Increase (decrease) in Accounts Payable | (31,236) |
| Increase (decrease) in Other Payables | 21,066 |
| Net Cash Provided by Operating Activities | <u>\$ 785,648</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BRIDGE CITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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 some times require the City to refund all or part of the unused amount.

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

D. FUND ACCOUNTING

The City reports the following major governmental funds:

1. **The General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **The Debt Service Fund** - The Debt Service Fund accounts for the accumulation of resources to pay principal and interest on long-term debt.

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

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

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

Governmental Funds:

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

E. OTHER ACCOUNTING POLICIES

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET 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 | <u>Historic Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Value at the Beginning of the Year</u> | <u>Change in Net Position</u> |
|---|----------------------|-------------------------------------|---|-----------------------------------|
| Land | \$ 370,793 | \$ | \$ 370,793 | |
| Buildings | 1,636,950 | 678,773 | 958,177 | |
| Furniture & Fixtures | 163,332 | 95,275 | 68,057 | |
| Machinery & Equipment | 3,317,853 | 1,984,357 | 1,333,496 | |
| Infrastructure | <u>26,370,199</u> | <u>14,040,068</u> | <u>12,330,131</u> | |
| Change in Net Position | | | | <u>15,060,654</u> |
| | | | | |
| Long-term Liabilities at the Beginning of the year | | | <u>Payable at the Beginning of the Year</u> | |
| Bonds Payable | | | 3,805,000 | |
| Compensated Absences | | | <u>138,410</u> | |
| Change in Net Position | | | | <u>(3,943,410)</u> |
| Net Adjustment to Net Position | | | | <u>\$ 11,117,244</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:

| | <u>Amount</u> | <u>Adjustments to Changes in Net Position</u> | <u>Adjustments to Net Position</u> |
|---|--------------------|---|--|
| <u>Current Year Capital Outlay</u> | | | |
| Machinery & Equipment | \$ 38,837 | | |
| Buildings | 65,239 | | |
| Infrastructure | <u>85,669</u> | | |
| Total Capital Outlay | <u>189,745</u> | <u>189,745</u> | <u>189,745</u> |
| | | | |
| <u>Debt Principal Issuance & Payments</u> | | | |
| Bond Principal | (2,930,000) | | |
| Other | <u>(6,151)</u> | | |
| Total Change in Debt Principal | <u>(2,936,151)</u> | <u>(2,936,151)</u> | <u>(2,936,151)</u> |
| Total Adjustments to Net Position | | <u>\$ (2,746,406)</u> | <u>\$ (2,746,406)</u> |

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

| | <u>Amount</u> | <u>Adjustments to Change in Net Assets</u> | <u>Adjustments to Net Assets</u> |
|---|---------------|--|--------------------------------------|
| <u>Adjustments to Revenue and Deferred Revenue</u> | | | |
| Taxes Collected from Prior Year Levies | \$ 36,590 | \$ (36,590) | |
| Uncollected Taxes (assumed collectible) from Current Year Levy | 56,856 | 56,856 | 56,856 |
| Uncollected Taxes (assumed collectible) from Prior Year Levy | 113,169 | | 113,169 |
| Difference in prior year estimated collectible and current year collections | (10,609) | (10,609) | |
| Accrued interest on long-term debt | 45,365 | (45,365) | (45,365) |
| Prior year accrued interest on long-term debt | 21,941 | 21,941 | |
| Reclassify fines receivable assessed but not received this year | | 191,635 | 1,310,936 |
| Total | | <u>\$ 177,868</u> | <u>\$ 1,435,596</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, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,296,326 and the bank balance was \$8,439,198. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015 were not 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 \$6,802,757 and the par value was \$8,035,000.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$7,315,251 and occurred during the month of July.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

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

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

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

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

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

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

The City's investments at September 30, 2015, are shown below:

| <u>Name</u> | <u>Carrying Amount</u> | <u>Market Value</u> | <u>Category</u> |
|---|----------------------------|-------------------------|-----------------|
| TexPool Local Government Investment Pool | \$ 954,861 | \$ 954,861 | 1 |
| TexStar | \$ 2,981,157 | \$ 2,981,157 | 1 |

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

There were no interfund balances due at September 30, 2015.

Interfund transfers for the year ended September 30, 2015, consisted of the following individual amounts:

Transfers to General Fund from:

| | |
|--------------|-------------------|
| Utility Fund | <u>\$ 651,188</u> |
| | \$ 651,188 |

Transfer to Utility Fund from:

| | |
|-----------------------|---------------------|
| Capital Projects Fund | <u>\$ 1,256,797</u> |
| | \$ 1,256,797 |

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2015, were as follows:

| | <u>Property Taxes</u> | <u>Other Taxes</u> | <u>Other</u> | <u>Total Receivables</u> |
|----------------------------------|---------------------------|------------------------|-------------------|------------------------------|
| Governmental Activities: | | | | |
| General Fund | \$ 85,193 | \$ 147,086 | \$ 255,838 | \$ 488,117 |
| Debt Service Fund | 84,832 | 0 | 0 | 84,832 |
| Other Funds | <u>0</u> | <u>10,058</u> | <u>29,087</u> | <u>39,145</u> |
| Total - Governmental Activities | \$ 170,025 | \$ 157,144 | \$ 284,925 | \$ 612,094 |
| Business-type Activities: | | | | |
| Utility Fund | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 493,701</u> | <u>\$ 493,701</u> |
| Total Business-Type Activities | \$ 0 | \$ 0 | \$ 493,701 | \$ 493,701 |

Payables at September 30, 2015, were as follows:

| | <u>Accounts</u> | <u>Other</u> | <u>Total Payables</u> |
|----------------------------------|-----------------|---------------|---------------------------|
| Governmental Activities: | | | |
| General Fund | \$ 85,059 | \$ 86,173 | \$ 171,232 |
| Capital Projects Fund | 0 | 997,565 | 997,565 |
| Other Funds | <u>7,047</u> | <u>26,310</u> | <u>33,357</u> |
| Total - Governmental Activities | \$ 92,106 | \$ 1,110,048 | \$ 1,202,154 |
| Business-Type Activities: | | | |
| Utility Fund | \$ 69,939 | \$ 59,475 | \$ 129,414 |
| Total Business-Type Activities | \$ 69,939 | \$ 59,475 | \$ 129,414 |

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2015, was as follows:

| | <u>Primary Government</u> | | | |
|--|------------------------------|-----------------------|--------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
| Governmental Activities: | | | | |
| Land | \$ 370,793 | \$ | \$ | \$ 370,793 |
| Buildings and Improvements | 1,636,950 | 65,239 | | 1,702,189 |
| Furniture and Fixtures | 163,332 | | | 163,332 |
| Machinery and Equipment | 3,317,853 | 38,837 | (20,908) | 3,335,782 |
| Infrastructure | <u>26,370,199</u> | <u>85,669</u> | | <u>26,455,868</u> |
| Totals at Historic Cost | <u>31,859,127</u> | <u>189,745</u> | <u>(20,908)</u> | <u>32,027,964</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (678,773) | (65,956) | | (744,729) |
| Furniture and Fixtures | (95,275) | (16,333) | | (111,608) |
| Machinery and Equipment | (1,984,357) | (297,328) | 20,908 | (2,260,777) |
| Infrastructure | <u>(14,040,068)</u> | <u>(1,241,602)</u> | | <u>(15,281,670)</u> |
| Total Accumulated Depreciation | <u>(16,798,473)</u> | <u>(1,621,219)</u> | <u>20,908</u> | <u>(18,398,784)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 15,060,654</u> | <u>\$ (1,431,474)</u> | <u>\$</u> | <u>\$ 13,629,180</u> |
| Business-type Activities: | | | | |
| Land | \$ 53,420 | | | \$ 53,420 |
| Buildings | 18,293 | | | 18,293 |
| Machinery & Equipment | <u>14,343,581</u> | <u>1,256,797</u> | | <u>15,600,378</u> |
| Totals at Historic Cost | <u>14,415,294</u> | <u>1,256,797</u> | | <u>15,672,091</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | (18,293) | | | (18,293) |
| Machinery & Equipment | <u>(10,599,475)</u> | <u>(480,264)</u> | | <u>(11,079,739)</u> |
| Total Accumulated Depreciation | <u>(10,617,769)</u> | <u>(480,264)</u> | | <u>(11,098,032)</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 3,797,524</u> | <u>\$ 776,533</u> | <u>\$</u> | <u>\$ 4,574,058</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--------------------|--------------|
| Administration | \$ 6,903 |
| Police Department | 71,911 |
| Streets & Drainage | 1,530,805 |
| Animal Control | 150 |
| Parks & Recreation | 4,304 |
| Library | <u>7,146</u> |

Total Depreciation Expense \$ 1,621,219

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, 2015 are included in the following table:

| Description | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---------------------|---------------------|-------------------|---------------------|
| Tax & Revenue Certificates of Obligation, Series 1998 | \$ 410,000 | \$ - | \$ 410,000 | \$ - |
| Certificates of Obligation Series 2012 | 2,145,000 | - | - | 2,145,000 |
| Certificates of Obligation Series 2014 | 1,250,000 | - | 145,000 | 1,105,000 |
| Certificates of Obligation Series 2015 | - | 3,485,000 | - | 3,485,000 |
| Compensated Absences | <u>138,410</u> | <u>153,702</u> | <u>147,551</u> | <u>144,561</u> |
| Total Debt Payable | <u>\$ 3,943,410</u> | <u>\$ 3,638,702</u> | <u>\$ 702,551</u> | <u>\$ 6,879,561</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 July 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.

On July 2, 2015 the City issued \$3,485,000 in Tax and Waterworks Certificates of Obligation, Series 2015. The proceeds from the 2015 certificates are being used for contractual obligations and improvements to City buildings, public works, parks and utility systems.

Long-term debts are comprised of the following individual issues at September 30, 2015:

| <u>Description</u> | <u>Interest Rates</u> | <u>Date Issued</u> | <u>Series Matures</u> | <u>Outstanding</u> |
|--|-----------------------|--------------------|-----------------------|---------------------|
| 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 | 1,105,000 |
| Tax and Waterworks Certificates of Obligation, Series 2015 | 2.00-4.00% | 2015 | 2029 | <u>3,485,000</u> |
| | | | | <u>\$ 6,735,000</u> |

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, 2015 are as follows:

| <u>Year Ending September 30,</u> | <u>Tax and Waterworks Certificates of Obligation Series 2012</u> | <u>Tax and Waterworks Certificates of Obligation Series 2014</u> | <u>Tax and Waterworks Certificates of Obligation Series 2015</u> | <u>Annual Debt Service</u> |
|----------------------------------|--|--|--|----------------------------|
| 2016 | \$ 207,180 | \$ 393,868 | \$ 113,454 | \$ 714,502 |
| 2017 | 207,530 | 400,068 | 109,500 | 717,098 |
| 2018 | 207,730 | 340,192 | 159,500 | 707,422 |
| 2019 | 207,780 | | 383,500 | 591,280 |
| 2020 | 207,680 | | 383,000 | 590,680 |
| Thereafter | <u>1,432,630</u> | | <u>3,432,150</u> | <u>4,864,780</u> |
| Total | <u>\$ 2,470,530</u> | <u>\$ 1,134,127</u> | <u>\$ 4,581,104</u> | <u>\$ 8,185,761</u> |

The tax and waterworks and sewer system certificates of obligation series 2012, 2014 and 2015 include interest amounts of \$325,530, \$29,127, and \$1,096,104, 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:

| | <u>Sick Leave</u> | <u>Vacation Leave</u> |
|--|-------------------|-----------------------|
| Balance September 30, 2014 | \$ 785,295 | \$ 170,512 |
| Additions - New Entrants and Salary Increments | 116,439 | 184,924 |
| Deductions - Payments to Participants | <u>(91,586)</u> | <u>(180,759)</u> |
| Balance September 30, 2015 | <u>\$ 810,148</u> | <u>\$ 174,677</u> |

I. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Bridge City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 38 |
| Inactive employees entitled to but not yet receiving benefits | 23 |
| Active employees | <u>58</u> |
| | 119 |

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Bridge City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.91% and 16.40% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$509,128, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation 3.0% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|---|
| Domestic Equity | 17.5% | 4.80% |
| International Equity | 17.5% | 6.05% |
| Core Fixed Income | 30.0% | 1.50% |
| Non-Core Fixed Income | 10.0% | 3.50% |
| Real Return | 5.0% | 1.75% |
| Real Estate | 10.0% | 5.25% |
| Absolute Return | 5.0% | 4.25% |
| Private Equity | 5.0% | 8.50% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|--|-----------------------------------|--|---------------------------------------|
| Balance at 12/31/2013 | \$ 16,476,223 | \$ 13,453,368 | \$ 3,022,855 |
| Changes for the Year: | | | |
| Service Cost | 470,296 | - | 470,296 |
| Interest | 1,152,556 | - | 1,152,556 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | (857,372) | - | (857,372) |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 482,088 | (482,088) |
| Contributions - employee | - | 212,106 | (212,106) |
| Net investment income | - | 769,640 | (769,640) |
| Benefit payments, including refunds of employee contribution | (492,558) | (492,558) | - |
| Administrative expense | - | (8,035) | 8,035 |
| Other changes | - | (661) | 661 |
| Net changes | 272,922 | 962,580 | (689,658) |
| Balance at 12/31/2014 | <u>\$ 16,749,145</u> | <u>\$ 14,415,948</u> | <u>\$ 2,333,197</u> |

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

| | Discount Rate (6.0%) | Discount Rate (7.0%) | Discount Rate (8.0%) |
|------------------------------|----------------------|----------------------|----------------------|
| City's Net Pension Liability | \$ 4,678,147 | \$ 2,333,197 | \$ 412,934 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2015 the city recognized pension expense of \$286,186.

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ (631,433) |
| Changes in actuarial assumptions | - | - |
| Difference between projected and actual investment earnings | - | 137,677 |
| Contributions subsequent of the measurement date | <u>393,368</u> | <u>-</u> |
| Total | \$ 393,368 | \$ (493,756) |

\$399,605 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:

| | |
|------------|---------------------|
| 2015 | \$ (191,520.00) |
| 2016 | (191,520) |
| 2017 | (145,136) |
| 2018 | 34,420 |
| 2019 | - |
| Thereafter | - |
| | <u>\$ (493,756)</u> |

Supplemental Death Benefits Fund

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 contractually 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 2015, 2014 and 2013 were \$7,909, \$6,860 and \$6,534, 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 Blue Cross Blue Shield Insurance Company. After the \$3,000 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, 2015, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Bonds and Notes Payable | | | | | |
| Certificates of Obligation | \$ 3,805,000 | \$ 3,485,000 | \$ (555,000) | \$ 6,735,000 | \$ 535,000 |
| Total Bonds and Notes Payable | 3,805,000 | 3,485,000 | (555,000) | 6,735,000 | 535,000 |
| Other Liabilities | | | | | |
| Net Pension Liability | 3,022,855 | | (689,658) | 2,333,197 | |
| Compensated Absences | 138,410 | 153,702 | (147,551) | 144,561 | 144,561 |
| Total Other Liabilities | 3,161,265 | 153,702 | (837,209) | 2,477,758 | 144,561 |
| Total Governmental Activities | \$ 6,966,265 | \$ 3,638,702 | \$ (1,392,209) | \$ 9,212,758 | \$ 679,561 |
| Long-term Liabilities | | | | | |
| Business-type Activities | | | | | |
| Compensated Absences | \$ 32,102 | \$ 31,222 | \$ (33,208) | \$ 30,116 | \$ 30,116 |
| Total Business-type Activities | \$ 32,102 | \$ 31,222 | \$ (33,208) | \$ 30,116 | \$ 30,116 |
| 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 | \$ 85,193 | \$ 84,832 | \$ 170,025 |
| Total Deferred Revenue | \$ 85,193 | \$ 84,832 | \$ 170,025 |

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>Service Fund</u> | <u>Projects Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|---------------------------------|-------------------------|-------------------------|--------------------------|------------------------|---------------------|
| Property Taxes | \$ 904,094 | \$ 714,127 | | | \$ 1,618,221 |
| Other Taxes | 2,151,103 | | | 130,833 | 2,281,936 |
| Penalties and Interest on Taxes | 15,927 | 14,717 | | | 30,644 |
| Licenses and Permits | 46,060 | | | | 46,060 |
| Intergovernmental Grants | 43,401 | | | 2,500 | 45,901 |
| Fines | 526,901 | | | | 526,901 |
| Charges for Services | 111,557 | | | 211,865 | 323,422 |
| Investment Earnings | 125 | 301 | 840 | 184 | 1,450 |
| Contributions and Donations | 200 | | | 17,661 | 17,861 |
| Other | 81,648 | | | 23,665 | 105,313 |
| Total | <u>\$ 3,881,016</u> | <u>\$ 729,145</u> | <u>\$ 840</u> | <u>\$ 386,708</u> | <u>\$ 4,997,709</u> |

N. LITIGATION

The City is currently party to legal action regarding a boundary dispute; however, legal counsel has advised that it is unlikely that there will be a finding of liability against the City. Therefore, no provision for any potential loss or legal expenses has been recorded in the accompanying financial statements. The City participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit adjustments by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2015 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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, 2015.

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 2015, \$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, 2015, \$12,142,555 has been received from the General Land Office and \$252,114 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 January 15, 2016.

S. PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the City adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the City must assume their proportionate share of the Net Pension Liability of the Texas Municipal Retirement System. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$2,656,527. The restated beginning net position is \$12,577,131.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRIDGE CITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2015

| | <u>2015</u> |
|--|----------------------|
| A. Total Pension Liability | |
| Service Cost | \$ 470,296 |
| Interest (on the Total Pension Liability) | 1,152,556 |
| Changes of Benefit Terms | -0- |
| Difference between Expected and Actual Experience | (857,372) |
| Changes of Assumptions | -0- |
| Benefit Payments, including refunds of employee contributions | (492,558) |
| Net change in Total Pension Liability | \$ 272,922 |
| Total Pension Liability - Beginning | 16,476,223 |
| Total Pension Liability - Ending | <u>\$ 16,749,145</u> |
| B. Total Fiduciary Net Position | |
| Contributions - Employer | \$ 482,088 |
| Contributions - Employee | 212,106 |
| Net Investment Income | 769,640 |
| Benefit Payments, including refunds of employee contributions | (492,558) |
| Administrative Expense | (8,035) |
| Other | (661) |
| Net Change in Plan Fiduciary Net Position | \$ 962,580 |
| Plan Fiduciary Net Position - Beginning | 13,453,368 |
| Plan Fiduciary Net Position - Ending | <u>\$ 14,415,948</u> |
| C. Net Pension Liability | <u>\$ 2,333,197</u> |
| D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 0.86% |
| E. Covered Employee Payroll | \$ 3,030,092 |
| F. Net Pension Liability as a Percentage of Covered Employee Payroll | 0.77% |

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF BRIDGE CITY
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2015

EXHIBIT G-7

| | <u>2015</u> |
|---|---------------|
| Actuarially Determined Contribution | \$ 509,129 |
| Contributions in Relation to the Actuarially Determined Contributions | 509,129 |
| Contribution Deficiency (Excess) | <u>\$ -0-</u> |
| Covered Employee Payroll | \$ 3,126,182 |
| Contributions as a Percentage of Covered Employee Payroll | 0.16% |

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COMBINING AND INDIVIDUAL FUND STATEMENTS

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

| | Hotel/ Motel | Municipal Court Security | Street Maintenance | Child Safety |
|--|-------------------|--------------------------------|-----------------------|------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 308,347 | \$ 52,061 | \$ 290,173 | \$ 23,007 |
| Taxes Receivable (Net) | 10,058 | - | - | - |
| Receivables (Net) | - | - | 29,087 | - |
| Total Assets | <u>\$ 318,405</u> | <u>\$ 52,061</u> | <u>\$ 319,260</u> | <u>\$ 23,007</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ - | \$ 4,000 | \$ - |
| Other Current Liabilities | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>4,000</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| Federal or State Funds Grant Restriction | 318,405 | 52,061 | 315,260 | 23,007 |
| Total Fund Balances | <u>318,405</u> | <u>52,061</u> | <u>315,260</u> | <u>23,007</u> |
| Total Liabilities and Fund Balances | <u>\$ 318,405</u> | <u>\$ 52,061</u> | <u>\$ 319,260</u> | <u>\$ 23,007</u> |

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

| Gambling Forfeiture | Municipal Court Technology | Police Special | Park Construction | Thwarting | Police State Seizures | Library Expansion | Hurricane Ike Recovery DRS100001 |
|------------------------|----------------------------------|-------------------|----------------------|--------------|-----------------------------|----------------------|--|
| \$ 25,613 | \$ 17,255 | \$ 35,067 | \$ 371 | \$ 53 | \$ 670 | \$ 30,749 | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 25,613</u> | <u>\$ 17,255</u> | <u>\$ 35,067</u> | <u>\$ 371</u> | <u>\$ 53</u> | <u>\$ 670</u> | <u>\$ 30,749</u> | <u>\$ -</u> |
| \$ - | \$ 47 | \$ - | \$ - | \$ - | \$ - | \$ 3,000 | \$ - |
| 20,484 | 189 | 3,038 | - | - | - | 2,599 | - |
| <u>20,484</u> | <u>236</u> | <u>3,038</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,599</u> | <u>-</u> |
| 5,129 | 17,019 | 32,029 | 371 | 53 | 670 | 25,150 | - |
| <u>5,129</u> | <u>17,019</u> | <u>32,029</u> | <u>371</u> | <u>53</u> | <u>670</u> | <u>25,150</u> | <u>-</u> |
| <u>\$ 25,613</u> | <u>\$ 17,255</u> | <u>\$ 35,067</u> | <u>\$ 371</u> | <u>\$ 53</u> | <u>\$ 670</u> | <u>\$ 30,749</u> | <u>\$ -</u> |

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

| | Hurricane Ike Recovery DRS220001 | Hurricane Ike Recovery DRS210001 | Total Nonmajor Special Revenue Funds | Total Nonmajor Governmental Funds |
|--|--|--|---|--|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ - | \$ 247 | \$ 783,613 | \$ 783,613 |
| Taxes Receivable (Net) | - | - | 10,058 | 10,058 |
| Receivables (Net) | - | - | 29,087 | 29,087 |
| Total Assets | <u>\$ -</u> | <u>\$ 247</u> | <u>\$ 822,758</u> | <u>\$ 822,758</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ - | \$ 7,047 | \$ 7,047 |
| Other Current Liabilities | - | - | 26,310 | 26,310 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>33,357</u> | <u>33,357</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| Federal or State Funds Grant Restriction | - | 247 | 789,401 | 789,401 |
| Total Fund Balances | <u>-</u> | <u>247</u> | <u>789,401</u> | <u>789,401</u> |
| Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ 247</u> | <u>\$ 822,758</u> | <u>\$ 822,758</u> |

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, 2015

| | Hotel/ Motel | Municipal Court Security | Street Maintenance | Child Safety |
|---|-----------------------|--------------------------------|-----------------------|----------------------|
| REVENUES: | | | | |
| Taxes: | | | | |
| Other Taxes | \$ 130,833 | \$ - | \$ - | \$ - |
| Intergovernmental Revenue and Grants | - | - | - | - |
| Charges for Services | - | 8,962 | 202,903 | - |
| Investment Earnings | 71 | 13 | 68 | 6 |
| Contributions & Donations from Private Sources | - | - | - | - |
| Other Revenue | - | - | - | 3,020 |
| Total Revenues | 130,904 | 8,975 | 202,971 | 3,026 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government: | | | | |
| Municipal Court | | 4,242 | | - |
| Public Safety: | | | | |
| Police | | - | | - |
| Culture and Recreation: | | | | |
| Parks and Recreation | - | - | - | - |
| Library | - | - | - | - |
| Community Development | 14,000 | - | - | - |
| Total Expenditures | 14,000 | 4,242 | - | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 116,904 | 4,733 | 202,971 | 3,026 |
| EXPENDITURES: | | | | |
| Extraordinary Item - Resource | - | - | - | - |
| Extraordinary Item - (Use) | - | - | - | - |
| Net Change in Fund Balance | 116,904 | 4,733 | 202,971 | 3,026 |
| Fund Balance - October 1 (Beginning) | 201,501 | 47,328 | 112,289 | 19,981 |
| Fund Balance - September 30 (Ending) | \$ 318,405 | \$ 52,061 | \$ 315,260 | \$ 23,007 |

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

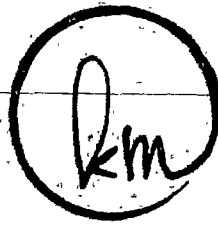
| Gambling Forfeiture | Municipal Court Technology | Police Special | Park Construction | Thwarting | Police State Seizures | Library Expansion | Hurricane Ike Recovery DRS100001 |
|------------------------|----------------------------------|-------------------|----------------------|-----------|-----------------------------|----------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | 2,500 | - |
| - | - | - | - | - | - | - | - |
| 7 | 3 | 9 | 1 | - | - | 6 | - |
| - | - | - | 11 | - | - | 17,650 | - |
| - | 20,645 | - | - | - | - | - | - |
| 7 | 20,648 | 9 | 12 | - | - | 20,156 | - |
| - | 18,521 | - | - | - | - | - | - |
| 1,188 | - | - | - | - | - | - | - |
| - | - | - | 12,259 | - | - | - | - |
| - | - | - | - | - | - | 9,109 | - |
| - | - | - | - | - | - | - | - |
| 1,188 | 18,521 | - | 12,259 | - | - | 9,109 | - |
| (1,181) | 2,127 | 9 | (12,247) | - | - | 11,047 | - |
| - | - | - | - | - | - | - | 175,740 |
| - | - | - | - | - | - | - | (175,740) |
| (1,181) | 2,127 | 9 | (12,247) | - | - | 11,047 | - |
| 6,310 | 14,892 | 32,020 | 12,618 | 53 | 670 | 14,103 | - |
| \$ 5,129 | \$ 17,019 | \$ 32,029 | \$ 371 | \$ 53 | \$ 670 | \$ 25,150 | \$ - |

CITY OF BRIDGE CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Hurricane Ike Recovery DRS220001 | Hurricane Ike Recovery DRS210001 | Total Nonmajor Special Revenue Funds | Total Nonmajor Governmental Funds |
|---|--|--|---|--|
| REVENUES: | | | | |
| Taxes: | | | | |
| Other Taxes | \$ - | \$ - | \$ 130,833 | \$ 130,833 |
| Intergovernmental Revenue and Grants | - | - | 2,500 | 2,500 |
| Charges for Services | - | - | 211,865 | 211,865 |
| Investment Earnings | - | - | 184 | 184 |
| Contributions & Donations from Private Sources | - | - | 17,661 | 17,661 |
| Other Revenue | - | - | 23,665 | 23,665 |
| Total Revenues | <u>-</u> | <u>-</u> | <u>386,708</u> | <u>386,708</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government: | | | | |
| Municipal Court | | | 22,763 | 22,763 |
| Public Safety: | | | | |
| Police | | | 1,188 | 1,188 |
| Culture and Recreation: | | | | |
| Parks and Recreation | - | - | 12,259 | 12,259 |
| Library | - | - | 9,109 | 9,109 |
| Community Development | - | - | 14,000 | 14,000 |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>59,319</u> | <u>59,319</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>327,389</u> | <u>327,389</u> |
| EXPENDITURES: | | | | |
| Extraordinary Item - Resource | 512,879 | 198,905 | 887,524 | 887,524 |
| Extraordinary Item - (Use) | <u>(512,879)</u> | <u>(198,905)</u> | <u>(887,524)</u> | <u>(887,524)</u> |
| Net Change in Fund Balance | - | - | 327,389 | 327,389 |
| Fund Balance - October 1 (Beginning) | <u>-</u> | <u>247</u> | <u>462,012</u> | <u>462,012</u> |
| Fund Balance - September 30 (Ending) | <u>\$ -</u> | <u>\$ 247</u> | <u>\$ 789,401</u> | <u>\$ 789,401</u> |

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, 2015 which collectively comprise the City of Bridge City's basic financial statements and have issued our report thereon dated January 15, 2016.

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

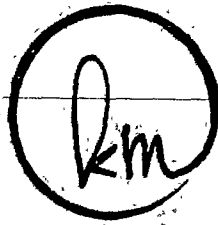
As part of obtaining reasonable assurance about whether the City of Bridge City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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



Bridge City, Texas
January 15, 2016



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, 2015. 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, 2015.

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, 2015, and have issued our report thereon dated January 15, 2016, 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
January 15, 2016

CITY OF BRIDGE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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: CDBG – Disaster Recovery Program.
- 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, 2015**

None noted.

**CITY OF BRIDGE CITY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

No corrective action is necessary for the City during the year ended September 30, 2015.

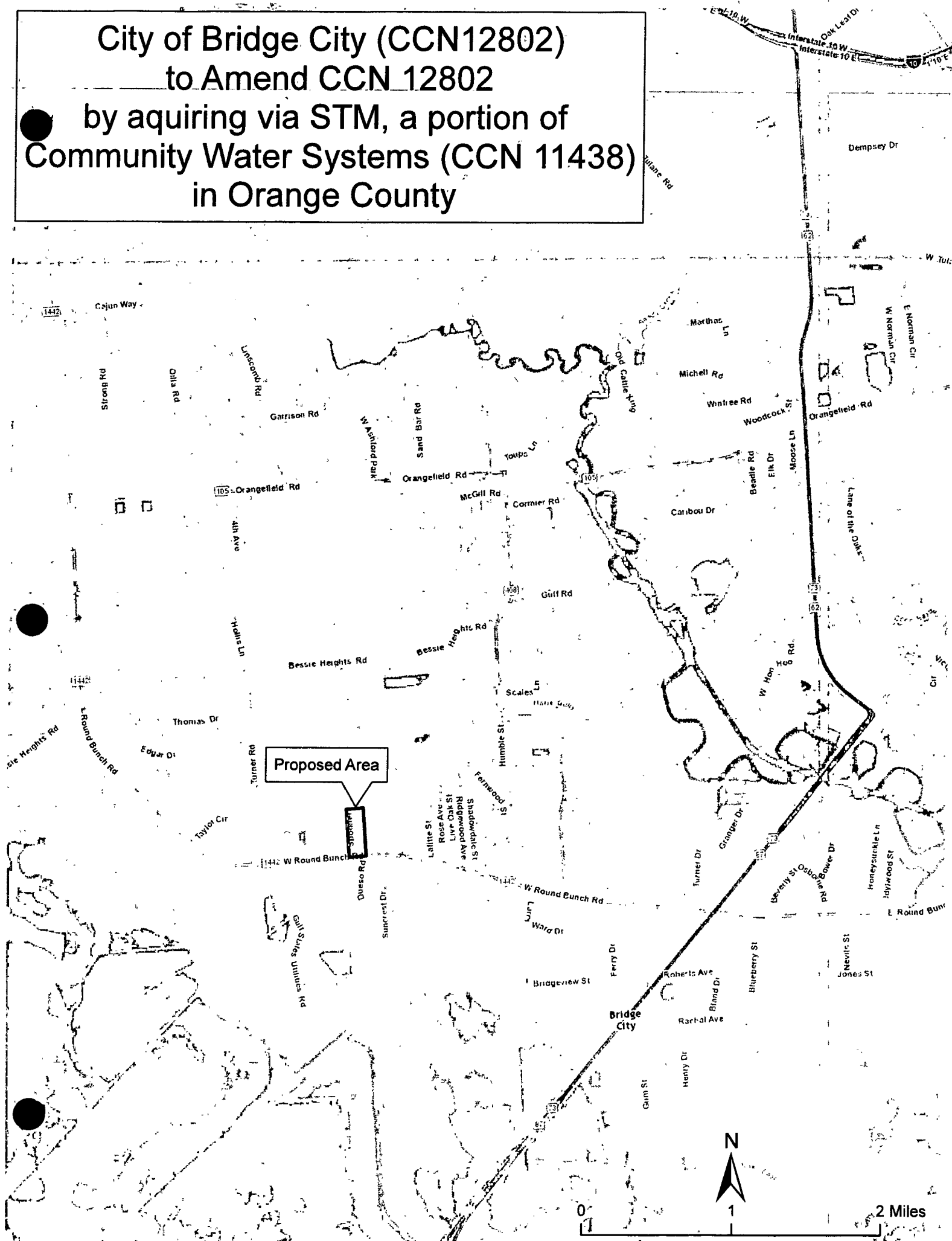
CITY OF BRIDGE CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| Federal Grantor/Pass-Through: | Federal CFDA Number | Federal Expenditures |
|---|---------------------------|----------------------------|
| DEPARTMENT OF HOUSING & URBAN DEVELOPMENT | | |
| <u>Passed through General Land Office</u> | | |
| Texas Community Development Block Grant - Hurricane Ike - DRS010001 | 14.228 | \$ 175,740 |
| Texas Community Development Block Grant - Hurricane Ike - DRS210001 | 14.228 | 198,905 |
| Texas Community Development Block Grant - Hurricane Ike - DRS220000 | 14.228 | 512,879 |
| Texas Community Development Block Grant - Hurricane Ike - 7214050 | 14.228 | <u>180,723</u> |
| TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT | | <u>1,068,248</u> |
| DEPARTMENT OF JUSTICE | | |
| <u>Passed through Office of Attorney General</u> | | |
| DJ-Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | <u>16,305</u> |
| TOTAL DEPARTMENT OF JUSTICE | | <u>16,305</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u>\$ 1,084,553</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, 2015. Thus amounts above may not agree to amounts in the financial statements.

● by acquiring via STM, a portion of
Community Water Systems (CCN 11438)
in Orange County



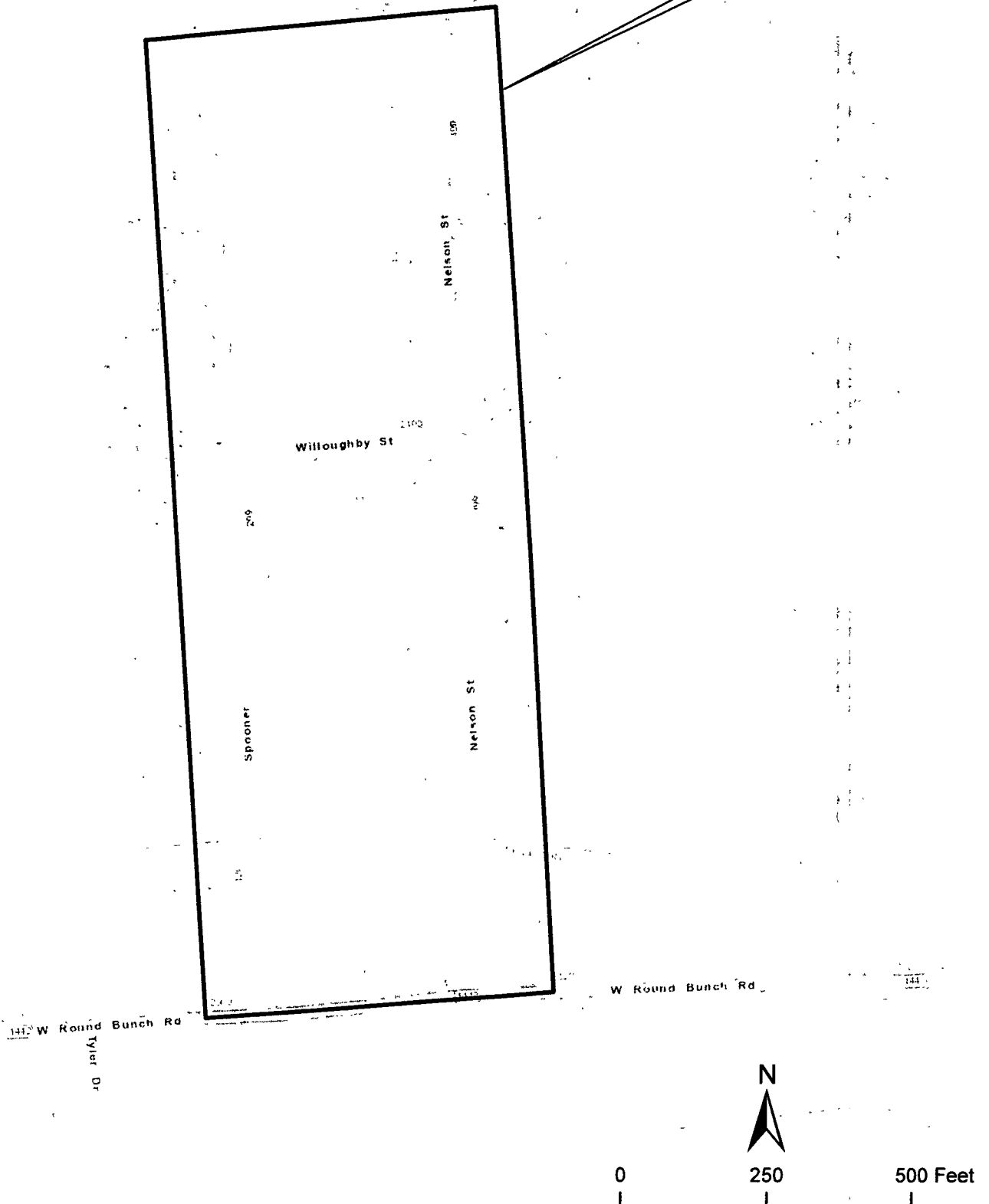


City of Bridge City (CCN12802)

to Amend CCN 12802

● by acquiring via STM, a portion of
Community Water Systems (CCN 11438)
in Orange County

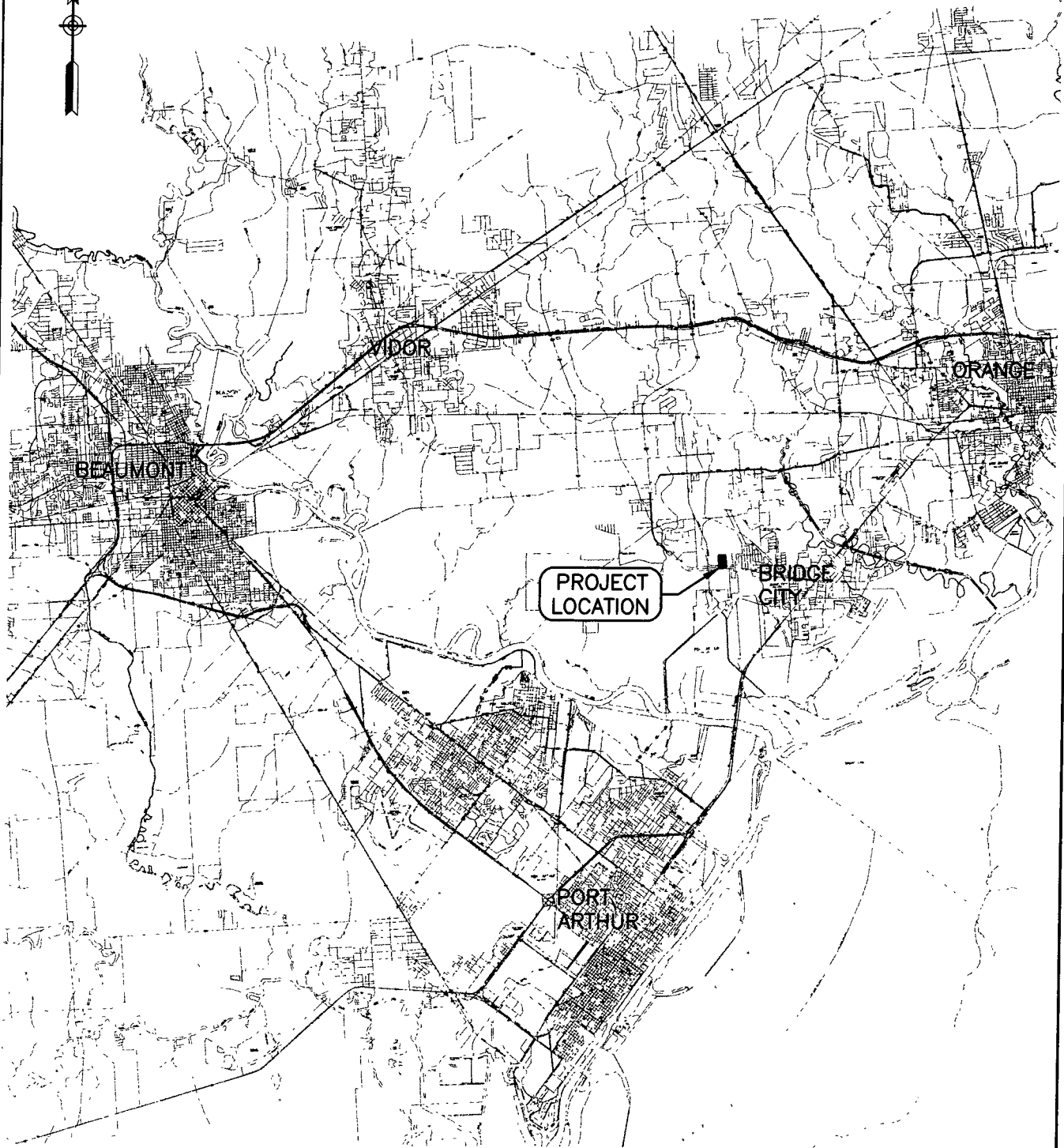
Proposed Area







ACTION CIVIL ENGINEERS, PLLC
8440 CENTRAL MALL, DR. ST. J
PORT ARTHUR, TX 77640
PHONE (409) 983-6263
FAX (409) 983-6285
oce@actioncivilengineers.com



SUBJECT: CCN FOR CHERRY HILL SUBDIVISION

d.p. NO. 116-45

VICINITY MAP

SCALE: N.T.S.

BY: RJC

CHECKED BY: WVL

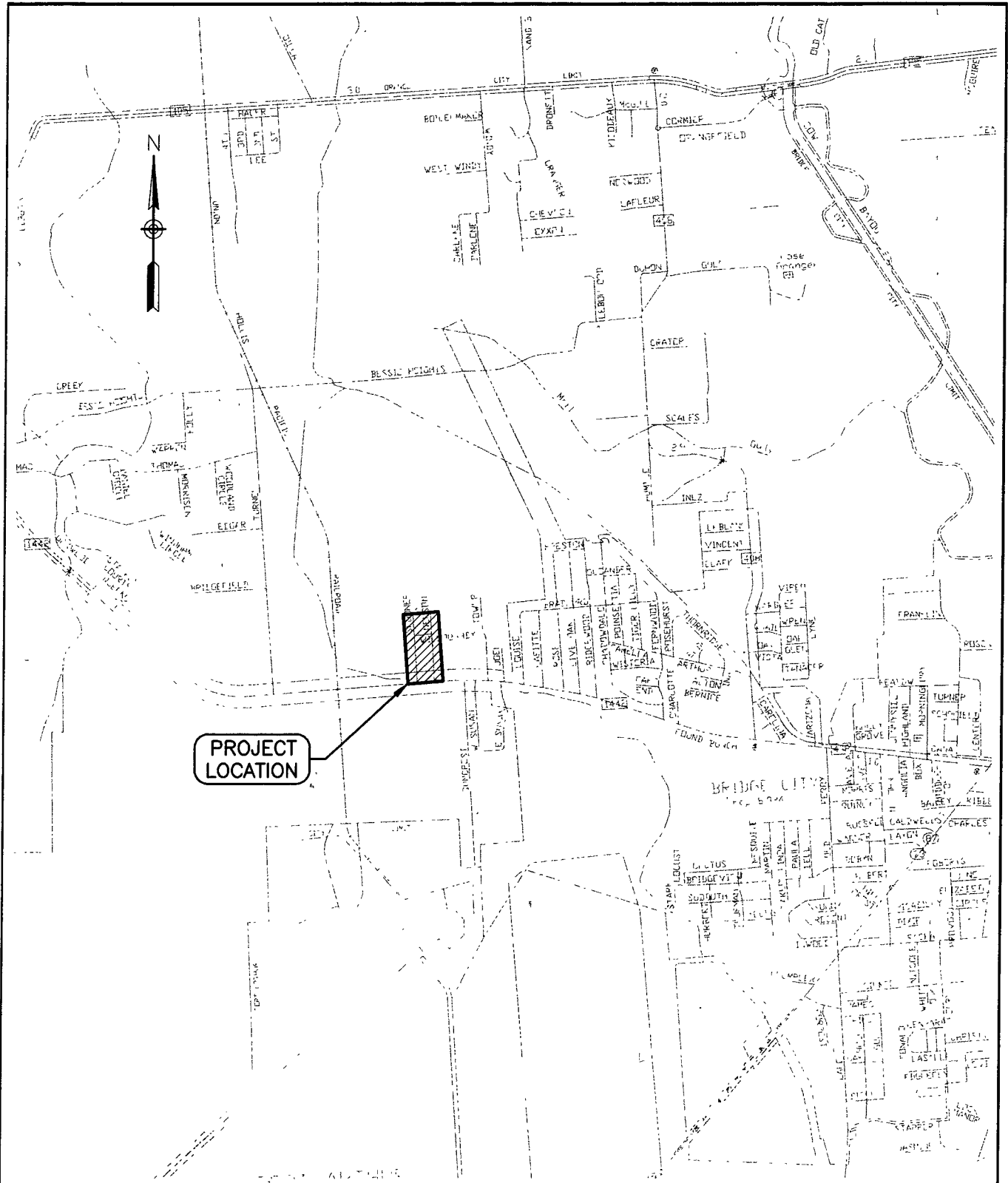
DATE: 1-5-17

SHEET: 1 OF 2





ACTION CIVIL ENGINEERS, PLLC
8460 CENTRAL MAIL DR. ST. J
PORT ARTHUR, TX 77640
PHONE (409) 983-6263
FAX (409) 983-6265
oce@actioncivilengineers.com



SUBJECT: CEN FOR CHERRY HILL SUBDIVISION

PROJECT LOCATION

ACE NO. 116-45

SCALE: N.T.S.

BY: RJC

CHECKED BY: WVL

DATE: 1-5-17

SHEET: 2 OF 2





ACTION CIVIL ENGINEERS, PLLC
8460 CENTRAL MALL, DR. ST. J
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PHONE (409) 883-8263
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aee@actioncivilengineers.com



Cherry Hill Subdivision Property Description

Cherry Hill Subdivision is approximately 28 Acres of land having 32 houses within the property. The property has two roadway accesses Spooner Road and Nelson Road running perpendicular /North of Highway 1442. There is Willoughby Road joining Spooner and Nelson Road approximately 950 ft. North of Highway 1442.

The property is bounded by Highway 1442 Road on South, Vacant land on North and West and Tower Road East (See Plat information for dimensions and accurate property boundary).

Image courtesy of USGS Earthstar Geographics SIO © 2014 Microsoft Corporation © 2014 Nokia © AND



Jan 05, 2017 - 1:37pm Z:\Bridge City\116-45 CCN for Cherry Hill Subdivision\CCN Boundary.dwg

SUBJECT: CCN FOR CHERRY HILL SUBDIVISION

d.p. NO. 116-45

SCALE: NTS

BY: RJC

CHECKED BY: WVL

DATE: 1-5-17

SHEET: 1 OF 2





Jan 05, 2017 - 1:42pm Z:\Bridge City\116-45 CCN for Cherry Hill Subd\Meion\CCN Boundary.dwg

| | | | |
|---|------------------------|---------------------|-----------------------------|
| SUBJECT: <u>CCN FOR CHERRY HILL SUBDIVISION</u> | | | d.p. NO. <u>116-45</u> |
| | | | SCALE: <u>NTS</u> |
| BY: <u>RJC</u> | CHECKED BY: <u>WVL</u> | DATE: <u>1-5-17</u> | SHEET: <u>2</u> OF <u>2</u> |

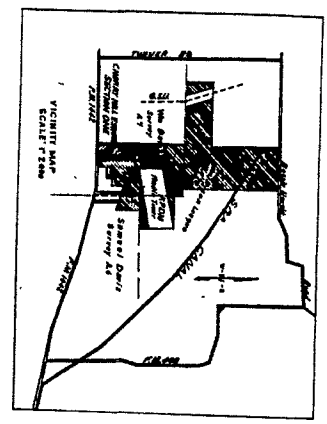
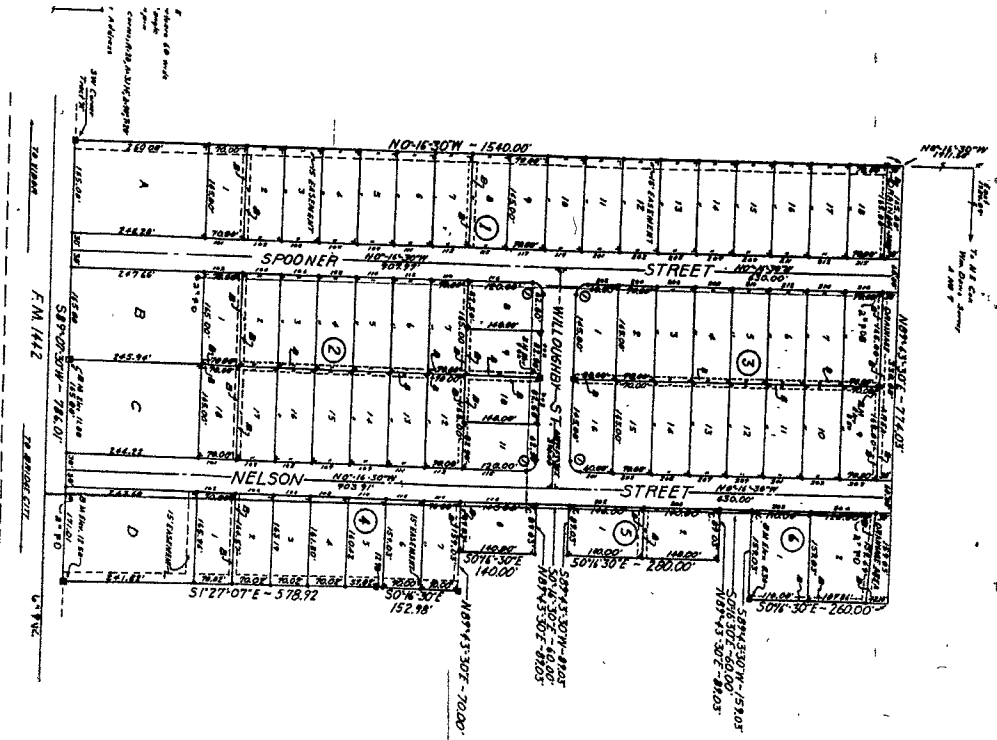


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The property is bounded by Highway 1442 Road on South, Vacant land on North and West and Tower Road East (See Plat information for dimensions and accurate property boundary).





Filed for Record of plat, which is
 subject to the provisions of the
 State Statute, Chapter 131, Sec. 131.01, et seq.
 By Charles E. Smith, Surveyor

| | |
|---------------|-------|
| TOTAL ACRES | 2.287 |
| LESS STREETS | 0.148 |
| LESS DRAINAGE | 0.148 |
| NET ACRES | 1.991 |

CHERRY HILL ESTATES
SECTION ONE
CHERRY HILL EST., INC.
 BEING A SUBDIVISION OF LAND, ACRES OF LAND
 OUT OF THE WILLIAM DAVIS SURVEY, IN
 COUNTY, TEXAS, AND BEING OUT OF THE SOUTHWEST
 CORNER OF TRACT NO. 10, CHERRY TO BOWEN
 DEED RECORDS, CHERRY COUNTY, TEXAS

I, Charles E. Smith, Surveyor, do hereby certify that the above plat was prepared by me and that the same is true and correct to the best of my knowledge and belief.

I, Charles E. Smith, Surveyor, do hereby certify that the above plat was prepared by me and that the same is true and correct to the best of my knowledge and belief.

I, Charles E. Smith, Surveyor, do hereby certify that the above plat was prepared by me and that the same is true and correct to the best of my knowledge and belief.

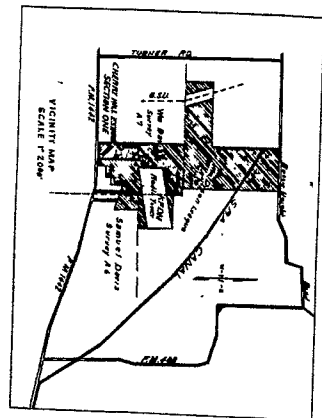
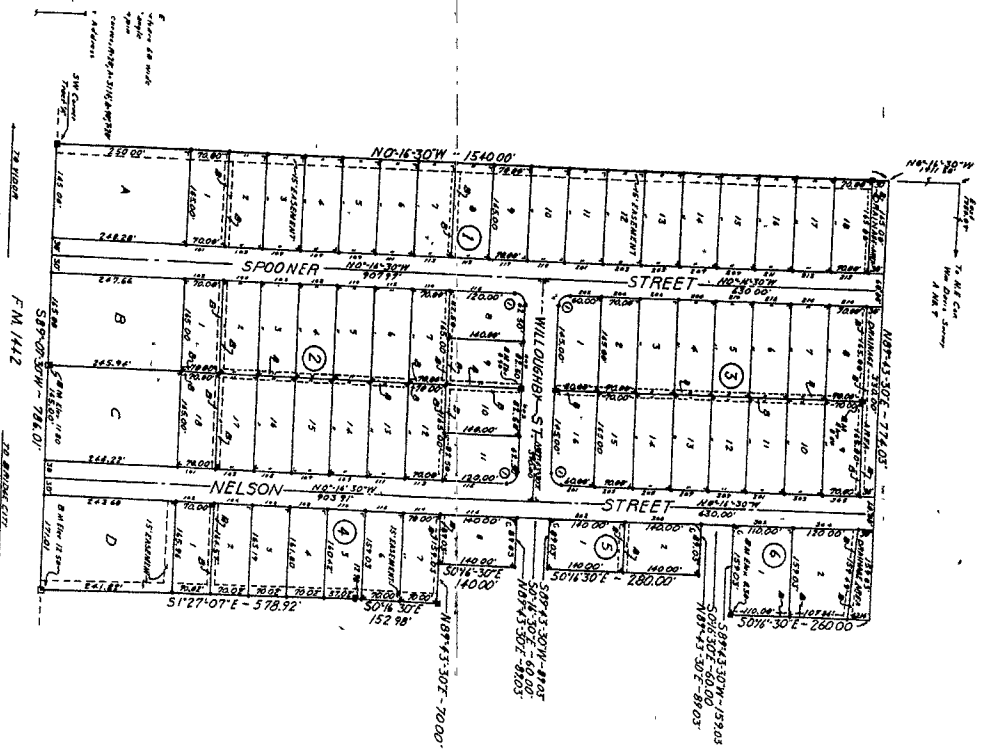
I, Charles E. Smith, Surveyor, do hereby certify that the above plat was prepared by me and that the same is true and correct to the best of my knowledge and belief.

CERTIFICATE OF SURVEYOR
 I hereby certify that the above plat was prepared by me and that the same is true and correct to the best of my knowledge and belief.

I, Charles E. Smith, Surveyor, do hereby certify that the above plat was prepared by me and that the same is true and correct to the best of my knowledge and belief.

I, Charles E. Smith, Surveyor, do hereby certify that the above plat was prepared by me and that the same is true and correct to the best of my knowledge and belief.

I, Charles E. Smith, Surveyor, do hereby certify that the above plat was prepared by me and that the same is true and correct to the best of my knowledge and belief.



Aluminum building set baseline along any street to be 2.5 feet.

NOTE: _____

A. Indicates 5:30 Anchor easement, i.e. 2.5' each (at 50' wide).

C. Indicates 7.5' utility easement.

G. Indicates easement for street use. T-20', P-20'.

CERTIFICATE OF SURVEYOR

I hereby certify that on maps prepared this plot from results of a field survey made by us and that this same is true and correct to the best of our knowledge and belief.

All bearings are based on the north ROW line of PM 1432 as being 5,870.30'W.

Concrete monuments will be set as indicated (a) and all other property corners will be marked with iron pins prior to the sale of property.

CHAS. P. SMITH ASSOCIATES
~~Edward J. Smith~~
 Registered Public Surveyor No. 185

DEDICATION

PROPERTY, REAL, ETC., INC. "The owners of this land
has been devoted to public use as the drainage works and streets show
evidence. The further dedicated for the use of public utility.
The state has already dedicated the easements noted herein.
The state will hereby dedicated include all sub-surfaces, surface
and aerial rights including the right to cut or trim trees and other
shrubs growing on or overhanging such street and/or easements."

EXECUTED
Shawmut 1963
James H. Shawmut
F. S. 1

THE STATE OF TEXAS
COUNTY OF JEFFERSON

Before me, the undersigned authority, this day personally appeared _____, known to me to be the person whose name is signed to the foregoing and acknowledged to me that he executed the same for the purposes expressed, and the capacity therein stated.

Given under my hand and seal of office this _____ day of _____, 1963.

NOTARY PUBLIC, _____ COUNTY, TEXAS

| | |
|--------------------|--------|
| TOTAL ACREAGE | 24,287 |
| LESS STREETS | 4,686 |
| | 21,501 |
| LESS DRAINAGE AREA | 473 |
| NET ACREAGE | 21,028 |

CHERRY HILL ESTATES

SECTION ONE
CHERRY HILL EST., INC.

BEING A SUBDIVISION OF PLAT 4000 ACRES OF LAND OUT OF THE WILLIAM DAVIS SURVEY A NO. 7 ORANGE COUNTY, TEXAS, AND BEING OUT OF THE SOUTHWEST CORNER OF TRACT 7, 1/4 CHERRY TO BOWNER PHARMES, EAL. RECORDED IN VOLUME 126, PAGE 138 DEED RECORDS, ORANGE COUNTY, TEXAS.

Filed For Record on 11/5 October, 1
JUNE 26, 1963, Volume I, Page 3A
Map Records

Sadie Stephens-Clerk, Orange County, Texas
By Eddie J. Jager, Deputy