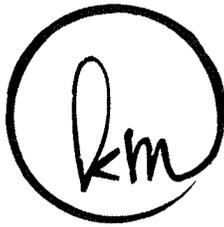


CITY OF BRIDGE CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2019

CITY OF BRIDGE CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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keri michutka
CERTIFIED PUBLIC ACCOUNTANT

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, 2019 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, 2019 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 12, the budgetary comparison information on page 47, and TMRS required pension and OPEB schedules on pages 48 through 52 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

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 31, 2020, 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 31, 2020

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

FINANCIAL HIGHLIGHTS

- ❑ The assets of the City exceeded its liabilities at the close of 2019 by \$15,371,201. Of this amount \$6,650,915 is considered unrestricted. The unrestricted net position of the City's governmental activities is \$4,699,648 and may be used to meet the government's ongoing obligations. The unrestricted net position of the City's business-type activities is \$1,951,267 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 position decreased by \$205,418 in the fiscal year 2019.
- ❑ As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$6,451,599 an increase of \$569,385.
- ❑ As of the end of the fiscal year, the unassigned fund balance for the general fund was \$1,124,385, which is primarily due to funding received from FEMA and TML for Hurricane Harvey.
- ❑ The City's total long-term bonded debt decreased by \$475,000 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 position. 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. Other non-financial factors, such as the City's Property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

The basic governmental funds financial statements can be found on pages 16 to 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 46 of this report.

THE CITY AS A WHOLE – GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$15,371,201 at September 30, 2019. 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 position 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.

NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 8,611,431	\$ 7,633,829	\$ 4,213,224	\$ 2,878,023	\$ 12,824,655	\$ 10,511,852
Capital Assets	11,277,776	12,097,069	3,899,296	4,381,702	15,177,072	16,478,771
Total Assets	<u>19,889,207</u>	<u>19,730,898</u>	<u>8,112,520</u>	<u>7,259,725</u>	<u>28,001,727</u>	<u>26,990,623</u>
Deferred Outflow - Pension Plan	1,014,277	322,516	260,667	86,305	1,274,944	408,821
Deferred Outflow - OPEB	5,561	16,457	1,425	4,233	6,986	20,690
Total Deferred Outflows	<u>1,019,838</u>	<u>338,973</u>	<u>262,092</u>	<u>90,538</u>	<u>1,281,930</u>	<u>429,511</u>
Long-Term Liabilities						
Outstanding	10,044,590	9,404,524	885,211	520,916	10,929,801	9,925,440
Other Liabilities	1,384,734	831,943	1,556,155	590,519	2,940,889	1,422,462
Total Liabilities	<u>11,429,324</u>	<u>10,236,467</u>	<u>2,441,366</u>	<u>1,111,435</u>	<u>13,870,690</u>	<u>11,347,902</u>
Deferred Inflow - Pension Plan	21,995	392,707	7,914	102,906	29,909	495,613
Deferred Outflow Related to OPEB	9,438	-	2,419	-	11,857	-
Total Deferred Inflows	<u>31,433</u>	<u>392,707</u>	<u>10,333</u>	<u>102,906</u>	<u>41,766</u>	<u>495,613</u>
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	4,748,640	5,092,933	3,971,646	4,448,431	8,720,286	9,541,364
Unrestricted	4,699,648	4,347,764	1,951,267	1,687,491	6,650,915	6,035,255
Total Net Position	<u>\$ 9,448,288</u>	<u>\$ 9,440,697</u>	<u>\$ 5,922,913</u>	<u>\$ 6,135,922</u>	<u>\$ 15,371,201</u>	<u>\$ 15,576,619</u>

The total unrestricted net assets of \$6,650,915 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.

As reflected in the following table (Table 2) the City's net assets decreased by \$235,323 during the current fiscal year. Net assets for the governmental activities decreased \$22,314 and net assets for the business-type activities decreased \$213,009.

TABLE 2

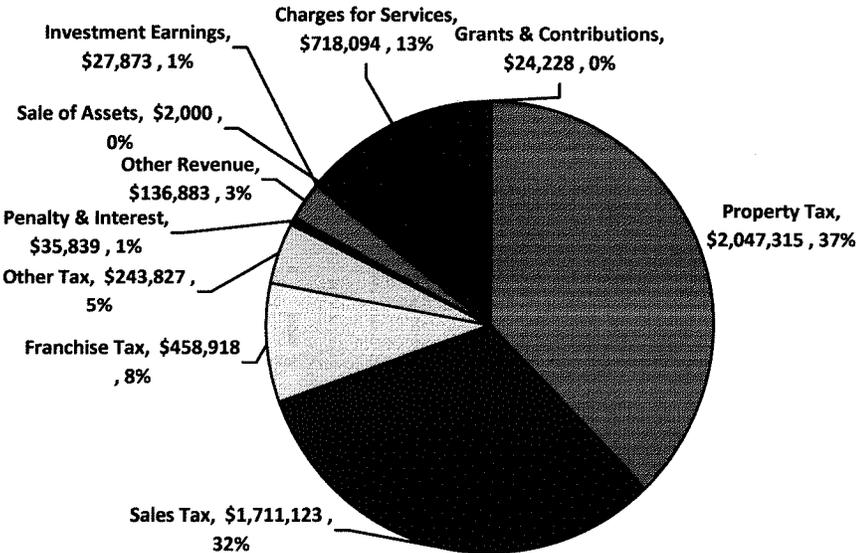
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 718,094	\$ 780,497	\$ 3,588,999	\$ 3,373,748	\$ 4,307,093	\$ 4,154,245
Operating Grants & Contrib	24,228	16,930	-	-	24,228	16,930
General Revenues:						
Property Taxes	2,047,315	1,978,648	-	-	2,047,315	1,978,648
Sales Taxes	1,711,123	1,824,094	-	-	1,711,123	1,824,094
Franchise Taxes	458,918	443,623	-	-	458,918	443,623
Other Taxes	243,827	256,948	-	-	243,827	256,948
Penalty & Interest	35,839	30,445	-	-	35,839	30,445
Grants and Contributions	-	113	121,183	10,000	121,183	10,113
Other	136,883	169,074	-	-	136,883	169,074
Gain on Sale of Assets	2,000	137,249	-	-	2,000	137,249
Investment Earnings	27,873	69,196	38,743	32,472	66,616	101,668
Total Revenues	5,406,100	5,706,817	3,748,925	3,416,220	9,155,025	9,123,037
Expenses:						
General Government	1,173,023	1,016,959	-	-	1,173,023	1,016,959
Public Safety	2,494,187	2,294,615	-	-	2,494,187	2,294,615
Public Works	2,010,466	1,677,886	-	-	2,010,466	1,677,886
Community Development	275,331	195,471	-	-	275,331	195,471
Parks & Recreation	122,377	94,394	-	-	122,377	94,394
Library	193,648	167,020	-	-	193,648	167,020
Interest on Long-Term Debt	237,286	172,255	-	-	237,286	172,255
Utilities	-	-	3,507,168	3,134,980	3,507,168	3,134,980
Other	2,000	1,250	-	-	2,000	1,250
Total Expenses	6,508,318	5,619,850	3,507,168	3,134,980	10,015,486	8,754,830
Increase (Decrease)						
in Net Position Before Transfers	(1,102,218)	86,967	241,757	281,240	(860,461)	368,207
Extraordinary item - Resource	631,362	1,099	-	-	631,362	1,099
Extraordinary item - Use	(6,224)	(58,314)	-	-	(6,224)	(58,314)
Transfers In (Out)	454,766	412,660	(454,766)	(412,660)	-	-
Increase (Decrease) in Net Position	(22,314)	442,412	(213,009)	(131,420)	(235,323)	310,992
Net Position Beginning	9,440,697	9,147,291	6,135,922	6,306,389	15,576,619	15,453,680
Prior Period Adjustment	29,905	(149,006)	-	(39,047)	29,905	(188,053)
Net Position Ending	\$ 9,448,288	\$ 9,440,697	\$ 5,922,913	\$ 6,135,922	\$ 15,371,201	\$ 15,576,619

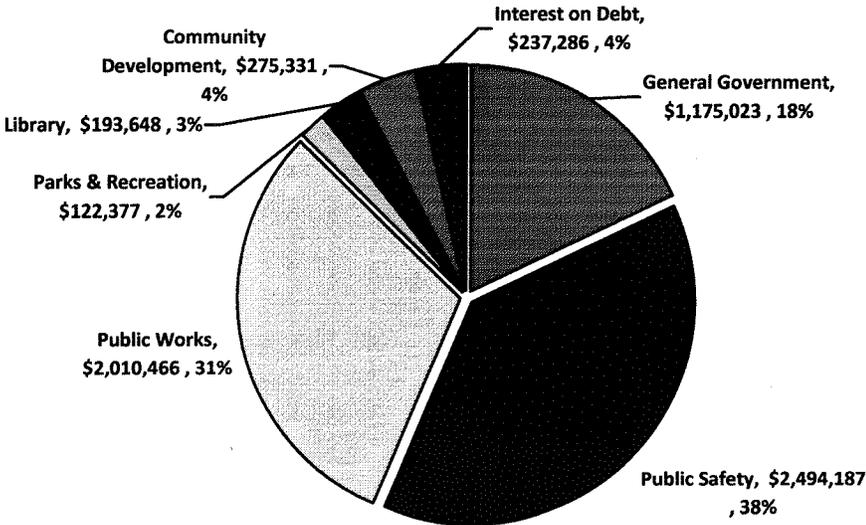
Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

GOVERNMENTAL ACTIVITIES – REVENUE BY SOURCE

2019 Governmental Activities Revenues



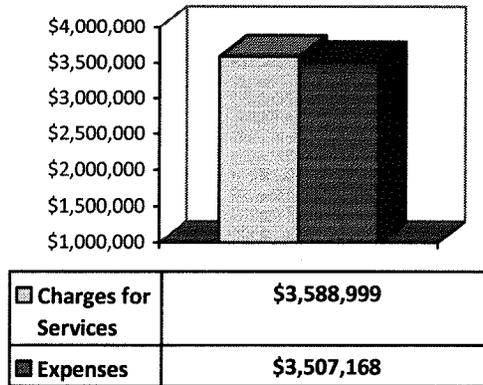
2019 Governmental Activities Expenses



BUSINESS -TYPE ACTIVITIES - REVENUES AND EXPENSES

Business-type activities are shown comparing operating costs to revenues generated by related services.

2019 Proprietary Funds



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 \$6,451,599 an increase of \$569,385 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,124,385 while the total fund balance was \$1,186,562. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The fund balance of the City’s general fund increased by \$637,590 during the current fiscal year. The largest contributor was extraordinary income from the Federal Emergency Management Agency for Hurricane Harvey.

The debt service fund has a total fund balance of \$1,346,026, an increase of \$90,039, 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 \$3,919,011, all of which is restricted. The fund balance decreased by \$158,244 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 \$1,951,267. Net position in the water, sewer and sanitation fund decreased by \$213,009.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2018 – 2019, 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 \$672,694, this excludes any transfers or extraordinary items.

A comparison of final budgetary resources and appropriations can be found on page 47.

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, 2019, amounted to \$15,177,072 (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 3)

Table 3

Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 370,793	\$ 370,793	\$ 53,420	\$ 53,420	\$ 424,213	\$ 424,213
Buildings, Plants, and Lines	1,647,238	1,740,552	-	-	1,647,238	1,740,552
Infrastructure	8,837,507	9,442,965	3,652,184	4,121,090	12,489,691	13,564,055
Vehicles, Machinery, & Equip.	422,235	540,036	193,693	207,192	615,928	747,228
Furniture and Fixtures	2	2,724	-	-	2	2,724
Construction in Progress	-	-	-	-	-	-
	<u>\$ 11,271,775</u>	<u>\$ 12,097,070</u>	<u>\$ 3,899,297</u>	<u>\$ 4,381,702</u>	<u>\$ 15,177,072</u>	<u>\$ 16,478,772</u>

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

- Vehicles Purchased \$101,102

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

- Purchase of Equipment \$13,572
- Purchase of Vehicle \$26,456

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 year, the City had total bonds outstanding of \$6,590,000 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 4

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

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Water & Sewer System Improvements						
Certificates of Obligation:						
Series 2012	1,495,000	1,665,000	-	-	1,495,000	1,665,000
General Obligation						
Certificates of Obligation:						
Series 2015	3,160,000	3,435,000	-	-	3,160,000	3,435,000
General Obligation						
Certificates of Obligation:						
Series 2018	1,935,000	1,965,000	-	-	1,935,000	1,965,000
	<u>\$ 6,590,000</u>	<u>\$ 7,065,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,590,000</u>	<u>\$ 7,065,000</u>

The City’s total debt decreased by \$475,000 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 2018 – 2019 tax rate per \$100 of assessed valuation is \$0.20897 for debt allocation and \$0.33803 for the operating & maintenance allocation, this sets the total tax rate at \$0.54700, which is below the City’s maximum allowable tax rate.

The City also has long-term liabilities related to compensated absences. The liability for governmental activities decreased by \$5,557 during the current fiscal year.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Economic factors for fiscal year 2018 – 2019:

- ❑ During the one-year period from October 2018 to September 2019 the City collected \$1,711,123 in Sales Tax, this was a 6.6% decrease from the previous fiscal year of 2017 – 2018. The average for the last five years in sales tax collections is \$1,645,094. Sales tax revenue accounts for approximately 42% of the General Fund Revenues.
- ❑ The ad valorem taxable values for the 2018-2019 budget increased by 5.19% over the prior year. The adopted 2018 - 2019 tax rate of .54700 per \$100 of assessed property evaluation is a 3.93% increase over the calculated effective rate.
- ❑ The City of Bridge City has only one industrial (in lieu of taxes) contract. A portion of Lion Elastomers previously Firestone Polymers is in the City’s extra-territorial jurisdiction. Lion Elastomers pays based on the assessed valuation of that property.

- ❑ The budgets for 2018 - 2019 and 2019 - 2020 fiscal years contain a 3% cost of living increase for all employees.
- ❑ A Texas Community Development Block Grant contract (#7217039) in the amount of \$275,000 with a local match of \$55,000 was signed by the Texas Department of Agriculture and the City in December 2017. The grant is being used to repair deteriorated sewer yard service lines that have resulted in excessive inflow and infiltration.
- ❑ The City of Bridge City has received to date, more than \$4.9 million dollars in funding from the Federal Emergency Management Agency (FEMA) for Hurricane Ike. The City is currently working with FEMA in reviewing current projects and auditing completed projects authorized by FEMA. As of September 30, 2019, 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.

Economic factors for fiscal year 2019 – 2020:

- ❑ The City of Bridge City's adopted 2019 – 2020 ad valorem tax rate of .55350 will produce a 1.20% levy increase over the 2018 – 2019 tax rate of .54700 and will generate approximately \$203,211,000 more in revenue.
- ❑ The City approved rate increases for water and added a Water and Sewer Maintenance Fee of \$4 to each customer. Each customer will see at least a \$4.75 increase in their monthly bill which should generate an annual increase of \$67,797 for water and generate approximately \$159,600 in additional revenue for a restricted use Water and Sewer Maintenance Fund.
- ❑ In November 2019, a Texas Community Development Block Grant contract (#7219050) in the amount of \$275,000 was signed by the Texas Department of Agriculture and the City with a match of \$55,000. The grant is continuing to be used to repair deteriorated sewer yard service lines that have resulted in excessive inflow and infiltration.

HURRICANE HARVEY

Between August 26 and August 30, 2017, Hurricane Harvey dumped more than 50 inches of rain on Bridge City with more than 2 feet falling in one day. The unprecedented rainfall caused catastrophic flooding. The City of Bridge City received water damage to most of its facilities. The City assisted with traffic control, water rescues, debris removal and setting up points of distribution (POD's) for supplies and necessities that were donated from outside sources to help the citizens of Bridge City and the surrounding area. The City continues to assess, repair and mitigate the damages caused by Hurricane Harvey. The City is working with the Texas Municipal League (TML), Texas Department of Emergency Management (TDEM) and the Federal Emergency Management Agency (FEMA) to recoup any and all eligible costs.

The City has applied or been approved to receive the following grants in relation to the Hurricane Harvey Disaster:

- ❑ In August of 2019, the Texas Department of Agriculture (TDA) approved a Disaster Relief (DR) fund award for the City of Bridge City in the amount of \$350,000 in support of restoring drainage ditches to pre-Hurricane Harvey disaster conditions. This project will be funded through the Texas Community Development Block Grant (TxCDBG) Program as Contract No. 7219027.
- ❑ The City of Bridge City has been awarded Community Development Block Grant - Disaster Recovery (CDBG-DR) funds for Hurricane Harvey under the method of distribution created by the Southeast Texas Regional Planning Commission as follows:
 - Local Acquisition \$1,566,005
 - Local Infrastructure \$2,034,183

- ❑ The City has submitted an application to the Texas Department of Emergency Management for funding under the Hazard Mitigation Grant Program DR-4332. The application is for \$2,250,000 with a local cost share of \$750,000 (planned to be funded with the CBDG-DR grant mentioned above) for a total project cost of \$3,000,000 to provide a city-wide flood and drainage study and improvements, engineering services and grant administration services.
- ❑ The City of Bridge City has received funding up to \$991,000 from the Texas Water Development Board as forgivable loans to repair city wide manholes and flushing valves.
- ❑ The City of Bridge City continues to work with the Federal Emergency Management Agency (FEMA) and the Texas Department of Emergency Management for Hurricane Harvey related projects. As of this date, the City has received \$623,265 of the \$1,885,385 obligated to date for projects.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

CITY OF BRIDGE CITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 7,219,400	\$ 3,546,986	\$ 10,766,386
Taxes Receivable, Net	373,027	-	373,027
Accounts Receivable, Net	893,231	604,199	1,497,430
Due from Other Governments	37,876	-	37,876
Due from Other Funds	12,000	(12,000)	-
Inventories	62,177	72,350	134,527
Prepaid Items	13,720	1,689	15,409
Capital Assets:			
Land	370,793	53,420	424,213
Infrastructure, Net	8,837,507	3,652,184	12,489,691
Buildings, Net	1,647,239	-	1,647,239
Machinery and Equipment, Net	422,235	193,692	615,927
Furniture and Fixtures, Net	2	-	2
Total Assets	<u>19,889,207</u>	<u>8,112,520</u>	<u>28,001,727</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	1,014,277	260,667	1,274,944
Deferred Outflow Related to OPEB	5,561	1,425	6,986
Total Deferred Outflows of Resources	<u>1,019,838</u>	<u>262,092</u>	<u>1,281,930</u>
LIABILITIES			
Accounts Payable	100,366	130,440	230,806
Wages and Salaries Payable	57,298	13,112	70,410
Compensated Absences Payable	215,378	38,474	253,852
Intergovernmental Payable	532,601	-	532,601
Accrued Interest Payable	54,239	-	54,239
Unearned Revenues	-	1,325,218	1,325,218
Other Current Liabilities	424,852	48,911	473,763
Noncurrent Liabilities:			
Debt Due Within One Year	505,000	-	505,000
Bonds Payable - Noncurrent	6,085,000	-	6,085,000
Net Pension Liability	3,289,358	842,872	4,132,230
Net OPEB Liability	165,232	42,339	207,571
Total Liabilities	<u>11,429,324</u>	<u>2,441,366</u>	<u>13,870,690</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	21,995	7,914	29,909
Deferred Inflow Related to OPEB	9,438	2,419	11,857
Total Deferred Inflows of Resources	<u>31,433</u>	<u>10,333</u>	<u>41,766</u>
NET POSITION			
Net Investment in Capital Assets	4,687,776	3,899,296	8,587,072
Restricted for Inventories	60,864	72,350	133,214
Unrestricted Net Position	4,699,648	1,951,267	6,650,915
Total Net Position	<u>\$ 9,448,288</u>	<u>\$ 5,922,913</u>	<u>\$ 15,371,201</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, 2019

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Personnel and Purchasing	\$ 80,072	\$ -	\$ -
City Manager	174,429	-	-
City Secretary	180,029	-	-
Municipal Court	180,625	513,513	-
City Attorney	47,110	-	-
Administration	312,940	-	-
Municipal Court Judges	21,751	-	-
Finance	176,067	-	-
Police	2,405,095	15,000	14,571
Fire	9,762	-	-
Animal Control	79,330	925	-
Streets and Drainage	2,010,466	185,240	-
Parks and Recreation	122,377	-	-
Library	193,648	3,416	9,657
Community Development	275,331	-	-
Interest on Debt	237,286	-	-
Other Debt Service	2,000	-	-
Total Governmental Activities	6,508,318	718,094	24,228
BUSINESS-TYPE ACTIVITIES:			
Utility Fund	3,507,168	3,588,999	-
Total Business-Type Activities	3,507,168	3,588,999	-
TOTAL PRIMARY GOVERNMENT	\$ 10,015,486	\$ 4,307,093	\$ 24,228

General Revenues:

Taxes:
Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
General Sales and Use Taxes
Franchise Tax
Other Taxes
Penalty and Interest on Taxes
Grants and Contributions
Miscellaneous Revenue
Investment Earnings
Gain on Sale of Assets
Extraordinary Item - Resource
Extraordinary Item - (Use)
Transfers In (Out)

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Beginning
Prior Period Adjustment
Net Position - Ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
(80,072)	-	(80,072)
(174,429)	-	(174,429)
(180,029)	-	(180,029)
332,888	-	332,888
(47,110)	-	(47,110)
(312,940)	-	(312,940)
(21,751)	-	(21,751)
(176,067)	-	(176,067)
(2,375,524)	-	(2,375,524)
(9,762)	-	(9,762)
(78,405)	-	(78,405)
(1,825,226)	-	(1,825,226)
(122,377)	-	(122,377)
(180,575)	-	(180,575)
(275,331)	-	(275,331)
(237,286)	-	(237,286)
(2,000)	-	(2,000)
(5,765,996)	-	(5,765,996)
-	81,831	81,831
-	81,831	81,831
(5,765,996)	81,831	(5,684,165)
1,261,469	-	1,261,469
785,846	-	785,846
1,711,123	-	1,711,123
458,918	-	458,918
243,827	-	243,827
35,839	-	35,839
-	121,183	121,183
136,883	-	136,883
27,873	38,743	66,616
2,000	-	2,000
631,362	-	631,362
(6,224)	-	(6,224)
454,766	(454,766)	-
5,743,682	(294,840)	5,448,842
(22,314)	(213,009)	(235,323)
9,440,697	6,135,922	15,576,619
29,905	-	29,905
\$ 9,448,288	\$ 5,922,913	\$ 15,371,201

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Hotel/ Motel	Street Maintenance
ASSETS			
Cash and Cash Equivalents	\$ 1,633,633	\$ 851,587	\$ 657,700
Taxes Receivable, Net	273,274	15,150	-
Accounts Receivable, Net	3,693	-	35,031
Due from Other Governments	37,876	-	-
Due from Other Funds	-	-	-
Inventories	62,177	-	-
Prepaid Items	13,720	-	-
Total Assets	\$ 2,024,373	\$ 866,737	\$ 692,731
LIABILITIES			
Accounts Payable	\$ 98,399	\$ -	\$ 825
Wages and Salaries Payable	57,298	-	-
Intergovernmental Payable	532,601	-	-
Other Current Liabilities	43,908	-	279,690
Total Liabilities	732,206	-	280,515
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	105,605	-	-
Total Deferred Inflows of Resources	105,605	-	-
FUND BALANCES			
Nonspendable Fund Balance:			
Inventories	62,177	-	-
Restricted Fund Balance:			
Restricted Fund Balance	-	866,737	412,216
Capital Projects	-	-	-
Retirement of Long-Term Debt	-	-	-
Unassigned Fund Balance	1,124,385	-	-
Total Fund Balances	1,186,562	866,737	412,216
Total Liabilities, Deferred Inflows & Fund Balances	\$ 2,024,373	\$ 866,737	\$ 692,731

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

Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
\$ 1,346,026	\$ 2,572,670	\$ 157,784	\$ 7,219,400
84,603	-	-	373,027
-	-	-	38,724
-	-	-	37,876
-	12,000	-	12,000
-	-	-	62,177
-	-	-	13,720
<u>\$ 1,430,629</u>	<u>\$ 2,584,670</u>	<u>\$ 157,784</u>	<u>\$ 7,756,924</u>
\$ -	\$ -	\$ 1,142	\$ 100,366
-	-	-	57,298
-	-	-	532,601
-	80,092	21,162	424,852
-	80,092	22,304	1,115,117
84,603	-	-	190,208
84,603	-	-	190,208
-	-	-	62,177
-	-	135,480	1,414,433
-	2,504,578	-	2,504,578
1,346,026	-	-	1,346,026
-	-	-	1,124,385
<u>1,346,026</u>	<u>2,504,578</u>	<u>135,480</u>	<u>6,451,599</u>
<u>\$ 1,430,629</u>	<u>\$ 2,584,670</u>	<u>\$ 157,784</u>	<u>\$ 7,756,924</u>

CITY OF BRIDGE CITY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$	6,451,599
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.		4,811,135
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 2019 capital outlays and debt principal payments is to increase net position.		608,184
Included in the items related to debt is the recognition of the City's net pension liability required by GASB 68. The net position related to TMRS included a deferred resource outflow in the amount of \$1,014,277, a deferred resource inflow in the amount of \$21,995, and a net pension liability in the amount of \$3,289,358. This resulted in a decrease in net position.		(2,297,076)
Included in the items related to debt is the recognition of the City's net OPEB liability required by GASB 75. The net position related to TMRS included a deferred resource outflow in the amount of \$5,561, a deferred resource inflow in the amount of \$9,438, and a net OPEB liability in the amount of \$165,232. This resulted in a decrease in net position.		(169,109)
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(946,921)
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.		990,476
Net Position of Governmental Activities	\$	9,448,288

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Hotel/ Motel	Street Maintenance
REVENUES:			
Taxes:			
Property Taxes	\$ 1,263,802	\$ -	\$ -
General Sales and Use Taxes	1,711,123	-	-
Franchise Tax	458,918	-	-
Other Taxes	84,217	159,610	-
Penalty and Interest on Taxes	20,463	-	-
Licenses and Permits	79,172	-	-
Intergovernmental Revenue and Grants	14,571	-	-
Charges for Services	93,930	-	174,440
Fines	377,535	-	-
Investment Earnings	5,862	2,142	1,607
Contributions & Donations from Private Sources	-	-	-
Other Revenue	26,940	-	-
Total Revenues	4,136,533	161,752	176,047
EXPENDITURES:			
Current:			
Personnel and Purchasing	78,346	-	-
City Manager	158,626	-	-
City Secretary	171,538	-	-
Municipal Court	140,497	-	-
City Attorney	47,110	-	-
Administration	288,719	-	-
Municipal Court Judges	21,751	-	-
Finance	156,464	-	-
Police	2,255,617	-	-
Fire	9,762	-	-
Animal Control	74,824	-	-
Streets and Drainage	878,635	-	313,573
Parks and Recreation	93,791	-	-
Library	172,983	-	-
Community Development	260,564	-	-
Debt Service:			
Principal on Debt	-	-	-
Interest on Debt	-	-	-
Other Debt Service	-	-	-
Total Expenditures	4,809,227	-	313,573
Excess (Deficiency) of Revenues Over (Under) Expenditures	(672,694)	161,752	(137,526)
OTHER FINANCING SOURCES (USES):			
Transfers In	785,358	-	-
Transfers Out (Use)	(100,212)	-	-
Total Other Financing Sources (Uses)	685,146	-	-
SPECIAL AND EXTRAORDINARY ITEMS:			
Extraordinary Item - Resource	631,362	-	-
Extraordinary Item - (Use)	(6,224)	-	-
Net Change in Fund Balances	637,590	161,752	(137,526)
Fund Balance - October 1 (Beginning)	548,972	704,985	549,742
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	\$ 1,186,562	\$ 866,737	\$ 412,216

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

Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
\$ 784,302	\$ -	\$ -	\$ 2,048,104
-	-	-	1,711,123
-	-	-	458,918
-	-	-	243,827
15,376	-	-	35,839
-	-	-	79,172
-	-	-	14,571
-	-	6,915	275,285
-	-	2,209	379,744
4,169	13,661	432	27,873
-	-	9,657	9,657
-	-	23,764	50,704
<u>803,847</u>	<u>13,661</u>	<u>42,977</u>	<u>5,334,817</u>
-	-	-	78,346
-	-	-	158,626
-	-	-	171,538
-	-	20,093	160,590
-	-	-	47,110
-	-	-	288,719
-	-	-	21,751
-	-	-	156,464
-	-	6,102	2,261,719
-	-	-	9,762
-	-	-	74,824
-	2,788	-	1,194,996
-	-	-	93,791
-	-	9,650	182,633
-	-	-	260,564
475,000	-	-	475,000
236,808	-	-	236,808
2,000	-	-	2,000
<u>713,808</u>	<u>2,788</u>	<u>35,845</u>	<u>5,875,241</u>
90,039	10,873	7,132	(540,424)
-	100,212	-	885,570
-	(330,592)	-	(430,804)
-	(230,380)	-	454,766
-	-	-	631,362
-	-	-	(6,224)
<u>90,039</u>	<u>(219,507)</u>	<u>7,132</u>	<u>539,480</u>
1,255,987	2,694,180	128,348	5,882,214
-	29,905	-	29,905
<u>\$ 1,346,026</u>	<u>\$ 2,504,578</u>	<u>\$ 135,480</u>	<u>\$ 6,451,599</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, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	539,480
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 2019 capital outlays and debt principal payments is to increase the change in net position.		608,184
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$303,308. Contributions made before the measurement date and during the fiscal year were also de-expended and recorded as a reduction in net pension liability. This caused an increase in net position totaling \$114,079. Finally, the City's proportionate share of the TMRS pension expense on the plan as a whole has to be recorded. The net pension expense decreased the change in net position by \$702,810. The net result is an increase in the change in net position.		(285,423)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$5,561. Contributions made before the measurement date and during the fiscal year were also de-expended and recorded as a reduction in net OPEB liability. This caused an increase in net position totaling \$2,338. Finally, the proportionate share of the TMRS OPEB expense on the plan as a whole has to be recorded. The net OPEB expense decreased the change in net position. The net result is a decrease in the change in net position.		(8,439)
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.		(946,921)
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 increase the change in net position.		70,805
Change in Net Position of Governmental Activities	\$	(22,314)

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, 2019

EXHIBIT D-1

	Business Type Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,546,986
Accounts Receivable, Net	604,199
Inventories	72,350
Prepaid Items	1,689
Total Current Assets	4,225,224
Noncurrent Assets:	
Capital Assets:	
Land	53,420
Buildings	18,293
Machinery & Equipment	1,136,825
Infrastructure	15,820,685
Accumulated Depreciation	(13,129,927)
Total Noncurrent Assets	3,899,296
Total Assets	8,124,520
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	260,667
Deferred Outflow Related to OPEB	1,425
Total Deferred Outflows of Resources	262,092
LIABILITIES	
Current Liabilities:	
Accounts Payable	130,440
Wages and Salaries Payable	13,112
Compensated Absences Payable	38,474
Due to Other Funds	12,000
Unearned Revenues - TWDB Grant	977,000
Unearned Revenues - Customer Advance Payments	348,218
Other Current Liabilities	48,911
Total Current Liabilities	1,568,155
Noncurrent Liabilities:	
Net Pension Liability	842,872
Net OPEB Liability	42,339
Total Noncurrent Liabilities	885,211
Total Liabilities	2,453,366
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	7,914
Deferred Inflow Related to OPEB	2,419
Total Deferred Inflows of Resources	10,333
NET POSITION	
Net Investment in Capital Assets	3,899,296
Restricted for Inventories	72,350
Unrestricted Net Position	1,951,267
Total Net Position	\$ 5,922,913

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, 2019

EXHIBIT D-2

	Business-Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Water Service	\$ 1,230,067
Charges for Sewerage Service	1,182,576
Charges for Sanitation Service	940,775
Charges for Service - Other	235,581
Total Operating Revenues	3,588,999
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	685,681
Personnel Services - Employee Benefits	363,214
Purchased Professional & Technical Services	153,608
Purchased Property Services	1,443,821
Other Operating Costs	230,481
Supplies	107,930
Depreciation	522,433
Total Operating Expenses	3,507,168
Operating Income	81,831
NONOPERATING REVENUES (EXPENSES):	
Grant Income	121,183
Investment Earnings	38,743
Total NonOperating Revenue (Expenses)	159,926
Income Before Transfers	241,757
Non-Operating Transfers In	330,592
Transfers Out (Use)	(785,358)
Change in Net Position	(213,009)
Total Net Position - October 1 (Beginning)	6,135,922
Total Net Position - September 30 (Ending)	\$ 5,922,913

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, 2019

	Business-Type Activities
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 3,565,283
Cash Payments to Employees for Services	(982,970)
Cash Payments to Suppliers	(113,551)
Cash Payments for Other Operating Expenses	<u>(1,793,582)</u>
Net Cash Provided by Operating Activities	675,180
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Cash Received from Grants	1,098,183
Transfer In/Out (Net)	<u>(454,766)</u>
Net Cash Provided by Non-Capital Financing Activities	643,417
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(40,028)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>38,743</u>
Net Increase in Cash and Cash Equivalents	1,317,312
Cash and Cash Equivalents at the Beginning of the Year	<u>2,229,674</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 3,546,986</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 81,831
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation	522,434
Effect of Increases and Decreases in Current Assets and Liabilities	
Decrease (Increase) in Receivables	(23,716)
Decrease (Increase) in Inventories	(5,621)
Decrease (Increase) in Prepaid Expenses	(552)
Increase (Decrease) in Accounts Payable	40,421
Increase (Decrease) in Other Payables	(5,542)
Increase (Decrease) in Net Pension Liability	334,128
Increase (Decrease) in Net OPEB Liability	(4,076)
Decrease (Increase) in Deferred Outflows	(92,573)
Increase (Decrease) in Deferred Outflows	<u>(171,554)</u>
Net Cash Provided by Operating Activities	<u>\$ 675,180</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BRIDGE CITY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

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. **Capital Assets** 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

4. **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.

5. **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. The City pays accrued sick leave only when the employee retires. 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.
6. **Pensions** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
7. **Other Postemployment Benefits (OPEB)** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
8. **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.
9. **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	2,692,254	951,702	1,740,552	
Furniture & Fixtures	163,332	160,608	2,724	
Machinery & Equipment	3,528,346	2,988,310	540,036	
Infrastructure	<u>26,538,708</u>	<u>17,095,743</u>	<u>9,442,965</u>	
Change in Net Position				<u>12,097,070</u>
Long-term Liabilities at the Beginning of the year			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			7,065,000	
Compensated Absences			<u>220,935</u>	
Change in Net Position				<u>(7,285,935)</u>
Net Adjustment to Net Position				<u>\$ 4,811,135</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>			
Buildings	\$ 9,650		
Machinery and Equipment	117,977		
Total Capital Outlay	<u>127,627</u>	<u>127,627</u>	<u>127,627</u>
<u>Debt Principal Issuance & Payments</u>			
Bond Principal	475,000		
Other	5,557		
Total Change in Debt Principal	<u>480,557</u>	<u>480,557</u>	<u>480,557</u>
Total Adjustments to Net Position		<u>\$ 608,184</u>	<u>\$ 608,184</u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 43,886	\$ (43,886)	
Uncollected Taxes (assumed collectible) from Current Year Levy	55,141	55,141	55,141
Uncollected Taxes (assumed collectible) from Prior Year Levy	135,067		135,067
Difference in prior year estimated collectible and current year collections	12,044	(12,044)	
Accrued interest on long-term debt	54,239	(54,239)	(54,239)
Prior year accrued interest on long-term debt	53,761	53,761	
Reclassify fines receivable assessed but not received this year		72,072	854,507
Total		<u>\$ 70,805</u>	<u>\$ 990,476</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, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$10,766,386 and the bank balance was \$10,905,877. The City's cash deposits at September 30, 2019 and during the year ended September 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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

- a. Depository: Bridge City State Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$9,177,296 and the par value was \$9,164,025.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$8,628,541 and occurred during the month of July.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

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

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

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

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

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

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

The City's investments at September 30, 2019, are shown below:

Name	Carrying Amount	Market Value	Category
TexPool Local Government Investment Pool	\$ 1,002,084	\$ 1,002,084	1
TexStar	\$ 504,758	\$ 504,758	1
UBS Financial Services	\$ 2	\$ 2	1

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2019 consisted of the following amounts:

	Due from <u>Utility Fund</u>
Due to Capital Projects	<u>\$ 12,000</u>
Total	<u>\$ 12,000</u>

The balance of \$12,000 due to the Capital Projects Fund from the Utility Fund will be reimbursed when the funds are released from the Texas Water Development Board.

Interfund transfers for the year ended September 30, 2019, consisted of the following individual amounts:

Fund	General Fund	Utility Fund	Capital Projects Fund	Totals
Transfer In - Utility Fund	\$ 785,358			\$ 785,358
Transfer Out - Utility Fund			(330,592)	(330,592)
Transfer In - Capital Projects		330,592		330,592
Transfer Out - Capital Projects	(100,212)			(100,212)
Transfer In - General Fund			100,212	100,212
Transfer Out - General Fund		(785,358)		(785,358)
Totals Transfers In/(Out)	<u>\$ 685,146</u>	<u>\$ (454,766)</u>	<u>\$ (230,380)</u>	<u>\$ -</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2019, were as follows:

	Property <u>Taxes</u>	Other <u>Taxes</u>	Other <u>Receivables</u>	Total <u>Receivables</u>
Governmental Activities:				
General Fund	\$ 105,605	\$ 167,669	\$ 3,693	\$ 276,967
Hotel/Motel Fund		15,150		15,150
Street Maintenance Fund			35,031	35,031
Debt Service Fund	<u>84,603</u>			<u>84,603</u>
Total - Governmental Activities	<u>\$ 190,208</u>	<u>\$ 182,819</u>	<u>\$ 38,724</u>	<u>\$ 411,751</u>
	Property <u>Taxes</u>	Other <u>Taxes</u>	Other <u>Receivables</u>	Total <u>Receivables</u>
Business-type Activities:				
Utility Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 778,764</u>	<u>\$ 778,764</u>
Total - Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 778,764</u>	<u>\$ 778,764</u>

Payables at September 30, 2019, were as follows:

	<u>Accounts Payable</u>	<u>Wages and Salaries Payable</u>	<u>Intergovernmental Payable</u>	<u>Other Payables</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 98,399	\$ 57,298	\$ 532,601	\$ 43,908	\$ 732,206
Street Maintenance Fund	825			279,690	280,515
Capital Projects Fund				80,092	80,092
Nonmajor Governmental Funds	<u>1,142</u>			<u>21,162</u>	<u>22,304</u>
Total - Governmental Activities	<u>\$ 100,366</u>	<u>\$ 57,298</u>	<u>\$ 532,601</u>	<u>\$ 424,852</u>	<u>\$ 1,115,117</u>
Business-type Activities:					
Utility Fund	\$ 130,440	\$ 13,112	\$ -	\$ 48,911	\$ 192,463
Total - Business-Type Activities	<u>\$ 130,440</u>	<u>\$ 13,112</u>	<u>\$ -</u>	<u>\$ 48,911</u>	<u>\$ 192,463</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2019, was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 370,793	\$ -	\$ -	\$ 370,793
Buildings and Improvements	2,692,254	9,650		2,701,904
Furniture and Fixtures	163,332			163,332
Machinery and Equipment	3,528,346	117,976	(37,171)	3,609,151
Infrastructure	<u>26,538,708</u>			<u>26,538,708</u>
Totals at Historic Cost	<u>33,293,433</u>	<u>127,626</u>	<u>(37,171)</u>	<u>33,383,888</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(951,702)	(102,964)		(1,054,666)
Furniture and Fixtures	(160,608)	(2,722)		(163,330)
Machinery and Equipment	(2,988,310)	(235,777)	37,171	(3,186,916)
Infrastructure	<u>(17,095,743)</u>	<u>(605,458)</u>		<u>(17,701,201)</u>
Total Accumulated Depreciation	<u>(21,196,363)</u>	<u>(946,921)</u>	<u>37,171</u>	<u>(22,106,113)</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,097,070</u>	<u>\$ (819,295)</u>	<u>\$ -</u>	<u>\$ 11,277,775</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 24,221
Court	11,536
Police Department	79,115
Streets & Drainage	791,795
Parks & Recreation	26,476
Library	<u>13,778</u>
Total Depreciation Expense	\$ <u>946,921</u>

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Business-type Activities:				
Land	\$ 53,420			\$ 53,420
Buildings	18,293			18,293
Machinery & Equipment	1,096,797	40,028		1,136,825
Infrastructure	<u>15,820,685</u>			<u>15,820,685</u>
Totals at Historic Cost	<u>16,989,195</u>	<u>40,028</u>	-	<u>17,029,223</u>
Less Accumulated Depreciation				
Buildings	(18,293)			(18,293)
Machinery & Equipment	(889,605)	(53,527)		(943,132)
Infrastructure	<u>(11,699,595)</u>	<u>(468,906)</u>		<u>(12,168,501)</u>
Total Accumulated Depreciation	<u>(12,607,493)</u>	<u>(522,433)</u>	-	<u>(13,129,926)</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,381,702</u>	<u>\$ (482,405)</u>	<u>\$ -</u>	<u>\$ 3,899,297</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, 2019 are included in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of Obligation Series 2012	\$ 1,665,000	\$ -	\$ 170,000	\$ 1,495,000
Certificates of Obligation Series 2015	3,435,000		275,000	3,160,000
Certificates of Obligation Series 2018	1,965,000		30,000	1,935,000
Compensated Absences	<u>220,935</u>	<u>185,318</u>	<u>190,875</u>	<u>215,378</u>
Total Debt Payable	<u>\$ 7,285,935</u>	<u>\$ 185,318</u>	<u>\$ 665,875</u>	<u>\$ 6,805,378</u>

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 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.

On July 24, 2018 the City issued \$1,965,000 in Tax and Waterworks Certificates of Obligation, Series 2018. The proceeds from the 2018 certificates are being used for improvements to the City's wastewater treatment plant and automatic meter reading system.

Long-term debts are comprised of the following individual issues at September 30, 2019:

Description	Interest Rates	Date Issued	Series Matures	Outstanding
Tax and Waterworks Certificates of Obligation, Series 2012	2.0-3.0%	2012	2027	\$ 1,495,000
Tax and Waterworks Certificates of Obligation, Series 2015	2.0-4.0%	2015	2029	3,160,000
Tax and Waterworks Certificates of Obligation, Series 2018	3.0-5.0%	2018	2030	<u>1,935,000</u>
				<u>\$ 6,590,000</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, 2019 are as follows:

Year Ending September 30,	Tax and Waterworks Certificates of Obligation Series 2012	Tax and Waterworks Certificates of Obligation Series 2015	Tax and Waterworks Certificates of Obligation Series 2018	Annual Debt Service
2020	207,680	383,000	141,350	732,030
2021	202,868	382,400	153,850	739,118
2022	203,493	381,700	165,600	750,793
2023	204,893	383,000	186,600	774,493
2024	206,193	379,000	201,350	786,543
Thereafter	<u>615,184</u>	<u>1,906,050</u>	<u>1,810,100</u>	<u>4,331,334</u>
Total	<u>\$ 1,640,310</u>	<u>\$ 3,815,150</u>	<u>\$ 2,658,850</u>	<u>\$ 8,114,310</u>

The tax and waterworks and sewer system certificates of obligation series 2012, 2015 and 2018 include interest amounts of \$145,310, \$655,150, and \$723,850, respectively.

H. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement of certain employees, the City pays up to 500 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, 2018	\$ 1,036,310	\$ 211,450
Additions - New Entrants and Salary Increments	151,545	185,232
Deductions - Payments to Participants	<u>(84,032)</u>	<u>(187,987)</u>
Balance September 30, 2019	<u>\$ 1,103,823</u>	<u>\$ 208,695</u>

I. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Bridge City participates as one of 887 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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>58</u>
	135

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the

Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Bridge City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.31% and 15.07% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$521,011, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 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.

The actuarial assumptions were developed primarily from the actuarial investigation of experience of TMRS over the four period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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).

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%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
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 12/31/2017	\$ 19,885,651	\$ 17,435,445	\$ 2,450,206
Changes for the Year:			
Service Cost	561,052	-	561,052
Interest	1,330,588	-	1,330,588
Change of benefit terms	-	-	-
Difference between expected and actual experience	18,853	-	18,853
Changes of assumptions	-	-	-
Contributions - employer	-	522,487	(522,487)
Contributions - employee	-	238,891	(238,891)
Net investment income	-	(522,287)	522,287
Benefit payments, including refunds of employee contributor	(907,518)	(907,518)	-
Administrative expense	-	(10,094)	10,094
Other changes	-	(527)	527
Net changes	<u>1,002,975</u>	<u>(679,049)</u>	<u>1,682,024</u>
Balance at 12/31/2018	<u>\$ 20,888,626</u>	<u>\$ 16,756,396</u>	<u>\$ 4,132,230</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	\$ 7,038,879	\$ 4,132,230	\$ 1,760,723

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, 2019 the city recognized pension expense of \$871,206.

At September 30, 2019, 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	\$ -	\$ 29,909
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	898,962	-
Contributions subsequent of the measurement date	<u>375,982</u>	<u>-</u>
Total	<u>\$ 1,274,944</u>	<u>\$ 29,909</u>

\$375,982 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, 2019. 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:	
2019	\$ 300,407
2020	106,662
2021	122,148
2022	339,836
2023	-
Thereafter	-
	<u>\$ 869,053</u>

J. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”) (a single-employer plan). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). 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.

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>58</u>
	95

Actuarial Assumptions The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.5% including inflation
Discount rate	3.71%
Retirees’ share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Note: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Discount Rate A discount rate of 3.71% was used to measure the total OPEB liability. There was a change of .4 percent in the discount rate since the previous year. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher.

Changes in Total OPEB Liability

Balance at 12/31/2017	\$	223,542
Changes for the Year:		
Service cost		5,802
Interest on total OPEB liability		7,461
Changes of benefit terms		-
Difference between expected and actual experience		(13,392)
Changes in assumptions or other inputs		(13,794)
Benefit payments		(2,048)
Net changes		<u>(15,971)</u>
Balance at 12/31/2018	\$	<u>207,571</u>

Discount Rate Sensitivity Analysis The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.71%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.71%)	Current Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB Liability	\$ 244,972	\$ 207,571	\$ 178,040

For the year ended September 30, 2019, the City recognized OPEB expense of \$10,982.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (10,493)	\$ -
Changes in assumptions and other inputs	(1,364)	-
Contributions made subsequent to measurement date	-	6,986
Total as of fiscal year-end	\$ (11,857)	\$ 6,986

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEB's will be recognized in OPEB expense as follows:

	Net deferred outflows (inflows) of resources
2019	\$ (2,281)
2020	(2,281)
2021	(3,649)
2022	(3,646)
2023	-
Thereafter	-
Total	\$ (11,857)

K. 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 Cigna Insurance Company. After the \$2,000 deductible is met, the policy pays in-network at 100% and out-of-network at 70% with an unlimited lifetime maximum.

L. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
Certificates of Obligation	\$ 7,065,000	\$ -	\$ (475,000)	\$ 6,590,000	\$ 505,000
Total Bonds and Notes Payable	7,065,000	-	(475,000)	6,590,000	505,000
Other Liabilities					
Net Pension Liability	1,941,462	1,945,009	(597,113)	3,289,358	-
Net OPEB Liability	177,127	10,558	(22,453)	165,232	-
Compensated Absences	220,935	185,318	(190,875)	215,378	215,378
Total Other Liabilities	2,339,524	2,140,885	(810,441)	3,669,968	215,378
Total Governmental Activities	\$ 9,404,524	\$ 2,140,885	\$ (1,285,441)	\$ 10,259,968	\$ 720,378
Long-term Liabilities					
Business-type Activities					
Net Pension Liability	\$ 508,744	\$ 498,393	\$ (164,265)	\$ 842,872	\$ -
Net OPEB Liability	46,415	2,705	(6,781)	42,339	-
Compensated Absences	35,360	38,403	(35,289)	38,474	38,474
Total Business-type Activities	\$ 590,519	\$ 539,501	\$ (206,335)	\$ 923,685	\$ 38,474
Long-term Liabilities					

M. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 105,605	\$ 84,603	\$ 190,208
Total Deferred Revenue	<u>\$ 105,605</u>	<u>\$ 84,603</u>	<u>\$ 190,208</u>

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Hotel/ Motel	Street Maintenance	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property Taxes	\$ 1,263,802			\$ 784,302			\$ 2,048,104
Other Taxes	2,254,258	159,610					2,413,868
Penalties and Interest on Taxes	20,463			15,376			35,839
Licenses and Permits	79,172						79,172
Intergovernmental Grants	14,571						14,571
Fines	377,535					2,209	379,744
Charges for Services	93,930		174,440			6,915	275,285
Investment Earnings	5,862	2,142	1,607	4,169	13,661	432	27,873
Contributions and Donations	-					9,657	9,657
Other	26,940					23,764	50,704
Total	<u>\$ 4,136,533</u>	<u>\$ 161,752</u>	<u>\$ 176,047</u>	<u>\$ 803,847</u>	<u>\$ 13,661</u>	<u>\$ 42,977</u>	<u>\$ 5,334,817</u>

O. LITIGATION

The City is not currently party to any legal action; 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, 2019 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.

P. 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, 2019.

M. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 105,605	\$ 84,603	\$ 190,208
Total Deferred Revenue	<u>\$ 105,605</u>	<u>\$ 84,603</u>	<u>\$ 190,208</u>

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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Licenses and Permits	79,172						79,172
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Contributions and Donations	-					9,657	9,657
Other	26,940					23,764	50,704
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P. 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, 2019.

Project activity for the year ended September 30, 2019 is shown below:

	<u>Flushing Valves</u>	<u>Manholes</u>	<u>Total</u>
Escrow balance 10/1/18	\$ -	\$ -	\$ -
TWDB deposit to escrow account	500,000	491,000	991,000
Project milestones transferred to the City	<u>(7,000)</u>	<u>(7,000)</u>	<u>(14,000)</u>
Escrow balance 9/30/19	<u>\$ 493,000</u>	<u>\$ 484,000</u>	<u>\$ 977,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRIDGE CITY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts (GAAP BASIS)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 1,296,050	\$ 1,296,050	\$ 1,263,802	\$ (32,248)
General Sales and Use Taxes	1,600,000	1,600,000	1,711,123	111,123
Franchise Tax	430,000	430,000	458,918	28,918
Other Taxes	81,500	81,500	84,217	2,717
Penalty and Interest on Taxes	19,200	19,200	20,463	1,263
Licenses and Permits	58,300	58,300	79,172	20,872
Intergovernmental Revenue and Grants	-	-	14,571	14,571
Charges for Services	93,750	93,750	93,930	180
Fines	450,000	450,000	377,535	(72,465)
Investment Earnings	3,500	3,500	5,862	2,362
Other Revenue	18,000	18,000	26,940	8,940
Total Revenues	4,050,300	4,050,300	4,136,533	86,233
EXPENDITURES:				
Current:				
Personnel and Purchasing	85,928	84,535	78,346	6,189
City Manager	157,363	158,756	158,626	130
City Secretary	152,470	177,246	171,538	5,708
Municipal Court	157,656	144,359	140,497	3,862
City Attorney	47,599	47,599	47,110	489
Administration	302,640	294,044	288,719	5,325
Municipal Court Judges	21,661	21,753	21,751	2
Finance	156,788	156,788	156,464	324
Police	2,274,128	2,245,304	2,255,617	(10,313)
Fire	11,500	9,765	9,762	3
Animal Control	80,097	75,316	74,824	492
Streets and Drainage	861,797	880,148	878,635	1,513
Parks and Recreation	86,753	93,859	93,791	68
Library	163,438	175,561	172,983	2,578
Community Development	240,443	260,625	260,564	61
Contingency	35,397	10,000	-	10,000
Total Expenditures	4,835,658	4,835,658	4,809,227	26,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	(785,358)	(785,358)	(672,694)	112,664
OTHER FINANCING SOURCES (USES):				
Transfers In	785,358	785,358	785,358	-
Transfers Out (Use)	-	-	(100,212)	(100,212)
Total Other Financing Sources (Uses)	785,358	785,358	685,146	(100,212)
SPECIAL AND EXTRAORDINARY ITEMS:				
Extraordinary Item - Resource	-	-	631,362	631,362
Extraordinary Item - (Use)	-	-	(6,224)	(6,224)
Net Change in Fund Balances	-	-	637,590	637,590
Fund Balance - October 1 (Beginning)	548,972	548,972	548,972	-
Fund Balance - September 30 (Ending)	\$ 548,972	\$ 548,972	\$ 1,186,562	\$ 637,590

CITY OF BRIDGE CITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability		
Service Cost	\$ 561,052	\$ 554,604
Interest (on the Total Pension Liability)	1,330,588	1,276,316
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	18,853	(150,021)
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(907,518)	(852,675)
Net Change in Total Pension Liability	\$ 1,002,975	\$ 828,224
Total Pension Liability - Beginning	19,885,651	19,057,427
Total Pension Liability - Ending	\$ 20,888,626	\$ 19,885,651
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 522,487	\$ 515,330
Contributions - Employee	238,891	239,053
Net Investment Income	(522,287)	2,135,830
Benefit Payments, Including Refunds of Employee Contributions	(907,518)	(852,675)
Administrative Expense	(10,094)	(11,068)
Other	(528)	(561)
Net Change in Plan Fiduciary Net Position	\$ (679,049)	\$ 2,025,909
Plan Fiduciary Net Position - Beginning	17,435,445	15,409,536
Plan Fiduciary Net Position - Ending	\$ 16,756,396	\$ 17,435,445
C. Net Pension Liability	\$ 4,132,230	\$ 2,450,206
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.22%	87.68%
E. Covered Payroll	\$ 3,412,725	\$ 3,415,048
F. Net Pension Liability as a Percentage of Covered Payroll	121.08%	71.75%

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 five 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."

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	517,357	\$ 513,228	\$ 470,296
	1,200,367	1,163,232	1,152,556
	-	-	-
	120,544	25,453	(857,372)
	-	155,166	-
	(610,750)	(776,315)	(492,558)
\$	1,227,518	\$ 1,080,764	\$ 272,922
	17,829,909	16,749,145	16,476,223
\$	19,057,427	\$ 17,829,909	\$ 16,749,145
\$	469,150	\$ 507,043	\$ 482,088
	220,554	216,421	212,106
	971,368	21,273	769,640
	(610,750)	(776,315)	(492,558)
	(10,969)	(12,957)	(8,035)
	(591)	(639)	(661)
\$	1,038,762	\$ (45,174)	\$ 962,580
	14,370,774	14,415,948	13,453,368
\$	15,409,536	\$ 14,370,774	\$ 14,415,948
\$	3,647,891	\$ 3,459,135	\$ 2,333,197
	80.86%	80.60%	86.07%
\$	3,150,776	\$ 3,091,735	\$ 3,030,092
	115.78%	111.88%	77.00%

CITY OF BRIDGE CITY
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2019

	2019	2018	2017
Actuarially Determined Contribution	\$ 521,011	\$ 492,973	\$ 512,513
Contributions in Relation to the Actuarially Determined Contributions	521,011	492,973	512,513
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,442,188	\$ 3,230,938	\$ 3,406,404
Contributions as a Percentage of Covered Payroll	15.14%	15.26%	15.04%

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 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

<u>2016</u>		<u>2015</u>	
\$	470,128	\$	509,129
	470,128		509,129
<hr/>		<hr/>	
\$	-	\$	-
<hr/>		<hr/>	
\$	3,087,050	\$	3,126,182
	15.23%		16.00%

CITY OF BRIDGE CITY
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Total OPEB Liability		
Service Cost	\$ 5,802	\$ 5,123
Interest on the Total OPEB Liability	7,461	7,473
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(13,392)	-
Changes of Assumptions	(13,794)	16,652
Benefit Payments*	(2,018)	(1,708)
Net Change in Total OPEB Liability	(15,971)	27,540
Total OPEB Liability - Beginning	223,542	196,002
Total OPEB Liability - Ending	\$ 207,571	\$ 223,542
Covered Payroll	\$ 3,412,725	\$ 3,415,048
Total OPEB Liability as a Percentage of Covered Payroll	6.08%	6.55%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

COMBINING AND INDIVIDUAL FUND STATEMENTS

CITY OF BRIDGE CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

	Municipal Court Security	Child Safety	Gambling Forfeiture	Municipal Court Technology
ASSETS				
Cash and Cash Equivalents	\$ 44,406	\$ 33,540	\$ 26,336	\$ 34,209
Total Assets	<u>\$ 44,406</u>	<u>\$ 33,540</u>	<u>\$ 26,336</u>	<u>\$ 34,209</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 58
Other Current Liabilities	-	-	20,484	678
Total Liabilities	<u>-</u>	<u>-</u>	<u>20,484</u>	<u>736</u>
FUND BALANCES				
Restricted Fund Balance	44,406	33,540	5,852	33,473
Total Fund Balances	<u>44,406</u>	<u>33,540</u>	<u>5,852</u>	<u>33,473</u>
Total Liabilities and Fund Balances	<u>\$ 44,406</u>	<u>\$ 33,540</u>	<u>\$ 26,336</u>	<u>\$ 34,209</u>

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

Police Special	Park Construction	Thwarting	Police State Seizures	Library Expansion	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 15,363	\$ 419	\$ 2,822	\$ 689	\$ -	\$ 157,784	\$ 157,784
<u>\$ 15,363</u>	<u>\$ 419</u>	<u>\$ 2,822</u>	<u>\$ 689</u>	<u>\$ -</u>	<u>\$ 157,784</u>	<u>\$ 157,784</u>
\$ -	\$ -	\$ 1,084	\$ -	\$ -	\$ 1,142	\$ 1,142
-	-	-	-	-	21,162	21,162
-	-	1,084	-	-	22,304	22,304
15,363	419	1,738	689	-	135,480	135,480
<u>15,363</u>	<u>419</u>	<u>1,738</u>	<u>689</u>	<u>-</u>	<u>135,480</u>	<u>135,480</u>
<u>\$ 15,363</u>	<u>\$ 419</u>	<u>\$ 2,822</u>	<u>\$ 689</u>	<u>\$ -</u>	<u>\$ 157,784</u>	<u>\$ 157,784</u>

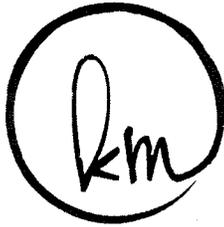
CITY OF BRIDGE CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Municipal Court Security	Child Safety	Gambling Forfeiture	Municipal Court Technology
REVENUES:				
Charges for Services	\$ 6,915	\$ -	\$ -	\$ -
Fines	-	-	-	-
Investment Earnings	112	91	73	94
Contributions & Donations from Private	-	-	-	-
Other Revenue	-	2,315	-	21,449
Total Revenues	<u>7,027</u>	<u>2,406</u>	<u>73</u>	<u>21,543</u>
EXPENDITURES:				
Current:				
Municipal Court	75	-	-	18,932
Police	-	-	-	-
Library	-	-	-	-
Total Expenditures	<u>75</u>	<u>-</u>	<u>-</u>	<u>18,932</u>
Net Change in Fund Balance	6,952	2,406	73	2,611
Fund Balance - October 1 (Beginning)	<u>37,454</u>	<u>31,134</u>	<u>5,779</u>	<u>30,862</u>
Fund Balance - September 30 (Ending)	<u>\$ 44,406</u>	<u>\$ 33,540</u>	<u>\$ 5,852</u>	<u>\$ 33,473</u>

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

Police Special	Park Construction	Thwarting	Police State Seizures	Library Expansion	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,915	\$ 6,915
-	-	2,209	-	-	2,209	2,209
54	2	4	2	-	432	432
-	7	-	-	9,650	9,657	9,657
-	-	-	-	-	23,764	23,764
<u>54</u>	<u>9</u>	<u>2,213</u>	<u>2</u>	<u>9,650</u>	<u>42,977</u>	<u>42,977</u>
-	-	1,086	-	-	20,093	20,093
6,102	-	-	-	-	6,102	6,102
-	-	-	-	9,650	9,650	9,650
<u>6,102</u>	<u>-</u>	<u>1,086</u>	<u>-</u>	<u>9,650</u>	<u>35,845</u>	<u>35,845</u>
(6,048)	9	1,127	2	-	7,132	7,132
<u>21,411</u>	<u>410</u>	<u>611</u>	<u>687</u>	<u>-</u>	<u>128,348</u>	<u>128,348</u>
<u>\$ 15,363</u>	<u>\$ 419</u>	<u>\$ 1,738</u>	<u>\$ 689</u>	<u>\$ -</u>	<u>\$ 135,480</u>	<u>\$ 135,480</u>

FEDERAL SECTION



keri michutka
CERTIFIED PUBLIC ACCOUNTANT

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

Mayor and City Council
City of Bridge City, Texas

We have audited, in accordance with 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, 2019 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 31, 2020.

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. Miller', is positioned above the typed text.

Bridge City, Texas
January 31, 2020