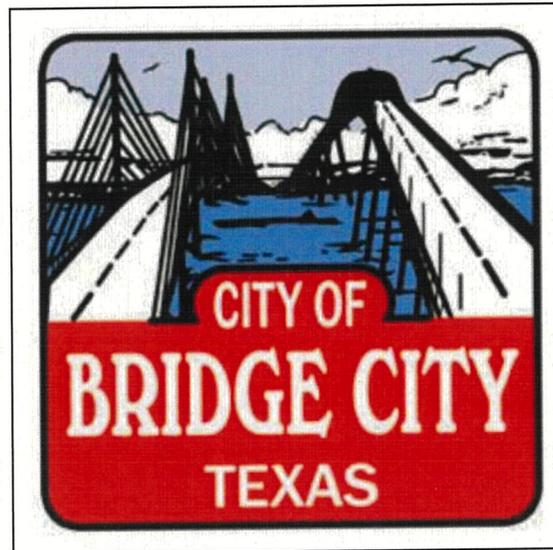


City of Bridge City



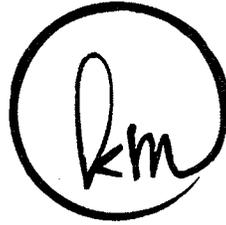
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2021

CITY OF BRIDGE CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2021

CITY OF BRIDGE CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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keri michutka
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Bridge City, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bridge City as of and for the year ended September 30, 2021 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, 2021 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

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

The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and the schedule of expenditures of federal awards 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 28, 2022, on our consideration of the City of Bridge City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bridge City's internal control over financial reporting and compliance.



Bridge City, Texas
February 28, 2022

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, 2021. 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 2021 by \$15,979,475. Of this amount \$7,470,385 is considered unrestricted. The unrestricted net position of the City's governmental activities is \$4,733,670 and may be used to meet the government's ongoing obligations. The unrestricted net position of the City's business-type activities is \$2,736,715 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 increased by \$713,675 in the fiscal year 2021.
- ❑ As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$6,181,981 which is an increase of \$397,873.
- ❑ As of the end of the fiscal year, the unassigned fund balance for the General Fund was \$1,450,813.
- ❑ The City's total long-term bonded debt decreased by \$525,000 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 \$15,979,475 at September 30, 2021. 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	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 9,479,710	\$ 7,650,980	\$ 4,231,129	\$ 4,355,268	\$ 13,710,839	\$ 12,006,248
Capital Assets	9,789,423	10,499,751	4,130,322	4,285,039	13,919,745	14,784,790
Total Assets	19,269,133	18,150,731	8,361,451	8,640,307	27,630,584	26,791,038
Deferred Outflow - Pension Plan	314,072	355,346	87,768	98,792	401,840	454,138
Deferred Outflow - OPEB	45,800	28,658	11,983	7,540	57,783	36,198
Total Deferred Outflows	359,872	384,004	99,751	106,332	459,623	490,336
Long-Term Liabilities						
Outstanding	7,263,417	8,077,010	441,899	514,231	7,705,316	8,591,241
Other Liabilities	2,611,432	1,153,837	873,558	1,274,764	3,484,990	2,428,601
Total Liabilities	9,874,849	9,230,847	1,315,457	1,788,995	11,190,306	11,019,842
Deferred Inflow - Pension Plan	720,780	776,371	188,233	202,654	909,013	979,025
Deferred Inflow - OPEB	9,089	13,293	2,324	3,414	11,413	16,707
Total Deferred Inflows	729,869	789,664	190,557	206,068	920,426	995,732
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	4,290,617	4,467,490	4,218,473	4,344,270	8,509,090	8,811,760
Unrestricted	4,733,670	4,046,734	2,736,715	2,407,306	7,470,385	6,454,040
Total Net Position	\$ 9,024,287	\$ 8,514,224	\$ 6,955,188	\$ 6,751,576	\$ 15,979,475	\$ 15,265,800

The total unrestricted net assets of \$7,470,385 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 increased by \$713,674 during the current fiscal year. Net assets for the governmental activities increased \$510,062 and net assets for the business-type activities increased \$203,612.

TABLE 2

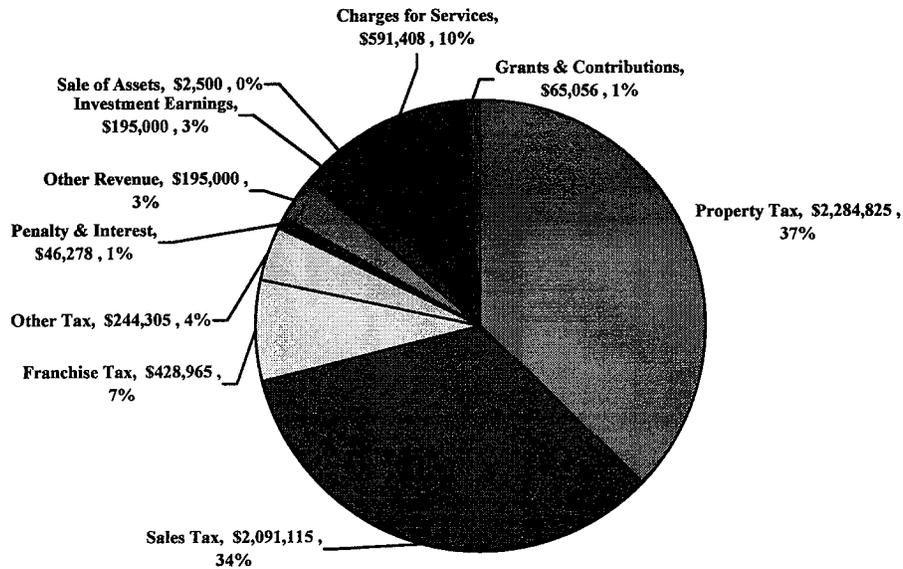
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 591,408	\$ 429,034	\$ 4,142,450	\$ 3,997,448	\$ 4,733,858	\$ 4,426,482
Operating Grants & Contrib	65,056	13,855	-	-	65,056	13,855
General Revenues:						
Property Taxes	2,284,825	2,231,469	-	-	2,284,825	2,231,469
Sales Taxes	2,091,115	1,921,797	-	-	2,091,115	1,921,797
Franchise Taxes	428,965	435,114	-	-	428,965	435,114
Other Taxes	244,305	207,064	-	-	244,305	207,064
Penalty & Interest	46,278	36,594	-	-	46,278	36,594
Grants and Contributions	75,475	270,223	731,911	504,805	807,386	775,028
Other	195,000	178,136	-	-	195,000	178,136
Gain on Sale of Assets	2,500	3,500	-	-	2,500	3,500
Investment Earnings	12,278	14,357	3,890	16,497	16,168	30,854
Total Revenues	<u>6,037,205</u>	<u>5,741,143</u>	<u>4,878,251</u>	<u>4,518,750</u>	<u>10,915,456</u>	<u>10,259,893</u>
Expenses:						
General Government	1,135,140	1,138,820	-	-	1,135,140	1,138,820
Public Safety	2,395,365	2,585,212	-	-	2,395,365	2,585,212
Public Works	1,873,385	2,056,942	-	-	1,873,385	2,056,942
Community Development	281,812	213,629	-	-	281,812	213,629
Parks & Recreation	108,293	128,631	-	-	108,293	128,631
Library	168,285	167,403	-	-	168,285	167,403
Interest on Long-Term Debt	210,891	223,889	-	-	210,891	223,889
Utilities	-	-	4,022,973	3,799,859	4,022,973	3,799,859
Other	2,000	2,000	-	-	2,000	2,000
Total Expenses	<u>6,175,171</u>	<u>6,516,526</u>	<u>4,022,973</u>	<u>3,799,859</u>	<u>10,198,144</u>	<u>10,316,385</u>
Increase (Decrease) in Net Position Before Transfers	(137,966)	(775,383)	855,278	718,891	717,312	(56,492)
Extraordinary item - Resource	896,295	221,716	-	-	896,295	221,716
Extraordinary item - Use	(899,933)	(270,625)	-	-	(899,933)	(270,625)
Transfers In (Out)	<u>651,666</u>	<u>(109,772)</u>	<u>(651,666)</u>	<u>109,772</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	510,062	(934,064)	203,612	828,663	713,674	(105,401)
Net Position Beginning	8,514,225	9,448,288	6,751,576	5,922,913	15,265,801	15,371,201
Net Position Ending	<u>\$ 9,024,287</u>	<u>\$ 8,514,224</u>	<u>\$ 6,955,188</u>	<u>\$ 6,751,576</u>	<u>\$ 15,979,475</u>	<u>\$ 15,265,800</u>

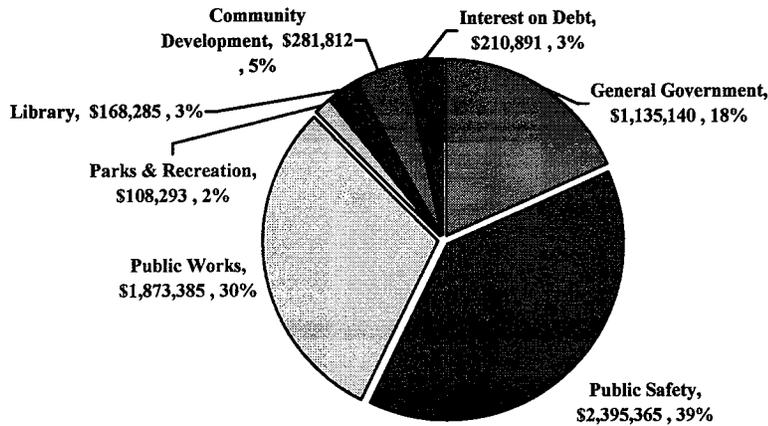
Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

GOVERNMENTAL ACTIVITIES – REVENUE BY SOURCE

2021 Governmental Activities Revenues



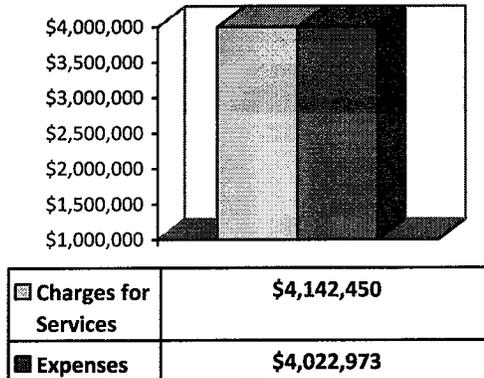
2021 Governmental Activities Expenses



BUSINESS -TYPE ACTIVITIES - REVENUES AND EXPENSES

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

2021 Proprietary Funds



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

GOVERNMENTAL FUNDS

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, 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 \$6,181,981 which is an increase of \$397,873 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 \$1,450,813 while the total fund balance was \$1,512,007. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The fund balance of the City’s General Fund increased by \$412,755 during the current fiscal year. The largest sources of additional revenue came from property taxes, sales taxes and fines and forfeitures.

The Debt Service Fund has a total fund balance of \$1,361,976, a decrease of \$67,350, 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 \$3,307,998 all of which is restricted. The fund balance increased by \$52,468 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 \$2,736,715. Net position in the water, sewer and sanitation fund increased by \$203,612.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2020 – 2021, 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 \$187,702, 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, 2021, amounted to \$13,919,747 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 370,793	\$ 370,793	\$ 53,420	\$ 53,420	\$ 424,213	\$ 424,213
Buildings, Plants, and Lines	1,482,333	1,544,264	-	-	1,482,333	1,544,264
Infrastructure	7,626,591	8,232,051	2,743,508	3,183,534	10,370,099	11,415,585
Vehicles, Machinery, & Equip.	309,708	333,878	366,219	242,910	675,927	576,788
Furniture and Fixtures	-	2	-	-	-	2
Construction in Progress	-	18,765	967,175	805,175	967,175	823,940
	<u>\$ 9,789,425</u>	<u>\$ 10,499,753</u>	<u>\$ 4,130,322</u>	<u>\$ 4,285,039</u>	<u>\$ 13,919,747</u>	<u>\$ 14,784,792</u>

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

<input type="checkbox"/> Vehicle Trade In (Reduction)	\$34,856
<input type="checkbox"/> Vehicles Purchased	\$75,883
<input type="checkbox"/> Large Equipment	\$60,844
<input type="checkbox"/> Drive Thru System	\$41,725

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

<input type="checkbox"/> Purchase of Equipment	\$224,447
<input type="checkbox"/> Construction in Progress	\$162,000

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 \$5,560,000 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			
	2021	2020	2021	2020	2021	2020
Water & Sewer System Improvements						
Certificates of Obligation:						
Series 2012	1,145,000	1,320,000	-	-	1,145,000	1,320,000
General Obligation Certificates of Obligation:						
Series 2015	2,595,000	2,880,000	-	-	2,595,000	2,880,000
General Obligation Certificates of Obligation:						
Series 2018	1,820,000	1,885,000	-	-	1,820,000	1,885,000
	<u>\$ 5,560,000</u>	<u>\$ 6,085,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,560,000</u>	<u>\$ 6,085,000</u>

The City’s total debt decreased by \$525,000 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 2020 – 2021 tax rate per \$100 of assessed valuation is \$0.15588 for debt allocation and \$0.38470 for the operating & maintenance allocation, this sets the total tax rate at \$0.54058, which is below the City’s maximum allowable tax rate.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Economic factors for fiscal year 2020 – 2021:

- ❑ During the one-year period from October 2020 to September 2021 the City collected \$2,091,115 in Sales Tax, this was a 8.84% increase from the previous fiscal year of 2019 – 2020. The average for the last five years in sales tax collections is \$1,795,993. Sales tax revenue accounts for approximately 43% of the General Fund Revenues.
- ❑ The ad valorem taxable values for the 2020 - 2021 budget increased by 4.13% over the prior year. The adopted 2020 - 2021 tax rate of .54058 per \$100 of assessed property evaluation is a .80% increase over the calculated effective rate and an 2.33% decrease 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.

In the fiscal year 2020-2021, Lion Elastomers appealed their property tax valuations and this resulted in the City refunding \$65,724 back to Lion Elastomers and the amount of industrial tax revenue for the City will be reduced in the future.

- ❑ The budget for 2020 - 2021 fiscal year contained no increase for Salaries and Wages. There is a 4% increase budgeted for Salaries and Wages in the 2021 – 2022 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, 2021, FEMA has de-obligated \$496,152, which will need to be repaid to FEMA. The payment of \$496,152 has been scheduled for repayment to FEMA in February 2022. 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.
- ❑ 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.
- ❑ The City had several grants working in the 2020 – 2021 fiscal year. A single audit was required, the schedules are included in the back portion of this audit report.

Economic factors for fiscal year 2021 – 2022:

- ❑ The City of Bridge City's adopted 2021 – 2022 ad valorem tax rate of .52369 is a 3.12% decrease over the 2020 – 2021 tax rate of .54058 and will generate approximately \$222,254 more in revenue because property tax values increased by approximately 14.42%.
- ❑ The City approved rate increases on water and sewer service and with the growth the City has seen, the approximate additional income will be \$260,000.
- ❑ 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.
- ❑ The City received a grant through the Texas Division of Emergency Management, Hazard Mitigation Grants Program Unit for the February 2021 Winter Weather DR-4586 Disaster Recovery Program in the amount of \$400,087 and the City must commit \$133,362 to fulfill the grant.

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 the date of this report, the City has received \$1,114,057 of the \$1,992,230 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.

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 has withdrawn all claims with the Texas Department of Emergency Management and has filed claims with its insurance carrier to recover all eligible costs.

CORONAVIRUS LOCAL FISCAL RECOVERY FUND (CLFRF)

In July of 2021, the City's request for assistance for award 2021 CLFRF – Coronavirus Local Fiscal Recovery Fund (CLFRF) was approved. The award will be administered by the Texas Division of Emergency Management and the City's grant administrator, Traylor and Associates. In August of 2021, the City received the first of two tranches scheduled for this award. The City plans to install a new water well with the funding received from the CLFRF award.

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, 2021

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 8,158,850	\$ 3,423,644	\$ 11,582,494
Taxes Receivable, Net	390,387	-	390,387
Accounts Receivable, Net	850,806	719,334	1,570,140
Due from Other Governments	4,361	-	4,361
Inventories	61,194	88,151	149,345
Prepaid Items	14,112	-	14,112
Capital Assets:			
Land	370,793	53,420	424,213
Infrastructure, Net	7,626,593	2,743,507	10,370,100
Buildings, Net	1,482,332	-	1,482,332
Machinery & Equipment, Net	309,705	366,219	675,924
Construction in Progress	-	967,176	967,176
Total Assets	<u>19,269,133</u>	<u>8,361,451</u>	<u>27,630,584</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	314,072	87,768	401,840
Deferred Outflow Related to OPEB	45,800	11,983	57,783
Total Deferred Outflows of Resources	<u>359,872</u>	<u>99,751</u>	<u>459,623</u>
LIABILITIES			
Accounts Payable	330,087	171,435	501,522
Wages and Salaries Payable	83,152	25,933	109,085
Compensated Absences Payable	250,554	64,901	315,455
Intergovernmental Payable	496,152	5,816	501,968
Accrued Interest Payable	47,871	-	47,871
Unearned Revenues	1,289,563	441,878	1,731,441
Other Current Liabilities	114,053	163,595	277,648
Noncurrent Liabilities:			
Due Within One Year	550,000	-	550,000
Due in More Than One Year:			
Bonds Payable - Noncurrent	5,010,000	-	5,010,000
Net Pension Liability	1,468,423	380,937	1,849,360
Net OPEB Liability	234,994	60,962	295,956
Total Liabilities	<u>9,874,849</u>	<u>1,315,457</u>	<u>11,190,306</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	720,780	188,233	909,013
Deferred Inflow Related to OPEB	9,089	2,324	11,413
Total Deferred Inflows of Resources	<u>729,869</u>	<u>190,557</u>	<u>920,426</u>
NET POSITION			
Net Investment in Capital Assets	4,229,423	4,130,322	8,359,745
Restricted for Inventories	61,194	88,151	149,345
Unrestricted Net Position	4,733,670	2,736,715	7,470,385
Total Net Position	<u>\$ 9,024,287</u>	<u>\$ 6,955,188</u>	<u>\$ 15,979,475</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, 2021

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Personnel and Purchasing	\$ 76,616	\$ -	\$ -
City Manager	154,971	-	-
City Secretary	140,635	-	-
Court	160,553	356,067	-
City Attorney	46,754	-	-
Administration	387,687	-	-
Municipal Judges	19,840	-	-
Finance	148,084	-	-
Police	2,315,323	30,000	65,056
Fire	8,736	-	-
Animal Control	71,306	238	-
Streets and Drainage	1,873,385	203,671	-
Parks and Recreation	108,293	-	-
Library	168,285	1,432	-
Community Development	281,812	-	-
Interest on Debt	210,891	-	-
Other Debt Service	2,000	-	-
Total Governmental Activities	<u>6,175,171</u>	<u>591,408</u>	<u>65,056</u>
BUSINESS-TYPE ACTIVITIES:			
Utility Fund	4,022,973	4,142,450	-
Total Business-Type Activities	<u>4,022,973</u>	<u>4,142,450</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 10,198,144</u>	<u>\$ 4,733,858</u>	<u>\$ 65,056</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
(76,616)	-	(76,616)
(154,971)	-	(154,971)
(140,635)	-	(140,635)
195,514	-	195,514
(46,754)	-	(46,754)
(387,687)	-	(387,687)
(19,840)	-	(19,840)
(148,084)	-	(148,084)
(2,220,267)	-	(2,220,267)
(8,736)	-	(8,736)
(71,068)	-	(71,068)
(1,669,714)	-	(1,669,714)
(108,293)	-	(108,293)
(166,853)	-	(166,853)
(281,812)	-	(281,812)
(210,891)	-	(210,891)
(2,000)	-	(2,000)
<u>(5,518,707)</u>	<u>-</u>	<u>(5,518,707)</u>
-	119,477	119,477
-	119,477	119,477
<u>(5,518,707)</u>	<u>119,477</u>	<u>(5,399,230)</u>
1,637,873	-	1,637,873
646,952	-	646,952
2,091,115	-	2,091,115
428,965	-	428,965
244,305	-	244,305
46,278	-	46,278
75,475	731,911	807,386
195,000	-	195,000
12,278	3,890	16,168
2,500	-	2,500
896,295	-	896,295
(899,933)	-	(899,933)
651,666	(651,666)	-
<u>6,028,769</u>	<u>84,135</u>	<u>6,112,904</u>
510,062	203,612	713,674
<u>8,514,225</u>	<u>6,751,576</u>	<u>15,265,801</u>
<u>\$ 9,024,287</u>	<u>\$ 6,955,188</u>	<u>\$ 15,979,475</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Hotel/ Motel	ARPA - Coronavirus Relief
ASSETS			
Cash and Cash Equivalents	\$ 2,464,357	\$ 1,042,303	\$ 974,279
Taxes Receivable, Net	306,385	15,678	-
Other Receivables	10,718	-	-
Due from Other Governments	4,361	-	-
Inventories	61,194	-	-
Prepaid Items	14,112	-	-
Total Assets	<u>\$ 2,861,127</u>	<u>\$ 1,057,981</u>	<u>\$ 974,279</u>
LIABILITIES			
Accounts Payable	\$ 246,775	\$ -	\$ -
Wages and Salaries Payable	83,152	-	-
Intergovernmental Payable	496,152	-	-
Unearned Revenues	315,284	-	974,279
Other Current Liabilities	92,933	-	-
Total Liabilities	<u>1,234,296</u>	<u>-</u>	<u>974,279</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	114,824	-	-
Total Deferred Inflows of Resources	<u>114,824</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
Inventories	61,194	-	-
Restricted Fund Balance:			
Capital Projects	-	-	-
Retirement of Long-Term Debt	-	-	-
Other Restricted Fund Balance	-	1,057,981	-
Unassigned Fund Balance	1,450,813	-	-
Total Fund Balances	<u>1,512,007</u>	<u>1,057,981</u>	<u>-</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,861,127</u>	<u>\$ 1,057,981</u>	<u>\$ 974,279</u>

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

Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
\$ 1,361,976	\$ 1,605,192	\$ 710,743	\$ 8,158,850
68,324	-	-	390,387
-	-	38,514	49,232
-	-	-	4,361
-	-	-	61,194
-	-	-	14,112
<u>\$ 1,430,300</u>	<u>\$ 1,605,192</u>	<u>\$ 749,257</u>	<u>\$ 8,678,136</u>
\$ -	\$ -	\$ 83,312	\$ 330,087
-	-	-	83,152
-	-	-	496,152
-	-	-	1,289,563
-	-	21,120	114,053
-	-	104,432	2,313,007
68,324	-	-	183,148
68,324	-	-	183,148
-	-	-	61,194
-	1,605,192	-	1,605,192
1,361,976	-	-	1,361,976
-	-	644,825	1,702,806
-	-	-	1,450,813
<u>1,361,976</u>	<u>1,605,192</u>	<u>644,825</u>	<u>6,181,981</u>
<u>\$ 1,430,300</u>	<u>\$ 1,605,192</u>	<u>\$ 749,257</u>	<u>\$ 8,678,136</u>

CITY OF BRIDGE CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds	\$	6,181,981
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.		4,172,355
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 2021 capital outlays and debt principal payments is to increase net position.		676,529
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 \$314,072, a deferred resource inflow in the amount of \$720,780, and a net pension liability in the amount of \$1,468,423. This resulted in a decrease in net position.		(1,875,131)
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 \$45,800, a deferred resource inflow in the amount of \$9,089, and a net OPEB liability in the amount of \$234,994. This resulted in a decrease in net position.		(198,283)
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(870,015)
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.		936,851
Net Position of Governmental Activities	\$	9,024,287

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, 2021

	General Fund	Hotel/ Motel	ARPA - Coronavirus Relief
REVENUES:			
Taxes:			
Property Taxes	\$ 1,640,632	\$ -	\$ -
General Sales and Use Taxes	2,091,115	-	-
Franchise Tax	428,965	-	-
Other Taxes	81,691	162,614	-
Penalty and Interest on Taxes	29,392	-	-
Licenses and Permits	131,979	-	-
Intergovernmental Revenue and Grants	65,056	-	-
Charges for Services	74,731	-	-
Fines	310,279	-	-
Investment Earnings	3,283	1,809	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	46,459	-	-
Total Revenues	4,903,582	164,423	-
EXPENDITURES:			
Current:			
General Government:			
Personnel and Purchasing	86,824	-	-
City Manager	161,786	-	-
City Secretary	142,627	-	-
Court	138,717	-	-
City Attorney	46,754	-	-
Administration	366,158	-	-
Municipal Judges	19,840	-	-
Finance	158,351	-	-
Public Safety:			
Police	2,415,394	-	-
Fire	8,736	-	-
Animal Control	76,926	-	-
Public Works:			
Streets and Drainage	997,646	-	-
Culture and Recreation:			
Parks and Recreation	83,565	-	-
Library	164,751	-	-
Community Development	225,209	89,177	-
Debt Service:			
Principal on Debt	-	-	-
Interest on Debt	-	-	-
Other Debt Service	-	-	-
Total Expenditures	5,093,284	89,177	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(189,702)	75,246	-
OTHER FINANCING SOURCES (USES):			
Transfers In	654,930	-	-
Transfers Out	(25,875)	-	-
Total Other Financing Sources (Uses)	629,055	-	-
SPECIAL AND EXTRAORDINARY ITEMS:			
Extraordinary Item - Resource	896,295	-	-
Extraordinary Item - (Use)	(922,893)	-	-
Net Change in Fund Balances	412,755	75,246	-
Fund Balance - October 1 (Beginning)	1,099,252	982,735	-
Fund Balance - September 30 (Ending)	\$ 1,512,007	\$ 1,057,981	\$ -

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

Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
\$ 653,864	\$ -	\$ -	\$ 2,294,496
-	-	-	2,091,115
-	-	-	428,965
-	-	-	244,305
16,886	-	-	46,278
-	-	-	131,979
-	-	75,473	140,529
-	-	201,377	276,108
-	-	8,776	319,055
3,018	2,919	1,249	12,278
-	-	2	2
-	-	27,444	73,903
<u>673,768</u>	<u>2,919</u>	<u>314,321</u>	<u>6,059,013</u>
-	-	-	86,824
-	-	-	161,786
-	-	-	142,627
-	-	19,578	158,295
-	-	-	46,754
-	-	29	366,187
-	-	-	19,840
-	-	-	158,351
-	-	8,089	2,423,483
-	-	-	8,736
-	-	-	76,926
-	42,620	292,313	1,332,579
-	-	-	83,565
-	-	-	164,751
-	-	-	314,386
525,000	-	-	525,000
214,118	-	-	214,118
2,000	-	-	2,000
<u>741,118</u>	<u>42,620</u>	<u>320,009</u>	<u>6,286,208</u>
(67,350)	(39,701)	(5,688)	(227,195)
-	-	25,905	680,835
-	-	(3,294)	(29,169)
-	-	22,611	651,666
-	-	-	896,295
-	-	-	(922,893)
(67,350)	(39,701)	16,923	397,873
<u>1,429,326</u>	<u>1,644,893</u>	<u>627,902</u>	<u>5,784,108</u>
<u>\$ 1,361,976</u>	<u>\$ 1,605,192</u>	<u>\$ 644,825</u>	<u>\$ 6,181,981</u>

CITY OF BRIDGE CITY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	397,873
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 2021 capital outlays and debt principal payments is to increase the change in net position.		676,529
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 \$306,046. 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 \$129,093. 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 \$91,849. The net result is an increase in the change in net position.		343,290
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 \$6,013. 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 \$2,320. 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.		(19,034)
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.		(870,015)
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.		(18,581)
Change in Net Position of Governmental Activities	\$	510,062

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, 2021

	Business Type Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,423,644
Other Receivables	719,334
Inventories	88,151
Total Current Assets	4,231,129
Noncurrent Assets:	
Capital Assets:	
Land	53,420
Buildings	18,293
Machinery & Equipment	1,481,922
Infrastructure	15,820,685
Accumulated Depreciation	(14,211,174)
Construction in Progress	967,176
Total Noncurrent Assets	4,130,322
Total Assets	8,361,451
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	87,768
Deferred Outflow Related to OPEB	11,983
Total Deferred Outflows of Resources	99,751
LIABILITIES	
Current Liabilities:	
Accounts Payable	171,435
Wages and Salaries Payable	25,933
Compensated Absences Payable	64,901
Intergovernmental Payable	5,816
Unearned Revenues - TWDB Grant	52,436
Unearned Revenues - Customer Advance Payments	389,442
Other Current Liabilities	163,595
Total Current Liabilities	873,558
Noncurrent Liabilities:	
Net Pension Liability	380,937
Net OPEB Liability	60,962
Total Noncurrent Liabilities	441,899
Total Liabilities	1,315,457
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	188,233
Deferred Inflow Related to OPEB	2,324
Total Deferred Inflows of Resources	190,557
NET POSITION	
Net Investment in Capital Assets	4,130,322
Restricted for Inventories	88,151
Unrestricted Net Position	2,736,715
Total Net Position	\$ 6,955,188

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, 2021

EXHIBIT D-2

	Business-Type Activities
OPERATING REVENUES:	
Charges for Water Service	\$ 1,387,193
Charges for Sewerage Service	1,266,715
Charges for Sanitation Service	1,033,997
Charges for Service - Other	454,545
Total Operating Revenues	4,142,450
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	781,195
Personnel Services - Employee Benefits	215,872
Purchased Professional & Technical Services	184,666
Purchased Property Services	1,947,975
Other Operating Costs	239,959
Supplies	112,142
Depreciation	541,164
Total Operating Expenses	4,022,973
Operating Income	119,477
NONOPERATING REVENUES (EXPENSES):	
Grant Income	731,911
Investment Earnings	3,890
Total NonOperating Revenue (Expenses)	735,801
Income Before Transfers	855,278
Transfers Out	(651,666)
Change in Net Position	203,612
Total Net Position - October 1 (Beginning)	6,751,576
 Total Net Position - September 30 (Ending)	 \$ 6,955,188

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, 2021

EXHIBIT D-3

	Business-Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 4,139,607
Cash Payments to Employees for Services	(1,078,329)
Cash Payments for Suppliers	(141,062)
Cash Payments for Other Operating Expenses	(2,149,358)
Net Cash Provided by Operating Activities	770,858
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Cash Received from Grants	121,043
Operating Transfer Out	(651,666)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(530,623)
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(386,447)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	3,890
Net Increase (Decrease) in Cash and Cash Equivalents	(142,322)
Cash and Cash Equivalents at Beginning of Year	3,565,966
Cash and Cash Equivalents at End of Year	\$ 3,423,644
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$ 119,477
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	541,164
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(2,843)
Decrease (Increase) in Inventories	(28,920)
Decrease (Increase) in Prepaid Expenses	13,580
Increase (Decrease) in Accounts Payable	69,627
Increase (Decrease) in Other Payables	140,035
Increase (Decrease) in Net Pension Liability	(83,055)
Increase (Decrease) in Net OPEB Liability	10,723
Decrease (Increase) in Deferred Outflows	6,581
Increase (Decrease) in Deferred Inflows	(15,511)
Net Cash Provided by Operating Activities	\$ 770,858

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, 2021

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	
Construction in Progress	18,765		18,765	
Buildings	2,701,904	1,157,639	1,544,265	
Furniture & Fixtures	163,332	163,332	-	
Machinery & Equipment	3,693,578	3,359,699	333,879	
Infrastructure	<u>26,538,708</u>	<u>18,306,659</u>	<u>8,232,049</u>	
Change in Net Position				<u>10,499,751</u>
Long-term Liabilities at the Beginning of the year			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			6,085,000	
Compensated Absences			<u>242,396</u>	
Change in Net Position				<u>(6,327,396)</u>
Net Adjustment to Net Position				<u>\$ 4,172,355</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	\$ 136,727		
Buildings and Improvements	22,960		
Total Capital Outlay	<u>159,687</u>	<u>159,687</u>	<u>159,687</u>
<u>Debt Principal Issuance & Payments</u>			
Bond Principal	525,000		
Other	<u>(8,158)</u>		
Total Change in Debt	<u>516,842</u>	<u>516,842</u>	<u>516,842</u>
Principal			
Total Adjustments to Net Position		<u>\$ 676,529</u>	<u>\$ 676,529</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	\$ 56,124	\$ (56,124)	
Uncollected Taxes (assumed collectible) from Current Year Levy	53,750	53,750	53,750
Uncollected Taxes (assumed collectible) from Prior Year Levy	129,398		129,398
Difference in prior year estimated collectible and current year collections	7,297	(7,297)	
Accrued interest on long-term debt	47,871	(47,871)	(47,871)
Prior year accrued interest on long-term debt	51,098	51,098	
Reclassify fines receivable assessed but not received this year		<u>(12,137)</u>	<u>801,574</u>
Total		<u>\$ (18,581)</u>	<u>\$ 936,851</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, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,582,494 and the bank balance was \$11,546,431. The City's cash deposits at September 30, 2021 and during the year ended September 30, 2021 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 \$11,386,642 and the par value was \$11,286,314.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$10,183,939 and occurred during the month of September.
- 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, 2021, are shown below:

Name	Carrying Amount	Market Value	Category
TexPool Local Government Investment Pool	\$ 1,011,717	\$ 1,011,717	1
TexStar	\$ 509,388	\$ 509,388	1

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

There are no interfund balances at September 30, 2021.

Interfund transfers for the year ended September 30, 2021, consisted of the following individual amounts:

Fund	General Fund	Utility Fund	Capital Projects		Totals
			Fund	Other Funds	
Transfer In/(Out)	\$ 651,666	\$ (651,666)	\$	\$	\$ -
Transfer In/(Out)	(25,875)			25,875	-
Transfer In/(Out)	3,294			(3,294)	-
Totals Transfers In/(Out)	<u>\$ 629,085</u>	<u>\$ (651,666)</u>	<u>\$ -</u>	<u>\$ 22,581</u>	<u>\$ -</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2021, were as follows:

	Property Taxes	Other Taxes	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 114,824	\$ 191,561	\$ 10,718	\$ 317,103
Hotel/Motel Fund		15,678		15,678
Debt Service Fund	68,324			68,324
Nonmajor Governmental Funds			38,514	38,514
Total - Governmental Activities	<u>\$ 183,148</u>	<u>\$ 207,239</u>	<u>\$ 49,232</u>	<u>\$ 439,619</u>
Business-type Activities:				
Utility Fund	\$ -	\$ -	\$ 719,334	\$ 719,334
Total - Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,334</u>	<u>\$ 719,334</u>

Payables at September 30, 2021, were as follows:

	Accounts Payable	Wages and Salaries Payable	Intergovernmental Payable	Other Payables	Total Payables
Governmental Activities:					
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>
Business-type Activities:					
Utility Fund	\$ 171,435	\$ 25,933	\$ 5,816	\$ 163,595	\$ 366,779
Total - Business-Type Activities	<u>\$ 171,435</u>	<u>\$ 25,933</u>	<u>\$ 5,816</u>	<u>\$ 163,595</u>	<u>\$ 366,779</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2021, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
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	389,558	-	18,765	370,793
Capital Assets Being Depreciated:				
Buildings and Improvements	2,701,904	41,725		2,743,629
Furniture and Fixtures	163,332			163,332
Machinery and Equipment	3,693,578	136,727	(34,856)	3,795,449
Infrastructure	26,538,708			26,538,708
Total Capital Assets Being Depreciated	33,097,522	178,452	(34,856)	33,241,118
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,157,639)	(103,657)		(1,261,296)
Furniture and Fixtures	(163,332)			(163,332)
Machinery and Equipment	(3,359,697)	(160,900)	34,856	(3,485,741)
Infrastructure	(18,306,659)	(605,458)		(18,912,117)
Total Accumulated Depreciation	(22,987,327)	(870,015)	34,856	(23,822,485)
Total Capital Assets Being Depreciated, Net	10,110,195	(691,563)	-	9,418,632
Governmental Activities Capital Assets, Net	\$ 10,499,753	\$ (691,563)	\$ 18,765	\$ 9,789,425

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 21,500
Court	11,536
Police	102,565
Street & Drainage	695,183
Animal Control	150
Parks & Recreation	26,476
Library	12,605
Total Depreciation Expense	\$ 870,015

	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	162,000		967,175
Total Capital Assets Not Being Depreciated	858,595	162,000		1,020,595
Capital Assets Being Depreciated:				
Buildings and Improvements	18,293			18,293
Machinery and Equipment	1,257,475	224,447		1,481,922
Infrastructure	15,820,685			15,820,685
Total Capital Assets Being Depreciated	17,096,453	224,447		17,320,900
Less Accumulated Depreciation for:				
Buildings and Improvements	(18,293)			(18,293)
Machinery and Equipment	(1,014,565)	(101,138)		(1,115,703)
Infrastructure	(12,637,151)	(440,026)		(13,077,177)
Total Accumulated Depreciation	(13,670,009)	(541,164)		(14,211,173)
Total Capital Assets Being Depreciated, Net	3,426,444	(316,717)	-	3,109,727
Business-type Activities Capital Assets, Net	\$ 4,285,039	\$ (154,717)	\$ -	\$ 4,130,322

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, 2021 are included in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of Obligation Series 2012	\$ 1,320,000	\$	\$ 175,000	\$ 1,145,000
Certificates of Obligation Series 2015	2,880,000		285,000	2,595,000
Certificates of Obligation Series 2018	1,885,000		65,000	1,820,000
Compensated Absences	242,396	169,500	161,341	250,555
Total Debt Payable	\$ 6,327,396	\$ 169,500	\$ 686,341	\$ 5,810,555

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, 2021:

Description	Interest Rates	Date Issued	Series Matures	Outstanding
Tax and Waterworks Certificates of Obligation, Series 2012	2.0-3.0%	2012	2027	\$ 1,145,000
Tax and Waterworks Certificates of Obligation, Series 2015	2.0-4.0%	2015	2029	2,595,000
Tax and Waterworks Certificates of Obligation, Series 2018	3.0-5.0%	2018	2030	<u>1,820,000</u>
				<u>\$ 5,560,000</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, 2021 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
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
2026	203,492	380,400	228,250	812,142
Thereafter	<u>204,300</u>	<u>1,145,800</u>	<u>1,364,250</u>	<u>2,714,350</u>
Total	<u>\$ 1,229,763</u>	<u>\$ 3,049,750</u>	<u>\$ 2,363,650</u>	<u>\$ 6,643,163</u>

The tax and waterworks and sewer system certificates of obligation series 2012, 2015 and 2018 include interest amounts of \$84,763, \$454,750, and \$543,650, 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, 2020	\$ 1,098,609	\$ 257,317
Additions - New Entrants and Salary Increments	56,339	179,838
Deductions - Payments to Participants	<u>(128,576)</u>	<u>(175,679)</u>
Balance September 30, 2021	<u>\$ 1,026,372</u>	<u>\$ 261,476</u>

I. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Bridge City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

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

At retirement, the Member’s benefit is calculated based on the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>56</u>
	137

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member’s total compensation, 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 city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

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 15.13% and 14.76% in calendar years 2020 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2021, were \$545,974, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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 12/31/2019	\$ 21,527,706	\$ 19,266,318	\$ 2,261,388
Changes for the Year:			
Service Cost	654,000	-	654,000
Interest	1,443,231	-	1,443,231
Change of benefit terms	-	-	-
Difference between expected and actual experience	(195,719)	-	(195,719)
Changes of assumptions	-	-	-
Contributions - employer	-	588,639	(588,639)
Contributions - employee	-	272,338	(272,338)
Net investment income	-	1,462,395	(1,462,395)
Benefit payments, including refunds of employee contributor	(947,024)	(947,024)	-
Administrative expense	-	(9,463)	9,463
Other changes	-	(369)	369
Net changes	<u>954,488</u>	<u>1,366,516</u>	<u>(412,028)</u>
Balance at 12/31/20	<u>\$ 22,482,194</u>	<u>\$ 20,632,834</u>	<u>\$ 1,849,360</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	\$ 4,917,692	\$ 1,849,360	\$ (658,851)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021 the city recognized pension expense of \$116,233.

At September 30, 2021, 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	\$ -	\$ 364,342
Changes in actuarial assumptions	14,547	-
Difference between projected and actual investment earnings	-	544,671
Contributions subsequent of the measurement date	<u>387,293</u>	<u>-</u>
Total	<u>\$ 401,840</u>	<u>\$ 909,013</u>

\$387,293 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, 2021. 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:	
2021	(402,530)
2022	(115,357)
2023	(344,196)
2024	(32,383)
2025	-
Thereafter	-
	<u>\$ (894,466)</u>

J. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description Texas Municipal Retirement System (“TMRS”) administers an optional death benefit plan, the Supplemental Death Benefits Fund (“SDBF”), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active Members with optional coverage for their retirees. The death benefit for active Members provides a lump-sum payment approximately equal to the Member’s annual salary (calculated based on the Member’s annual 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 participating city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. 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. As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis.

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>56</u>
	99

Actuarial Assumptions The total OPEB liability in the December 31, 2020 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*	2.00%
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, 2020.

Note: The actuarial assumptions used in the December 31, 2020 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 2.00% was used to measure the total OPEB liability. There was a change of .75 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 12/31/2019	\$ 244,853
Changes for the Year:	
Service cost	8,170
Interest on total OPEB liability	6,814
Changes of benefit terms	-
Difference between expected and actual experience	141
Changes in assumptions or other inputs	38,312
Benefit payments	(2,334)
Net changes	<u>51,103</u>
Balance at 12/31/2020	<u>\$ 295,956</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 (2.00%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.00%)	Current Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 360,497	\$ 295,956	\$ 246,425

For the year ended September 30, 2021, the City recognized OPEB expense of \$26,210.

At September 30, 2021, 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	\$ (11,413)	\$ -
Changes in assumptions and other inputs	-	50,174
Contributions made subsequent to measurement date	-	7,609
Total as of fiscal year-end	\$ (11,413)	\$ 57,783

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
2021	\$ 9,858
2022	9,861
2023	13,453
2024	5,589
2025	-
Thereafter	-
Total	\$ 38,761

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, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
Certificates of Obligation	\$ 6,085,000	\$ -	\$ (525,000)	\$ 5,560,000	\$ 550,000
Total Bonds and Notes Payable	6,085,000	-	(525,000)	5,560,000	550,000
Other Liabilities					
Net Pension Liability	1,797,496	1,673,067	(2,002,040)	1,468,523	-
Net OPEB Liability	194,614	42,430	(2,050)	234,994	-
Compensated Absences	242,396	169,499	(161,341)	250,554	250,554
Total Other Liabilities	2,234,506	1,884,996	(2,165,431)	1,954,071	250,554
Total Governmental Activities	\$ 8,319,506	\$ 1,884,996	\$ (2,690,431)	\$ 7,514,071	\$ 800,554
Long-term Liabilities					
Business-type Activities					
Net Pension Liability	\$ 463,992	\$ 433,996	\$ (517,051)	\$ 380,937	\$ -
Net OPEB Liability	50,239	11,007	(284)	60,962	-
Compensated Absences	61,934	58,295	(55,328)	64,901	64,901
Total Business-type Activities	\$ 576,165	\$ 503,298	\$ (572,663)	\$ 506,800	\$ 64,901
Long-term Liabilities					

M. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 114,824	\$ 68,324	\$ 183,148
Total Deferred Revenue	<u>\$ 114,824</u>	<u>\$ 68,324</u>	<u>\$ 183,148</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	\$ 1,640,632		\$ 653,864			\$ 2,294,496
Other Taxes	2,601,771	162,614				2,764,385
Penalties and Interest on Taxes	29,392		16,886			46,278
Licenses and Permits	131,979					131,979
Intergovernmental Grants	65,056				75,473	140,529
Charges for Services	74,731				201,377	276,108
Fines	310,279				8,776	319,055
Investment Earnings	3,283	1,809	3,018	2,919	1,249	12,278
Contributions and Donations	-				2	2
Other	46,459				27,444	73,903
Total	<u>\$ 4,903,582</u>	<u>\$ 164,423</u>	<u>\$ 673,768</u>	<u>\$ 2,919</u>	<u>\$ 314,321</u>	<u>\$ 6,059,013</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, 2021 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, 2021.

Q. HURRICANE IKE – 2008

As of September 30, 2021, FEMA has paid \$4,982,637 in estimated and actual reimbursements for labor, equipment, debris removal, repairs to streets, drainage and for emergency shelters and office trailers. This is a decrease to the original estimated amount of \$5.2 million. FEMA has informed the City that they are de-obligating \$496,152, 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, 2021, the City has received \$1,148,731 of the \$2,190,569 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 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 has received \$144,313 of the obligated \$192,417 through the Federal Emergency Management Agency (FEMA) and the Texas Department of Emergency Management (TDEM) for emergency repairs and labor. The City has filed claims with its insurance carrier for all other 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 2021.

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. The City installed a drive thru payment system to assist customers while trying to protect customers and employees. To date, the total allocation of \$434,500 has been expended.

In July 2021, the Texas Department of Emergency Management (TDEM) announced the availability of American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds (CLFRF). These funds are eligible to respond to the public health emergency with respect to COVID-19 or its negative economic impacts. An eligible use of the funds is to make necessary investments in water, sewer, or broadband infrastructure. The City has executed a funding agreement with TDEM and the first tranche of \$974,047, representing half of the total allocation was received in August 2021. These funds will be spent in the next fiscal year and any unspent funds must be returned to TDEM. Unearned Revenue at September 30, 2021, is \$974,047. No earlier than one year later, TDEM will distribute the remaining half of the funds in the second tranche.

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 \$52,436 is shown as unearned revenue at September 30, 2021.

Project activity for the year ended September 30, 2021 is shown below:

	<u>Flushing Valves</u>	<u>Manholes</u>	<u>Total</u>
Escrow balance 10/1/20	\$ 471,000	\$ 192,304	\$ 663,304
TWDB deposit to escrow account	-	-	-
Project milestones transferred to the City	<u>(418,564)</u>	<u>(192,304)</u>	<u>(610,868)</u>
Escrow balance 9/30/21	<u>\$ 52,436</u>	<u>\$ -</u>	<u>\$ 52,436</u>

W. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through February 28, 2022.

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, 2021

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,475,000	\$ 1,475,000	\$ 1,640,632	\$ 165,632
General Sales and Use Taxes	1,800,000	1,800,000	2,091,115	291,115
Franchise Tax	450,000	450,000	428,965	(21,035)
Other Taxes	88,000	88,000	81,691	(6,309)
Penalty and Interest on Taxes	23,200	23,200	29,392	6,192
Licenses and Permits	90,900	90,900	131,979	41,079
Intergovernmental Revenue and Grants	-	-	65,056	65,056
Charges for Services	89,150	89,150	74,731	(14,419)
Fines	375,000	375,000	310,279	(64,721)
Investment Earnings	2,000	2,000	3,283	1,283
Other Revenue	15,000	15,000	46,459	31,459
Total Revenues	4,408,250	4,408,250	4,903,582	495,332
EXPENDITURES:				
Current:				
Personnel and Purchasing	85,424	86,827	86,824	3
City Manager	162,174	161,790	161,786	4
City Secretary	146,400	142,635	142,627	8
Court	154,572	138,721	138,717	4
City Attorney	48,901	46,865	46,754	111
Administration	394,581	389,869	366,158	23,711
Municipal Judges	22,670	19,841	19,840	1
Finance	163,462	158,355	158,351	4
Police	2,324,237	2,350,316	2,415,394	(65,078)
Fire	11,500	8,736	8,736	-
Animal Control	79,540	77,029	76,926	103
Streets and Drainage	1,011,493	1,006,337	997,646	8,691
Parks and Recreation	95,697	83,575	83,565	10
Library	169,654	164,778	164,751	27
Community Development	190,584	225,215	225,209	6
Total Expenditures	5,060,889	5,060,889	5,093,284	(32,395)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(652,639)	(652,639)	(189,702)	462,937
OTHER FINANCING SOURCES (USES):				
Transfers In	652,639	652,639	654,930	2,291
Transfers Out	-	-	(25,875)	(25,875)
Total Other Financing Sources (Uses)	652,639	652,639	629,055	(23,584)
SPECIAL AND EXTRAORDINARY ITEMS:				
Extraordinary Item - Resource	-	-	896,295	896,295
Extraordinary Item - (Use)	-	-	(922,893)	(922,893)
Net Change in Fund Balances	-	-	412,755	412,755
Fund Balance - October 1 (Beginning)	1,099,252	1,099,252	1,099,252	-
Fund Balance - September 30 (Ending)	\$ 1,099,252	\$ 1,099,252	\$ 1,512,007	\$ 412,755

CITY OF BRIDGE CITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
A. Total Pension Liability			
Service Cost	\$ 654,000	\$ 566,777	\$ 561,052
Interest (on the Total Pension Liability)	1,443,231	1,401,064	1,330,588
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(195,719)	(531,550)	18,853
Changes of Assumptions	-	33,815	-
Benefit Payments, Including Refunds of Employee Contributions	(947,024)	(831,026)	(907,518)
Net Change in Total Pension Liability	\$ 954,488	\$ 639,080	\$ 1,002,975
Total Pension Liability - Beginning	21,527,706	20,888,626	19,885,651
Total Pension Liability - Ending	\$ 22,482,194	\$ 21,527,706	\$ 20,888,626
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 588,639	\$ 522,713	\$ 522,487
Contributions - Employee	272,338	242,806	238,891
Net Investment Income	1,462,395	2,590,507	(522,287)
Benefit Payments, Including Refunds of Employee Contributions	(947,024)	(831,026)	(907,518)
Administrative Expense	(9,463)	(14,638)	(10,094)
Other	(369)	(440)	(528)
Net Change in Plan Fiduciary Net Position	\$ 1,366,516	\$ 2,509,922	\$ (679,049)
Plan Fiduciary Net Position - Beginning	19,266,318	16,756,396	17,435,445
Plan Fiduciary Net Position - Ending	\$ 20,632,834	\$ 19,266,318	\$ 16,756,396
C. Net Pension Liability	\$ 1,849,360	\$ 2,261,388	\$ 4,132,230
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.77%	89.50%	80.22%
E. Covered Payroll	\$ 3,890,539	\$ 3,468,650	\$ 3,412,725
F. Net Pension Liability as a Percentage of Covered Payroll	47.53%	65.20%	121.08%

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 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	554,604	\$	517,357	\$	513,228	\$	470,296
	1,276,316		1,200,367		1,163,232		1,152,556
	-		-		-		-
	(150,021)		120,544		25,453		(857,372)
	-		-		155,166		-
	(852,675)		(610,750)		(776,315)		(492,558)
\$	828,224	\$	1,227,518	\$	1,080,764	\$	272,922
	19,057,427		17,829,909		16,749,145		16,476,223
\$	19,885,651	\$	19,057,427	\$	17,829,909	\$	16,749,145
\$	515,330	\$	469,150	\$	507,043	\$	482,088
	239,053		220,554		216,421		212,106
	2,135,830		971,368		21,273		769,640
	(852,675)		(610,750)		(776,315)		(492,558)
	(11,068)		(10,969)		(12,957)		(8,035)
	(561)		(591)		(639)		(661)
\$	2,025,909	\$	1,038,762	\$	(45,174)	\$	962,580
	15,409,536		14,370,774		14,415,948		13,453,368
\$	17,435,445	\$	15,409,536	\$	14,370,774	\$	14,415,948
\$	2,450,206	\$	3,647,891	\$	3,459,135	\$	2,333,197
	87.68%		80.86%		80.60%		86.07%
\$	3,415,048	\$	3,150,776	\$	3,091,735	\$	3,030,092
	71.75%		115.78%		111.88%		77.00%

CITY OF BRIDGE CITY
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2021

	2021	2020	2019
Actuarially Determined Contribution	\$ 545,974	\$ 576,701	\$ 521,011
Contributions in Relation to the Actuarially Determined Contributions	545,974	576,701	521,011
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,672,720	\$ 3,815,498	\$ 3,442,188
Contributions as a Percentage of Covered Payroll	14.87%	15.11%	15.14%

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.

	2018	2017	2016	2015
\$	492,973	\$ 512,513	\$ 470,128	\$ 509,129
	492,973	512,513	470,128	509,129
\$	-	\$ -	\$ -	\$ -
\$	3,230,938	\$ 3,406,404	\$ 3,087,050	\$ 3,126,182
	15.26%	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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Total OPEB Liability				
Service Cost	\$ 8,170	\$ 5,203	\$ 5,802	\$ 5,123
Interest on the Total OPEB Liability	6,814	7,759	7,461	7,473
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	141	(11,397)	(13,392)	-
Changes of Assumptions	38,312	37,798	(13,794)	16,652
Benefit Payments*	(2,334)	(2,081)	(2,018)	(1,708)
Net Change in Total OPEB Liability	51,103	37,282	(15,971)	27,540
Total OPEB Liability - Beginning	244,853	207,571	223,542	196,002
Total OPEB Liability - Ending	\$ 295,956	\$ 244,853	\$ 207,571	\$ 223,542
Covered Payroll	\$ 3,890,539	\$ 3,468,650	\$ 3,412,725	\$ 3,415,048
Total OPEB Liability as a Percentage of Covered Payroll	7.61%	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, 2021

	Municipal Court Security	Street Maintenance	Child Safety	Gambling Forfeiture
ASSETS				
Cash and Cash Equivalents	\$ 62,805	\$ 498,453	\$ 36,810	\$ 26,436
Other Receivables	-	38,514	-	-
Total Assets	<u>\$ 62,805</u>	<u>\$ 536,967</u>	<u>\$ 36,810</u>	<u>\$ 26,436</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 81,320	\$ 1,260	\$ -
Other Current Liabilities	-	-	-	20,484
Total Liabilities	<u>-</u>	<u>81,320</u>	<u>1,260</u>	<u>20,484</u>
FUND BALANCES				
Restricted Fund Balance:				
Other Restricted Fund Balance	62,805	455,647	35,550	5,952
Total Fund Balances	<u>62,805</u>	<u>455,647</u>	<u>35,550</u>	<u>5,952</u>
Total Liabilities and Fund Balances	<u>\$ 62,805</u>	<u>\$ 536,967</u>	<u>\$ 36,810</u>	<u>\$ 26,436</u>

Municipal Court Technology	CDBG Infrastruct Grant	Police Federal Seizure	Park Construction	Thwarting	Police State Seizures	Municipal Jury	CDBG Drainage Grant
\$ 38,623	\$ 1	\$ 15,106	\$ 430	\$ 10,119	\$ 21,770	\$ 190	\$ -
-	-	-	-	-	-	-	-
<u>\$ 38,623</u>	<u>\$ 1</u>	<u>\$ 15,106</u>	<u>\$ 430</u>	<u>\$ 10,119</u>	<u>\$ 21,770</u>	<u>\$ 190</u>	<u>\$ -</u>
\$ 96	\$ -	\$ -	\$ -	\$ 636	\$ -	\$ -	\$ -
-	-	-	-	636	-	-	-
<u>96</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272</u>	<u>-</u>	<u>-</u>	<u>-</u>
38,527	1	15,106	430	8,847	21,770	190	-
<u>38,527</u>	<u>1</u>	<u>15,106</u>	<u>430</u>	<u>8,847</u>	<u>21,770</u>	<u>190</u>	<u>-</u>
<u>\$ 38,623</u>	<u>\$ 1</u>	<u>\$ 15,106</u>	<u>\$ 430</u>	<u>\$ 10,119</u>	<u>\$ 21,770</u>	<u>\$ 190</u>	<u>\$ -</u>

CITY OF BRIDGE CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Hazard Mitigation Grant	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 710,743	\$ 710,743
Other Receivables	-	38,514	38,514
Total Assets	\$ -	\$ 749,257	\$ 749,257
LIABILITIES			
Accounts Payable	\$ -	\$ 83,312	\$ 83,312
Other Current Liabilities	-	21,120	21,120
Total Liabilities	-	104,432	104,432
FUND BALANCES			
Restricted Fund Balance:			
Other Restricted Fund Balance	-	644,825	644,825
Total Fund Balances	-	644,825	644,825
Total Liabilities and Fund Balances	\$ -	\$ 749,257	\$ 749,257

CITY OF BRIDGE CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

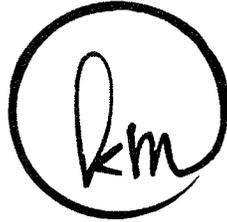
	Municipal Court Security	Street Maintenance	Child Safety	Gambling Forfeiture
REVENUES:				
Intergovernmental Revenue and Grants	\$ -	\$ -	\$ -	\$ -
Charges for Services	12,530	188,847	-	-
Fines	-	-	-	-
Investment Earnings	102	901	65	47
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	\$ -	\$ -	1,658	\$ -
Total Revenues	12,632	189,748	1,723	47
EXPENDITURES:				
Court	482	-	-	-
Administration	-	-	-	-
Police	-	-	1,650	-
Streets and Drainage	-	216,840	-	-
Total Expenditures	482	216,840	1,650	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,150	(27,092)	73	47
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	12,150	(27,092)	73	47
Fund Balance - October 1 (Beginning)	50,655	482,739	35,477	5,905
Fund Balance - September 30 (Ending)	\$ 62,805	\$ 455,647	\$ 35,550	\$ 5,952

Municipal Court Technology	CDBG Infrastruct Grant	Police Federal Seizure	Park Construction	Thwarting	Police State Seizures	Municipal Jury	CDBG Drainage Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	75,473
-	-	-	-	-	-	-	-
-	-	-	-	8,776	-	-	-
56	-	27	1	16	34	-	-
-	-	-	2	-	-	-	-
\$ 25,636	\$ -	\$ -	\$ -	\$ -	\$ -	150 \$	-
25,692	-	27	3	8,792	34	150	75,473
17,824	-	-	-	1,272	-	-	-
-	29	-	-	-	-	-	-
-	-	315	-	-	6,124	-	-
-	-	-	-	-	-	-	75,473
17,824	29	315	-	1,272	6,124	-	75,473
7,868	(29)	(288)	3	7,520	(6,090)	150	-
-	30	-	-	-	-	-	-
-	-	-	-	(3,294)	-	-	-
-	30	-	-	(3,294)	-	-	-
7,868	1	(288)	3	4,226	(6,090)	150	-
30,659	-	15,394	427	4,621	27,860	40	-
\$ 38,527	\$ 1	\$ 15,106	\$ 430	\$ 8,847	\$ 21,770	\$ 190	-

CITY OF BRIDGE CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Hazard Mitigation Grant	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:			
Intergovernmental Revenue and Grants	\$ -	\$ 75,473	\$ 75,473
Charges for Services	-	201,377	201,377
Fines	-	8,776	8,776
Investment Earnings	-	1,249	1,249
Contributions & Donations from Private Sources	-	2	2
Other Revenue	\$ -	\$ 27,444	\$ 27,444
Total Revenues	-	314,321	314,321
EXPENDITURES:			
Court	-	19,578	19,578
Administration	-	29	29
Police	-	8,089	8,089
Streets and Drainage	-	292,313	292,313
Total Expenditures	-	320,009	320,009
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,688)	(5,688)
OTHER FINANCING SOURCES (USES):			
Transfers In	25,875	25,905	25,905
Transfers Out	-	(3,294)	(3,294)
Total Other Financing Sources (Uses)	25,875	22,611	22,611
Net Change in Fund Balance	25,875	16,923	16,923
Fund Balance - October 1 (Beginning)	(25,875)	627,902	627,902
Fund Balance - September 30 (Ending)	\$ -	\$ 644,825	\$ 644,825

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, 2021 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 28, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

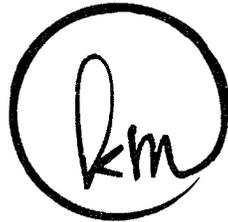
As part of obtaining reasonable assurance about whether the City of Bridge City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Bridge City, Texas
February 28, 2022



keri michutka
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Council
City of Bridge City, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Bridge City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Bridge City's major federal programs for the year ended September 30, 2021. The City of Bridge City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bridge City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bridge City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Bridge City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the City of Bridge City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bridge City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bridge City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'K. L. L. L.', is positioned above the typed name and date.

Bridge City, Texas
February 28, 2022

CITY OF BRIDGE CITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

I. Summary of the Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance with major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200.516(a)? | No |
| 7. Identification of major programs | Disaster Grant, Public Assistance – Hurricanes Harvey & Laura
FAL 97.036 |
| 8. Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | No |

II. Findings Related to the Financial Statements

None reported

III. Findings and Questioned Costs Related to Federal Awards

None reported

CITY OF BRIDGE CITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

No prior findings.

CITY OF BRIDGE CITY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021

No corrective action is necessary for the City during the year ended September 30, 2021.

CITY OF BRIDGE CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
<u>Passed through Texas Department of Agriculture</u>			
CDBG – Disaster Recovery Hurricane Harvey	14.228	7219027	75,473
CDBG – Disaster Recovery Hurricane Harvey	14.228	7219050	86,043
Subtotal FAL 14.228			<u>161,516</u>
Total Passed through Texas Department of Agriculture			<u>161,516</u>
TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>161,516</u>
U.S. DEPARTMENT OF JUSTICE			
<u>Passed through Office of the Governor - Criminal Justice Division</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3883902	13,960
Coronavirus Emergency Supplemental Funding (CESF) Program	16.034	4174101	41,114
Total Passed through Office of the Governor - Criminal Justice Division			<u>55,074</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>55,074</u>
U.S. DEPARTMENT OF THE TREASURY			
<u>Passed through Texas Division of Emergency Management</u>			
Coronavirus Relief Fund	21.019	CRF - CARES	32,316
Total Passed through Texas Division of Emergency Management			<u>32,316</u>
TOTAL U.S. DEPARTMENT OF THE TREASURY			<u>32,316</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Passed through Texas Division of Emergency Management</u>			
Disaster Grant, Public Assistance, Hurricane Harvey	97.036	DR-4332	490,792
Disaster Grant, Public Assistance, Hurricane Laura	97.036	EM-3540	144,313
Subtotal FAL 97.036			<u>635,105</u>
Total Passed through Texas Division of Emergency Management			<u>635,105</u>
<u>Passed through the Office of the Governor</u>			
Homeland Security Grant Program	97.067	4047001	9,981
Total Passed through the Office of the Governor			<u>9,981</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>645,086</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 893,992</u>

CITY OF BRIDGE CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021

1. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus called the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities and fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Usually, Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When Federal grant funds are received before related expenditures are made, they are recorded as deferred revenues.

2. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. After a presidentially declared disaster, FEMA provides Disaster Grants – Public Assistance (Presidentially Declared Disasters) (FAL 97.036) to reimburse eligible costs for labor, equipment, and materials associated with first responder sheltering. The federal government makes reimbursements in the form of cost-shared grants that require matching funds. As of September 30, 2021, \$144,313 approved eligible expenditures related to Hurricane Laura were incurred in the prior fiscal year and are included in SEFA.