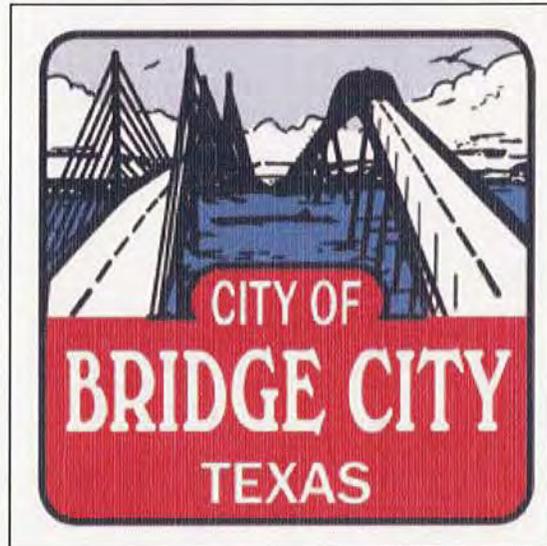


City of Bridge City



ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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keri michutka
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Mayor and City Council
City of Bridge City, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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



Bridge City, Texas
January 15, 2016

CITY OF BRIDGE CITY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bridge City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with our transmittal at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental

activities of the City include general government, public safety, public works, and community enrichment. The business-type activities of the City include water, sewer and sanitation operations.

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

The majority of the City's basic services are reported in *governmental funds*, which focus on how money flows into and out of those funds and the available balances at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there has been an increase or decrease in financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains individual governmental funds. Information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures, and changes in fund balances* for the funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

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

PROPRIETARY FUNDS

The City charges customers for the services it provides. These services are generally reported in proprietary funds. *Proprietary funds* are reported in the same manner that all activities are reported in the *Statement of Net Position and the Statement of Cash Flows*. All activities associated with providing such services are including in administration, operation, maintenance, improvements, billing and collection. The City's intent is that costs of providing these services to the general public on a continuing basis is financed through charges in a manner similar to a private enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flows. The basic *proprietary fund financial statements* can be found on pages 23 to 25 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The *notes to the financial statements* can be found on pages 26 to 43 of this report.

THE CITY AS A WHOLE – GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$18,054,135 at September 30, 2015. This analysis focuses on the net assets (Table 1) and changes in general revenues (Table 2) of the City's governmental and business-type activities.

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

TABLE 1
NET ASSETS

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

The total unrestricted net assets of \$6,585,897 may be used to meet the government's ongoing obligations to citizens and creditors. It is important to note that the net assets of the City's business-type activities may not be used to fund governmental activities and vice versa.

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

As reflected in the following table (Table 2) the City's net assets decreased by \$106,341 during the current fiscal year. Net assets for the governmental activities decreased \$1,112,021 and net assets for the business-type activities increased \$1,005,680.

TABLE 2

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,013,166	\$ 790,625	\$ 3,108,087	\$ 2,900,504	\$ 4,121,253	\$ 3,691,129
General Revenues:						
Property Taxes	1,627,878	1,605,177	-	-	1,627,878	1,605,177
Sales Taxes	1,668,905	1,348,115	-	-	1,668,905	1,348,115
Franchise Taxes	413,411	434,383	-	-	413,411	434,383
Other Taxes	199,620	185,961	-	-	199,620	185,961
Penalty & Interest	30,644	27,963	-	-	30,644	27,963
Grants and Contributions	63,762	242,454	-	-	63,762	242,454
Other	196,719	158,189	-	-	196,719	158,189
Investment Earnings	1,450	(1,448)	836	(328)	2,286	(1,776)
Total Revenues	<u>5,215,555</u>	<u>4,791,419</u>	<u>3,108,923</u>	<u>2,900,176</u>	<u>8,324,478</u>	<u>7,691,595</u>
Expenses:						
General Government	924,608	997,692	-	-	924,608	997,692
Public Safety	2,091,652	2,078,642	-	-	2,091,652	2,078,642
Public Works	2,190,422	2,472,349	-	-	2,190,422	2,472,349
Community Development	172,716	281,503	-	-	172,716	281,503
Parks & Recreation	89,167	75,097	-	-	89,167	75,097
Library	142,409	141,848	-	-	142,409	141,848
Interest on Long-Term Debt	109,743	93,964	-	-	109,743	93,964
Utilities	-	-	2,708,684	2,514,955	2,708,684	2,514,955
Other	1,250	2,500	-	-	1,250	2,500
Total Expenses	<u>5,721,967</u>	<u>6,143,595</u>	<u>2,708,684</u>	<u>2,514,955</u>	<u>8,430,651</u>	<u>8,658,550</u>
Increase (Decrease)						
in Net Assets Before Transfers	(506,412)	(1,352,176)	400,239	385,221	(106,173)	(966,955)
Extraordinary item - Resource	887,524	4,272,051	180,723	51,777	1,068,247	4,323,828
Extraordinary item - Use	(887,524)	-	(180,891)	(50,896)	(1,068,415)	(50,896)
Transfers In (Out)	(605,609)	(14,259)	605,609	14,259	-	-
Increase (Decrease) in Net Assets	(1,112,021)	2,905,616	1,005,680	400,361	(106,341)	3,305,977
Net Assets Beginning	15,233,658	12,328,042	5,583,345	5,182,984	20,817,003	17,511,026
Prior Period Adjustment	(2,656,527)	-	-	-	(2,656,527)	-
Net Assets Ending	<u>\$ 11,465,110</u>	<u>\$ 15,233,658</u>	<u>\$ 6,589,025</u>	<u>\$ 5,583,345</u>	<u>\$ 18,054,135</u>	<u>\$ 20,817,003</u>

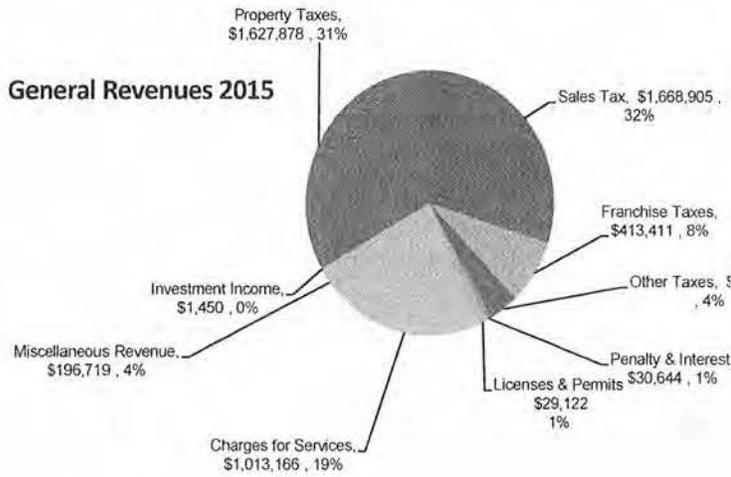
GOVERNMENTAL ACTIVITIES

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

BUSINESS-TYPE ACTIVITIES

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

GOVERNMENTAL ACTIVITIES – REVENUE BY SOURCE



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$5,713,480 an increase of \$2,854,794 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$586,107 while the total fund balance was \$647,482. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

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

The debt service fund has a total fund balance of \$966,299, an increase of \$86,576, all of which is restricted for the payment of debt service. The Debt Service Fund is funded with property tax revenue at the level necessary to meet debt service requirements.

The other funds have a fund balance of \$4,099,699, all of which is restricted. The fund balance increased by \$2,431,157 from the prior fiscal year.

PROPRIETARY FUNDS

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

Unrestricted net assets of the Utility Fund (water, sewer, wastewater, and sanitation) at the end of the fiscal year amounted to \$1,924,184. Net position in the water, sewer and sanitation fund increased by \$1,005,680. Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2014 – 2015, the City Council did not amend the original budget for the general fund. However, there were line item adjustments made throughout the year but the overall total of the budget remained unchanged.

During the year actual expenditures exceeded revenues by \$337,061 therefore, the general fund reserves increased by \$337,061 (includes transfers).

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

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS - The City’s investment on capital assets for its governmental and business-type activities as of September 30, 2015, amounted to \$18,203,238 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, streets and drainage systems, vehicles, machinery, equipment, furniture and fixtures. Capital assets held by the City at the end of the current year are summarized as follows: (Table 4)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 370,793	\$ 370,793	\$ 53,420	\$ 53,420	\$ 424,213	\$ 424,213
Buildings, Plants, and Lines	957,460	958,177	-	-	957,460	958,177
Infrastructure	11,174,198	12,330,131	-	-	11,174,198	12,330,131
Vehicles, Machinery, & Equip	1,075,005	1,333,496	4,520,638	3,744,103	5,595,643	5,077,599
Furniture and Fixtures	51,724	68,057	-	-	51,724	68,057
Construction in Progress	-	-	-	-	-	-
	<u>\$ 13,629,180</u>	<u>\$ 15,060,654</u>	<u>\$ 4,574,058</u>	<u>\$ 3,797,523</u>	<u>\$ 18,203,238</u>	<u>\$ 18,858,177</u>

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

- Acquisitions of Infrastructure \$85,669

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

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

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

LONG-TERM DEBT – At the end of the current fiscal, the City had total bonds outstanding of \$6,735,000 which is secured by tax and certain surplus revenues, after deduction of expenses of operation and maintenance of the City’s water and sewer system.

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

Table 5

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

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

The City’s total debt decreased by \$555,000 during the current fiscal year, which represents the debt principal payments.

There is no direct debt limitation in the City Charter or under State Law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation. The Attorney General of the State of Texas permits allocation of \$1.50 of the \$2.50 maximum rate for general obligation debt service. The 2014 – 2015 tax rate per \$100 of assessed valuation is \$0.21021 for debt allocation and \$0.26786 for the operating & maintenance allocation, this sets the total tax rate at \$0.47807, which is below the City’s maximum allowable tax rate.

The City also has long-term liabilities related to compensated absences. The liability for governmental activities increased by \$6,151 during the current fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic factors for fiscal year 2014 – 2015:

- ❑ During the one year period from October 2014 to September 2015 the City collected \$1,433,356 in Sales Tax. This was a 6.23% increase from the previous fiscal year of 2013 – 2014. In addition, the City received a one-time audit payment in the amount of \$235,549. The average for the last five years in sales tax collections is \$1,274,564. The sales tax revenue accounts for approximately 38% of the General Fund Revenues.
- ❑ The ad valorem taxable values for the 2014 - 2015 budget increased by more than 6% over the prior year. The adopted tax rate of .47807 per \$100 of assessed property evaluation is a 5.45% increase over the calculated effective rate.
- ❑ The City of Bridge City has only one industrial (in lieu of taxes) contract. A portion of Firestone Polymers is in the City's extra-territorial jurisdiction. Firestone pays based on the assessed valuation of that property.
- ❑ The budget for 2014 – 2015 contains a 3% cost of living increase for all employees.
- ❑ The City of Bridge City signed a \$9,689,353 Hurricane Ike Disaster Recovery Grant (DRS010001) contract in September 2009 to purchase and install five natural gas generators at four water well sites and the Waterwood Water Plant; purchase and install ten natural gas generators at the City wastewater plant, the Waterwood wastewater plant and eight lift stations throughout the City; and repair approximately eleven miles of City streets. These projects are still in progress as of September 30, 2015.
- ❑ A Texas Community Development Block Grant contract (#7214050) in the amount of \$272,700 was signed by the Texas Department of Agriculture and the City in October 2014. The grant is being used to repair deteriorated sewer yard service lines that have resulted in excessive inflow and infiltration.
- ❑ In September 2011, the City of Bridge City was awarded a \$4,174,572 Hurricane Ike Disaster Recovery Grant (DRS210001). This grant will be used to rehabilitate the existing sewer system with point repairs; pipe bursting, repairing or replacing manholes; purchase and install generators; repair lift stations. The grant will additionally be used to resurface a number of existing streets. These projects are in progress as of September 30, 2015.
- ❑ The City of Bridge City and the General Land Office signed another contract in 2012 in the amount of \$3,000,954 for Hurricane Ike Recovery (DRS220001). The funding will be to resurface a number of streets in Census Tracts 223 and 224. These projects are in progress as of September 30, 2015.
- ❑ The City of Bridge City has received to date, more than \$5.2 million dollars in reimbursement funding from the Federal Emergency Management Agency (FEMA). The City is currently working with FEMA for further reimbursement funding by reviewing current projects and auditing completed projects authorized by FEMA. As of September 30, 2015 the estimated reimbursement remaining due to the city is \$252,114.
- ❑ In June 2014, the City of Bridge City was able to issue Tax and Waterworks & Sanitary Sewer System Subordinate Lien Revenue Certificates of Obligation, Series 2014. The proceeds from the sale of the Certificates will be used to appeal the Department of Homeland Security's Federal Emergency Management Agency's Flood Insurance Rate Map and Flood Insurance Study Report for Orange County, Texas and Incorporated Areas. This project is very important to the welfare of Bridge City in the future. The FEMA produced DFIRMS do not accurately depict the flood hazard threat at any point in Orange County. The Engineering firm will have the task of providing an improved hydraulic analysis that is more reliable, defensible, and is able to be defined on a site specific basis for developing DFIRMS and defining BFEs for Orange County with a very large portion lying in Bridge City. The remaining proceeds will be used for water and sewer infrastructure projects.
- ❑ In June 2015, the City of Bridge City issued Tax and Waterworks & Sanitary Sewer System Subordinate Lien Revenue Certificates of Obligation, Series 2015 in the amount of \$3,485,000. The proceeds will be used to pay

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

Economic factors for fiscal year 2015 – 2016:

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

Hurricane Ike

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

Therefore, the resulting storm surge left a far more destructive effect on the coastal areas along the upper Texas coast than one would imagine from only experiencing the storm's wind. In addition, we could add even more height to the surge when the astronomical tide was in "sync" with the already terribly destructive storm surge. Storm tides of 10-15 feet were common in these areas.

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

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

A declaration of disaster was issued on September 9, 2008 and a mandatory evacuation was issued at 6:00 AM on September 11, 2008. Hurricane Ike made landfall on September 13, 2008. The mandatory evacuation was lifted September 20, 2008.

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

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

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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

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

EXHIBIT A-1

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

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

CITY OF BRIDGE CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

General Revenues:

Taxes:

Property Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Extraordinary Item - Resource

Extraordinary Item - (Use)

Transfers In (Out)

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position--Ending

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

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

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

Total Fund Balances - Governmental Funds	\$	5,713,480
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$31,859,127 and the accumulated depreciation was \$16,798,473. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		11,117,244
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to decrease net position.		(2,746,406)
The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,621,219)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,435,596
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,333,197, a deferred resource inflow related to TMRS in the amount of \$493,756, and a deferred resource outflow related to TMRS in the amount of \$393,368. This resulted in a decrease in net position by \$2,433,585.		(2,433,585)
Net Position of Governmental Activities	<u>\$</u>	<u>11,465,110</u>

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

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

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

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

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)
-	<u>(1,256,797)</u>
-	<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 (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
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	<u>3,345,900</u>	<u>3,345,900</u>	<u>3,881,016</u>	<u>535,116</u>
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	<u>4,214,201</u>	<u>4,214,201</u>	<u>4,195,143</u>	<u>19,058</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(868,301)</u>	<u>(868,301)</u>	<u>(314,127)</u>	<u>554,174</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	868,301	868,301	651,188	(217,113)
Total Other Financing Sources (Uses)	<u>868,301</u>	<u>868,301</u>	<u>651,188</u>	<u>(217,113)</u>
Net Change in Fund Balances	-	-	337,061	337,061
Fund Balance - October 1 (Beginning)	<u>310,421</u>	<u>310,421</u>	<u>310,421</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 310,421</u>	<u>\$ 310,421</u>	<u>\$ 647,482</u>	<u>\$ 337,061</u>

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	2,481,787
Noncurrent Assets:	
Capital Assets:	
Land	53,420
Buildings	18,293
Machinery and Equipment	15,600,378
Accumulated Depreciation	(11,098,033)
Total Noncurrent Assets	4,574,058
Total Assets	7,055,845
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	48,471
Total Liabilities	466,820
NET POSITION	
Net Investment in Capital Assets	4,574,058
Restricted for Inventories	90,783
Unrestricted Net Position	1,924,184
Total Net Position	\$ 6,589,025

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

EXHIBIT D-2

	Business Type Activities
<hr/>	
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	3,108,087
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	2,708,684
Operating Income	399,403
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	836
Total Non-operating Revenue (Expenses)	836
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	1,005,680
Total Net Position -October 1 (Beginning)	5,583,345
 Total Net Position September 30 (Ending)	 \$ 6,589,025

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	785,648
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	605,609
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,256,797)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	836
Net Increase in Cash and Cash Equivalents	135,296
Cash and Cash Equivalents at Beginning of the Year:	1,760,918
Cash and Cash Equivalents at the End of the Year:	\$ 1,896,214
<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	\$ 785,648

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</u> <u>Taxes</u>	<u>Other</u> <u>Taxes</u>	<u>Other</u>	<u>Total</u> <u>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	<u>\$ 69,939</u>	<u>\$ 59,475</u>	<u>\$ 129,414</u>
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	 \$ <u>1,621,219</u>

G. GENERAL LONG-TERM DEBT

General long-term debts consist of general obligation refunding bonds, and tax and waterworks and sewer system certificates of obligation, and compensated absences. These obligations are being paid from the annual property tax receipts, and accordingly are classified in the general long-term debt account group. A summary of the City's long-term debt transactions for the year ended September 30, 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	<u>272,922</u>	<u>962,580</u>	<u>(689,658)</u>
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:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
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	<u>\$ 6,966,265</u>	<u>\$ 3,638,702</u>	<u>\$ (1,392,209)</u>	<u>\$ 9,212,758</u>	<u>\$ 679,561</u>
Long-term Liabilities					
Business-type Activities					
Compensated Absences	\$ 32,102	\$ 31,222	\$ (33,208)	\$ 30,116	\$ 30,116
Total Business-type Activities	<u>\$ 32,102</u>	<u>\$ 31,222</u>	<u>\$ (33,208)</u>	<u>\$ 30,116</u>	<u>\$ 30,116</u>
Long-term Liabilities					

L. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 85,193	\$ 84,832	\$ 170,025
Total Deferred Revenue	<u>\$ 85,193</u>	<u>\$ 84,832</u>	<u>\$ 170,025</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Service Fund	Projects Fund	Other Funds	Total
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

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	<u>130,904</u>	<u>8,975</u>	<u>202,971</u>	<u>3,026</u>
EXPENDITURES:				
Current:				
General Government:				
Municipal Court	-	4,242	-	-
Public Safety:				
Police	-	-	-	-
Culture and Recreation:				
Parks and Recreation	-	-	-	-
Library	-	-	-	-
Community Development	14,000	-	-	-
Total Expenditures	<u>14,000</u>	<u>4,242</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>116,904</u>	<u>4,733</u>	<u>202,971</u>	<u>3,026</u>
EXPENDITURES:				
Extraordinary Item - Resource	-	-	-	-
Extraordinary Item - (Use)	-	-	-	-
Net Change in Fund Balance	<u>116,904</u>	<u>4,733</u>	<u>202,971</u>	<u>3,026</u>
Fund Balance - October 1 (Beginning)	<u>201,501</u>	<u>47,328</u>	<u>112,289</u>	<u>19,981</u>
Fund Balance - September 30 (Ending)	<u>\$ 318,405</u>	<u>\$ 52,061</u>	<u>\$ 315,260</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	2,500	-
-	-	-	-	-	-	-	-
7	3	9	1	-	-	6	-
-	-	-	11	-	-	17,650	-
-	20,645	-	-	-	-	-	-
<u>7</u>	<u>20,648</u>	<u>9</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>20,156</u>	<u>-</u>
-	18,521	-	-	-	-	-	-
1,188	-	-	-	-	-	-	-
-	-	-	12,259	-	-	-	-
-	-	-	-	-	-	9,109	-
-	-	-	-	-	-	-	-
<u>1,188</u>	<u>18,521</u>	<u>-</u>	<u>12,259</u>	<u>-</u>	<u>-</u>	<u>9,109</u>	<u>-</u>
<u>(1,181)</u>	<u>2,127</u>	<u>9</u>	<u>(12,247)</u>	<u>-</u>	<u>-</u>	<u>11,047</u>	<u>-</u>
-	-	-	-	-	-	-	175,740
-	-	-	-	-	-	-	(175,740)
<u>(1,181)</u>	<u>2,127</u>	<u>9</u>	<u>(12,247)</u>	<u>-</u>	<u>-</u>	<u>11,047</u>	<u>-</u>
<u>6,310</u>	<u>14,892</u>	<u>32,020</u>	<u>12,618</u>	<u>53</u>	<u>670</u>	<u>14,103</u>	<u>-</u>
<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>

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	-	-	386,708	386,708
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	-	-	59,319	59,319
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	327,389	327,389
EXPENDITURES:				
Extraordinary Item - Resource	512,879	198,905	887,524	887,524
Extraordinary Item - (Use)	(512,879)	(198,905)	(887,524)	(887,524)
Net Change in Fund Balance	-	-	327,389	327,389
Fund Balance - October 1 (Beginning)	-	247	462,012	462,012
Fund Balance - September 30 (Ending)	\$ -	\$ 247	\$ 789,401	\$ 789,401

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.