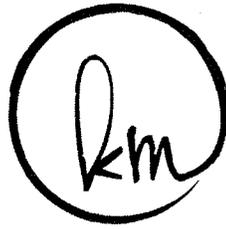


CITY OF BRIDGE CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2016

CITY OF BRIDGE CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 <u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	12
B-1 Statement of Activities	13
Governmental Fund Financial Statements:	
C-1 Balance Sheet	15
C-2 Reconciliation for C-1	17
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	18
C-4 Reconciliation for C-3	20
C-5 Budgetary Comparison Schedule - General Fund	21
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	22
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	23
D-3 Statement of Cash Flows	24
Notes to the Financial Statements	25
 <u>Required Supplementary Information</u>	
G-6 Schedule of Changes in Net Pension Liability and Related Ratios for TMRS	44
G-7 Schedule of Contributions TMRS Pension Plan	45
 <u>Combining and Individual Fund Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	46
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	49
 <u>Federal Section</u>	
Report on Compliance and Internal Control Over Financial Reporting Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance required by the Uniform Guidance	54
Schedule of Findings and Questioned Costs	56
Schedule of Status of Prior Findings	57
Corrective Action Plan	58
K-1 Schedule of Expenditures of Federal Awards	59



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 the City of Bridge City as of and for the year ended September 30, 2016 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 the City of Bridge City as of September 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bridge City's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial statements 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 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 27, 2017, on our consideration of the 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 the City of Bridge City's internal control over financial reporting and compliance.



Bridge City, Texas
January 27, 2017

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, 2016. 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 2016 by \$16,244,403. Of this amount \$3,332,310 is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$1,396,325 and may be used to meet the government's ongoing obligations. The unrestricted net assets of the City's business-type activities are \$1,935,985 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 \$1,809,732 in the fiscal year 2016.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,293,372 a decrease of \$2,420,108. Approximately .7% or \$24,123 of this total amount is considered unassigned at September 30, 2016 and is available for spending.
- The general fund reported a fund balance of \$98,318 at the end of the current fiscal year. The unreserved fund balance for the general fund was \$24,123 or .565% of total general fund expenditures (excluding transfers out).
- The City's total long-term bonded debt decreased by \$535,000 for routine bond payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

The *government wide financial statements* can be found on pages 12 to 14 of this report.

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

The basic governmental funds financial statements can be found on pages 15 to 21 of this report.

PROPRIETARY FUNDS

The City charges customers for the services it provides. These services are generally reported in proprietary funds. *Proprietary funds* are reported in the same manner that all activities are reported in the *Statement of Net Position and the Statement of Cash Flows*. All activities associated with providing such services are including in administration, operation, maintenance, improvements, billing and collection. The City's intent is that costs of providing these services to the general public on a continuing basis is financed through charges in a manner similar to a private enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flows. The basic *proprietary fund financial statements* can be found on pages 22 to 24 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The *notes to the financial statements* can be found on pages 25 to 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 \$16,244,403 at September 30, 2016. 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	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 5,236,703	\$ 8,396,595	\$ 2,517,250	\$ 2,481,787	\$ 7,753,953	\$ 10,878,382
Capital Assets	13,769,483	13,629,180	5,199,898	4,574,058	18,969,381	18,203,238
Total Assets	<u>19,006,186</u>	<u>22,025,775</u>	<u>7,717,148</u>	<u>7,055,845</u>	<u>26,723,334</u>	<u>29,081,620</u>
Deferred Outflow - Pension Plan	977,073	393,368	-	-	977,073	393,368
Long-Term Liabilities						
Outstanding	9,829,631	9,212,758	-	-	9,829,631	9,212,758
Other Liabilities	1,113,625	1,247,519	512,748	466,820	1,626,373	1,714,339
Total Liabilities	<u>10,943,256</u>	<u>10,460,277</u>	<u>512,748</u>	<u>466,820</u>	<u>11,456,004</u>	<u>10,927,097</u>
Deferred Inflow - Pension Plan	-	493,756	-	-	-	493,756
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	7,643,678	6,894,180	5,268,415	4,574,058	12,912,093	11,468,238
Unrestricted	1,396,325	4,570,930	1,935,985	2,014,967	3,332,310	6,585,897
Total Net Assets	<u>\$ 9,040,003</u>	<u>\$ 11,465,110</u>	<u>\$ 7,204,400</u>	<u>\$ 6,589,025</u>	<u>\$ 16,244,403</u>	<u>\$ 18,054,135</u>

The total unrestricted net assets of \$3,332,310 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 \$1,809,732 during the current fiscal year. Net assets for the governmental activities decreased \$2,425,107 and net assets for the business-type activities increased \$615,375.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 729,711	\$ 1,013,166	\$ 3,242,105	\$ 3,108,087	\$ 3,971,816	\$ 4,121,253
General Revenues:						
Property Taxes	1,745,265	1,627,878	-	-	1,745,265	1,627,878
Sales Taxes	1,517,849	1,668,905	-	-	1,517,849	1,668,905
Franchise Taxes	428,985	413,411	-	-	428,985	413,411
Other Taxes	180,272	199,620	-	-	180,272	199,620
Penalty & Interest	30,837	30,644	-	-	30,837	30,644
Grants and Contributions	90,243	63,762	-	-	90,243	63,762
Other	136,228	196,719	-	-	136,228	196,719
Investment Earnings	13,817	1,450	6,149	836	19,966	2,286
Total Revenues	4,873,207	5,215,555	3,248,254	3,108,923	8,121,461	8,324,478
Expenses:						
General Government	1,704,439	924,608	-	-	1,704,439	924,608
Public Safety	2,191,854	2,091,652	-	-	2,191,854	2,091,652
Public Works	1,808,800	2,190,422	-	-	1,808,800	2,190,422
Community Development	175,468	172,716	-	-	175,468	172,716
Parks & Recreation	93,616	89,167	-	-	93,616	89,167
Library	167,565	142,409	-	-	167,565	142,409
Interest on Long-Term Debt	175,456	109,743	-	-	175,456	109,743
Utilities	-	-	2,825,354	2,708,684	2,825,354	2,708,684
Other	2,000	1,250	-	-	2,000	1,250
Total Expenses	6,319,198	5,721,967	2,825,354	2,708,684	9,144,552	8,430,651
Increase (Decrease)						
in Net Assets Before Transfers	(1,445,991)	(506,412)	422,900	400,239	(1,023,091)	(106,173)
Special Item - Resource	-	-	-	-	-	-
Extraordinary item - Resource	696,631	887,524	84,899	180,723	781,530	1,068,247
Special Item (Use)	-	-	-	-	-	-
Extraordinary item - Use	(1,475,381)	(887,524)	(92,790)	(180,891)	(1,568,171)	(1,068,415)
Transfers In (Out)	(200,366)	(605,609)	200,366	605,609	-	-
Increase (Decrease) in Net Assets	(2,425,107)	(1,112,021)	615,375	1,005,680	(1,809,732)	(106,341)
Net Assets Beginning	11,465,110	15,233,658	6,589,025	5,583,345	18,054,135	20,817,003
Prior Period Adjustment	-	(2,656,527)	-	-	-	(2,656,527)
Net Assets Ending	\$ 9,040,003	\$ 11,465,110	\$ 7,204,400	\$ 6,589,025	\$ 16,244,403	\$ 18,054,135

GOVERNMENTAL ACTIVITIES

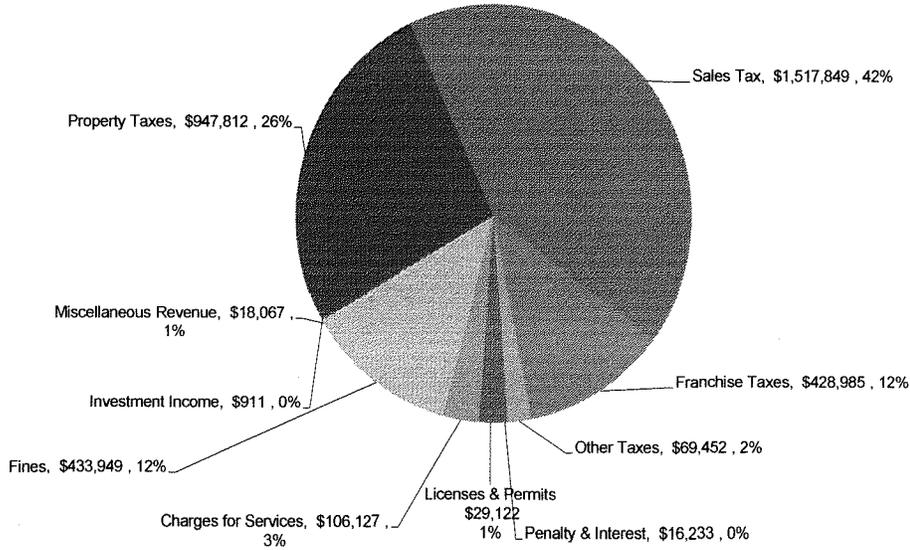
Governmental activities decreased the City's net assets by \$2,425,107. The most significant resource decreases were from charges for services and FEMA funding payable as a result of Hurricane Ike as these projects are completing.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by \$615,375. This increase is primarily attributable to an increase in Charges for Services in the amount of \$134,018.

GOVERNMENTAL ACTIVITIES – REVENUE BY SOURCE

General Revenues 2016



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 \$3,293,372 a decrease of \$2,420,108 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 \$24,123 while the total fund balance was \$98,318. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The fund balance of the City’s general fund decreased by \$549,164 during the current fiscal year. At September 30, 2015 FEMA was confirming a receivable in the amount of \$252,114. At September 30, 2016 FEMA is reporting a payable of \$494,726.

The debt service fund has a total fund balance of \$1,055,181, an increase of \$88,882, 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 \$2,139,873, all of which is restricted. The fund balance decreased by \$1,959,826 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 \$1,935,985. Net position in the water, sewer and sanitation fund increased by \$615,375. 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 2015 – 2016, 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 \$549,164 therefore, the general fund reserves decreased by \$549,164 (includes transfers).

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

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS - The City’s investment on capital assets for its governmental and business-type activities as of September 30, 2016, amounted to \$18,969,381 (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

Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 370,793	\$ 370,793	\$ 53,420	\$ 53,420	\$ 424,213	\$ 424,213
Buildings, Plants, and Lines	1,876,481	957,460	-	-	1,876,481	957,460
Infrastructure	10,653,881	11,174,198	4,935,870	4,251,249	15,589,751	15,425,447
Vehicles, Machinery, & Equip.	832,938	1,075,005	210,608	269,389	1,043,546	1,344,394
Furniture and Fixtures	35,390	51,724	-	-	35,390	51,724
Construction in Progress	-	-	-	-	-	-
	<u>\$ 13,769,483</u>	<u>\$ 13,629,180</u>	<u>\$ 5,199,898</u>	<u>\$ 4,574,058</u>	<u>\$ 18,969,381</u>	<u>\$ 18,203,238</u>

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

- Acquisitions of Buildings \$987,030

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

- Investment in Infrastructure \$1,089,479

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 \$6,200,000 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		2016	2015
	2016	2015	2016	2015		
General Obligation						
Certificates of Obligation:						
Series 2015	\$ 3,485,000	\$ 3,485,000	\$ -	\$ -	\$ 3,485,000	\$ 3,485,000
Tax and Waterworks and Sewer System						
Certificates of Obligation:						
Series 1998 Tax and Waterworks	-	-	-	-	-	-
Water & Sewer System Improvements						
Certificates of Obligation:						
Series 2012	1,990,000	2,145,000	-	-	1,990,000	2,145,000
Water & Sewer System Improvements						
Certificates of Obligation:						
Series 2014	<u>725,000</u>	<u>1,105,000</u>	<u>-</u>	<u>-</u>	<u>725,000</u>	<u>1,105,000</u>
	<u>\$ 6,200,000</u>	<u>\$ 6,735,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,200,000</u>	<u>\$ 6,735,000</u>

The City’s total debt decreased by \$535,000 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 2015 – 2016 tax rate per \$100 of assessed valuation is \$0.22640 for debt allocation and \$0.27280 for the operating & maintenance allocation, this sets the total tax rate at \$0.49920, 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 \$25,935 during the current fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic factors for fiscal year 2015 – 2016:

- ❑ During the one year period from October 2015 to September 2016 the City collected \$1,517,849 in Sales Tax, this was a 5.91% increase from the previous fiscal year of 2014 – 2015 this does not include the one time audit payment in the amount of \$235,549 received in the 2014 - 2015 fiscal year. The average for the last five years in sales tax collections is \$1,392,454. The sales tax revenue accounts for approximately 42% of the General Fund Revenues.
- ❑ The ad valorem taxable values for the 2015 - 2016 budget increased by more than 4% over the prior year. The adopted tax rate of .52000 per \$100 of assessed property evaluation is a 7.19% increase over the calculated effective rate and a 4.17% increase over the prior year adopted tax 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 budgets for 2015 - 2016 and 2016 - 2017 fiscal years contain 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, 2016.
- ❑ 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. The grant is in the process of closing out as of the writing of this report.
- ❑ 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, 2016.
- ❑ 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. The grant has closed as of September 30, 2016.
- ❑ The City of Bridge City has received to date, more than \$4.9 million dollars in funding from the Federal Emergency Management Agency (FEMA). The City is currently working with FEMA in reviewing current projects and auditing completed projects authorized by FEMA. As of September 30, 2015 the estimated reimbursement remaining due to the City was \$252,114. As of September 30, 2016 FEMA has de-obligated \$494,726, which will need to be repaid to FEMA. The original projects were paid on estimated costs and actual costs depending on the projects. The current amount owed to FEMA is a result of cost under-run due to lower actual costs than the amount for which the projects were originally written.
- ❑ 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 have been 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. As of September 30, 2016 these projects are close to completion.

Economic factors for fiscal year 2016 – 2017:

- ❑ The City of Bridge City's adopted 2016 – 2017 ad valorem tax rate of .52000 will produce a 4.17% levy increase over the 2015 – 2016 tax rate of .49920.
- ❑ Three months into the 2016 – 2017 fiscal year, the Sales Tax collections are over 15% higher than last year and over 3% higher than budgeted.
- ❑ The proposed operating expenditures for 2016 - 2017 total \$7,195,110; this is \$495,211 or a 6.89% increase over the 2015 - 2016 operating expenditures.

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, 2016

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 4,052,237	\$ 1,944,749	\$ 5,996,986
Receivables (net of allowance for uncollectibles)	1,086,408	502,880	1,589,288
Miscellaneous Receivable	11,204	-	11,204
Inventories	74,195	68,517	142,712
Prepaid Items	12,659	1,104	13,763
Capital Assets:			
Land	370,793	53,420	424,213
Infrastructure, net	10,653,881	4,935,870	15,589,751
Buildings, net	1,876,481	-	1,876,481
Machinery and Equipment, net	832,938	210,608	1,043,546
Furniture and Fixtures, net	35,390	-	35,390
Total Assets	<u>19,006,186</u>	<u>7,717,148</u>	<u>26,723,334</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflow Related to Pension Plan	977,073	-	977,073
Total Deferred Outflows of Resources	<u>977,073</u>	<u>-</u>	<u>977,073</u>
LIABILITIES			
Accounts Payable	136,382	142,449	278,831
Intergovernmental Payable	494,726	4,734	499,460
Accrued Interest Payable	41,320	-	41,320
Unearned Revenues	-	330,371	330,371
Other Current Liabilities	441,197	35,194	476,391
Noncurrent Liabilities			
Due Within One Year	720,496	-	720,496
Due in More Than One Year	5,650,000	-	5,650,000
Net Pension Liability	3,459,135	-	3,459,135
Total Liabilities	<u>10,943,256</u>	<u>512,748</u>	<u>11,456,004</u>
NET POSITION			
Net Investment in Capital Assets	7,569,483	5,199,898	12,769,381
Restricted for Inventories	74,195	68,517	142,712
Unrestricted Net Position	1,396,325	1,935,985	3,332,310
Total Net Position	<u>\$ 9,040,003</u>	<u>\$ 7,204,400</u>	<u>\$ 16,244,403</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, 2016

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 10,412	\$ -	\$ -
Personnel and Purchasing	78,314	-	-
City Manager	145,604	-	-
City Secretary	114,326	-	-
Municipal Court	825,693	541,690	-
City Attorney	41,249	-	-
Administration	325,394	-	-
Municipal Court Judges	18,905	-	-
Finance	144,542	-	-
Police	2,108,294	-	-
Fire	11,076	-	-
Animal Control	72,484	1,081	-
Streets and Drainage	1,808,800	181,661	-
Parks and Recreation	93,616	-	-
Library	167,565	5,279	-
Community Development	175,468	-	-
Bond Interest	175,456	-	-
Fiscal Agent's Fees	2,000	-	-
Total Governmental Activities:	6,319,198	729,711	-
BUSINESS-TYPE ACTIVITIES:			
Utility Fund	2,825,354	3,242,105	-
Total Business-Type Activities:	2,825,354	3,242,105	-
TOTAL PRIMARY GOVERNMENT:	\$ 9,144,552	\$ 3,971,816	\$ -

General Revenues:

Taxes:

Property Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Extraordinary Item - Resource

Extraordinary Item - (Use)

Transfers In (Out)

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Beginning

Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (10,412)	\$ -	\$ (10,412)
(78,314)	-	(78,314)
(145,604)	-	(145,604)
(114,326)	-	(114,326)
(284,003)	-	(284,003)
(41,249)	-	(41,249)
(325,394)	-	(325,394)
(18,905)	-	(18,905)
(144,542)	-	(144,542)
(2,108,294)	-	(2,108,294)
(11,076)	-	(11,076)
(71,403)	-	(71,403)
(1,627,139)	-	(1,627,139)
(93,616)	-	(93,616)
(162,286)	-	(162,286)
(175,468)	-	(175,468)
(175,456)	-	(175,456)
(2,000)	-	(2,000)
(5,589,487)	-	(5,589,487)
-	416,751	416,751
-	416,751	416,751
(5,589,487)	416,751	(5,172,736)
951,543	-	951,543
793,722	-	793,722
1,517,849	-	1,517,849
428,985	-	428,985
180,272	-	180,272
30,837	-	30,837
90,243	-	90,243
136,228	-	136,228
13,817	6,149	19,966
696,631	84,899	781,530
(1,475,381)	(92,790)	(1,568,171)
(200,366)	200,366	-
3,164,380	198,624	3,363,004
(2,425,107)	615,375	(1,809,732)
11,465,110	6,589,025	18,054,135
\$ 9,040,003	\$ 7,204,400	\$ 16,244,403

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 522,169	\$ 1,055,181	\$ 1,644,171
Taxes Receivable (Net)	246,324	85,360	-
Receivables (Net)	6,944	-	14,469
Miscellaneous Receivable	-	-	-
Due from Other Funds	-	-	27,850
Inventories	74,195	-	-
Prepaid Items	12,659	-	-
Total Assets	<u>\$ 862,291</u>	<u>\$ 1,140,541</u>	<u>\$ 1,686,490</u>
LIABILITIES			
Accounts Payable	\$ 96,221	\$ -	\$ -
Wages and Salaries Payable	39,955	-	-
Intergovernmental Payable	494,726	-	-
Due to Other Funds	-	-	-
Other Current Liabilities	38,621	-	376,455
Total Liabilities	<u>669,523</u>	<u>-</u>	<u>376,455</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	94,450	85,360	-
Total Deferred Inflows of Resources	<u>94,450</u>	<u>85,360</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
Inventories	74,195	-	-
Restricted Fund Balance:			
Restricted Fund Balance	-	-	-
Capital Projects	-	-	1,310,035
Retirement of Long-Term Debt	-	1,055,181	-
Unassigned Fund Balance	24,123	-	-
Total Fund Balances	<u>98,318</u>	<u>1,055,181</u>	<u>1,310,035</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 862,291</u>	<u>\$ 1,140,541</u>	<u>\$ 1,686,490</u>

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

Other Funds	Total Governmental Funds
\$ 830,716	\$ 4,052,237
11,834	343,518
30,261	51,674
11,204	11,204
13,200	41,050
-	74,195
-	12,659
<u>\$ 897,215</u>	<u>\$ 4,586,537</u>
\$ 206	\$ 96,427
-	39,955
-	494,726
41,050	41,050
26,121	441,197
<u>67,377</u>	<u>1,113,355</u>
-	179,810
<u>-</u>	<u>179,810</u>
-	74,195
829,838	829,838
-	1,310,035
-	1,055,181
-	24,123
<u>829,838</u>	<u>3,293,372</u>
<u>\$ 897,215</u>	<u>\$ 4,586,537</u>

CITY OF BRIDGE CITY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2016

Total Fund Balances - Governmental Funds	\$	3,293,372
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. 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.		6,749,619
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 2016 capital outlays and debt principal payments is to increase net position.		1,612,250
This is the second year of the implementation of GASB 68 for the TMRS Pension plan. This fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$3,459,135 and a Deferred Resource Outflow of \$977,073. The net effect of these was to decrease the ending net position by \$2,482,062.		(2,482,062)
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(962,882)
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, 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.		829,706
Net Position of Governmental Activities	\$	9,040,003

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

CITY OF BRIDGE CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 947,812	\$ 787,668	\$ -
General Sales and Use Taxes	1,517,849	-	-
Franchise Tax	428,985	-	-
Other Taxes	69,452	-	-
Penalty and Interest on Taxes	16,233	14,604	-
Licenses and Permits	67,045	-	-
Charges for Services	106,127	-	-
Fines	433,949	-	-
Investment Earnings	911	3,111	7,897
Contributions & Donations from Private Sources	-	-	74,986
Other Revenue	18,067	-	-
Total Revenues	3,606,430	805,383	82,883
EXPENDITURES:			
Current:			
General Government:			
Personnel and Purchasing	77,473	-	-
City Manager	143,067	-	-
City Secretary	113,354	-	-
Municipal Court	148,012	-	293,136
City Attorney	41,249	-	-
Administration	282,727	-	59,328
Municipal Court Judges	18,905	-	-
Finance	142,975	-	-
Public Safety:			
Police	2,065,838	-	586,271
Fire	11,076	-	-
Animal Control	71,644	-	-
Streets and Drainage	742,323	-	-
Culture and Recreation:			
Parks and Recreation	85,750	-	82,840
Library	151,659	-	-
Community Development	173,533	-	-
Debt Service:			
Bond Principal	-	535,000	-
Bond Interest	-	179,501	-
Fiscal Agent's Fees	-	2,000	-
Total Expenditures	4,269,585	716,501	1,021,575
Excess (Deficiency) of Revenues Over (Under) Expenditures	(663,155)	88,882	(938,692)
OTHER FINANCING SOURCES (USES):			
Transfers In	888,916	-	31,536
Transfers Out	(35,517)	-	(1,093,107)
Total Other Financing Sources (Uses)	853,399	-	(1,061,571)
EXTRAORDINARY ITEMS:			
Extraordinary Item - Resource	7,431	-	-
Extraordinary Item - (Use)	(746,839)	-	-
Net Change in Fund Balances	(549,164)	88,882	(2,000,263)
Fund Balance - October 1 (Beginning)	647,482	966,299	3,310,298
Fund Balance - September 30 (Ending)	\$ 98,318	\$ 1,055,181	\$ 1,310,035

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

Other Funds	Total Governmental Funds
\$ -	\$ 1,735,480
-	1,517,849
-	428,985
110,820	180,272
-	30,837
-	67,045
175,780	281,907
204	434,153
1,898	13,817
15,257	90,243
22,970	41,037
<u>326,929</u>	<u>4,821,625</u>
-	77,473
-	143,067
-	113,354
32,613	473,761
-	41,249
-	342,055
-	18,905
-	142,975
-	2,652,109
-	11,076
-	71,644
184,547	926,870
-	168,590
37,796	189,455
-	173,533
-	535,000
-	179,501
-	2,000
<u>254,956</u>	<u>6,262,617</u>
71,973	(1,440,992)
52,542	972,994
<u>(44,736)</u>	<u>(1,173,360)</u>
7,806	(200,366)
689,200	696,631
<u>(728,542)</u>	<u>(1,475,381)</u>
40,437	(2,420,108)
<u>789,401</u>	<u>5,713,480</u>
<u>\$ 829,838</u>	<u>\$ 3,293,372</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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ (2,420,108)
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 2016 capital outlays and debt principal payments is to increase the change in net position.	1,612,250
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/15 caused the change in the ending net position to increase in the amount of \$356,453. Contributions made before the measurement and during the previous fiscal year were also de-expended and recorded as a reduction in the net pension liability for the City. This caused an increase in the change in net position in totaling \$113,676. The City's proportionate share of the TMRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$518,606. The net result is to decrease the change in net position by \$48,477.	(48,477)
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.	(962,882)
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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.	(605,890)
Change in Net Position of Governmental Activities	\$ (2,425,107)

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, 2016

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 947,000	\$ 947,000	\$ 947,812	\$ 812
General Sales and Use Taxes	1,425,000	1,425,000	1,517,849	92,849
Franchise Tax	450,000	450,000	428,985	(21,015)
Other Taxes	76,500	76,500	69,452	(7,048)
Penalty and Interest on Taxes	14,700	14,700	16,233	1,533
Licenses and Permits	33,100	33,100	67,045	33,945
Charges for Services	95,750	95,750	106,127	10,377
Fines	500,000	500,000	433,949	(66,051)
Investment Earnings	500	500	911	411
Other Revenue	17,500	17,500	18,067	567
Total Revenues	3,560,050	3,560,050	3,606,430	46,380
EXPENDITURES:				
Current:				
General Government:				
Personnel and Purchasing	79,113	79,113	77,473	1,640
City Manager	143,811	143,811	143,067	744
City Secretary	110,352	110,352	113,354	(3,002)
Municipal Court	145,661	145,661	148,012	(2,351)
City Attorney	41,816	41,816	41,249	567
Administration	270,171	312,246	282,727	29,519
Municipal Court Judges	20,078	20,078	18,905	1,173
Finance	145,648	145,648	142,975	2,673
Public Safety:				
Police	2,089,053	2,086,953	2,065,838	21,115
Fire	9,000	11,100	11,076	24
Animal Control	75,257	75,257	71,644	3,613
Streets and Drainage	796,049	778,474	742,323	36,151
Culture and Recreation:				
Parks and Recreation	80,938	80,938	85,750	(4,812)
Library	146,901	147,401	151,659	(4,258)
Community Development	170,118	170,118	173,533	(3,415)
Intergovernmental:				
Contingency	25,000	-	-	-
Total Expenditures	4,348,966	4,348,966	4,269,585	79,381
Excess (Deficiency) of Revenues Over (Under) Expenditures	(788,916)	(788,916)	(663,155)	125,761
OTHER FINANCING SOURCES (USES):				
Transfers In	788,916	788,916	888,916	100,000
Transfers Out	-	-	(35,517)	(35,517)
Total Other Financing Sources (Uses)	788,916	788,916	853,399	64,483
EXTRAORDINARY ITEMS:				
Extraordinary Item - Resource	-	-	7,431	7,431
Extraordinary Item - (Use)	-	-	(746,839)	(746,839)
Net Change in Fund Balances	-	-	(549,164)	(549,164)
Fund Balance - October 1 (Beginning)	647,482	647,482	647,482	-
Fund Balance - September 30 (Ending)	\$ 647,482	\$ 647,482	\$ 98,318	\$ (549,164)

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, 2016

	Business Type Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,944,749
Accounts Receivable (Net)	502,880
Inventories	68,517
Prepaid Items	1,104
Total Current Assets	2,517,250
Noncurrent Assets:	
Capital Assets:	
Land	53,420
Buildings	18,293
Machinery and Equipment	984,946
Infrastructure	15,708,539
Accumulated Depreciation	(11,565,300)
Total Noncurrent Assets	5,199,898
Total Assets	7,717,148
LIABILITIES	
Current Liabilities:	
Accounts Payable	94,586
Wages and Salaries Payable	11,590
Compensated Absences Payable	36,273
Intergovernmental Payable	4,734
Unearned Revenue - Customer Advance Payments	330,371
Other Current Liabilities	35,194
Total Liabilities	512,748
NET POSITION	
Net Investment in Capital Assets	5,199,898
Restricted for Inventories	68,517
Unrestricted Net Position	1,935,985
Total Net Position	\$ 7,204,400

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, 2016

	Business Type Activities
OPERATING REVENUES:	
Charges for Water Services	\$ 1,158,160
Charges for Sewerage Service	1,014,928
Charges for Sanitation Service	840,361
Prop.Fund Charges for Services - Other	228,656
Total Operating Revenues	3,242,105
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	687,822
Personnel Services - Employee Benefits	273,416
Purchased Professional & Technical Services	132,489
Purchased Property Services	1,017,306
Other Operating Expenses	116,292
Supplies	130,762
Depreciation	467,267
Total Operating Expenses	2,825,354
Operating Income	416,751
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	6,149
Total Non-operating Revenue (Expenses)	6,149
Income Before Transfers, Gains or Losses	422,900
Non-Operating Transfer In	1,093,107
Transfers Out	(892,741)
Extraordinary Item - Resource	84,899
Extraordinary Item - (Use)	(92,790)
Change in Net Position	615,375
Total Net Position -October 1 (Beginning)	6,589,025
Total Net Position September 30 (Ending)	\$ 7,204,400

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, 2016

	Business Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 3,232,926
Cash Payments to Employees for Services	(961,238)
Cash Payments for Suppliers	(83,849)
Cash Payments for Other Operating Expenses	(1,252,712)
Net Cash Provided by Operating Activities	935,127
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfer In/Out (net)	200,366
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,093,107)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	6,149
Net Increase in Cash and Cash Equivalents	48,535
Cash and Cash Equivalents at Beginning of the Year:	1,896,214
Cash and Cash Equivalents at the End of the Year:	\$ 1,944,749
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income:	\$ 416,751
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	467,267
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(9,179)
Decrease (increase) in Inventories	22,266
Decrease (increase) in Prepaid Expenses	(15)
Increase (decrease) in Accounts Payable	24,647
Increase (decrease) in Other Payables	13,390
Net Cash Provided by Operating Activities	\$ 935,127

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, 2016

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, 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	1,702,189	744,729	957,460	
Furniture & Fixtures	163,332	111,608	51,724	
Machinery & Equipment	3,335,782	2,260,777	1,075,005	
Infrastructure	<u>26,455,868</u>	<u>15,281,670</u>	<u>11,174,198</u>	
Change in Net Position				<u>13,629,180</u>
Long-term Liabilities at the Beginning of the year			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			6,735,000	
Compensated Absences			<u>144,561</u>	
Change in Net Position				<u>(6,879,561)</u>
Net Adjustment to Net Position				<u>\$ 6,749,619</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	\$ 33,315		
Buildings	987,030		
Infrastructure	<u>82,840</u>		
Total Capital Outlay	<u>1,103,185</u>	<u>1,103,185</u>	<u>1,103,185</u>
<u>Debt Principal Issuance & Payments</u>			
Bond Principal	535,000		
Other	<u>(25,935)</u>		
Total Change in Debt Principal	<u>509,065</u>	<u>509,065</u>	<u>509,065</u>
Total Adjustments to Net Position		<u>\$ 1,612,250</u>	<u>\$ 1,612,250</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>Adjustments to Revenue and Deferred Revenue</u>	<u>Amount</u>	<u>Adjustments to</u> <u>Change in Net</u> <u>Assets</u>	<u>Adjustments</u> <u>to Net Assets</u>
Taxes Collected from Prior Year Levies	\$ 43,537	\$ (43,537)	
Uncollected Taxes (assumed collectible) from Current Year Levy	62,336	62,336	62,336
Uncollected Taxes (assumed collectible) from Prior Year Levy	117,474		117,474
Difference in prior year estimated collectible and current year collections	(9,014)	(9,014)	
Accrued interest on long-term debt	41,320	(41,320)	(41,320)
Prior year accrued interest on long-term debt	45,365	45,365	
Reclassify fines receivable assessed but not received this year		(619,720)	691,216
Total		<u>\$ (605,890)</u>	<u>\$ 829,706</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, 2016, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,996,986 and the bank balance was \$6,181,877. The City's cash deposits at September 30, 2016 and during the year ended September 30, 2016 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 \$5,126,133 and the par value was \$4,962,768.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$5,396,247 and occurred during the month of March.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

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

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

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

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

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

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

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

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
TexPool Local Government Investment Pool	\$ 957,618	\$ 957,618	1
TexStar	\$ 482,326	\$ 482,326	1
UBS Financial Services	\$ 500,997	\$ 500,997	

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

Interfund balances at September 30, 2016, consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Capital Projects Fund		
Municipal Court Security Fund	\$ 27,850	\$ -
Total Capital Projects Fund	<u>27,850</u>	<u>-</u>
Municipal Court Security Fund		
Police Special Fund	13,200	
Capital Projects Fund	<u>-</u>	<u>27,850</u>
Total Municipal Court Security Fund	<u>13,200.00</u>	<u>27,850</u>
Police Special Fund		
Municipal Court Security Fund	<u>-</u>	<u>13,200</u>
Total Police Special Fund	<u>-</u>	<u>13,200</u>
Total	<u>\$ 41,050</u>	<u>\$ 41,050</u>

Interfund transfers for the year ended September 30, 2016, consisted of the following individual amounts:

Fund	General Fund	Utility Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
Transfer In - Utility Fund	\$ (888,916)				\$ (888,916)
Transfer Out - DRS 2.1	35,517				35,517
Transfer In - Muni Court Security			(31,536)		(31,536)
Transfer Out - Utility Fund			1,093,107		1,093,107
Transfer In - Capital Projects		(1,093,107)			(1,093,107)
Transfer Out - General Fund		888,916			888,916
Transfer Out - DRS 1.0		3,825			3,825
Transfer In - Police Special				(13,200)	(13,200)
Transfer Out - Capital Projects				31,536	31,536
Transfer Out - Muni Court Security				13,200	13,200
Transfer In - Utility Fund				(3,825)	(3,825)
Transfer In - General Fund				(35,517)	(35,517)
Totals Transfers In/(Out)	\$ (853,399)	\$ (200,366)	\$ 1,061,571	\$ (7,806)	\$ (0)

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2016, were as follows:

	Property Taxes	Other Taxes	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 94,450	\$ 151,874	\$ 6,944	\$ 253,268
Debt Service Fund	85,360			85,360
Capital Projects Fund			14,469	14,469
Nonmajor Governmental Funds		11,834	30,261	42,095
Total - Governmental Activities	\$ 179,810	\$ 163,708	\$ 51,674	\$ 395,192
Business-type Activities:				
Utility Fund	\$ -	\$ -	\$ 502,880	\$ 502,880
Total - Business-Type Activities	\$ -	\$ -	\$ 502,880	\$ 502,880

Payables at September 30, 2016, were as follows:

	Accounts Payable	Wages and Salaries Payable	Intergovernmental Payable	Other Payables	Total Payables
Governmental Activities:					
General Fund	\$ 96,221	\$ 39,955	\$ 494,726	\$ 38,621	\$ 669,523
Capital Projects Fund				376,455	376,455
Nonmajor Governmental Funds	206			26,121	26,327
Total - Governmental Activities	\$ 96,427	\$ 39,955	\$ 494,726	\$ 441,197	\$ 1,072,305

	<u>Accounts Payable</u>	<u>Wages and Salaries Payable</u>	<u>Intergovernmental Payable</u>	<u>Other Payables</u>	<u>Total Payables</u>
Business-type Activities:					
Utility Fund	\$ 94,586	\$ 11,590	\$ 4,734	\$ 86,339	\$ 197,249
Total - Business-Type Activities	<u>\$ 94,586</u>	<u>\$ 11,590</u>	<u>\$ 4,734</u>	<u>\$ 86,339</u>	<u>\$ 197,249</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 370,793	\$	\$	\$ 370,793
Buildings and Improvements	1,702,189	987,030		2,689,219
Furniture and Fixtures	163,332			163,332
Machinery and Equipment	3,335,782	33,315	(30,326)	3,338,771
Infrastructure	26,455,868	82,840		26,538,708
Totals at Historic Cost	<u>32,027,964</u>	<u>1,103,185</u>	<u>(30,326)</u>	<u>33,100,823</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(744,729)	(68,009)		(812,738)
Furniture and Fixtures	(111,608)	(16,334)		(127,942)
Machinery and Equipment	(2,260,777)	(275,382)	30,326	(2,505,833)
Infrastructure	<u>(15,281,670)</u>	<u>(603,157)</u>		<u>(15,884,827)</u>
Total Accumulated Depreciation	<u>(18,398,784)</u>	<u>(962,882)</u>	<u>30,326</u>	<u>(19,331,340)</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,629,180</u>	<u>\$ 140,303</u>	<u>\$</u>	<u>\$ 13,769,483</u>
Business-type Activities:				
Land	\$ 53,420			\$ 53,420
Buildings	18,293			18,293
Machinery & Equipment	981,318	3,628		984,946
Infrastructure	14,619,060	1,089,479		15,708,539
Totals at Historic Cost	<u>15,672,091</u>	<u>1,093,107</u>		<u>16,765,198</u>
Less Accumulated Depreciation				
Buildings	(18,293)			(18,293)
Machinery & Equipment	(711,929)	(62,409)		(774,338)
Infrastructure	<u>(10,367,811)</u>	<u>(404,858)</u>		<u>(10,772,669)</u>
Total Accumulated Depreciation	<u>(11,098,033)</u>	<u>(467,267)</u>		<u>(11,565,300)</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,574,058</u>	<u>\$ 625,840</u>	<u>\$</u>	<u>\$ 5,199,898</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 7,650
City Manager	827
Police Department	64,145
Streets & Drainage	875,094
Animal Control	150
Parks & Recreation	7,592
Library	<u>7,424</u>
 Total Depreciation Expense	 <u>\$ 962,882</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, 2016 are included in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of Obligation Series 2012	\$ 2,145,000	\$	\$ 155,000	\$ 1,990,000
Certificates of Obligation Series 2014	1,105,000		380,000	725,000
Certificates of Obligation Series 2015	3,485,000			3,485,000
Compensated Absences	<u>144,561</u>	<u>156,326</u>	<u>130,391</u>	<u>170,496</u>
Total Debt Payable	<u>\$ 6,879,561</u>	<u>\$ 156,326</u>	<u>\$ 665,391</u>	<u>\$ 6,370,496</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, 2016:

<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	\$ 1,990,000
Tax and Waterworks Certificates of Obligation, Series 2014	0.75-1.55%	2014	2018	725,000
Tax and Waterworks Certificates of Obligation, Series 2015	2.00-4.00%	2015	2029	<u>3,485,000</u>
				<u>\$ 6,200,000</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, 2016 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>
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
2021	202,868		382,400	585,268
Thereafter	<u>1,229,763</u>	<u></u>	<u>3,049,750</u>	<u>4,279,513</u>
Total	<u>\$ 2,263,350</u>	<u>\$ 740,260</u>	<u>\$ 4,467,650</u>	<u>\$ 7,471,260</u>

The tax and waterworks and sewer system certificates of obligation series 2012, 2014 and 2015 include interest amounts of \$273,350, \$15,260, and \$982,650, 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, 2015	\$ 810,148	\$ 174,677
Additions - New Entrants and Salary Increments	193,142	195,209
Deductions - Payments to Participants	<u>(108,502)</u>	<u>(166,127)</u>
Balance September 30, 2016	<u>\$ 894,788</u>	<u>\$ 203,759</u>

I. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Bridge City participates as one of 866 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.tmr.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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>54</u>
	122

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 16.40% and 14.89% in calendar years 2015 and 2016, respectively. The city’s contributions to TMRS for the year ended September 30, 2016, were \$470,128, and were equal to the required contributions.

Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of 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%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 16,749,145	\$ 14,415,948	\$ 2,333,197
Changes for the Year:			
Service Cost	513,228	-	513,228
Interest	1,163,232	-	1,163,232
Change of benefit terms	-	-	-
Difference between expected and actual experience	25,453	-	25,453
Changes of assumptions	155,166	-	155,166
Contributions - employer	-	507,043	(507,043)
Contributions - employee	-	216,421	(216,421)
Net investment income	-	21,273	(21,273)
Benefit payments, including refunds of employee contributor	(776,315)	(776,315)	-
Administrative expense	-	(12,957)	12,957
Other changes	-	(640)	640
Net changes	<u>1,080,764</u>	<u>(45,174)</u>	<u>1,125,938</u>
Balance at 12/31/2015	<u>\$ 17,829,909</u>	<u>\$ 14,370,774</u>	<u>\$ 3,459,135</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 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 5,967,922	\$ 3,459,135	\$ 1,410,775

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, 2016 the city recognized pension expense of \$518,606.

At September 30, 2016, 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	\$ (386,810)	\$ -
Changes in actuarial assumptions	113,898	-
Difference between projected and actual investment earnings	893,532	-
Contributions subsequent of the measurement date	<u>356,453</u>	<u>-</u>
Total	\$ 977,073	\$ -

\$356,453 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, 2017. 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:

2016	\$	54,086
2017		100,470
2018		268,497
2019		197,567
2020		-
Thereafter		-
	\$	<u>620,620</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.

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 2016, 2015 and 2014 were \$8,505, \$7,909 and \$6,860, 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 Aetna Insurance Company. After the \$6,350 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, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
Certificates of Obligation	\$ 6,735,000	\$ -	\$ (535,000)	\$ 6,200,000	\$ 550,000
Total Bonds and Notes Payable	6,735,000	-	(535,000)	6,200,000	550,000
Other Liabilities					
Net Pension Liability	2,333,197	1,951,850	(789,912)	3,495,135	-
Compensated Absences	144,561	156,326	(130,391)	170,496	170,496
Total Other Liabilities	2,477,758	2,108,176	(920,303)	3,665,631	170,496
Total Governmental Activities	<u>\$ 9,212,758</u>	<u>\$ 2,108,176</u>	<u>\$ (1,455,303)</u>	<u>\$ 9,865,631</u>	<u>\$ 720,496</u>
Long-term Liabilities					
Business-type Activities					
Compensated Absences	\$ 30,116	\$ 44,142	\$ (37,985)	\$ 36,273	\$ 36,273
Total Business-type Activities	<u>\$ 30,116</u>	<u>\$ 44,142</u>	<u>\$ (37,985)</u>	<u>\$ 36,273</u>	<u>\$ 36,273</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	\$ 94,450	\$ 85,360	\$ 179,810
Total Deferred Revenue	<u>\$ 94,450</u>	<u>\$ 85,360</u>	<u>\$ 179,810</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property Taxes	\$ 947,812	\$ 787,668			\$ 1,735,480
Other Taxes	2,016,286			110,820	2,127,106
Penalties and Interest on Taxes	16,233	14,604			30,837
Licenses and Permits	67,045				67,045
Intergovernmental Grants					-
Fines	433,949			204	434,153
Charges for Services	106,127			175,780	281,907
Investment Earnings	911	3,111	7,897	1,898	13,817
Contributions and Donations			74,986	15,257	90,243
Other	18,067			22,970	41,037
Total	\$ 3,606,430	\$ 805,383	\$ 82,883	\$ 326,929	\$ 4,821,625

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, 2016 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, 2016.

P. HURRICANE IKE – 2008

As of September 30, 2016 FEMA has allocated \$4,978,740 in estimated and actual reimbursements for labor, equipment, debris removal, repairs to streets, drainage and for emergency shelters, showers and office trailers. This is a decrease to the original amount of \$5.2 million. FEMA is in the process of auditing all Hurricane Ike projects and as of the writing of this audit report FEMA has informed the City that they are de-obligating \$494,726, and this amount is due to FEMA. The de-obligated funds are a result of cost under-run due to lower actual costs than the amount for which the projects were originally written.

The City has also been awarded three grants under the Disaster Recovery Texas Community Development Block Grant Program not to exceed \$16,864,879. The grant funds are contracted through the General Land Office and are proposed for street repairs, drainage repairs, 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, 2016, \$13,719,279 has been received from the General Land Office.

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 27, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRIDGE CITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2016

EXHIBIT G-6

	2016	2015
A. Total Pension Liability		
Service Cost	\$ 513,228	\$ 470,296
Interest (on the Total Pension Liability)	1,163,232	1,152,556
Changes of Benefit Terms	-0-	-0-
Difference between Expected and Actual Experience	25,453	(857,372)
Changes of Assumptions	155,166	-0-
Benefit Payments, including refunds of employee contributions	(776,315)	(492,558)
Net Change in Total Pension Liability	\$ 1,080,764	\$ 272,922
Total Pension Liability - Beginning	16,749,145	16,476,223
Total Pension Liability - Ending	\$ 17,829,909	\$ 16,749,145
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 507,043	\$ 482,088
Contributions - Employee	216,421	212,106
Net Investment Income	21,273	769,640
Benefit Payments, including refunds of employee contributions	(776,315)	(492,558)
Administrative Expense	(12,957)	(8,035)
Other	(640)	(661)
Net Change in Plan Fiduciary Net Position	\$ (45,174)	\$ 962,580
Plan Fiduciary Net Position - Beginning	14,415,948	13,453,368
Plan Fiduciary Net Position - Ending	\$ 14,370,774	\$ 14,415,948
C. Net Pension Liability	\$ 3,459,135	\$ 2,333,197
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.60%	86.07%
E. Covered Employee Payroll	\$ 3,091,735	\$ 3,030,092
F. Net Pension Liability as a Percentage of Covered Employee Payroll	111.88%	77.00%

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

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

CITY OF BRIDGE CITY
 SCHEDULE OF CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SEPTEMBER 30, 2016

EXHIBIT G-7

	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 470,128	\$ 509,129
Contributions in Relation to the Actuarially Determined Contributions	470,128	509,129
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered Employee Payroll	\$ 3,087,050	\$ 3,126,182
Contributions as a Percentage of Covered Employee Payroll	15.23%	16.00%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31, 2014 for Fiscal Year 2015 and December 31, 2015 for Fiscal Year 2016.

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

COMBINING AND INDIVIDUAL FUND STATEMENTS

CITY OF BRIDGE CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	Hotel/ Motel	Municipal Court Security	Street Maintenance	Child Safety
ASSETS				
Cash and Cash Equivalents	\$ 418,288	\$ 37,857	\$ 269,806	\$ 25,794
Taxes Receivable (Net)	11,834	-	-	-
Receivables (Net)	-	-	30,261	-
Miscellaneous Receivable	-	-	-	-
Due from Other Funds	-	13,200	-	-
Total Assets	<u>\$ 430,122</u>	<u>\$ 51,057</u>	<u>\$ 300,067</u>	<u>\$ 25,794</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	27,850	-	-
Other Current Liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>27,850</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Restricted Fund Balance	430,122	23,207	300,067	25,794
Total Fund Balances	<u>430,122</u>	<u>23,207</u>	<u>300,067</u>	<u>25,794</u>
Total Liabilities and Fund Balances	<u>\$ 430,122</u>	<u>\$ 51,057</u>	<u>\$ 300,067</u>	<u>\$ 25,794</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
\$ 25,673	\$ 22,562	\$ 35,149	\$ 381	\$ 258	\$ 671	\$ (5,970)	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	11,204	-
-	-	-	-	-	-	-	-
<u>\$ 25,673</u>	<u>\$ 22,562</u>	<u>\$ 35,149</u>	<u>\$ 381</u>	<u>\$ 258</u>	<u>\$ 671</u>	<u>\$ 5,234</u>	<u>\$ -</u>
\$ -	\$ 104	\$ -	\$ -	\$ 102	\$ -	\$ -	\$ -
-	-	13,200	-	-	-	-	-
20,484	-	3,038	-	-	-	2,599	-
<u>20,484</u>	<u>104</u>	<u>16,238</u>	<u>-</u>	<u>102</u>	<u>-</u>	<u>2,599</u>	<u>-</u>
5,189	22,458	18,911	381	156	671	2,635	-
<u>5,189</u>	<u>22,458</u>	<u>18,911</u>	<u>381</u>	<u>156</u>	<u>671</u>	<u>2,635</u>	<u>-</u>
<u>\$ 25,673</u>	<u>\$ 22,562</u>	<u>\$ 35,149</u>	<u>\$ 381</u>	<u>\$ 258</u>	<u>\$ 671</u>	<u>\$ 5,234</u>	<u>\$ -</u>

CITY OF BRIDGE CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	Hurricane Ike Recovery DRS210001	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 247	\$ 830,716	\$ 830,716
Taxes Receivable (Net)	-	11,834	11,834
Receivables (Net)	-	30,261	30,261
Miscellaneous Receivable	-	11,204	11,204
Due from Other Funds	-	13,200	13,200
Total Assets	<u>\$ 247</u>	<u>\$ 897,215</u>	<u>\$ 897,215</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 206	\$ 206
Due to Other Funds	-	41,050	41,050
Other Current Liabilities	-	26,121	26,121
Total Liabilities	<u>-</u>	<u>67,377</u>	<u>67,377</u>
FUND BALANCES			
Restricted Fund Balance:			
Restricted Fund Balance	247	829,838	829,838
Total Fund Balances	<u>247</u>	<u>829,838</u>	<u>829,838</u>
Total Liabilities and Fund Balances	<u>\$ 247</u>	<u>\$ 897,215</u>	<u>\$ 897,215</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, 2016

	Hotel/ Motel	Municipal Court Security	Street Maintenance	Child Safety
REVENUES:				
Taxes:				
Other Taxes	\$ 110,820	\$ -	\$ -	\$ -
Charges for Services	-	7,028	168,752	-
Fines	-	-	-	-
Investment Earnings	897	114	602	60
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	2,727
Total Revenues	<u>111,717</u>	<u>7,142</u>	<u>169,354</u>	<u>2,787</u>
EXPENDITURES:				
Current:				
General Government:				
Municipal Court	-	17,660	-	-
Streets and Drainage	-	-	184,547	-
Culture and Recreation:				
Library	-	-	-	-
Total Expenditures	<u>-</u>	<u>17,660</u>	<u>184,547</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>111,717</u>	<u>(10,518)</u>	<u>(15,193)</u>	<u>2,787</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	13,200	-	-
Transfers Out	-	(31,536)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(18,336)</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEMS:				
Extraordinary Item - Resource	-	-	-	-
Extraordinary Item - (Use)	-	-	-	-
Net Change in Fund Balance	<u>111,717</u>	<u>(28,854)</u>	<u>(15,193)</u>	<u>2,787</u>
Fund Balance - October 1 (Beginning)	<u>318,405</u>	<u>52,061</u>	<u>315,260</u>	<u>23,007</u>
Fund Balance - September 30 (Ending)	<u>\$ 430,122</u>	<u>\$ 23,207</u>	<u>\$ 300,067</u>	<u>\$ 25,794</u>

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

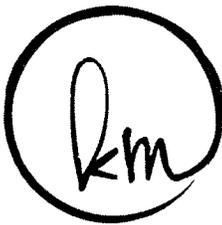
Gambling Forfeiture	Municipal Court Technology	Police Special	Park Construction	Thwarting	Police State Seizures	Library Expansion	Hurricane Ike Recovery DRS100001
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	204	-	-	-
60	47	82	1	-	2	33	-
-	-	-	9	-	-	15,248	-
-	20,243	-	-	-	-	-	-
<u>60</u>	<u>20,290</u>	<u>82</u>	<u>10</u>	<u>204</u>	<u>2</u>	<u>15,281</u>	<u>-</u>
-	14,851	-	-	102	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	37,796	-
-	14,851	-	-	102	-	37,796	-
<u>60</u>	<u>5,439</u>	<u>82</u>	<u>10</u>	<u>102</u>	<u>2</u>	<u>(22,515)</u>	<u>-</u>
-	-	-	-	-	-	-	3,825
-	-	(13,200)	-	-	-	-	-
-	-	(13,200)	-	-	-	-	3,825
-	-	-	-	-	-	-	105,363
-	-	-	-	-	-	-	(109,188)
60	5,439	(13,118)	10	102	2	(22,515)	-
<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>\$ 5,189</u>	<u>\$ 22,458</u>	<u>\$ 18,911</u>	<u>\$ 381</u>	<u>\$ 155</u>	<u>\$ 672</u>	<u>\$ 2,635</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, 2016

	Hurricane Ike Recovery DRS210001	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:			
Taxes:			
Other Taxes	\$ -	\$ 110,820	\$ 110,820
Charges for Services	-	175,780	175,780
Fines	-	204	204
Investment Earnings	-	1,898	1,898
Contributions & Donations from Private Sources	-	15,257	15,257
Other Revenue	-	22,970	22,970
Total Revenues	-	<u>326,929</u>	<u>326,929</u>
EXPENDITURES:			
Current:			
General Government:			
Municipal Court	-	32,613	32,613
Streets and Drainage	-	184,547	184,547
Culture and Recreation:			
Library	-	37,796	37,796
Total Expenditures	-	<u>254,956</u>	<u>254,956</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	<u>71,973</u>	<u>71,973</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	35,517	52,542	52,542
Transfers Out	-	(44,736)	(44,736)
Total Other Financing Sources (Uses)	<u>35,517</u>	<u>7,806</u>	<u>7,806</u>
EXTRAORDINARY ITEMS:			
Extraordinary Item - Resource	583,837	689,200	689,200
Extraordinary Item - (Use)	<u>(619,354)</u>	<u>(728,542)</u>	<u>(728,542)</u>
Net Change in Fund Balance	-	40,437	40,437
Fund Balance - October 1 (Beginning)	<u>247</u>	<u>789,401</u>	<u>789,401</u>
Fund Balance - September 30 (Ending)	<u>\$ 247</u>	<u>\$ 829,838</u>	<u>\$ 829,838</u>

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

FEDERAL SECTION



keri michutka

CERTIFIED PUBLIC ACCOUNTANT

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Mayor and City Council
City of Bridge City, Texas

We have audited, in accordance with the 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, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bridge City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of city's internal control.

A 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 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

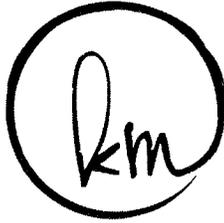
As part of obtaining reasonable assurance about whether the City of Bridge City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

A handwritten signature in black ink, appearing to read "K. Martin", is positioned above the typed text.

Bridge City, Texas
January 27, 2017



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 the Uniform Guidance**

Independent Auditor's Report

Mayor and Council
City of Bridge City, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Bridge City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bridge City's major federal programs for the year ended September 30, 2016. The 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 the 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bridge City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the 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, 2016.

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, 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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City of Bridge City as of and for the year ended September 30, 2016, and have issued our report thereon dated January 27, 2017, 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 the Uniform Guidance 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 27, 2017

CITY OF BRIDGE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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 \$25,000.
 - 4. Known question costs greater than \$25,000 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 \$750,000.
- i. The City qualified 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, 2016

None noted.

CITY OF BRIDGE CITY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2016

No corrective action is necessary for the City during the year ended September 30, 2016.

CITY OF BRIDGE CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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	\$ 105,363
Texas Community Development Block Grant - Hurricane Ike - DRS210001	14.228	583,837
Texas Community Development Block Grant - 7214050	14.228	<u>84,899</u>
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT		<u>774,099</u>
DEPARTMENT OF HOMELAND SECURITY		
<u>Passed through Texas Department of Public Safety</u>		
Federal Emergency Management Agency	97.036	<u>7,431</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY		<u>7,431</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 781,530</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, 2016. Thus amounts above may not agree to amounts in the financial statements.