

# City of Bridge City



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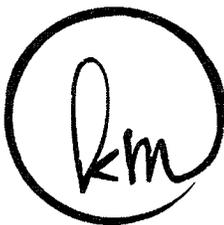
## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2020

**CITY OF BRIDGE CITY**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2020**

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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 <b><u>Basic Financial Statements</u></b>	
Government Wide Statements:	
A-1 Statement of Net Position	13
B-1 Statement of Activities	14
Governmental Fund Financial Statements:	
C-1 Balance Sheet	16
C-2 Reconciliation for C-1	18
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	19
C-4 Reconciliation for C-3	21
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	22
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	23
D-3 Statement of Cash Flows	24
Notes to the Financial Statements	25
 <b><u>Required Supplementary Information</u></b>	
G-1 Budgetary Comparison Schedule - General Fund	47
G-2 Schedule of Changes in Net Pension Liability and Related Ratios for TMRS	48
G-3 Schedule of Contributions TMRS Pension Plan	50
G-4 Schedule of Changes in the Total OPEP Liability and Related Ratios for TMRS	52
 <b><u>Combining Fund Statements</u></b>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	53
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	56
 <b><u>Federal Section</u></b>	
Report on Compliance and Internal Control Over Financial Reporting Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59



**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, 2020 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, 2020 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 February 4, 2021, 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.

A handwritten signature in black ink, appearing to be 'K. L. ...', is written over the printed name and date.

Bridge City, Texas  
February 4, 2021

## 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, 2020. 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 2020 by \$15,265,800. Of this amount \$6,454,040 is considered unrestricted. The unrestricted net position of the City's governmental activities is \$4,046,734 and may be used to meet the government's ongoing obligations. The unrestricted net position of the City's business-type activities are \$2,407,306 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 \$105,401 in the fiscal year 2020.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,784,108 which is a decrease of \$667,491.
- As of the end of the fiscal year, the unassigned fund balance for the General Fund was \$1,046,513.
- The City's total long-term bonded debt decreased by \$505,000 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 \$15,265,800 at September 30, 2020. 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.

TABLE 1  
NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 7,650,980	\$ 8,611,431	\$ 4,355,268	\$ 4,213,224	\$ 12,006,248	\$ 12,824,655
Capital Assets	10,499,751	11,277,776	4,285,039	3,899,296	14,784,790	15,177,072
Total Assets	18,150,731	19,889,207	8,640,307	8,112,520	26,791,038	28,001,727
Deferred Outflow - Pension Plan	355,346	1,014,277	98,792	260,667	454,138	1,274,944
Deferred Outflow - OPEB	28,658	5,561	7,540	1,425	36,198	6,986
Total Deferred Outflows	384,004	1,019,838	106,332	262,092	490,336	1,281,930
Long-Term Liabilities						
Outstanding	8,077,010	10,044,590	514,231	885,211	8,591,241	10,929,801
Other Liabilities	1,153,837	1,384,734	1,274,764	1,556,155	2,428,601	2,940,889
Total Liabilities	9,230,847	11,429,324	1,788,995	2,441,366	11,019,842	13,870,690
Deferred Inflow - Pension Plan	776,371	21,995	202,654	7,914	979,025	29,909
Deferred Inflow - OPEB	13,293	9,438	3,414	2,419	16,707	11,857
Total Deferred Inflows	789,664	31,433	206,068	10,333	995,732	41,766
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	4,467,490	4,748,640	4,344,270	3,971,646	8,811,760	8,720,286
Unrestricted	4,046,734	4,699,648	2,407,306	1,951,267	6,454,040	6,650,915
Total Net Position	\$ 8,514,224	\$ 9,448,288	\$ 6,751,576	\$ 5,922,913	\$ 15,265,800	\$ 15,371,201

The total unrestricted net assets of \$6,454,040 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 \$105,401 during the current fiscal year. Net assets for the governmental activities decreased \$934,064 and net assets for the business-type activities increased \$828,663.

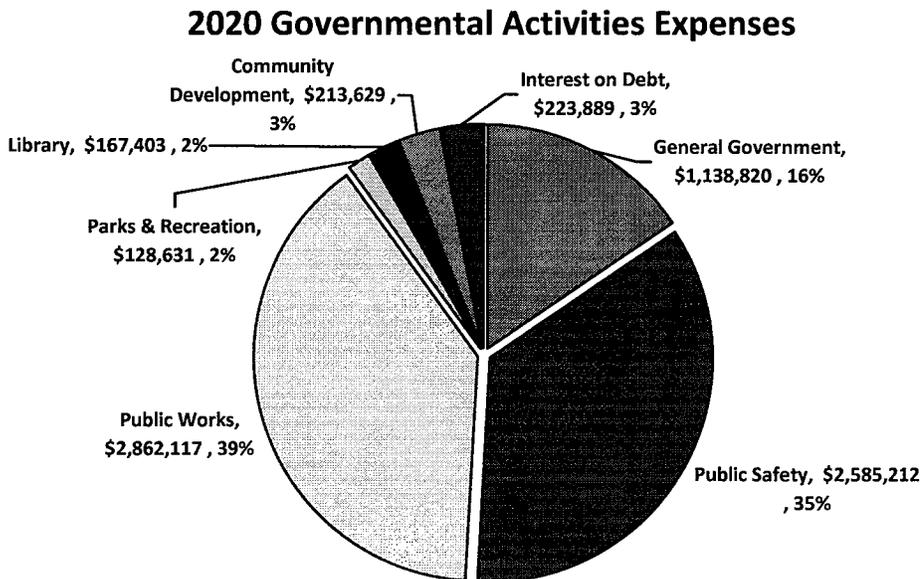
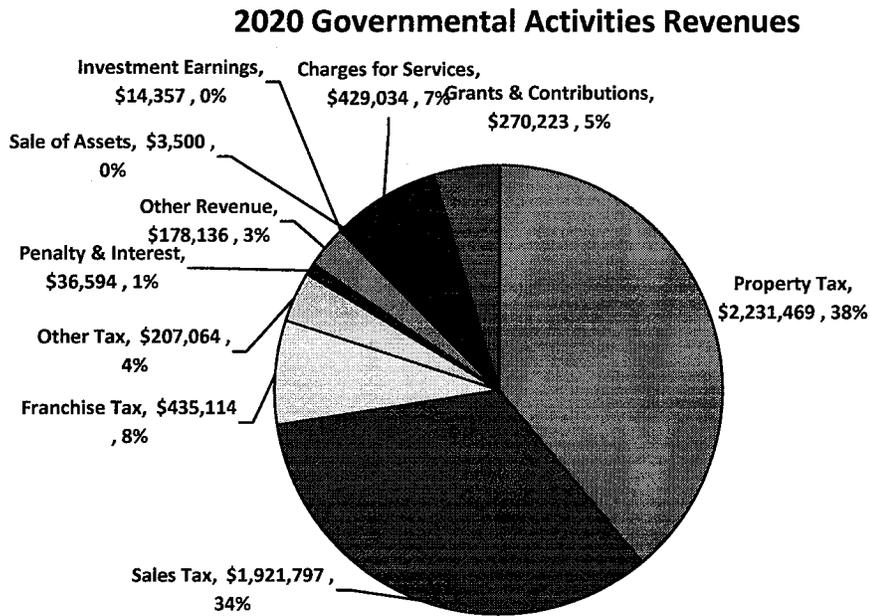
TABLE 2

## CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 429,034	\$ 718,094	\$ 3,997,448	\$ 3,588,999	\$ 4,426,482	\$ 4,307,093
Operating Grants & Contrib	13,855	24,228	-	-	13,855	24,228
General Revenues:						
Property Taxes	2,231,469	2,047,315	-	-	2,231,469	2,047,315
Sales Taxes	1,921,797	1,711,123	-	-	1,921,797	1,711,123
Franchise Taxes	435,114	458,918	-	-	435,114	458,918
Other Taxes	207,064	243,827	-	-	207,064	243,827
Penalty & Interest	36,594	35,839	-	-	36,594	35,839
Grants and Contributions	270,223	-	504,805	121,183	775,028	121,183
Other	178,136	136,883	-	-	178,136	136,883
Gain on Sale of Assets	3,500	2,000	-	-	3,500	2,000
Investment Earnings	14,357	27,873	16,497	38,743	30,854	66,616
Total Revenues	<u>5,741,143</u>	<u>5,406,100</u>	<u>4,518,750</u>	<u>3,748,925</u>	<u>10,259,893</u>	<u>9,155,025</u>
Expenses:						
General Government	1,138,820	1,173,023	-	-	1,138,820	1,173,023
Public Safety	2,585,212	2,494,187	-	-	2,585,212	2,494,187
Public Works	2,056,942	2,010,466	-	-	2,056,942	2,010,466
Community Development	213,629	275,331	-	-	213,629	275,331
Parks & Recreation	128,631	122,377	-	-	128,631	122,377
Library	167,403	193,648	-	-	167,403	193,648
Interest on Long-Term Debt	223,889	237,286	-	-	223,889	237,286
Utilities	-	-	3,799,859	3,507,168	3,799,859	3,507,168
Other	2,000	2,000	-	-	2,000	2,000
Total Expenses	<u>6,516,526</u>	<u>6,508,318</u>	<u>3,799,859</u>	<u>3,507,168</u>	<u>10,316,385</u>	<u>10,015,486</u>
Increase (Decrease)						
in Net Position Before Transfers	(775,383)	(1,102,218)	718,891	241,757	(56,492)	(860,461)
Extraordinary item - Resource	221,716	631,362	-	-	221,716	631,362
Extraordinary item - Use	(270,625)	(6,224)	-	-	(270,625)	(6,224)
Transfers In (Out)	<u>(109,772)</u>	<u>454,766</u>	<u>109,772</u>	<u>(454,766)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	(934,064)	(22,314)	828,663	(213,009)	(105,401)	(235,323)
Net Position Beginning	9,448,288	9,440,697	5,922,913	6,135,922	15,371,201	15,576,619
Prior Period Adjustment	-	29,905	-	-	-	29,905
Net Position Ending	<u>\$ 8,514,224</u>	<u>\$ 9,448,288</u>	<u>\$ 6,751,576</u>	<u>\$ 5,922,913</u>	<u>\$ 15,265,800</u>	<u>\$ 15,371,201</u>

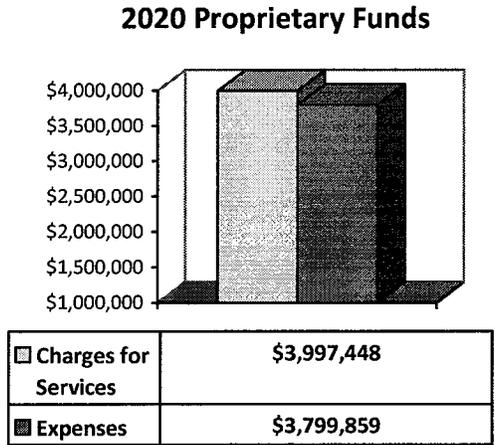
Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

**GOVERNMENTAL ACTIVITIES – REVENUE BY SOURCE**



**BUSINESS -TYPE ACTIVITIES - REVENUES AND EXPENSES**

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



**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

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

**GOVERNMENTAL FUNDS**

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$5,784,108 which is a decrease of \$667,491 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 \$1,046,513 while the total fund balance was \$1,099,252. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The fund balance of the City’s General Fund decreased by \$87,310 during the current fiscal year. The largest contributor was loss of revenue from fines and forfeitures due to the Coronavirus.

The Debt Service Fund has a total fund balance of \$1,429,326, an increase of \$83,300, 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 \$3,255,530 all of which is restricted. The fund balance decreased by \$663,481 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 position of the Utility Fund (water, sewer, wastewater, and sanitation) at the end of the fiscal year amounted to \$2,407,306. Net position in the water, sewer and sanitation fund increased by \$828,663.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2019 – 2020, 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 \$773,861, 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, 2020, amounted to \$14,784,792 (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

Capital Assets at Year-End  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 370,793	\$ 370,793	\$ 53,420	\$ 53,420	\$ 424,213	\$ 424,213
Buildings, Plants, and Lines	1,544,264	1,647,238	-	-	1,544,264	1,647,238
Infrastructure	8,232,051	8,837,507	3,183,534	3,652,184	11,415,585	12,489,691
Vehicles, Machinery, & Equip.	333,878	422,235	242,910	193,693	576,788	615,928
Furniture and Fixtures	2	2	-	-	2	2
Construction in Progress	18,765	-	805,175	-	823,940	-
	<u>\$ 10,499,753</u>	<u>\$ 11,277,775</u>	<u>\$ 4,285,039</u>	<u>\$ 3,899,297</u>	<u>\$ 14,784,792</u>	<u>\$ 15,177,072</u>

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

- Vehicle Trade In (Reduction) \$56,414
- Vehicles Purchased \$88,375
- Large Equipment \$52,465
- Construction in Progress \$18,765

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

- Purchase of Equipment \$120,650
- Construction in Progress \$805,175

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 \$6,085,000 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			
	2020	2019	2020	2019	2020	2019
Water & Sewer System Improvements						
Certificates of Obligation:						
Series 2012	1,320,000	1,495,000	-	-	1,320,000	1,495,000
General Obligation Certificates of Obligation:						
Series 2015	2,880,000	3,160,000	-	-	2,880,000	3,160,000
General Obligation Certificates of Obligation:						
Series 2018	1,885,000	1,935,000	-	-	1,885,000	1,935,000
	<u>\$ 6,085,000</u>	<u>\$ 6,590,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,085,000</u>	<u>\$ 6,590,000</u>

The City’s total debt decreased by \$505,000 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 2019 – 2020 tax rate per \$100 of assessed valuation is \$0.19790 for debt allocation and \$0.35560 for the operating & maintenance allocation, this sets the total tax rate at \$0.55350, which is below the City’s maximum allowable tax rate.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

**Economic factors for fiscal year 2019 – 2020:**

- ❑ During the one-year period from October 2019 to September 2020 the City collected \$1,921,797 in Sales Tax, this was a 7.75% increase from the previous fiscal year of 2018 – 2019. The average for the last five years in sales tax collections is \$1,696,467. Sales tax revenue accounts for approximately 34% of the General Fund Revenues.
- ❑ The ad valorem taxable values for the 2019- 2020 budget increased by 9.65% over the prior year. The adopted 2019 - 2020 tax rate of .55350 per \$100 of assessed property evaluation is a 9.02% increase over the calculated effective rate and a 1.19% increase over the current rate. This rate was possible because the City is located in a Federally Declared Disaster Area.

- ❑ 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 budget for 2019 - 2020 fiscal year contained a 3% cost of living increase for all employees. There is no budgeted increase for Salaries and Wages in the 2020 – 2021 Budget.
- ❑ A Texas Community Development Block Grant contract (#7219050) 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 January 2020. 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, 2020, FEMA has de-obligated \$494,726, which will need to be repaid to FEMA. The original projects were paid on estimated costs and actual costs depending on the projects. The current amount owed to FEMA is a result of cost under-run due to lower actual costs than the amount for which the projects were originally written.
- ❑ In August 2019 the Texas Department of Agriculture authorized the use of \$350,000 for street improvements as a result of Hurricane Harvey damage. This project will be funded with the Texas Community Development Block Grant Disaster Relief Grant. Construction consists of removing silt deposits in the drainage ditches by surface water flooding and all pertinent activities associated with the reshaping and regrading of approximately 26,774 linear feet of roadside ditches.
- ❑ During 2019 – 2020 the City of Bridge City was granted \$991,000 by the Texas Water Development Board to repair/replace approximately 40 fire hydrants (flushing valves) and approximately 50 manholes around the City.
- ❑ The City of Bridge City continues to work with FEMA and TDEM on the Hazard Mitigation Grant Program - Disaster Relief for Hurricane Harvey. The Bridge City Stormwater Management Project is a phased project that will improve the existing drainage system by deepening and widening of the existing channels and ditches, hardening of existing outfalls and replacement of undersized culverts in the main outfall areas of the City.
- ❑ The City of Bridge City has been awarded Community Development Block Grant Disaster Recovery Funds to assist property owners affected by Hurricane Harvey. The Texas General Land Office is working with the City on the acquisition project not to exceed \$1,566,044. Assistance will be provided to approximately 9 homeowners affected by Hurricane Harvey. Homeowners must be located in a floodplain or reside in a repetitive flood area and agree to relocate to outside the floodplain or a location of reduced flood risk.

**Economic factors for fiscal year 2020 – 2021:**

- ❑ The City of Bridge City's adopted 2020 – 2021 ad valorem tax rate of .54058 is a 2.33% decrease over the 2019 – 2020 tax rate of .55350 and will generate approximately \$33,186 more in revenue.
- ❑ The City approved a 3% rate increase on garbage service which is approximately \$27,000 additional income.
- ❑ The City has submitted an application with the Texas General Land Office for the DR-4332 Community Development Block Grant – Disaster Recovery Infrastructure Program in the amount of \$2,034,183. This grant will provide water system improvements for the City.

**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. As of this date the City has received \$657,938 of the \$2,157,622 obligated by the Federal Emergency Management Agency (FEMA).

## **COVID-19**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations or financial condition for the fiscal year 2020.

In May 2020, the State of Texas made an allocation from the Coronavirus Relief Fund (CRF) to the City of Bridge City. These funds came with a strict expenditure timeline and had to be used for COVID-19 related costs. The City utilized the funding to purchase personal protective equipment and supplies for employees and buildings and install a drive thru system to assist customers while trying to protect customers and employees.

## **HURRICANE LAURA**

On August 24, 2020, the Mayor of Bridge City declared a local disaster due to imminent danger of widespread or severe damage, injury or loss of life or property resulting from Tropical Systems Marco and Laura. Hurricane Laura made landfall as a category 4 on August 27, 2020, causing significant property damage throughout the City and leaving all residents and businesses without power. As of the writing of this report the City continues to make repairs and has filed claims with its insurance carrier, the Federal Emergency Management Agency (FEMA) and the Texas Department of Emergency Management (TDEM) to recover any and all eligible costs.

## **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, 2020

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,290,212	\$ 3,565,966	\$ 9,856,178
Taxes Receivable, Net	379,342	-	379,342
Accounts Receivable, Net	872,871	716,491	1,589,362
Due from Other Governments	42,236	-	42,236
Inventories	52,739	59,231	111,970
Prepaid Items	13,580	13,580	27,160
Capital Assets:			
Land	370,793	53,420	424,213
Infrastructure, Net	8,232,051	3,183,534	11,415,585
Buildings, Net	1,544,264	-	1,544,264
Machinery & Equipment, Net	333,878	242,910	576,788
Construction in Progress	18,765	805,175	823,940
Total Assets	<u>18,150,731</u>	<u>8,640,307</u>	<u>26,791,038</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	355,346	98,792	454,138
Deferred Outflow Related to OPEB	28,658	7,540	36,198
Total Deferred Outflows of Resources	<u>384,004</u>	<u>106,332</u>	<u>490,336</u>
<b>LIABILITIES</b>			
Accounts Payable	60,473	101,808	162,281
Wages and Salaries Payable	88,180	23,573	111,753
Compensated Absences Payable	242,396	61,934	304,330
Intergovernmental Payable	532,601	5,557	538,158
Accrued Interest Payable	51,098	-	51,098
Unearned Revenues	-	1,037,655	1,037,655
Other Current Liabilities	179,089	44,237	223,326
Noncurrent Liabilities:			
Debt Due Within One Year	525,000	-	525,000
Bonds Payable - Noncurrent	5,560,000	-	5,560,000
Net Pension Liability	1,797,396	463,992	2,261,388
Net OPEB Liability	194,614	50,239	244,853
Total Liabilities	<u>9,230,847</u>	<u>1,788,995</u>	<u>11,019,842</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	776,371	202,654	979,025
Deferred Inflow Related to OPEB	13,293	3,414	16,707
Total Deferred Inflows of Resources	<u>789,664</u>	<u>206,068</u>	<u>995,732</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,414,751	4,285,039	8,699,790
Restricted for Inventories	52,739	59,231	111,970
Unrestricted Net Position	4,046,734	2,407,306	6,454,040
Total Net Position	<u>\$ 8,514,224</u>	<u>\$ 6,751,576</u>	<u>\$ 15,265,800</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, 2020

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
Personnel and Purchasing	\$ 83,785	\$ -	\$ -
City Manager	178,547	-	-
City Secretary	128,158	-	-
Court	169,627	217,437	-
City Attorney	45,297	-	-
Administration	321,045	-	-
Municipal Judges	19,287	-	-
Finance	193,074	-	-
Police	2,503,499	15,000	13,855
Fire	10,768	-	-
Animal Control	70,945	508	-
Streets and Drainage	2,056,942	194,732	-
Parks and Recreation	128,631	-	-
Library	167,403	1,357	-
Community Development	213,629	-	-
Interest on Debt	223,889	-	-
Other Debt Service	2,000	-	-
Total Governmental Activities	<u>6,516,526</u>	<u>429,034</u>	<u>13,855</u>
BUSINESS-TYPE ACTIVITIES:			
Utility Fund	3,799,859	3,997,448	-
Total Business-Type Activities	<u>3,799,859</u>	<u>3,997,448</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$ 10,316,385</u></u>	<u><u>\$ 4,426,482</u></u>	<u><u>\$ 13,855</u></u>

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 Disposition 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

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
(83,785)	-	(83,785)
(178,547)	-	(178,547)
(128,158)	-	(128,158)
47,810	-	47,810
(45,297)	-	(45,297)
(321,045)	-	(321,045)
(19,287)	-	(19,287)
(193,074)	-	(193,074)
(2,474,644)	-	(2,474,644)
(10,768)	-	(10,768)
(70,437)	-	(70,437)
(1,862,210)	-	(1,862,210)
(128,631)	-	(128,631)
(166,046)	-	(166,046)
(213,629)	-	(213,629)
(223,889)	-	(223,889)
(2,000)	-	(2,000)
(6,073,637)	-	(6,073,637)
-	197,589	197,589
-	197,589	197,589
(6,073,637)	197,589	(5,876,048)
1,428,210	-	1,428,210
803,259	-	803,259
1,921,797	-	1,921,797
435,114	-	435,114
207,064	-	207,064
36,594	-	36,594
270,223	504,805	775,028
178,136	-	178,136
14,357	16,497	30,854
3,500	-	3,500
221,716	-	221,716
(270,625)	-	(270,625)
(109,772)	109,772	-
5,139,573	631,074	5,770,647
(934,064)	828,663	(105,401)
9,448,288	5,922,913	15,371,201
\$ 8,514,224	\$ 6,751,576	\$ 15,265,800

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	General Fund	Hotel/ Motel	Debt Service Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,649,501	\$ 957,194	\$ 1,429,326
Taxes Receivable, Net	275,788	25,541	78,013
Accounts Receivable, Net	20,429	-	-
Due from Other Governments	42,236	-	-
Due from Other Funds	25,875	-	-
Inventories	52,739	-	-
Prepaid Items	13,580	-	-
Total Assets	<u>\$ 2,080,148</u>	<u>\$ 982,735</u>	<u>\$ 1,507,339</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 59,535	\$ -	\$ -
Wages and Salaries Payable	88,180	-	-
Intergovernmental Payable	532,601	-	-
Due to Other Funds	27,170	-	-
Other Current Liabilities	158,604	-	-
Total Liabilities	<u>866,090</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	114,806	-	78,013
Total Deferred Inflows of Resources	<u>114,806</u>	<u>-</u>	<u>78,013</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
Inventories	52,739	-	-
Restricted Fund Balance:			
Capital Projects	-	-	-
Retirement of Long-Term Debt	-	-	1,429,326
Other Restricted Fund Balance	-	982,735	-
Unassigned Fund Balance	1,046,513	-	-
Total Fund Balances	<u>1,099,252</u>	<u>982,735</u>	<u>1,429,326</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,080,148</u>	<u>\$ 982,735</u>	<u>\$ 1,507,339</u>

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

Capital Projects	Other Funds	Total Governmental Funds
\$ 1,644,893	\$ 609,298	\$ 6,290,212
-	-	379,342
-	38,731	59,160
-	-	42,236
-	27,170	53,045
-	-	52,739
-	-	13,580
<u>\$ 1,644,893</u>	<u>\$ 675,199</u>	<u>\$ 6,890,314</u>
\$ -	\$ 938	\$ 60,473
-	-	88,180
-	-	532,601
-	25,875	53,045
-	20,484	179,088
<u>-</u>	<u>47,297</u>	<u>913,387</u>
-	-	192,819
<u>-</u>	<u>-</u>	<u>192,819</u>
-	-	52,739
1,644,893	-	1,644,893
-	-	1,429,326
-	627,902	1,610,637
-	-	1,046,513
<u>1,644,893</u>	<u>627,902</u>	<u>5,784,108</u>
<u>\$ 1,644,893</u>	<u>\$ 675,199</u>	<u>\$ 6,890,314</u>

CITY OF BRIDGE CITY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

<b>Total Fund Balances - Governmental Funds</b>	\$	5,784,108
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.		4,472,395
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 2020 capital outlays and debt principal payments is to increase net position.		637,587
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 \$355,346, a deferred resource inflow in the amount of \$776,371, and a net pension liability in the amount of \$1,797,396. This resulted in a decrease in net position.		(2,218,421)
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 \$28,658, a deferred resource inflow in the amount of \$13,293, and a net OPEB liability in the amount of \$194,614. This resulted in a decrease in net position.		(179,249)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(937,628)
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.		955,432
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>8,514,224</b>

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, 2020

	General Fund	Hotel/ Motel	Debt Service Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 1,429,208	\$ -	\$ 799,653
General Sales and Use Taxes	1,921,797	-	-
Franchise Tax	435,114	-	-
Other Taxes	92,963	114,101	-
Penalty and Interest on Taxes	22,226	-	14,368
Licenses and Permits	101,060	-	-
Intergovernmental Revenue and Grants	13,855	-	-
Charges for Services	63,347	-	-
Fines	216,104	-	-
Investment Earnings	3,489	1,897	3,309
Contributions & Donations from Private Sources	78	-	-
Other Revenue	33,160	-	-
Total Revenues	4,332,401	115,998	817,330
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Personnel and Purchasing	83,690	-	-
City Manager	174,608	-	-
City Secretary	129,214	-	-
Court	141,907	-	-
City Attorney	45,297	-	-
Administration	301,428	-	-
Municipal Judges	19,287	-	-
Finance	196,845	-	-
Public Safety:			
Police	2,531,277	-	-
Fire	10,768	-	-
Animal Control	72,017	-	-
Public Works:			
Streets and Drainage	933,519	-	-
Culture and Recreation:			
Parks and Recreation	101,539	-	-
Library	153,767	-	-
Community Development	211,099	-	-
Debt Service:			
Principal on Debt	-	-	505,000
Interest on Debt	-	-	227,030
Other Debt Service	-	-	2,000
Total Expenditures	5,106,262	-	734,030
Excess (Deficiency) of Revenues Over (Under) Expenditures	(773,861)	115,998	83,300
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	754,253	-	-
Transfers Out	(28)	-	-
Total Other Financing Sources (Uses)	754,225	-	-
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>			
Extraordinary Item - Resource	221,716	-	-
Extraordinary Item - (Use)	(289,390)	-	-
Net Change in Fund Balances	(87,310)	115,998	83,300
Fund Balance - October 1 (Beginning)	1,186,562	866,737	1,346,026
Fund Balance - September 30 (Ending)	\$ 1,099,252	\$ 982,735	\$ 1,429,326

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

Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,228,861
-	-	1,921,797
-	-	435,114
-	-	207,064
-	-	36,594
-	-	101,060
-	270,137	283,992
-	191,781	255,128
-	3,812	219,916
4,340	1,322	14,357
-	8	86
-	42,202	75,362
4,340	509,262	5,779,331
-	-	83,690
-	-	174,608
-	-	129,214
-	16,940	158,847
-	-	45,297
-	-	301,428
-	-	19,287
-	-	196,845
-	-	2,531,277
-	-	10,768
-	-	72,017
-	412,144	1,345,663
-	-	101,539
-	-	153,767
-	-	211,099
-	-	505,000
-	-	227,030
-	-	2,000
-	429,084	6,269,376
4,340	80,178	(490,045)
-	28	754,281
(864,025)	-	(864,053)
(864,025)	28	(109,772)
-	-	221,716
-	-	(289,390)
(859,685)	80,206	(667,491)
2,504,578	547,696	6,451,599
\$ 1,644,893	\$ 627,902	\$ 5,784,108

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, 2020

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>(667,491)</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase the change in net position.		637,587
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 \$339,670. 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 \$114,820. 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 \$375,835. The net result is an increase in the change in net position.		78,655
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 \$6,287. 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 \$2,167. 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.		(10,140)
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.		(937,628)
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.		(35,047)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(934,064)</b>

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, 2020

	Business-Type Activities
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,565,966
Accounts Receivable, Net	716,491
Inventories	59,231
Prepaid Items	13,580
Total Current Assets	<u>4,355,268</u>
Noncurrent Assets:	
Capital Assets:	
Land	53,420
Buildings	18,293
Machinery & Equipment	1,257,476
Infrastructure	15,820,685
Accumulated Depreciation	(13,670,010)
Construction in Progress	805,175
Total Noncurrent Assets	<u>4,285,039</u>
Total Assets	<u>8,640,307</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	98,792
Deferred Outflow Related to OPEB	7,540
Total Deferred Outflows of Resources	<u>106,332</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	101,808
Wages and Salaries Payable	23,573
Compensated Absences Payable	61,934
Intergovernmental Payable	5,557
Unearned Revenues - TWDB Grant	663,304
Unearned Revenues - Customer Advance Payments	374,351
Other Current Liabilities	44,237
Total Current Liabilities	<u>1,274,764</u>
Noncurrent Liabilities:	
Net Pension Liability	463,992
Net OPEB Liability	50,239
Total Noncurrent Liabilities	<u>514,231</u>
Total Liabilities	<u>1,788,995</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	202,654
Deferred Inflow Related to OPEB	3,414
Total Deferred Inflows of Resources	<u>206,068</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,285,039
Restricted for Inventories	59,231
Unrestricted Net Position	2,407,306
Total Net Position	<u>\$ 6,751,576</u>

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

CITY OF BRIDGE CITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Water Service	\$ 1,393,329
Charges for Sewerage Service	1,267,077
Charges for Sanitation Service	977,334
Charges for Service - Other	359,708
Total Operating Revenues	3,997,448
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	851,975
Personnel Services - Employee Benefits	301,591
Purchased Professional & Technical Services	167,895
Purchased Property Services	1,515,587
Other Operating Costs	301,442
Supplies	121,286
Depreciation	540,083
Total Operating Expenses	3,799,859
Operating Income	197,589
NONOPERATING REVENUES (EXPENSES):	
Grant Income	504,805
Investment Earnings	16,497
Total NonOperating Revenue (Expenses)	521,302
Income Before Transfers	718,891
Transfers In	864,025
Transfers Out	(754,253)
Change in Net Position	828,663
Total Net Position - October 1 (Beginning)	5,922,913
Total Net Position - September 30 (Ending)	\$ 6,751,576

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, 2020

	Business-Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 3,885,156
Cash Payments to Employees for Services	(1,173,051)
Cash Payments for Suppliers	(108,167)
Cash Payments for Other Operating Expenses	(1,976,511)
Net Cash Provided by Operating Activities	627,427
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Cash Received from Grants	191,109
Transfer In/Out (Net)	109,772
Net Cash Provided by Non-Capital Financing Activities	300,881
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(925,825)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	16,497
Net Increase in Cash and Cash Equivalents	18,980
Cash and Cash Equivalents at the Beginning of the Year	3,546,986
Cash and Cash Equivalents at the End of the Year	\$ 3,565,966
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income	\$ 197,589
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation	540,083
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(112,292)
Decrease (Increase) in Inventories	13,119
Decrease (Increase) in Prepaid Expenses	(11,891)
Increase (Decrease) in Accounts Payable	(28,632)
Increase (Decrease) in Other Payables	48,936
Increase (Decrease) in Net Pension Liability	(378,880)
Increase (Decrease) in Net OPEB Liability	7,900
Decrease (Increase) in Deferred Outflows	155,760
Increase (Decrease) in Deferred Inflows	195,735
Net Cash Provided by Operating Activities	\$ 627,427

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, 2020

**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	2,701,904	1,054,666	1,647,238	
Furniture & Fixtures	163,332	163,332	-	
Machinery & Equipment	3,609,151	3,186,916	422,235	
Infrastructure	<u>26,538,708</u>	<u>17,701,201</u>	<u>8,837,507</u>	
Change in Net Position				<u>11,277,773</u>
Long-term Liabilities at the Beginning of the year			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			6,590,000	
Compensated Absences			<u>215,378</u>	
Change in Net Position				<u>(6,805,378)</u>
Net Adjustment to Net Position				<u>\$ 4,472,395</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements.

This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Machinery and Equipment	\$ 140,841		
Construction in Progress	<u>18,765</u>		
Total Capital Outlay	<u>159,606</u>	<u>159,606</u>	<u>159,606</u>
<u>Debt Principal Issuance &amp; Payments</u>			
Bond Principal	505,000		
Other	<u>(27,019)</u>		
Total Change in Debt	<u>477,981</u>	<u>477,981</u>	<u>477,981</u>
Principal			
Total Adjustments to Net Position		<u>\$ 637,587</u>	<u>\$ 637,587</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	\$ 45,980	\$ (45,980)	
Uncollected Taxes (assumed collectible) from Current Year Levy	63,662	63,662	63,662
Uncollected Taxes (assumed collectible) from Prior Year Levy	129,157		129,157
Difference in prior year estimated collectible and current year collections	15,074	(15,074)	
Accrued interest on long-term debt	51,098	(51,098)	(51,098)
Prior year accrued interest on long-term debt	54,239	54,239	
Reclassify fines receivable assessed but not received this year		<u>(40,796)</u>	<u>813,711</u>
Total		<u>\$ (35,047)</u>	<u>\$ 955,432</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, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,856,178 and the bank balance was \$10,096,229. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020 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 \$10,447,898 and the par value was \$10,247,893.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$9,896,587 and occurred during the month of March.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

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

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

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

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

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

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

The City's investments at September 30, 2020, are shown below:

Name	Carrying Amount	Market Value	Category
TexPool Local Government Investment Pool	\$ 1,011,215	\$ 1,011,215	1
TexStar	\$ 509,196	\$ 509,196	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, 2020 consisted of the following amounts:

	General Fund	Police State Seizures	Hazard Mitigation Grant	Totals
Due from Other Funds	\$ 25,875	\$ 27,170	\$	\$ 53,045
Due to Other Funds	\$ (27,170)	\$	\$ (25,875)	\$ (53,045)

The balance of \$25,875 due to the General Fund from the Hazard Mitigation Grant Fund for payment to the grant administrator. This will be reimbursed when grant funds are received. The balance of \$27,170 due to the Police State Seizures Fund from the General Fund is for police seizures.

Interfund transfers for the year ended September 30, 2020, consisted of the following individual amounts:

Fund	Capital Projects				Totals
	General Fund	Utility Fund	Fund	Other Funds	
Transfer In/(Out)	\$ 754,253	\$ (754,253)	\$	\$	\$ -
Transfer In/(Out)		864,025	(864,025)		-
Transfer In/(Out)	(28)			28	-
Totals Transfers In/(Out)	<u>\$ 754,225</u>	<u>\$ 109,772</u>	<u>\$ (864,025)</u>	<u>\$ 28</u>	<u>\$ -</u>

#### E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2020, were as follows:

	Property Taxes	Other Taxes	Other Receivables	Total Receivables
<b>Governmental Activities:</b>				
General Fund	\$ 114,806	\$ 160,982	\$ 20,429	\$ 296,217
Hotel/Motel Fund		25,541		25,541
Debt Service Fund	78,013			78,013
Nonmajor Governmental Funds			38,731	38,731
Total - Governmental Activities	<u>\$ 192,819</u>	<u>\$ 186,523</u>	<u>\$ 59,160</u>	<u>\$ 438,502</u>
<b>Business-type Activities:</b>				
Utility Fund	\$ -	\$ -	\$ 716,491	\$ 716,491
Total - Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 716,491</u>	<u>\$ 716,491</u>

Payables at September 30, 2020, were as follows:

	Accounts Payable	Wages and Salaries Payable	Intergovernmental Payable	Other Payables	Total Payables
<b>Governmental Activities:</b>					
General Fund	\$ 59,535	\$ 88,180	\$ 532,601	\$ 158,604	\$ 838,920
Nonmajor Governmental Funds	938			20,484	21,422
Total - Governmental Activities	<u>\$ 60,473</u>	<u>\$ 88,180</u>	<u>\$ 532,601</u>	<u>\$ 179,088</u>	<u>\$ 860,342</u>
<b>Business-type Activities:</b>					
Utility Fund	\$ 101,808	\$ 23,573	\$ -	\$ 44,237	\$ 169,618
Total - Business-Type Activities	<u>\$ 101,808</u>	<u>\$ 23,573</u>	<u>\$ -</u>	<u>\$ 44,237</u>	<u>\$ 169,618</u>

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the City for the year ended September 30, 2020, was as follows:

Governmental Activities:

Capital Assets Not Being Depreciated:			
Land	\$ 370,793	\$	\$ 370,793
Construction in Progress	-	18,765	18,765
Total Capital Assets Not Being Depreciated	<u>370,793</u>	<u>18,765</u>	<u>389,558</u>
Capital Assets Being Depreciated:			
Buildings and Improvements	2,701,904		2,701,904
Furniture and Fixtures	163,332		163,332
Machinery and Equipment	3,609,151	140,841	(56,414)
Infrastructure	26,538,708		26,538,708
Total Capital Assets Being Depreciated	<u>33,013,095</u>	<u>140,841</u>	<u>(56,414)</u>
Less Accumulated Depreciation for:			
Buildings and Improvements	(1,054,666)	(102,973)	(1,157,639)
Furniture and Fixtures	(163,330)		(163,330)
Machinery and Equipment	(3,186,916)	(229,197)	56,414
Infrastructure	(17,701,201)	(605,458)	(18,306,659)
Total Accumulated Depreciation	<u>(22,106,113)</u>	<u>(937,628)</u>	<u>56,414</u>
Total Capital Assets Being Depreciated, Net	<u>10,906,982</u>	<u>(796,787)</u>	<u>-</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,277,775</u>	<u>\$ (778,022)</u>	<u>\$ 10,499,753</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 19,617
Court	11,536
Police	93,387
Street & Drainage	772,657
Animal Control	150
Parks & Recreation	26,476
Library	13,805
Total Depreciation Expense	<u>\$ 937,628</u>

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 53,420	\$	\$	\$ 53,420
Construction in Progress	-	805,175		805,175
Total Capital Assets Not Being Depreciated	53,420	805,175		858,595
Capital Assets Being Depreciated:				
Buildings and Improvements	18,293			18,293
Machinery and Equipment	1,136,825	120,650		1,257,475
Infrastructure	15,820,685			15,820,685
Total Capital Assets Being Depreciated	16,975,803	120,650		17,096,453
Less Accumulated Depreciation for:				
Buildings and Improvements	(18,293)			(18,293)
Machinery and Equipment	(943,132)	(71,433)		(1,014,565)
Infrastructure	(12,168,501)	(468,650)		(12,637,151)
Total Accumulated Depreciation	(13,129,926)	(540,083)		(13,670,009)
Total Capital Assets Being Depreciated, Net	3,845,877	(419,433)	-	3,426,444
Business-type Activities Capital Assets, Net	\$ 3,899,297	\$ 385,742	\$ -	\$ 4,285,039

#### 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, 2020 are included in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of Obligation Series 2012	\$ 1,495,000	\$	\$ 175,000	\$ 1,320,000
Certificates of Obligation Series 2015	3,160,000		280,000	2,880,000
Certificates of Obligation Series 2018	1,935,000		50,000	1,885,000
Compensated Absences	215,378	169,985	142,967	242,396
Total Debt Payable	\$ 6,805,378	\$ 169,985	\$ 647,967	\$ 6,327,396

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, 2020:

Description	Interest Rates	Date Issued	Series Matures	Outstanding
Tax and Waterworks Certificates of Obligation, Series 2012	2.0-3.0%	2012	2027	\$ 1,320,000
Tax and Waterworks Certificates of Obligation, Series 2015	2.0-4.0%	2015	2029	2,880,000
Tax and Waterworks Certificates of Obligation, Series 2018	3.0-5.0%	2018	2030	<u>1,885,000</u>
				<u>\$ 6,085,000</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, 2020 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
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
2025	207,393	379,850	217,600	804,843
Thereafter	<u>407,791</u>	<u>1,526,200</u>	<u>1,592,500</u>	<u>3,526,491</u>
Total	<u>\$ 1,432,630</u>	<u>\$ 3,432,150</u>	<u>\$ 2,517,500</u>	<u>\$ 7,382,280</u>

The tax and waterworks and sewer system certificates of obligation series 2012, 2015 and 2018 include interest amounts of \$112,630, \$552,150, and \$632,500, 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:

	Sick Leave	Vacation Leave
	<u>          </u>	<u>          </u>
Balance September 30, 2019	\$ 1,103,823	\$ 208,695
Additions - New Entrants and Salary Increments	92,390	182,588
Deductions - Payments to Participants	<u>(97,604)</u>	<u>(133,966)</u>
Balance September 30, 2020	<u>\$ 1,098,609</u>	<u>\$ 257,317</u>

**I. DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The City of Bridge City participates as one of 888 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](http://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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>58</u>
	136

**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 15.07% and 15.13% in calendar years 2019 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2020, were \$576,701, and were equal to the required contributions.

### **Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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 are based on the PUB(10) mortality tables with the Public Safety tables used for males and the General Employee table used for females. Mortality rates for health retirees and beneficiaries were based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for health retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of experience of TMRS over the four period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 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. 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)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	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 12/31/2018	\$ 20,888,626	\$ 16,756,396	\$ 4,132,230
Changes for the Year:			
Service Cost	566,777	-	566,777
Interest	1,401,064	-	1,401,064
Change of benefit terms	-	-	-
Difference between expected and actual experience	(531,550)	-	(531,550)
Changes of assumptions	33,815	-	33,815
Contributions - employer	-	522,713	(522,713)
Contributions - employee	-	242,806	(242,806)
Net investment income	-	2,590,507	(2,590,507)
Benefit payments, including refunds of employee contribution	(831,026)	(831,026)	-
Administrative expense	-	(14,638)	14,638
Other changes	-	(440)	440
Net changes	<u>639,080</u>	<u>2,509,922</u>	<u>(1,870,842)</u>
Balance at 12/31/19	<u>\$ 21,527,706</u>	<u>\$ 19,266,318</u>	<u>\$ 2,261,388</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 5,229,878	\$ 2,261,388	\$ (165,607)

***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](http://www.tmr.com).

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

For the year ended September 30, 2020 the city recognized pension expense of \$475,768.

At September 30, 2020, 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	\$ -	\$ 392,429
Changes in actuarial assumptions	24,181	-
Difference between projected and actual investment earnings	-	586,596
Contributions subsequent of the measurement date	<u>429,957</u>	<u>-</u>
Total	<u>\$ 454,138</u>	<u>\$ 979,025</u>

\$454,138 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, 2020. 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:	
2020	(327,033)
2021	(311,547)
2022	(24,374)
2023	(291,890)
2024	-
Thereafter	-
	<u>\$ (954,844)</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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>58</u>
	97

**Actuarial Assumptions** The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	2.75%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and female, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**Discount Rate** A discount rate of 2.75% was used to measure the total OPEB liability. There was a change of .96 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 12/31/2018	\$	207,571
Changes for the Year:		
Service cost		5,203
Interest on total OPEB liability		7,759
Changes of benefit terms		-
Difference between expected and actual experience		(11,397)
Changes in assumptions or other inputs		37,798
Benefit payments		(2,081)
Net changes		<u>37,282</u>
Balance at 12/31/2019	\$	<u>244,853</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 (2.75%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	\$ 294,254	\$ 244,853	\$ 206,319

For the year ended September 30, 2020, the City recognized OPEB expense of \$15,972.

At September 30, 2020, 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	\$ (16,707)	\$ -
Changes in assumptions and other inputs	-	28,241
Contributions made subsequent to measurement date	-	7,957
Total as of fiscal year-end	\$ (16,707)	\$ 36,198

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
2020	\$ 3,010
2021	1,642
2022	1,645
2023	5,237
2024	-
Thereafter	-
Total	\$ 11,534

#### 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 United Healthcare 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, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
Certificates of Obligation	\$ 6,590,000	\$ -	\$ (505,000)	\$ 6,085,000	\$ 525,000
Total Bonds and Notes Payable	6,590,000	-	(505,000)	6,085,000	525,000
Other Liabilities					
Net Pension Liability	3,289,358	1,602,940	(3,094,802)	1,797,496	-
Net OPEB Liability	165,232	40,345	(10,963)	194,614	-
Compensated Absences	215,378	169,985	(142,967)	242,396	242,396
Total Other Liabilities	3,669,968	1,813,270	(3,248,732)	2,234,506	242,396
Total Governmental Activities	\$ 10,259,968	\$ 1,813,270	\$ (3,753,732)	\$ 8,319,506	\$ 767,396
Long-term Liabilities					
<b>Business-type Activities</b>					
Net Pension Liability	\$ 842,872	\$ 413,794	\$ (792,674)	\$ 463,992	\$ -
Net OPEB Liability	42,339	10,415	(2,515)	50,239	-
Compensated Absences	38,474	46,831	(23,371)	61,934	61,934
Total Business-type Activities	\$ 923,685	\$ 471,040	\$ (818,560)	\$ 576,165	\$ 61,934
Long-term Liabilities					

**M. DEFERRED REVENUE**

Deferred revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 114,806	\$ 78,013	\$ 192,819
Total Deferred Revenue	<u>\$ 114,806</u>	<u>\$ 78,013</u>	<u>\$ 192,819</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	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property Taxes	\$ 1,429,208		\$ 799,653			\$ 2,228,861
Other Taxes	2,449,874	114,101				2,563,975
Penalties and Interest on Taxes	22,226		14,368			36,594
Licenses and Permits	101,060					101,060
Intergovernmental Grants	13,855				270,137	283,992
Charges for Services	63,347				191,781	255,128
Fines	216,104				3,812	219,916
Investment Earnings	3,489	1,897	3,309	4,340	1,322	14,357
Contributions and Donations	78				8	86
Other	33,160				42,202	75,362
Total	<u>\$ 4,332,401</u>	<u>\$ 115,998</u>	<u>\$ 817,330</u>	<u>\$ 4,340</u>	<u>\$ 509,262</u>	<u>\$ 5,779,331</u>

**O. LITIGATION**

Certain claims, suits and complaints arising in the ordinary course of operations have been filed or are pending against the City. In the opinion of legal counsel, all such matters would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably. 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, 2020 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, 2020.

**Q. HURRICANE IKE – 2008**

As of September 30, 2019, FEMA has allocated \$4,985,130 in estimated and actual reimbursements for labor, equipment, debris removal, repairs to streets, drainage and for emergency shelters, showers and office trailers. This is a decrease to the original amount of \$5.2 million. FEMA is in the process of auditing all Hurricane Ike projects and as of the writing of this audit report FEMA has informed the City that they are de-obligating \$494,726, and this amount is due to FEMA. The de-obligated funds are a result of cost under-run due to lower actual costs than the amount for which the projects were originally written.

**R. HURRICANE HARVEY – 2017**

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 continues to repair and mitigate the damages caused by Hurricane Harvey to the City's property and infrastructure. As of September 30, 2020, the City has received \$657,938 of the \$2,157,622 obligated to date by the Federal Emergency Management Agency (FEMA). The City continues to work with the Texas Department of Emergency Management (TDEM) and FEMA to recoup any and all eligible costs.

**S. HURRICANE LAURA – 2020**

On August 24, 2020, the Mayor of Bridge City declared a local disaster due to imminent danger of widespread or severe damage, injury or loss of life or property resulting from Tropical Systems Marco and Laura. Hurricane Laura made landfall as a Category 4 on August 27, 2020, causing significant property damage throughout the City and leaving all residents and businesses without power. As of the writing of this report the City continues to make repairs and has filed claims with its insurance carrier, the Federal Emergency Management Agency (FEMA) and the Texas Department of Emergency Management (TDEM) to recover any and all eligible costs.

**T. COVID-19**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations or financial condition for fiscal year 2020.

In May 2020, the State of Texas made an allocation from the Coronavirus Relief Fund (CRF) to the City of Bridge City. These funds came with a strict expenditure timeline and had to be used for COVID-19 related costs. The City utilized the funding to purchase personal protective equipment and supplies for employees and buildings and install a drive thru system to assist customers while trying to protect customers and employees.

**U. RELATED ORGANIZATIONS**

There are no "related organizations" of the City as defined by *Governmental Accounting Standards Board Statement No. 14*.

**V. TEXAS WATER DEVELOPMENT BOARD PRINCIPAL FORGIVENESS AGREEMENT**

On February 1, 2019, the Texas Water Development Board (TWDB) approved from the Drinking Water State Revolving Fund (DWSRF) \$500,000 for the City’s Project No. 62815 (Flushing Valves). At the same time the TWDB approved from the Clean Water State Revolving Fund (CWSRF) \$491,000 for the City’s Project No. 73811 (Manholes). Both loans are 100 percent forgivable. The \$991,000 was deposited into an escrow account controlled by the Texas Water Development Board. Money is transferred from the escrow account to the City’s account as project milestones are achieved and approved by the Texas Water Development Board. The unspent escrow account of \$663,304 is shown as unearned revenue at September 30, 2020.

Project activity for the year ended September 30, 2020 is shown below:

	<u>Flushing Valves</u>	<u>Manholes</u>	<u>Total</u>
Escrow balance 10/1/19	\$ 493,000	\$ 484,000	\$ 977,000
TWDB deposit to escrow account	-	-	-
Project milestones transferred to the City	<u>(22,000)</u>	<u>(291,696)</u>	<u>(313,696)</u>
Escrow balance 9/30/20	<u>\$ 471,000</u>	<u>\$ 192,304</u>	<u>\$ 663,304</u>

**W. SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through February 4, 2021.

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, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,429,208	\$ 79,208
General Sales and Use Taxes	1,700,000	1,700,000	1,921,797	221,797
Franchise Tax	445,000	445,000	435,114	(9,886)
Other Taxes	84,000	84,000	92,963	8,963
Penalty and Interest on Taxes	19,200	19,200	22,226	3,026
Licenses and Permits	79,400	79,400	101,060	21,660
Intergovernmental Revenue and Grants	-	-	13,855	13,855
Charges for Services	94,450	94,450	63,347	(31,103)
Fines	400,000	400,000	216,104	(183,896)
Investment Earnings	2,000	2,000	3,489	1,489
Contributions & Donations from Private Sources	-	-	78	78
Other Revenue	17,000	17,000	33,160	16,160
<b>Total Revenues</b>	<b>4,191,050</b>	<b>4,191,050</b>	<b>4,332,401</b>	<b>141,351</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel and Purchasing	85,843	83,696	83,690	6
City Manager	161,708	174,615	174,608	7
City Secretary	139,397	129,221	129,214	7
Court	155,222	141,912	141,907	5
City Attorney	48,901	45,299	45,297	2
Administration	313,370	301,418	301,428	(10)
Municipal Judges	22,520	19,689	19,287	402
Finance	188,689	196,856	196,845	11
Police	2,355,178	2,379,257	2,531,277	(152,020)
Fire	11,500	10,769	10,768	1
Animal Control	80,600	72,028	72,017	11
Streets and Drainage	920,650	924,109	933,519	(9,410)
Parks and Recreation	100,298	101,550	101,539	11
Library	165,307	153,777	153,767	10
Community Development	196,120	211,107	211,099	8
<b>Total Expenditures</b>	<b>4,945,303</b>	<b>4,945,303</b>	<b>5,106,262</b>	<b>(160,959)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(754,253)</b>	<b>(754,253)</b>	<b>(773,861)</b>	<b>(19,608)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	754,253	754,253	754,253	-
Transfers Out	-	-	(28)	(28)
<b>Total Other Financing Sources (Uses)</b>	<b>754,253</b>	<b>754,253</b>	<b>754,225</b>	<b>(28)</b>
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>				
Extraordinary Item - Resource	-	-	221,716	221,716
Extraordinary Item - (Use)	-	-	(289,390)	(289,390)
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(87,310)</b>	<b>(87,310)</b>
Fund Balance - October 1 (Beginning)	1,186,562	1,186,562	1,186,562	-
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 1,186,562</b>	<b>\$ 1,186,562</b>	<b>\$ 1,099,252</b>	<b>\$ (87,310)</b>

CITY OF BRIDGE CITY  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
<b>A. Total Pension Liability</b>			
Service Cost	\$ 566,777	\$ 561,052	\$ 554,604
Interest (on the Total Pension Liability)	1,401,064	1,330,588	1,276,316
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(531,550)	18,853	(150,021)
Changes of Assumptions	33,815	-	-
Benefit Payments, Including Refunds of Employee Contributions	(831,026)	(907,518)	(852,675)
Net Change in Total Pension Liability	\$ 639,080	\$ 1,002,975	\$ 828,224
Total Pension Liability - Beginning	20,888,626	19,885,651	19,057,427
Total Pension Liability - Ending	\$ 21,527,706	\$ 20,888,626	\$ 19,885,651
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 522,713	\$ 522,487	\$ 515,330
Contributions - Employee	242,806	238,891	239,053
Net Investment Income	2,590,507	(522,287)	2,135,830
Benefit Payments, Including Refunds of Employee Contributions	(831,026)	(907,518)	(852,675)
Administrative Expense	(14,638)	(10,094)	(11,068)
Other	(440)	(528)	(561)
Net Change in Plan Fiduciary Net Position	\$ 2,509,922	\$ (679,049)	\$ 2,025,909
Plan Fiduciary Net Position - Beginning	16,756,396	17,435,445	15,409,536
Plan Fiduciary Net Position - Ending	\$ 19,266,318	\$ 16,756,396	\$ 17,435,445
<b>C. Net Pension Liability</b>	\$ 2,261,388	\$ 4,132,230	\$ 2,450,206
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	89.50%	80.22%	87.68%
<b>E. Covered Payroll</b>	\$ 3,468,650	\$ 3,412,725	\$ 3,415,048
<b>F. Net Pension Liability as a Percentage of Covered Payroll</b>	65.20%	121.08%	71.75%

Note: GASB Codification, Vol. 2, P20.146 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.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

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 2020

	2020	2019	2018
Actuarially Determined Contribution	\$ 576,701	\$ 521,011	\$ 492,973
Contributions in Relation to the Actuarially Determined Contributions	576,701	521,011	492,973
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,815,498	\$ 3,442,188	\$ 3,230,938
Contributions as a Percentage of Covered Payroll	15.11%	15.14%	15.26%

Note: GASB Codification, Vol. 2, P20.146 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.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	2017	2016	2015
\$	512,513	\$ 470,128	\$ 509,129
	512,513	470,128	509,129
\$	-	\$ -	\$ -
\$	3,406,404	\$ 3,087,050	\$ 3,126,182
	15.04%	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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 5,203	\$ 5,802	\$ 5,123
Interest on the Total OPEB Liability	7,759	7,461	7,473
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(11,397)	(13,392)	-
Changes of Assumptions	37,798	(13,794)	16,652
Benefit Payments*	(2,081)	(2,018)	(1,708)
Net Change in Total OPEB Liability	37,282	(15,971)	27,540
Total OPEB Liability - Beginning	207,571	223,542	196,002
Total OPEB Liability - Ending	\$ 244,853	\$ 207,571	\$ 223,542
<b>Covered Payroll</b>	\$ 3,468,650	\$ 3,412,725	\$ 3,415,048
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	7.06%	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 FUND STATEMENTS

CITY OF BRIDGE CITY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2020

	Municipal Court Security	Street Maintenance	Child Safety	Gambling Forfeiture
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 50,655	\$ 444,008	\$ 35,477	\$ 26,389
Accounts Receivable, Net	-	38,731	-	-
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 50,655</u>	<u>\$ 482,739</u>	<u>\$ 35,477</u>	<u>\$ 26,389</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Other Current Liabilities	-	-	-	20,484
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,484</u>
<b>FUND BALANCES</b>				
Other Restricted Fund Balance	<u>50,655</u>	<u>482,739</u>	<u>35,477</u>	<u>5,905</u>
Total Fund Balances	<u>50,655</u>	<u>482,739</u>	<u>35,477</u>	<u>5,905</u>
Total Liabilities and Fund Balances	<u>\$ 50,655</u>	<u>\$ 482,739</u>	<u>\$ 35,477</u>	<u>\$ 26,389</u>

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

Municipal Court Technology	Police Federal Seizures	Park Construction	Thwarting	Police State Seizures	Municipal Jury	CDBG Drainage Grant	Hazard Mitigation Grant
\$ 30,659	\$ 15,394	\$ 427	\$ 5,559	\$ 690	\$ 40	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	27,170	-	-	-
<u>\$ 30,659</u>	<u>\$ 15,394</u>	<u>\$ 427</u>	<u>\$ 5,559</u>	<u>\$ 27,860</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 938	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	25,875
-	-	-	-	-	-	-	-
-	-	-	938	-	-	-	25,875
30,659	15,394	427	4,621	27,860	40	-	(25,875)
<u>30,659</u>	<u>15,394</u>	<u>427</u>	<u>4,621</u>	<u>27,860</u>	<u>40</u>	<u>-</u>	<u>(25,875)</u>
<u>\$ 30,659</u>	<u>\$ 15,394</u>	<u>\$ 427</u>	<u>\$ 5,559</u>	<u>\$ 27,860</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BRIDGE CITY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2020

	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 609,298	\$ 609,298
Accounts Receivable, Net	38,731	38,731
Due from Other Funds	27,170	27,170
Total Assets	<u>\$ 675,199</u>	<u>\$ 675,199</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 938	\$ 938
Due to Other Funds	25,875	25,875
Other Current Liabilities	20,484	20,484
Total Liabilities	<u>47,297</u>	<u>47,297</u>
<b>FUND BALANCES</b>		
Other Restricted Fund Balance	627,902	627,902
Total Fund Balances	<u>627,902</u>	<u>627,902</u>
Total Liabilities and Fund Balances	<u>\$ 675,199</u>	<u>\$ 675,199</u>

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

CITY OF BRIDGE CITY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Municipal Court Security	Street Maintenance	Child Safety	Gambling Forfeiture
<b>REVENUES:</b>				
Intergovernmental Revenue and Grants	\$ -	\$ -	\$ -	\$ -
Charges for Services	6,150	185,631	-	-
Fines	-	-	-	-
Investment Earnings	99	996	72	53
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	1,865	-
Total Revenues	<u>6,249</u>	<u>186,627</u>	<u>1,937</u>	<u>53</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Court	-	-	-	-
Public Works:				
Streets and Drainage	-	116,104	-	-
Total Expenditures	<u>-</u>	<u>116,104</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,249</u>	<u>70,523</u>	<u>1,937</u>	<u>53</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	6,249	70,523	1,937	53
Fund Balance - October 1 (Beginning)	<u>44,406</u>	<u>412,216</u>	<u>33,540</u>	<u>5,852</u>
Fund Balance - September 30 (Ending)	<u>\$ 50,655</u>	<u>\$ 482,739</u>	<u>\$ 35,477</u>	<u>\$ 5,905</u>

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

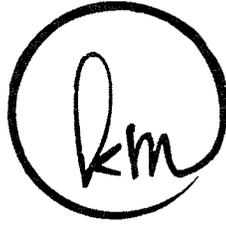
Municipal Court Technology	Police Federal Seizures	Park Construction	Thwarting	Police State Seizures	Municipal Jury	CDBG Drainage Grant	Hazard Mitigation Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270,137	\$ -
-	-	-	-	-	-	-	-
-	-	-	3,812	-	-	-	-
62	31	-	8	1	-	-	-
-	-	8	-	-	-	-	-
13,127	-	-	-	27,170	40	-	-
<u>13,189</u>	<u>31</u>	<u>8</u>	<u>3,820</u>	<u>27,171</u>	<u>40</u>	<u>270,137</u>	<u>-</u>
16,003	-	-	937	-	-	-	-
-	-	-	-	-	-	270,137	25,903
<u>16,003</u>	<u>-</u>	<u>-</u>	<u>937</u>	<u>-</u>	<u>-</u>	<u>270,137</u>	<u>25,903</u>
<u>(2,814)</u>	<u>31</u>	<u>8</u>	<u>2,883</u>	<u>27,171</u>	<u>40</u>	<u>-</u>	<u>(25,903)</u>
-	-	-	-	-	-	-	28
-	-	-	-	-	-	-	28
<u>(2,814)</u>	<u>31</u>	<u>8</u>	<u>2,883</u>	<u>27,171</u>	<u>40</u>	<u>-</u>	<u>(25,875)</u>
<u>33,473</u>	<u>15,363</u>	<u>419</u>	<u>1,738</u>	<u>689</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 30,659</u>	<u>\$ 15,394</u>	<u>\$ 427</u>	<u>\$ 4,621</u>	<u>\$ 27,860</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ (25,875)</u>

CITY OF BRIDGE CITY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
Intergovernmental Revenue and Grants	\$ 270,137	\$ 270,137
Charges for Services	191,781	191,781
Fines	3,812	3,812
Investment Earnings	1,322	1,322
Contributions & Donations from Private Sources	8	8
Other Revenue	42,202	42,202
Total Revenues	<u>509,262</u>	<u>509,262</u>
<b>EXPENDITURES:</b>		
Current:		
General Government:		
Court	16,940	16,940
Public Works:		
Streets and Drainage	412,144	412,144
Total Expenditures	<u>429,084</u>	<u>429,084</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>80,178</u>	<u>80,178</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers In	<u>28</u>	<u>28</u>
Total Other Financing Sources (Uses)	<u>28</u>	<u>28</u>
Net Change in Fund Balance	80,206	80,206
Fund Balance - October 1 (Beginning)	<u>547,696</u>	<u>547,696</u>
Fund Balance - September 30 (Ending)	<u><u>\$ 627,902</u></u>	<u><u>\$ 627,902</u></u>

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

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, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 4, 2021.

**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 be 'K. J. Smith', written in a cursive style.

Bridge City, Texas  
February 4, 2021