

City of Bridge City



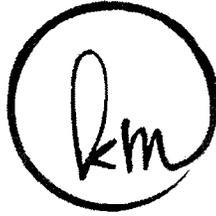
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2024

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FOR THE YEAR ENDED
SEPTEMBER 30, 2024

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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 Audit of the Financial Statements

Opinions

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, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2024 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.

Basis for Opinions -

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Bridge City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Bridge City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bridge City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4 to 12, the budgetary comparison information on page 47, and the TMRS required pension and OPEB schedules on pages 48 to 53 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the combining fund financial statements but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2025, 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 solely 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 the effectiveness of the City of Bridge City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bridge City's internal control over financial reporting and compliance.

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

Bridge City, Texas
January 10, 2025

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 City's financial activities for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information in this report.

FINANCIAL HIGHLIGHTS

- ❑ The assets of the City exceeded its liabilities at the close of 2024 by \$16,351,378. Of this amount, \$2,880,071 is considered unrestricted. The unrestricted net position of the City's governmental activities is \$358,780 and may be used to meet the government's ongoing obligations. The unrestricted net position of the City's business-type activities is \$2,521,291. It 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 \$731,402 in the fiscal year 2024.
- ❑ As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$6,099,930, which is an increase of \$315,427.
- ❑ As of the end of the fiscal year, the unassigned fund balance for the General Fund was \$2,745,852.
- ❑ The City's total long-term bonded debt decreased by \$1,210,000 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 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 City's financial position 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 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 government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions 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 City's funds 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 that 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 included in administration, operation, maintenance, improvements, billing, and collection. The City's intent is that the 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 \$16,351,378 at September 30, 2024. 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 I
NET ASSETS

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Current and Other Assets | \$ 8,469,460 | \$ 9,006,971 | \$ 4,208,846 | \$ 4,400,292 | \$ 12,678,306 | \$ 13,407,263 |
| Capital Assets | 8,474,317 | 9,202,639 | 5,051,943 | 4,141,131 | 13,526,260 | \$ 13,343,770 |
| Total Assets | 16,943,777 | 18,209,610 | 9,260,789 | 8,541,423 | 26,204,566 | 26,751,033 |
| Deferred Outflow - Pension Plan | 1,319,212 | 2,562,084 | 362,532 | 706,846 | 1,681,744 | 3,268,930 |
| Deferred Outflow - OPEB | 12,941 | 12,113 | 3,792 | 3,870 | 16,733 | 15,983 |
| Total Deferred Outflows | 1,332,153 | 2,574,197 | 366,324 | 710,716 | 1,698,477 | 3,284,913 |
| Long-Term Liabilities | | | | | | |
| Outstanding | 7,869,236 | 9,833,185 | 1,193,566 | 1,421,952 | 9,062,802 | 11,255,137 |
| Other Liabilities | 1,545,512 | 2,325,101 | 733,722 | 780,854 | 2,279,234 | 3,105,955 |
| Total Liabilities | 9,414,748 | 12,158,286 | 1,927,288 | 2,202,806 | 11,342,036 | 14,361,092 |
| Deferred Inflow - Pension Plan | 134,416 | - | 36,643 | - | 171,059 | - |
| Deferred Inflow - OPEB | 30,478 | 43,293 | 8,092 | 11,585 | 38,570 | 54,878 |
| Total Deferred Inflows | 164,894 | 43,293 | 44,735 | 11,585 | 209,629 | 54,878 |
| Net Position: | | | | | | |
| Invested in Capital Assets, | | | | | | |
| Net of Related Debt | 4,983,430 | 4,639,435 | 5,051,943 | 4,141,131 | 10,035,373 | 8,780,566 |
| Restricted for Inventories | 59,737 | 55,264 | 81,856 | 92,871 | 141,593 | 148,135 |
| Restricted Net Position | 3,294,341 | 3,829,632 | - | - | 3,294,341 | 3,829,632 |
| Unrestricted Net Position | 358,780 | 57,897 | 2,521,291 | 2,803,746 | 2,880,071 | 2,861,643 |
| Total Net Position | \$ 8,696,288 | \$ 8,582,228 | \$ 7,655,090 | \$ 7,037,748 | \$ 16,351,378 | \$ 15,619,976 |

The total unrestricted net assets of \$2,880,071 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 \$731,402 during the current fiscal year. Net assets for the governmental activities increased \$114,060 and net assets for the business-type activities increased \$617,342.

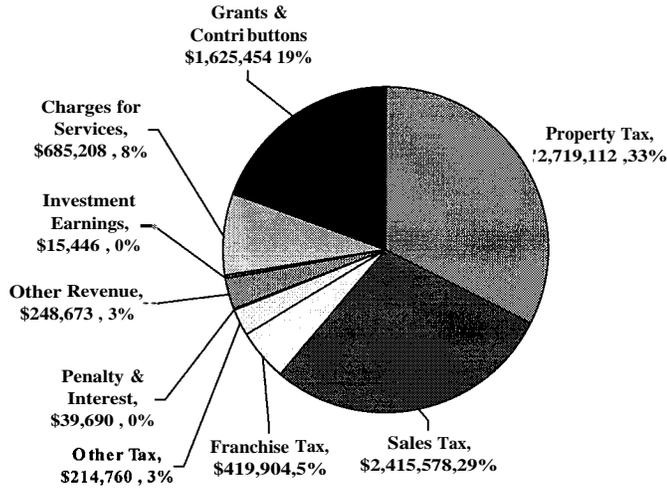
TABLE 2
CHANGES IN NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 685,208 | \$ 726,550 | \$ 4,823,492 | \$ 4,722,117 | \$ 5,508,700 | \$ 5,448,667 |
| Operating Grants & Contrib | 116,586 | 50,609 | - | - | 116,586 | 50,609 |
| General Revenues: | | | | | | |
| Property Taxes | 2,719,112 | 2,562,634 | - | - | 2,719,112 | 2,562,634 |
| Sales Taxes | 2,415,578 | 2,251,837 | - | - | 2,415,578 | 2,251,837 |
| Franchise Taxes | 419,904 | 432,947 | - | - | 419,904 | 432,947 |
| Other Taxes | 214,760 | 169,754 | - | - | 214,760 | 169,754 |
| Penalty & Interest | 39,690 | 37,067 | - | - | 39,690 | 37,067 |
| Grants and Contributions | 1,508,868 | 1,298,682 | - | 2,500 | 1,508,868 | 1,301,182 |
| Other | 248,673 | 335,372 | 10,509 | 21,927 | 259,182 | 357,299 |
| Investment Earnings | 15,446 | 15,285 | 90,770 | 74,306 | 106,216 | 89,591 |
| Total Revenues | 8,383,825 | 7,880,737 | 4,924,771 | 4,820,850 | 13,308,596 | 12,701,587 |
| Expenses: | | | | | | |
| General Government | 1,614,018 | 1,420,888 | - | - | 1,614,018 | 1,420,888 |
| Public Safety | 3,434,732 | 3,179,843 | - | - | 3,434,732 | 3,179,843 |
| Public Works | 2,154,630 | 2,208,509 | - | - | 2,154,630 | 2,208,509 |
| Community Development | 340,412 | 334,210 | - | - | 340,412 | 334,210 |
| Parks & Recreation | 139,546 | 129,312 | - | - | 139,546 | 129,312 |
| Library | 211,789 | 341,685 | - | - | 211,789 | 341,685 |
| Interest on Long-Term Debt | 156,290 | 188,657 | - | - | 156,290 | 188,657 |
| Utilities | - | - | 4,612,604 | 4,787,974 | 4,612,604 | 4,787,974 |
| Other | 2,550 | 2,000 | - | - | 2,550 | 2,000 |
| Total Expenses | 8,053,967 | 7,805,104 | 4,612,604 | 4,787,974 | 12,666,571 | 12,593,078 |
| Increase (Decrease) in Net Position Before Transfers | 329,858 | 75,633 | 312,167 | 32,876 | 642,025 | 108,509 |
| Extraordinary item - Resource | 89,377 | - | - | - | 89,377 | - |
| Transfers In (Out) | (305,175) | (257,323) | 305,175 | 257,323 | - | - |
| Increase (Decrease) in Net Position | 114,060 | (181,690) | 617,342 | 290,199 | 731,402 | 108,509 |
| Net Position Beginning | 8,582,228 | 8,763,918 | 7,037,748 | 6,747,549 | 15,619,976 | 15,511,467 |
| Net Position Ending | <u>\$ 8,696,288</u> | <u>\$ 8,582,228</u> | <u>\$ 7,655,090</u> | <u>\$ 7,037,748</u> | <u>\$ 16,351,378</u> | <u>\$ 15,619,976</u> |

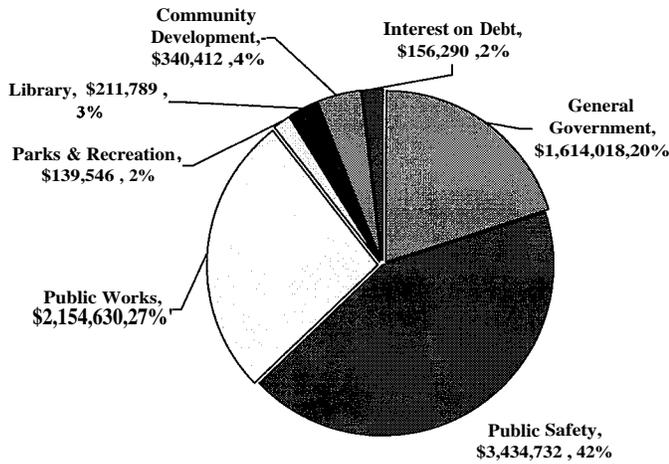
GOVERNMENTAL ACTIVITIES – REVENUES AND EXPENDITURES

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

2024 Governmental Activities Revenues



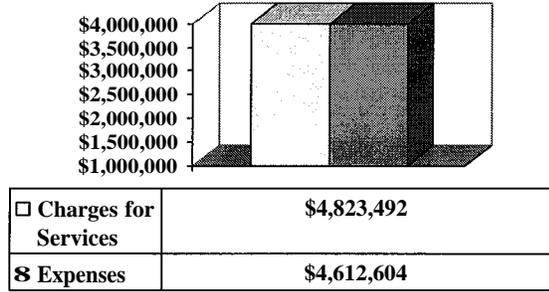
2024 Governmental Activities Expenditures



BUSINESS -TYPE ACTIVITIES - REVENUES AND EXPENSES

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

2024 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 \$6,099,930 which is an increase of \$315,427 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 \$2,745,852 while the total fund balance was \$2,805,589. 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 \$850,718 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 \$881,013, a decrease of \$529,981, all of which is restricted for the payment of debt service. The Debt Service Fund is funded with property tax revenue at the level necessary to meet debt service requirements.

The other funds have a fund balance of \$2,413,328, all of which is restricted. The fund balance decreased by \$5,310 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 in more detail.

Unrestricted net position of the Utility Fund (water, sewer, wastewater, and sanitation) at the end of the fiscal year amounted to \$2,521,291. Net position in the water, sewer and sanitation fund increased by \$617,342.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2023-2024, the City Council did amend the original budget for the General Fund.

During the year, actual expenditures exceeded revenues by \$606,049. 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, 2024, amounted to \$13,526,260 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, street 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 | |
|-------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 698,437 | \$ 698,437 | \$ 53,420 | \$ 53,420 | \$ 751,857 | \$ 751,857 |
| Buildings, Plants, and Lines | 1,181,149 | 1,278,422 | 174,937 | 180,327 | 1,356,086 | 1,458,749 |
| Infrastructure | 5,858,153 | 6,415,678 | 2,959,532 | 2,459,909 | 8,817,685 | 8,875,587 |
| Vehicles, Machinery, & Equip. | 439,231 | 662,195 | 810,534 | 884,040 | 1,249,765 | 1,546,235 |
| Right-to-Use Lease Assets | 297,347 | 147,907 | - | - | 297,347 | 147,907 |
| Construction in Progress | - | - | 1,053,520 | 563,435 | 1,053,520 | 563,435 |
| | <u>\$ 8,474,317</u> | <u>\$ 9,202,639</u> | <u>\$ 5,051,943</u> | <u>\$ 4,141,131</u> | <u>\$ 13,526,260</u> | <u>\$ 13,343,770</u> |

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

- ❑ Right-to-Use Lease Assets (Police vehicles) \$221,595

In addition, the major additions made for the business-type activities were as follows:

- ❑ Vehicles \$ 121,705
- ❑ Hwy 1442 Entergy Project \$ 112,500
- ❑ Sunnyside Water Well Project \$ 815,620
- ❑ Construction in Progress \$ 1,418,205

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 \$3,210,000, which are secured by tax and certain surplus revenues, after deducting expenses for operating and maintaining 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 36 of the financial statements.

Table 4
Long-Term Debt Obligations Outstanding
General Obligation Bonds and Certificates of Obligation

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|----------------------------|---------------------|-----------------------------|-------------|--------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Water & Sewer System Improvements Certificates of Obligation: Series 2012 | - | 780,000 | - | - | - | 780,000 |
| General Obligation Certificates of Obligation: Series 2015 | 1,700,000 | 2,005,000 | - | - | 1,700,000 | 2,005,000 |
| General Obligation Certificates of Obligation: Series 2018 | 1,510,000 | 1,635,000 | - | - | 1,510,000 | 1,635,000 |
| | <u>\$3,210,000</u> | <u>\$ 4,420,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$3,210,000</u> | <u>\$ 4,420,000</u> |

The City’s total debt decreased by \$1,210,000 during the current fiscal year, representing the debt principal payments.

There is no direct debt limitation in the City Charter or 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 State of Texas Attorney General permits the allocation of \$1.50 of the \$2.50 maximum rate for general obligation debt service. The 2023-2024 tax rate per \$100 of assessed valuation is \$0.14414 for debt allocation and \$0.32412 for the operating & maintenance allocation. This sets the total tax rate at \$0.46826, below the City’s maximum allowable tax rate.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Economic factors for fiscal year 2023-2024

- ❑ During the one-year period from October 2023 to September 2024, the City collected \$2,415,578 in Sales Tax, a 7.27% increase from the previous fiscal year. The average for the last five years in sales tax collections is \$2,158,160. Sales tax revenue accounts for approximately 44.18% of the General Fund Revenues.
- ❑ The ad valorem taxable values for the 2023-2024 budget increased by 10.07% over the prior year. The adopted tax rate of 0.46826 per \$100 of assessed property values is a 2.91% decrease over the prior year rate.
- ❑ The City of Bridge City has only one industrial (in lieu of taxes) contract. A portion of Lion Elastomers (previously Firestone Polymers) is in the City’s extra-territorial jurisdiction. Lion Elastomers pays based on the assessed valuation of that property. In the fiscal year 2023-2024, Lion Elastomers paid the City \$25,332.
- ❑ The budget for 2023-2024 fiscal year contained a 3% increase for Salaries and Wages. There is a 3% increase budgeted for Salaries and Wages in the 2024-2025 Budget.
- ❑ The City was awarded a \$2,034,183 grant from the Texas General Land Office for the DR-4332 Community Development Block Grant—Disaster Recovery Infrastructure Program to reconstruct the water well at

Sunnyside, install a chlorination building, install a permanent gas generator, and complete all associated appurtenances. As of September 30, 2024, the Sunnyside water well project was 99% complete.

Economic factors for fiscal year 2024-2025:

- ❑ The City of Bridge City's adopted 2024-2025 ad valorem tax rate of 0.46826 is the same rate adopted in 2023-2024. Due to increased property tax values, this rate will generate approximately \$158,310 more in revenue.
- ❑ 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 the existing channels and ditches, hardening the existing outfalls, and replacing undersized culverts in the city's main outfall areas.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the City of Bridge City's finances for those interested in the government's finances. Questions concerning any 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, 2024

EXHIBIT A-1

| | Primary Government | | |
|---|----------------------------|----------------------------------|----------------------|
| | Governmental Activities | Business - Type Activities | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 6,685,735 | \$ 3,215,603 | \$ 9,901,338 |
| Taxes Receivable, Net | 463,812 | - | 463,812 |
| Other Receivables | 879,236 | 911,387 | 1,790,623 |
| Due from Other Governments | 378,539 | - | 378,539 |
| Inventories | 59,737 | 81,856 | 141,593 |
| Prepaid Items | 2,401 | - | 2,401 |
| Capital Assets: | | | |
| Land | 698,437 | 53,420 | 751,857 |
| Infrastructure, Net | 5,858,153 | - | 5,858,153 |
| Buildings, Net | 1,181,149 | 174,937 | 1,356,086 |
| Machinery & Equipment, Net | 439,231 | 810,534 | 1,249,765 |
| Infrastructure, Net | - | 2,959,532 | 2,959,532 |
| Right-to-Use Lease Assets | 297,347 | - | 297,347 |
| Construction in Progress | - | 1,053,520 | 1,053,520 |
| Total Assets | <u>16,943,777</u> | <u>9,260,789</u> | <u>26,204,566</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflow Related to Pension Plan | 1,319,212 | 362,532 | 1,681,744 |
| Deferred Outflow Related to OPEB | 12,941 | 3,792 | 16,733 |
| Total Deferred Outflows of Resources | <u>1,332,153</u> | <u>366,324</u> | <u>1,698,477</u> |
| LIABILITIES | | | |
| Accounts Payable | 62,162 | 17,850 | 80,012 |
| Wages and Salaries Payable | 10,094 | 3,382 | 13,476 |
| Compensated Absences Payable | 224,132 | 63,721 | 287,853 |
| Intergovernmental Payable | - | 6,334 | 6,334 |
| Accrued Interest Payable | 33,989 | - | 33,989 |
| Unearned Revenues | 1,013,173 | 477,757 | 1,490,930 |
| Other Current Liabilities | 201,962 | 164,678 | 366,640 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 555,059 | - | 555,059 |
| Due in More Than One Year: | | | |
| Bonds Payable - Noncurrent | 2,750,000 | - | 2,750,000 |
| Right-to-Use Lease Liabilities - Noncurrent | 185,830 | - | 185,830 |
| Net Pension Liability | 4,186,495 | 1,141,266 | 5,327,761 |
| Net OPEB Liability | 191,852 | 52,300 | 244,152 |
| Total Liabilities | <u>9,414,748</u> | <u>1,927,288</u> | <u>11,342,036</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflow Related to Pension Plan | 134,416 | 36,643 | 171,059 |
| Deferred Inflow Related to OPEB | 30,478 | 8,092 | 38,570 |
| Total Deferred Inflows of Resources | <u>164,894</u> | <u>44,735</u> | <u>209,629</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets and Lease Assets | 4,983,430 | 5,051,943 | 10,035,373 |
| Restricted: | | | |
| Restricted for Inventories | 59,737 | 81,856 | 141,593 |
| Restricted for Capital Acquisition | 567,000 | - | 567,000 |
| Restricted for Debt Service | 881,013 | - | 881,013 |
| Restricted for Other Purposes | 1,846,328 | - | 1,846,328 |
| Unrestricted Net Position | 358,780 | 2,521,291 | 2,880,071 |
| Total Net Position | <u>\$ 8,696,288</u> | <u>\$ 7,655,090</u> | <u>\$ 16,351,378</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, 2024

| | Program Revenues | | |
|---------------------------------|-------------------------|--|-------------------|
| Expenses | Charges for Services | Operating Grants and Contributions | |
| Primary Government: | | | |
| GOVERNMENTAL ACTIVITIES: | | | |
| Personnel and Purchasing | \$ 105,997 | \$ - | \$ - |
| City Manager | 206,860 | - | - |
| City Secretary | 144,122 | - | - |
| Court | 241,641 | 454,004 | - |
| City Attorney | 53,677 | - | - |
| Administration | 542,911 | - | - |
| Municipal Judges | 23,304 | - | - |
| Finance | 295,506 | - | - |
| Police | 3,321,086 | 30,000 | 4,786 |
| Fire | 7,335 | - | - |
| Animal Control | 106,311 | 53 | - |
| Streets and Drainage | 2,154,630 | 198,719 | 111,800 |
| Parks and Recreation | 139,546 | - | - |
| Library | 211,789 | 2,432 | - |
| Community Development | 340,412 | - | - |
| Interest on Debt | 156,290 | - | - |
| Other Debt Service | 2,550 | - | - |
| Total Governmental Activities | 8,053,967 | 685,208 | 116,586 |
| BUSINESS-TYPE ACTIVITIES: | | | |
| Utility Fund | 4,612,604 | 4,823,492 | - |
| Total Business-Type Activities | 4,612,604 | 4,823,492 | - |
| TOTAL PRIMARY GOVERNMENT | \$ 12,666,571 | \$ 5,508,700 | \$ 116,586 |

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 |
| Extraordinary Item - Resource |
| 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 |
| (105,997) | - | (105,997) |
| (206,860) | - | (206,860) |
| (144,122) | - | (144,122) |
| 212,363 | - | 212,363 |
| (53,677) | - | (53,677) |
| (542,911) | - | (542,911) |
| (23,304) | - | (23,304) |
| (295,506) | - | (295,506) |
| (3,286,300) | - | (3,286,300) |
| (7,335) | - | (7,335) |
| (106,258) | - | (106,258) |
| (1,844,111) | - | (1,844,111) |
| (139,546) | - | (139,546) |
| (209,357) | - | (209,357) |
| (340,412) | - | (340,412) |
| (156,290) | - | (156,290) |
| (2,550) | - | (2,550) |
| (7,252,173) | - | (7,252,173) |
| - | 210,888 | 210,888 |
| - | 210,888 | 210,888 |
| (7,252,173) | 210,888 | (7,041,285) |
| 1,875,325 | - | 1,875,325 |
| 843,787 | - | 843,787 |
| 2,415,578 | - | 2,415,578 |
| 419,904 | - | 419,904 |
| 214,760 | - | 214,760 |
| 39,690 | - | 39,690 |
| 1,508,868 | - | 1,508,868 |
| 248,673 | 10,509 | 259,182 |
| 15,446 | 90,770 | 106,216 |
| 89,377 | - | 89,377 |
| (305,175) | 305,175 | - |
| 7,366,233 | 406,454 | 7,772,687 |
| 114,060 | 617,342 | 731,402 |
| 8,582,228 | 7,037,748 | 15,619,976 |
| \$ 8,696,288 | \$ 7,655,090 | \$ 16,351,378 |

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF BRIDGE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

| | General Fund | Hotel/ Motel Fund | ARPA Coronavirus Relief Fund |
|---|---------------------|-------------------------|------------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 2,742,935 | \$ 1,282,559 | \$ 688,259 |
| Taxes Receivable, Net | 367,794 | 12,547 | - |
| Other Receivables | 2,187 | - | - |
| Due from Other Governments | - | - | - |
| Due from Other Funds | - | - | 324,914 |
| Inventories | 59,737 | - | - |
| Prepaid Items | 2,401 | - | - |
| Total Assets | <u>\$ 3,175,054</u> | <u>\$ 1,295,106</u> | <u>\$ 1,013,173</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 60,932 | \$ - | \$ - |
| Wages and Salaries Payable | 10,094 | - | - |
| Due to Other Funds | - | - | - |
| Unearned Revenues | - | - | 1,013,173 |
| Other Current Liabilities | 132,876 | - | - |
| Total Liabilities | <u>203,902</u> | <u>-</u> | <u>1,013,173</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Property Taxes | 165,563 | - | - |
| Total Deferred Inflows of Resources | <u>165,563</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable Fund Balance: | | | |
| Inventories | 59,737 | - | - |
| Restricted Fund Balance: | | | |
| Capital Projects | - | - | - |
| Retirement of Long-Term Debt | - | - | - |
| Other Restricted Fund Balance | - | 1,295,106 | - |
| Unassigned Fund Balance | 2,745,852 | - | - |
| Total Fund Balances | <u>2,805,589</u> | <u>1,295,106</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 3,175,054</u> | <u>\$ 1,295,106</u> | <u>\$ 1,013,173</u> |

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

| CDBG Infrastructure Grant Fund | Debt Sendee Fund | Other Funds | Total Governmental Funds |
|--------------------------------------|------------------------|---------------------|--------------------------------|
| \$ - | \$ 879,383 | \$ 1,092,599 | \$ 6,685,735 |
| - | 83,471 | - | 463,812 |
| - | - | 42,314 | 44,501 |
| 378,539 | - | - | 378,539 |
| - | - | - | 324,914 |
| - | - | - | 59,737 |
| - | - | - | 2,401 |
| <u>\$ 378,539</u> | <u>\$ 962,854</u> | <u>\$ 1,134,913</u> | <u>\$ 7,959,639</u> |
| \$ - | \$ - | \$ 1,230 | \$ 62,162 |
| - | - | - | 10,094 |
| 324,914 | - | - | 324,914 |
| - | - | - | 1,013,173 |
| 53,625 | - | 15,461 | 201,962 |
| <u>378,539</u> | <u>-</u> | <u>16,691</u> | <u>1,612,305</u> |
| - | 81,841 | - | 247,404 |
| - | 81,841 | - | 247,404 |
| - | - | - | 59,737 |
| - | - | 567,000 | 567,000 |
| - | 881,013 | - | 881,013 |
| - | - | 551,222 | 1,846,328 |
| - | - | - | 2,745,852 |
| - | 881,013 | 1,118,222 | 6,099,930 |
| <u>\$ 378,539</u> | <u>\$ 962,854</u> | <u>\$ 1,134,913</u> | <u>\$ 7,959,639</u> |

CITY OF BRIDGE CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

| | | |
|--|-----------|------------------|
| Total Fund Balances - Governmental Funds | \$ | 6,099,930 |
| 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. | | 4,444,954 |
| 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 2024 capital outlays and debt principal payments is to increase net position. | | 1,245,159 |
| Included in the items related to debt is the recognition of the City's net pension liability required by GASB 68. The net position related to TMRS included a deferred resource outflow in the amount of \$1,319,212, a net pension liability in the amount of \$4,186,495 and a deferred resource inflow in the amount of \$134,416. This resulted in a decrease in net position. | | (3,001,699) |
| 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 \$12,941, a deferred resource inflow in the amount of \$30,478, and a net OPEB liability in the amount of \$191,852. This resulted in a decrease in net position. | | (209,389) |
| The 2024 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | | (949,917) |
| 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. | | 1,948,159 |
| Net Position of Governmental Activities | \$ | 8,696,288 |

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

CITY OF BRIDGE CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | General Fund | Hotel/ Motel Fund | ARPA Coronavirus Relief Fund |
|--|-----------------|-------------------------|------------------------------------|
| REVENUES: | | | |
| Taxes: | | | |
| Property Taxes | \$ 1,864,879 | \$ - | \$ - |
| General Sales and Use Taxes | 2,415,578 | - | - |
| Franchise Tax | 419,904 | - | - |
| Other Taxes | 56,392 | 158,368 | - |
| Penalty and Interest on Taxes | 27,528 | - | - |
| Licenses and Permits | 108,112 | - | - |
| Intergovernmental Revenue and Grants | 4,786 | - | 588,225 |
| Charges for Services | 74,146 | - | - |
| Fines and Forfeitures | 424,377 | - | - |
| Investment Earnings | 5,065 | 2,501 | 2,419 |
| Contributions & Donations from Private Sources | - | - | - |
| Other Revenue | 66,226 | 2,225 | - |
| Total Revenues | 5,466,993 | 163,094 | 590,644 |
| EXPENDITURES: | | | |
| Current: | | | |
| Personnel and Purchasing | 97,307 | - | - |
| City Manager | 184,253 | - | - |
| City Secretary | 129,377 | - | - |
| Court | 172,353 | - | - |
| City Attorney | 53,677 | - | - |
| Administration | 370,917 | - | 68,184 |
| Municipal Judges | 23,304 | - | - |
| Finance | 274,666 | - | - |
| Police | 3,108,005 | - | - |
| Fire | 7,335 | - | - |
| Animal Control | 97,051 | - | - |
| Streets and Drainage | 1,059,873 | - | - |
| Parks and Recreation | 116,473 | - | - |
| Library | 187,167 | - | - |
| Community Development | 191,284 | 135,172 | - |
| Debt Service: | | | |
| Principal on Debt | - | - | - |
| Interest on Debt | - | - | - |
| Other Debt Service | - | - | - |
| Total Expenditures | 6,073,042 | 135,172 | 68,184 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (606,049) | 27,922 | 522,460 |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds from Right-to-Use Leases | 221,595 | - | - |
| Transfers In | 1,145,795 | - | - |
| Transfers Out | - | - | (522,460) |
| Total Other Financing Sources (Uses) | 1,367,390 | - | (522,460) |
| SPECIAL ITEMS: | | | |
| Extraordinary Item - Resource | 89,377 | - | - |
| Net Change in Fund Balances | 850,718 | 27,922 | - |
| Fund Balance - October 1 (Beginning) | 1,954,871 | 1,267,184 | - |
| Fund Balance - September 30 (Ending) | \$ 2,805,589 | \$ 1,295,106 | \$ - |

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

| CDBG Infrastructure Grant Fund | Debt Service Fund | Other Funds | Total Governmental Funds |
|--------------------------------------|-------------------------|---------------------|--------------------------------|
| \$ - | \$ 830,627 | \$ - | \$ 2,695,506 |
| - | - | - | 2,415,578 |
| - | - | - | 419,904 |
| - | - | - | 214,760 |
| - | 12,162 | - | 39,690 |
| - | - | - | 108,112 |
| 899,843 | - | 113,650 | 1,606,504 |
| - | - | 208,999 | 283,145 |
| - | - | 12,100 | 436,477 |
| - | 3,264 | 2,197 | 15,446 |
| - | - | 18,950 | 18,950 |
| - | - | 93,095 | 161,546 |
| <u>899,843</u> | <u>846,053</u> | <u>448,991</u> | <u>8,415,618</u> |
| - | - | - | 97,307 |
| - | - | - | 184,253 |
| - | - | - | 129,377 |
| - | - | 39,230 | 211,583 |
| - | - | - | 53,677 |
| 81,124 | - | 1,850 | 522,075 |
| - | - | - | 23,304 |
| - | - | - | 274,666 |
| - | - | 45,573 | 3,153,578 |
| - | - | - | 7,335 |
| - | - | - | 97,051 |
| - | - | 285,779 | 1,345,652 |
| - | - | - | 116,473 |
| - | - | - | 187,167 |
| - | - | - | 326,456 |
| - | 1,210,000 | - | 1,210,000 |
| - | 163,484 | - | 163,484 |
| - | 2,550 | - | 2,550 |
| <u>81,124</u> | <u>1,376,034</u> | <u>372,432</u> | <u>8,105,988</u> |
| 818,719 | (529,981) | 76,559 | 309,630 |
| - | - | - | 221,595 |
| 522,058 | - | 402 | 1,668,255 |
| (1,340,777) | - | (110,193) | (1,973,430) |
| <u>(818,719)</u> | <u>-</u> | <u>(109,791)</u> | <u>(83,580)</u> |
| - | - | - | 89,377 |
| - | (529,981) | (33,232) | 315,427 |
| - | 1,410,994 | 1,151,454 | 5,784,503 |
| <u>\$ -</u> | <u>\$ 881,013</u> | <u>\$ 1,118,322</u> | <u>\$ 6,099,930</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, 2024

| | | |
|---|-----------|----------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 315,427 |
| 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 2024 capital outlays and debt principal payments is to increase the change in net position. | | 1,245,159 |
| 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 \$486,667. 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 \$142,052. 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 \$1,098,247. The net result is a decrease in the change in net position. | | (469,528) |
| 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 \$14,566. 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 \$6,176. 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 an decrease in the change in net position. | | (2,482) |
| 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. | | (949,917) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position. | | (24,599) |
| Change in Net Position of Governmental Activities | \$ | 114,060 |

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, 2024

| | Business Type Activities |
|---|--------------------------|
| | Utility Fund |
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 3,215,603 |
| Other Receivables | 911,387 |
| Inventories | 81,856 |
| Total Current Assets | 4,208,846 |
| Noncurrent Assets: | |
| Capital Assets: | |
| Land | 53,420 |
| Buildings, net | 174,937 |
| Machinery & Equipment, net | 810,534 |
| Infrastructure, net | 2,959,532 |
| Construction in Progress | 1,053,520 |
| Total Noncurrent Assets | 5,051,943 |
| Total Assets | 9,260,789 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflow Related to Pension Plan | 362,532 |
| Deferred Outflow Related to OPEB | 3,792 |
| Total Deferred Outflows of Resources | 366,324 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 17,850 |
| Wages and Salaries Payable | 3,382 |
| Compensated Absences Payable | 63,721 |
| Intergovernmental Payable | 6,334 |
| Unearned Revenues - TWDB Grant | 52,436 |
| Unearned Revenues - Customer Advance Payments | 425,321 |
| Other Current Liabilities | 164,678 |
| Total Current Liabilities | 733,722 |
| Noncurrent Liabilities: | |
| Net Pension Liability | 1,141,266 |
| Net OPEB Liability | 52,300 |
| Total Noncurrent Liabilities | 1,193,566 |
| Total Liabilities | 1,927,288 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflow Related to Pension Plan | 36,643 |
| Deferred Inflow Related to OPEB | 8,092 |
| Total Deferred Inflows of Resources | 44,735 |
| NET POSITION | |
| Net Investment in Capital Assets and Lease Assets | 5,051,943 |
| Restricted for Inventories | 81,856 |
| Unrestricted Net Position | 2,521,291 |
| Total Net Position | \$ 7,655,090 |

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, 2024

EXHIBIT D-2

| | Business-Type Activities |
|---|-----------------------------|
| | Utility Fund |
| OPERATING REVENUES: | |
| Charges for Water Service | \$ 1,601,600 |
| Charges for Sewerage Service | 1,514,417 |
| Charges for Sanitation Service | 1,128,059 |
| Other Revenue | 579,416 |
| Total Operating Revenues | 4,823,492 |
| OPERATING EXPENSES: | |
| Personnel Services - Salaries and Wages | 939,027 |
| Personnel Services - Employee Benefits | 622,013 |
| Purchased Professional & Technical Services | 169,104 |
| Purchased Property Services | 1,504,116 |
| Other Operating Costs | 374,851 |
| Supplies | 374,395 |
| Depreciation | 629,098 |
| Total Operating Expenses | 4,612,604 |
| Operating Income | 210,888 |
| NONOPERATING REVENUES (EXPENSES): | |
| Investment Earnings | 90,770 |
| Insurance Recovery | 10,509 |
| Total NonOperating Revenue (Expenses) | 101,279 |
| Income Before Transfers | 312,167 |
| Transfers In | 1,336,847 |
| Transfers Out | (1,031,672) |
| Change in Net Position | 617,342 |
| Total Net Position - October 1 (Beginning) | 7,037,748 |
| Total Net Position - September 30 (Ending) | \$ 7,655,090 |

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, 2024

EXHIBIT D-3

| | Business-Type Activities |
|--|-----------------------------|
| | Utility Fund |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from User Charges | \$ 4,948,460 |
| Cash Payments to Employees for Services | (1,411,884) |
| Cash Payments for Suppliers | (363,380) |
| Cash Payments for Other Operating Expenses | (2,094,609) |
| Net Cash Provided by Operating Activities | 1,078,587 |
| <u>Cash Flows from Non-Capital Financing Activities:</u> | |
| Cash Received from Insurance | 10,509 |
| Operating Transfers In (Out) | 305,175 |
| Net Cash Provided by Non-Capital Financing Activities | 315,684 |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | |
| Acquisition of Capital Assets | (1,539,910) |
| <u>Cash Flows from Investing Activities:</u> | |
| Interest and Dividends on Investments | 90,770 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (54,869) |
| Cash and Cash Equivalents at Beginning of Year | 3,270,472 |
| Cash and Cash Equivalents at End of Year | \$ 3,215,603 |
| <u>Reconciliation of Operating Income to Net Cash</u> | |
| <u>Provided by Operating Activities:</u> | |
| Operating Income | \$ 210,888 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 629,098 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | |
| Decrease (Increase) in Receivables | 124,968 |
| Decrease (Increase) in Inventories | 11,015 |
| Decrease (Increase) in Prepaid Expenses | 594 |
| Increase (Decrease) in Accounts Payable | (64,767) |
| Increase (Decrease) in Other Payables | 17,635 |
| Increase (Decrease) in Net Pension Liability | (233,271) |
| Increase (Decrease) in Net OPEB Liability | 4,885 |
| Increase (Decrease) in Deferred Outflows | 344,392 |
| Increase (Decrease) in Deferred Inflows | 33,150 |
| Net Cash Provided by Operating Activities | \$ 1,078,587 |

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, 2024

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 sometimes 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. **Right-to-use Lease Assets and Liabilities** A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level of \$50,000 set by the Board. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in governmental fund types as an other source during the current period. Monthly payments are reported as principal and interest payments during the reporting period in the fund level statements.

5. **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.

6. **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.
7. **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.
8. **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.
9. **Insurance Programs** The City provides all full-time and regular part-time employees with group health, dental, life, accidental death and dismemberment benefits. The City pays a portion of dependent health coverage. In addition, the City offers dependent dental coverage at the employee's expense.
10. **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 | \$ 698,437 | \$ | \$ 698,437 | |
| Buildings | 2,743,629 | 1,465,207 | 1,278,422 | |
| Furniture & Fixtures | 163,332 | 163,332 | - | |
| Machinery & Equipment | 4,107,969 | 3,445,774 | 662,195 | |
| Infrastructure | 26,538,708 | 20,123,030 | 6,415,678 | |
| Right-to-Use Lease Assets | <u>167,442</u> | <u>19,535</u> | <u>147,907</u> | |
| Change in Net Position | | | | <u>9,202,639</u> |
| Long-term Liabilities at the Beginning of the year | | | <u>Payable at the Beginning of the Year</u> | |
| Bonds Payable | | | 4,420,000 | |
| Right-to-Use Lease Liabilities | | | 143,203 | |
| Compensated Absences | | | <u>175,382</u> | |
| Change in Net Position | | | | <u>(4,738,585)</u> |
| Net Adjustment to Net Position | | | | <u>\$ 4,464,054</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> | | | |
| Right-to-Use Lease Assets | \$ 221,595 | | |
| Total Capital Outlay | <u>221,595</u> | <u>221,595</u> | <u>221,595</u> |
| <u>Debt Principal Issuance & Payments</u> | | | |
| Bond Principal | 1,210,000 | | |
| Right-to-Use Lease Liabilities | (137,685) | | |
| Other | <u>(48,751)</u> | | |
| Total Change in Debt Principal | <u>1,023,564</u> | <u>1,023,564</u> | <u>1,023,564</u> |
| Total Adjustments to Net Position | | <u>\$ 1,245,159</u> | <u>\$ 1,245,159</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 | \$ 29,187 | \$ (29,187) | |
| Uncollected Taxes (assumed collectible) from Current Year Levy | 74,860 | 74,860 | 74,860 |
| Uncollected Taxes (assumed collectible) from Prior Year Levy | 172,544 | | 172,544 |
| Difference in prior year estimated collectible and current year collections | 22,067 | (22,067) | |
| Accrued interest on long-term debt | 33,989 | (33,989) | (33,989) |
| Prior year accrued interest on long-term debt | 41,183 | 41,183 | |
| Reclassify fines receivable assessed but not received this year | | <u>(55,399)</u> | <u>834,735</u> |
| Total | | <u>\$ (24,599)</u> | <u>\$ 1,048,150</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, 2024, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,901,338 and the bank balance was \$10,236,226. The City's cash deposits at September 30, 2024 and during the year ended September 30, 2024 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 \$11,020,666 and the par value was \$13,828,294.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$10,738,577 and occurred during the month of February.
- 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, 2024, are shown below:

| Name | Carrying Amount | Market Value | Category |
|--|-----------------|--------------|----------|
| TexPool Local Government Investment Pool | \$ 1,124,308 | \$ 1,124,308 | 1 |
| TexStar | \$ 565,628 | \$ 565,628 | 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

As of September 30, 2024, the City’s interfund balances were as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------------------|--------------------------------|-------------------|
| ARPA Coronavirus Relief Fund | CDBG Infrastructure Grant Fund | \$ 324,914 |
| | Total | <u>\$ 324,914</u> |

Interfund transfers for the year ended September 30, 2024, consisted of the following individual amounts:

| Fund | General Fund | Utility Fund | ARPA Coronavirus Relief Fund | CDBG Infrastructure Grant | Other Funds | Totals |
|---------------------------|---------------------|-------------------|------------------------------|---------------------------|---------------------|-------------|
| Transfer In/(Out) | \$ 1,145,795 | \$ (1,031,671) | \$ - | \$ (3,931) | \$ (110,193) | \$ - |
| Transfer In/(Out) | | 1,336,847 | | (1,336,847) | | - |
| Transfer In/(Out) | | | (522,460) | 522,058 | 402 | - |
| Totals Transfers In/(Out) | <u>\$ 1,145,795</u> | <u>\$ 305,176</u> | <u>\$ (522,460)</u> | <u>\$ (818,719)</u> | <u>\$ (109,791)</u> | <u>\$ -</u> |

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2024, were as follows:

| | Property Taxes | Other Taxes | Other Receivables | Total Receivables |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Governmental Activities: | | | | |
| General Fund | \$ 170,920 | \$ 196,874 | \$ 2,187 | \$ 369,981 |
| Hotel/Motel Fund | | 12,547 | | 12,547 |
| Debt Service Fund | 83,471 | | | 83,471 |
| Nonmajor Governmental Funds | | | 42,314 | 42,314 |
| Total - Governmental Activities | <u>\$ 254,391</u> | <u>\$ 209,421</u> | <u>\$ 44,501</u> | <u>\$ 508,313</u> |
| Business-type Activities: | | | | |
| Utility Fund | \$ - | \$ - | \$ 911,387 | \$ 911,387 |
| Total - Business-Type Activities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 911,387</u> | <u>\$ 911,387</u> |

Payables at September 30, 2024, were as follows:

| | Accounts Payable | Wages and Salaries Payable | Intergovernmental Payable | Other Payables | Total Payables |
|----------------------------------|------------------|----------------------------|---------------------------|-------------------|-------------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 60,932 | \$ 10,094 | \$ - | \$ 132,876 | \$ 203,902 |
| CDBG Infrastructure Grant Fund | | | | 53,625 | 53,625 |
| Nonmajor Governmental Funds | 1,230 | | | 15,461 | 16,691 |
| Total - Governmental Activities | <u>\$ 62,162</u> | <u>\$ 10,094</u> | <u>\$ -</u> | <u>\$ 201,962</u> | <u>\$ 274,218</u> |
| Business-type Activities: | | | | | |
| Utility Fund | \$ 17,850 | \$ 3,382 | \$ 6,334 | \$ 228,399 | \$ 255,965 |
| Total - Business-Type Activities | <u>\$ 17,850</u> | <u>\$ 3,382</u> | <u>\$ 6,334</u> | <u>\$ 228,399</u> | <u>\$ 255,965</u> |

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2024, was as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|--|----------------------|--------------|-------------|-------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 698,437 | \$ - | \$ - | \$ 698,437 |
| Total Capital Assets Not Being Depreciated | 698,437 | - | - | 698,437 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 2,743,629 | | | 2,743,629 |
| Furniture and Fixtures | 163,332 | | | 163,332 |
| Machinery and Equipment | 4,107,969 | | (110,364) | 3,997,605 |
| Infrastructure | 26,538,708 | | | 26,538,708 |
| Total Capital Assets Being Depreciated | 33,553,638 | | (110,364) | 33,443,274 |
| Right-to-Use Lease Assets: | | | | |
| Machinery and Equipment | 167,442 | 221,595 | | 389,037 |
| Total Right-to-Use Lease Assets | 167,442 | 221,595 | | 389,037 |
| Less Accumulated Depreciation for: | | | | |
| Capital Assets: | | | | |
| Buildings and Improvements | (1,465,207) | (97,273) | | (1,562,480) |
| Furniture and Fixtures | (163,332) | | | (163,332) |
| Machinery and Equipment | (3,445,774) | (222,964) | 110,364 | (3,558,374) |
| Infrastructure | (20,123,030) | (557,525) | | (20,680,555) |
| Total for Capital Assets | (25,197,343) | (877,762) | 110,364 | (25,964,741) |
| Right-to-Use Lease Assets: | | | | |
| Machinery and Equipment | (19,535) | (72,155) | | (91,690) |
| Total for Leased Assets | (19,535) | (72,155) | | (91,690) |
| Total Accumulated Depreciation | (25,216,878) | (949,917) | 110,364 | (26,056,431) |
| Governmental Activities Capital Assets and Right-to-Use Lease Assets, Net | \$ 9,202,639 | \$ (728,322) | \$ - | \$ 8,474,317 |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|------------|
| Administration | \$ 20,836 |
| Court | 11,536 |
| Police | 173,066 |
| Street & Drainage | 710,581 |
| Parks & Recreation | 21,142 |
| Animal Control | 150 |
| Library | 12,606 |
| Total Depreciation Expense | \$ 949,917 |

| | Beginning Balance | Additions | Retirements | Ending Balance |
|--|----------------------|---------------------|---------------------|---------------------|
| Business-Type Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 53,420 | \$ - | \$ - | \$ 53,420 |
| Construction in Progress | 563,435 | 1,418,205 | (928,120) | 1,053,520 |
| Total Capital Assets Not Being Depreciated | 616,855 | 1,418,205 | (928,120) | 1,106,940 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 207,408 | | | 207,408 |
| Machinery and Equipment | 2,292,309 | 121,705 | (128,999) | 2,285,015 |
| Infrastructure | 16,353,707 | 928,120 | | 17,281,827 |
| Total Capital Assets Being Depreciated | 18,853,424 | 1,049,825 | (128,999) | 19,774,250 |
| Less Accumulated Depreciation for | | | | |
| Capital Assets: | | | | |
| Buildings and Improvements | (27,081) | (5,390) | | (32,471) |
| Machinery and Equipment | (1,408,269) | (195,211) | 128,999 | (1,474,481) |
| Infrastructure | (13,893,798) | (428,497) | | (14,322,295) |
| Total Accumulated Depreciation | (15,329,148) | (629,098) | 128,999 | (15,829,247) |
| Total Capital Assets Being Depreciated, Net | 3,524,276 | 420,727 | | 3,945,003 |
| Business-Type Activities Capital Assets, Net | <u>\$ 4,141,131</u> | <u>\$ 1,838,932</u> | <u>\$ (928,120)</u> | <u>\$ 5,051,943</u> |

G. BONDS AND RIGHT-TO-USE LEASE LIABILITIES PAYABLE

General long-term debts consist of general obligation refunding bonds, tax and waterworks and sewer system certificates of obligations and right-to-use lease liabilities. The bond obligations are being paid from the annual property tax receipts, and accordingly are accounted for in the Debt Service Fund.

A summary of the City's long-term debt transactions for the year ended September 30, 2024, are included in the following table:

| Description | Beginning Balance | Additions | Reductions | Ending Balance |
|---|----------------------|-------------------|-----------------------|--------------------|
| Certificates of Obligation Series 2012 | \$ 780,000 | \$ - | \$ (780,000) | \$ - |
| Certificates of Obligation Series 2015 | 2,005,000 | | (305,000) | 1,700,000 |
| Certificates of Obligation Series 2018 | 1,635,000 | | (125,000) | 1,510,000 |
| Right-to-Use Lease Liabilities | <u>143,203</u> | <u>221,595</u> | <u>(83,910)</u> | <u>280,888</u> |
| Total Debt Payable | <u>\$ 4,563,203</u> | <u>\$ 221,595</u> | <u>\$ (1,293,910)</u> | <u>£ 3,490,888</u> |

On December 1, 2012, the city issued \$2,145,000 in Tax and Waterworks Certificates of Obligation, Series 2012. The proceeds from the 2012 certificates are being used to pay for contractual obligations incurred for the purchase and installation of a new water meter system and to pay issuance costs related to the certificates.

On July 2, 2015 the City issued \$3,485,000 in Tax and Waterworks Certificates of Obligation, Series 2015. The proceeds from the 2015 certificates are being used for contractual obligations and improvements to City buildings, public works, parks and utility systems.

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

Long-term debts are comprised of the following individual issues at September 30, 2024:

| Description | Interest Rates | Date Issued | Series Matures | Outstanding |
|--|----------------|-------------|----------------|---------------------|
| Tax and Waterworks Certificates of Obligation, Series 2015 | 2.0-4.0% | 2015 | 2029 | \$ 1,700,000 |
| Tax and Waterworks Certificates of Obligation, Series 2018 | 3.0-5.0% | 2018 | 2030 | <u>1,510,000</u> |
| | | | | <u>\$ 3,210,000</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, 2024 are as follows:

| Year Ending September 30, | Tax and Waterworks Certificates of Obligation Series 2015 | Tax and Waterworks Certificates of Obligation Series 2018 | Annual Debt Service |
|------------------------------|---|---|------------------------|
| 2025 | \$ 379,850 | \$ 217,600 | \$ 597,450 |
| 2026 | 380,400 | 228,250 | 608,650 |
| 2027 | 382,400 | 235,250 | 617,650 |
| 2028 | 383,800 | 416,500 | 800,300 |
| 2029 | 379,600 | 413,250 | 792,850 |
| Thereafter | <u>-</u> | <u>299,250</u> | <u>299,250</u> |
| Total | <u>\$ 1,906,050</u> | <u>\$ 1,810,100</u> | <u>\$ 3,716,150</u> |

The tax and waterworks and sewer system certificates of obligation series 2015 and 2018 include interest amounts of \$206,050 and \$300,100, respectively.

A summary of Right-to-Use Lease Agreements for the year ended September 30, 2024, is as follows:

| Description | Discount Rate | Original Lease Liability | Interest Current Year | Principal Balance 10/1/23 | New Lease Agreement | Principal Paid This Year | Principal Outstanding 9/30/24 |
|--|---------------|--------------------------|-----------------------|---------------------------|---------------------|--------------------------|-------------------------------|
| Governmental Activities: | | | | | | | |
| 2023 Ford Expedition XL - 26BWF6 | 8.223% | \$ 55,814 | \$ 3,443 | \$ 47,734 | \$ - | \$(12,978) | \$ 34,756 |
| 2023 Ford Expedition XL - 26BWFG | 8.223% | 55,814 | 3,443 | 47,734 | | (12,977) | 34,757 |
| 2023 Ford Expedition XL - 26BWFN | 8.223% | 55,814 | 3,443 | 47,734 | | (12,977) | 34,757 |
| 2023 Chevy Silverado - 27B2LF | | 51,875 | 1,626 | - | 51,875 | (12,295) | 39,580 |
| 2023 Chevy Silverado - 27B2H2 | | 52,164 | 4,181 | - | 52,164 | (11,363) | 40,801 |
| 2023 Ford F150 - 27B3WS | | 58,778 | 3,827 | - | 58,778 | (10,660) | 48,118 |
| 2023 Ford F150 - 27B3WT | | 58,778 | 3,827 | - | 58,778 | (10,660) | 48,118 |
| Total Governmental Activities Right-to-Use Lease Liabilities | | | <u>23,792</u> | <u>143,203</u> | <u>221,595</u> | <u>(83,910)</u> | <u>280,888</u> |
| Total Right-to-Use Lease Liabilities | | | <u>\$ 23,792</u> | <u>\$ 143,203</u> | <u>\$ 221,595</u> | <u>\$(83,910)</u> | <u>\$ 280,888</u> |

During the prior fiscal year, the City entered into lease agreements with Enterprise Fleet for three police vehicles. During the year ended September 30, 2024, the City entered into lease agreements with Enterprise Fleet for four additional police vehicles.

Annual debt-service requirements to maturity for the right-to-use lease liabilities is as follows:

| Year Ended September 30, | Principal | Interest | Total Requirements |
|--------------------------|-------------------|------------------|--------------------|
| 2025 | \$ 95,059 | \$ 18,439 | \$ 113,498 |
| 2026 | 102,716 | 10,782 | 113,498 |
| 2027 | 77,379 | 3,277 | 80,656 |
| 2028 | 5,734 | 61 | 5,795 |
| 2029 | - | - | - |
| Total | <u>\$ 280,888</u> | <u>\$ 32,560</u> | <u>\$ 313,447</u> |

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 |
|--|-------------------|-------------------|
| Balance September 30, 2023 | \$ 832,947 | \$ 187,466 |
| Additions - New Entrants and Salary Increments | 258,643 | 237,442 |
| Deductions - Payments to Participants | <u>(127,143)</u> | <u>(193,592)</u> |
| Balance September 30, 2024 | <u>\$ 964,447</u> | <u>\$ 231,316</u> |

I. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Bridge City participates as one of 934 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 Texas Government Code, Title 8, Subtitle G (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 Annual Comprehensive 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, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 64 |
| Inactive employees entitled to but not yet receiving benefits | 36 |
| Active employees | <u>58</u> |
| | 158 |

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 17.29% and 19.92% in calendar years 2023 and 2024, respectively. The city’s contributions to TMRS for the year ended September 30, 2024, were \$814,903, and were equal to the required contributions.

Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 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 110% of the Public Safety tables used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for health retirees are 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 MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of experience of TMRS over the four period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|--------------------------|--|
| Global Public Equity | 35.0% | 6.70% |
| Core Fixed Income | 6.0% | 4.70% |
| Non-Core Fixed Income | 20.0% | 8.00% |
| Other Public and Private Markets | 12.0% | 8.00% |
| Real Estate | 12.0% | 7.60% |
| Hedge Funds | 5.0% | 6.40% |
| Private Equity | 10.0% | 11.60% |
| 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 12/31/2022 | \$ 27,407,292 | \$ 20,938,500 | \$ 6,468,792 |
| Changes for the Year: | | | |
| Service Cost | 658,656 | - | 658,656 |
| Interest | 1,818,594 | - | 1,818,594 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | (35,791) | - | (35,791) |
| Changes of assumptions | (247,768) | - | (247,768) |
| Contributions - employer | - | 660,565 | (660,565) |
| Contributions - employee | - | 267,436 | (267,436) |
| Net investment income | - | 2,422,246 | (2,422,246) |
| Benefit payments, including refunds of employee contributor | (1,588,987) | (1,588,987) | - |
| Administrative expense | - | (15,417) | 15,417 |
| Other changes | - | (108) | 108 |
| Net changes | 604,704 | 1,745,735 | (1,141,031) |
| Balance at 12/31/23 | <u>\$ 28,011,996</u> | <u>\$ 22,684,235</u> | <u>\$ 5,327,761</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 | \$ 8,953,176 | \$ 5,327,761 | \$ 2,339,349 |

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.tmrs.com.

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

For the year ended September 30, 2024, the City recognized pension expense of \$1,432,117.

At September 30, 2024, 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 | \$ 456,497 | \$ - |
| Changes in actuarial assumptions | - | 171,059 |
| Difference between projected and actual investment earnings | 594,463 | - |
| Contributions subsequent of the measurement date | <u>630,784</u> | <u>-</u> |
| Total | <u>\$ 1,681,744</u> | <u>\$ 171,059</u> |

\$630,784 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, 2024. 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: | |
| 2024 | \$ 488,807 |
| 2025 | 163,883 |
| 2026 | 428,988 |
| 2027 | (201,777) |
| 2028 | - |
| Thereafter | <u>-</u> |
| | <u>\$ 879,901</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, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|-----------|
| Inactive employees currently receiving benefits | 47 |
| Inactive employees entitled to but not yet receiving benefits | 5 |
| Active employees | <u>58</u> |
| | 110 |

Actuarial Assumptions The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Summary of Actuarial Assumptions:

| | |
|--|--|
| Inflation | 2.50% |
| Salary increases | 3.60% to 11.85% including inflation |
| Discount rate* | 3.77% |
| 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| 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 MP-2021 (with immediate convergence) 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, 2023.

Note: The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate A discount rate of 3.77% was used to measure the total OPEB liability. There was a change of 0.28 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 12/31/2022 | \$ 223,142 |
| Changes for the Year: | |
| Service cost | 4,967 |
| Interest on total OPEB liability | 8,991 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | 1,856 |
| Changes in assumptions or other inputs | 12,455 |
| Benefit payments | (7,259) |
| Net changes | <u>21,010</u> |
| Balance at 12/31/2023 | <u>\$ 244,152</u> |

Discount Rate Sensitivity Analysis The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the Total OPEB Liability.

| | 1% Decrease in Discount Rate (2.77%) | Current Discount Rate (3.77%) | 1% Increase in Discount Rate (4.77%) |
|----------------------|--|-------------------------------------|--|
| Total OPEB Liability | \$ 287,772 | \$244,152 | \$ 209,686 |

For the year ended September 30, 2024, the City recognized OPEB expense of \$9,794.

At September 30, 2024, 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 | \$ - | \$ 2,167 |
| Changes in assumptions and other inputs | (38,570) | - |
| Contributions made subsequent to measurement date | - | 14,566 |
| Total as of fiscal year-end | \$ (38,570) | \$ 16,733 |

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 |
|------------|---|
| 2024 | \$ (12,028) |
| 2025 | (18,607) |
| 2026 | (7,155) |
| 2027 | 1,387 |
| 2028 | - |
| Thereafter | - |
| Total | \$ (36,403) |

K. HEALTH CARE COVERAGE

The City provides all full-time and regular part-time employees with group health, dental, life, accidental death, and dismemberment benefits. The City pays 50% of dependent health coverage. In addition, the City offers dependent dental coverage at the employee's expense.

The City's current healthcare policy is with United Healthcare Insurance Company. After the \$2,000 individual deductible or \$4,000 family 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, 2024, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Bonds and Notes Payable | | | | | |
| Certificates of Obligation | \$ 4,420,000 | \$ - | \$ (1,210,000) | \$ 3,210,000 | \$ 460,000 |
| Total Bonds and Notes Payable | 4,420,000 | - | (1,210,000) | 3,210,000 | 460,000 |
| Other Liabilities | | | | | |
| Net Pension Liability | 5,094,255 | 1,958,795 | (2,866,555) | 4,186,495 | - |
| Net OPEB Liability | 175,727 | 22,213 | (6,088) | 191,852 | - |
| Right-to-Use Lease Liabilities | 143,203 | 221,595 | (83,910) | 280,888 | 95,059 |
| Total Other Liabilities | 5,588,567 | 2,202,603 | (2,956,553) | 4,659,235 | 95,059 |
| Total Governmental Activities | <u>\$ 10,008,567</u> | <u>\$ 2,202,603</u> | <u>\$ (4,166,553)</u> | <u>\$ 7,869,235</u> | <u>\$ 555,059</u> |
| Long-term Liabilities | | | | | |
| Business-type Activities | | | | | |
| Net Pension Liability | \$ 1,374,537 | \$ 533,980 | \$ (767,251) | \$ 1,141,266 | \$ - |
| Net OPEB Liability | 47,415 | 6,056 | (1,171) | 52,300 | - |
| Total Business-type Activities | <u>\$ 1,485,673</u> | <u>\$ 540,036</u> | <u>\$ (768,422)</u> | <u>\$ 1,193,566</u> | <u>\$ -</u> |
| Long-term Liabilities | | | | | |

M. UNEARNED AND UNAVAILABLE REVENUE

Unearned and unavailable revenue at year end consisted of the following:

| | <u>General Fund</u> | <u>ARPA- Coronavirus Relief</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|--------------------------------------|-------------------------|---|----------------------------------|---------------------|
| Unearned Revenue | \$ - | \$ 1,013,173 | \$ - | \$ 1,013,173 |
| Unavailable Revenue - Property Taxes | 165,563 | - | 81,841 | 247,404 |
| Total Deferred Revenue | <u>\$ 165,563</u> | <u>\$ 1,013,173</u> | <u>\$ 81,841</u> | <u>\$ 1,260,577</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 | ARPA-Coronavirus Relief | CDBG Infrastructure Grant | Debt Service Fund | Other Funds | Total |
|--|---------------------|-------------------|-------------------------|---------------------------|-------------------|-------------------|---------------------|
| Property Taxes | \$ 1,864,879 | | | | \$ 830,627 | | \$ 2,695,506 |
| Other Taxes | 2,891,874 | 158,368 | | | | | 3,050,242 |
| Penalties and Interest on Taxe | 27,528 | | | | 12,162 | | 39,690 |
| Licenses and Permits | 108,112 | | | | | | 108,112 |
| Intergovernmental Revenue & Charges for Services | 4,786 | | 588,225 | 899,843 | | 113,650 | 1,606,504 |
| Fines | 74,146 | | | | | 208,999 | 283,145 |
| Investment Earnings | 424,377 | | | | | 12,100 | 436,477 |
| Other | 5,065 | 2,501 | 2,419 | | 3,264 | 2,197 | 15,446 |
| | 66,226 | 2,225 | | | | 112,045 | 180,496 |
| Total | \$ 5,466,993 | \$ 163,094 | \$ 590,644 | \$ 899,843 | \$ 846,053 | \$ 448,991 | \$ 8,415,618 |

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, 2024 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, 2024.

Q. RELATED ORGANIZATIONS

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

R. 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). This loan is 100 percent forgivable. The \$500,000 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, 2024.

Project activity for the year ended September 30, 2024, is shown below:

| | <u>Flushing Valves</u> | <u>Total</u> |
|--|----------------------------|------------------|
| Escrow balance 10/1/23 | \$ 52,436 | \$ 52,436 |
| TWDB deposit to escrow account | - | - |
| Project milestones transferred to the City | - | - |
| Escrow balance 9/30/24 | <u>\$ 52,436</u> | <u>\$ 52,436</u> |

S. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through January 10, 2025.

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, 2024

| | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|--------------|-----------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 1,934,000 | \$ 1,934,000 | \$ 1,864,879 | \$ (69,121) |
| General Sales and Use Taxes | 2,300,000 | 2,300,000 | 2,415,578 | 115,578 |
| Franchise Tax | 425,000 | 425,000 | 419,904 | (5,096) |
| Other Taxes | 45,000 | 45,000 | 56,392 | 11,392 |
| Penalty and Interest on Taxes | 25,200 | 25,200 | 27,528 | 2,328 |
| Licenses and Permits | 141,875 | 141,875 | 108,112 | (33,763) |
| Intergovernmental Revenue and Grants | - | - | 4,786 | 4,786 |
| Charges for Services | 73,120 | 73,120 | 74,146 | 1,026 |
| Fines and Forfeitures | 300,000 | 300,000 | 424,377 | 124,377 |
| Investment Earnings | 3,500 | 3,500 | 5,065 | 1,565 |
| Other Revenue | 38,000 | 39,500 | 66,226 | 26,726 |
| Total Revenues | 5,285,695 | 5,287,195 | 5,466,993 | 179,798 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Personnel and Purchasing | 98,856 | 99,806 | 97,307 | 2,499 |
| City Manager | 229,567 | 199,508 | 184,253 | 15,255 |
| City Secretary | 129,074 | 133,124 | 129,377 | 3,747 |
| Court | 189,594 | 189,893 | 172,353 | 17,540 |
| City Attorney | 54,520 | 54,970 | 53,677 | 1,293 |
| Administration | 397,970 | 420,773 | 370,917 | 49,856 |
| Municipal Judges | 25,756 | 25,756 | 23,304 | 2,452 |
| Finance | 348,050 | 328,703 | 274,666 | 54,037 |
| Police | 3,046,627 | 3,053,797 | 3,108,005 | (54,208) |
| Fire | 11,500 | 11,500 | 7,335 | 4,165 |
| Animal Control | 125,274 | 130,609 | 97,051 | 33,558 |
| Streets and Drainage | 1,125,014 | 1,125,014 | 1,059,873 | 65,141 |
| Parks and Recreation | 126,811 | 128,661 | 116,473 | 12,188 |
| Library | 204,935 | 212,635 | 187,167 | 25,468 |
| Community Development | 203,818 | 204,117 | 191,284 | 12,833 |
| Total Expenditures | 6,317,366 | 6,318,866 | 6,073,042 | 245,824 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,031,671) | (1,031,671) | (606,049) | 425,622 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from Right-to-Use Leases | - | - | 221,595 | 221,595 |
| Transfers In | 1,031,671 | 1,031,671 | 1,145,795 | 114,124 |
| Total Other Financing Sources (Uses) | 1,031,671 | 1,031,671 | 1,367,390 | 335,719 |
| SPECIAL ITEMS: | | | | |
| Extraordinary Item - Resource | - | - | 89,377 | 89,377 |
| Net Change in Fund Balances | - | - | 850,718 | 850,718 |
| Fund Balance - October 1 (Beginning) | 1,954,871 | 1,954,871 | 1,954,871 | - |
| Fund Balance - September 30 (Ending) | \$ 1,954,871 | \$ 1,954,871 | \$ 2,805,589 | \$ 850,718 |

CITY OF BRIDGE CITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | FY 2024 Plan Year 2023 | FY 2023 Plan Year 2022 | FY 2022 Plan Year 2021 |
|--|---------------------------|---------------------------|---------------------------|
| A. Total Pension Liability | | | |
| Service Cost | \$ 658,656 | \$ 639,092 | \$ 606,751 |
| Interest (on the Total Pension Liability) | 1,818,594 | 1,706,445 | 1,503,971 |
| Changes of Benefit Terms | - | - | - |
| Difference between Expected and Actual Experience | (35,791) | 776,743 | 2,053,375 |
| Changes of Assumptions | (247,768) | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (1,588,987) | (1,352,230) | (1,009,049) |
| Net Change in Total Pension Liability | <u>\$ 604,704</u> | <u>\$ 1,770,050</u> | <u>\$ 3,155,048</u> |
| Total Pension Liability - Beginning | <u>27,407,292</u> | <u>25,637,242</u> | <u>22,482,194</u> |
| Total Pension Liability - Ending | \$ 28,011,996 | \$ 27,407,292 | \$ 25,637,242 |
| B. Total Fiduciary Net Position | | | |
| Contributions - Employer | \$ 660,565 | \$ 541,214 | \$ 583,037 |
| Contributions - Employee | 267,436 | 270,802 | 282,447 |
| Net Investment Income | 2,422,246 | (1,691,026) | 2,690,002 |
| Benefit Payments, Including Refunds of Employee Contributions | (1,588,987) | (1,352,230) | (1,009,049) |
| Administrative Expense | (15,417) | (14,634) | (12,446) |
| Other | (108) | 17,462 | 87 |
| Net Change in Plan Fiduciary Net Position | <u>\$ 1,745,735</u> | <u>\$ (2,228,412)</u> | <u>\$ 2,534,078</u> |
| Plan Fiduciary Net Position - Beginning | <u>20,938,500</u> | <u>23,166,912</u> | <u>20,632,834</u> |
| Plan Fiduciary Net Position - Ending | \$ 22,684,235 | \$ 20,938,500 | \$ 23,166,912 |
| C. Net Pension Liability | <u>\$ 5,327,761</u> | <u>\$ 6,468,792</u> | <u>\$ 2,470,330</u> |
| D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 80.98% | 76.40% | 90.36% |
| E. Covered Payroll | \$ 3,820,508 | \$ 3,868,895 | \$ 3,637,596 |
| F. Net Pension Liability as a Percentage of Covered Payroll | 139.45% | 167.20% | 67.91% |

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.

| FY 2021 Plan Year 2020 | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 | FY 2017 Plan Year 2016 | FY 2016 Plan Year 2015 | FY 2015 Plan Year 2014 |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| \$ 654,000 | \$ 566,777 | \$ 561,052 | \$ 554,604 | \$ 517,357 | \$ 513,228 | \$ 470,296 |
| 1,443,231 | 1,401,064 | 1,330,588 | 1,276,316 | 1,200,367 | 1,163,232 | 1,152,556 |
| - | - | - | - | - | - | - |
| (195,719) | (531,550) | 18,853 | (150,021) | 120,544 | 25,453 | (857,372) |
| - | 33,815 | - | - | - | 155,166 | - |
| (947,024) | (831,026) | (907,518) | (852,675) | (610,750) | (776,315) | (492,558) |
| \$ 954,488 | \$ 639,080 | \$ 1,002,975 | \$ 828,224 | \$ 1,227,518 | \$ 1,080,764 | \$ 272,922 |
| 21,527,706 | 20,888,626 | 19,885,651 | 19,057,427 | 17,829,909 | 16,749,145 | 16,476,223 |
| \$ 22,482,194 | \$ 21,527,706 | \$ 20,888,626 | \$ 19,885,651 | \$ 19,057,427 | \$ 17,829,909 | \$ 16,749,145 |
| \$ 588,639 | \$ 522,713 | \$ 522,487 | \$ 515,330 | \$ 469,150 | \$ 507,043 | \$ 482,088 |
| 272,338 | 242,806 | 238,891 | 239,053 | 220,554 | 216,421 | 212,106 |
| 1,462,395 | 2,590,507 | (522,287) | 2,135,830 | 971,368 | 21,273 | 769,640 |
| (947,024) | (831,026) | (907,518) | (852,675) | (610,750) | (776,315) | (492,558) |
| (9,463) | (14,638) | (10,094) | (11,068) | (10,969) | (12,957) | (8,035) |
| (369) | (440) | (528) | (561) | (591) | (639) | (661) |
| \$ 1,366,516 | \$ 2,509,922 | \$ (679,049) | \$ 2,025,909 | \$ 1,038,762 | \$ (45,174) | \$ 962,580 |
| 19,266,318 | 16,756,396 | 17,435,445 | 15,409,536 | 14,370,774 | 14,415,948 | 13,453,368 |
| \$ 20,632,834 | \$ 19,266,318 | \$ 16,756,396 | \$ 17,435,445 | \$ 15,409,536 | \$ 14,370,774 | \$ 14,415,948 |
| \$ 1,849,360 | \$ 2,261,388 | \$ 4,132,230 | \$ 2,450,206 | \$ 3,647,891 | \$ 3,459,135 | \$ 2,333,197 |
| 91.77% | 89.50% | 80.22% | 87.68% | 80.86% | 80.60% | 86.07% |
| \$ 3,890,539 | \$ 3,468,650 | \$ 3,412,725 | \$ 3,415,048 | \$ 3,150,776 | \$ 3,091,735 | \$ 3,030,092 |
| 47.53% | 65.20% | 121.08% | 71.75% | 115.78% | 111.88% | 77.00% |

CITY OF BRIDGE CITY
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2024

| | 2024 | 2023 | 2022 |
|---|--------------|--------------|--------------|
| Actuarially Determined Contribution | \$ 814,903 | \$ 634,200 | \$ 533,077 |
| Contributions in Relation to the Actuarially Determined Contributions | 814,903 | 634,200 | 533,077 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 4,231,471 | \$ 3,883,238 | \$ 3,754,625 |
| Contributions as a Percentage of Covered Payroll | 19.26% | 16.33% | 14.20% |

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.

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|----|-----------|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ | 545,974 | \$ 576,701 | \$ 521,011 | \$ 492,973 | \$ 512,513 | \$ 470,128 | \$ 509,129 |
| | 545,974 | 576,701 | 521,011 | 492,973 | 512,513 | 470,128 | 509,129 |
| \$ | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ | 3,672,720 | \$ 3,815,498 | \$ 3,442,188 | \$ 3,230,938 | \$ 3,406,404 | \$ 3,087,050 | \$ 3,126,182 |
| | 14.87% | 15.11% | 15.14% | 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, 2024

| | FY 2024 Plan Year 2023 | FY 2023 Plan Year 2022 | FY 2022 Plan Year 2021 |
|--|---------------------------|---------------------------|---------------------------|
| Total OPEB Liability | | | |
| Service Cost | \$ 4,967 | \$ 10,058 | \$ 8,003 |
| Interest on the Total OPEB Liability | 8,991 | 5,846 | 5,952 |
| Changes of Benefit Terms | - | - | - |
| Difference between Expected and Actual Experience | 1,856 | 689 | 972 |
| Changes of Assumptions | 12,455 | (103,427) | 9,238 |
| Benefit Payments* | (7,259) | (5,416) | (4,729) |
| Net Change in Total OPEB Liability | 21,010 | (92,250) | 19,436 |
| Total OPEB Liability - Beginning | 223,142 | 315,392 | 295,956 |
| Total OPEB Liability - Ending | \$ 244,152 | \$ 223,142 | \$ 315,392 |
| Covered Payroll | \$ 3,820,508 | \$ 3,868,598 | \$ 3,637,596 |
| Total OPEB Liability as a Percentage of Covered Payroll | 6.39% | 5.77% | 8.67% |

*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.

| | FY 2021 Plan Year 2020 | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|----|---------------------------|---------------------------|---------------------------|---------------------------|
| \$ | 8,170 | \$ 5,203 | \$ 5,802 | \$ 5,123 |
| | 6,814 | 7,759 | 7,461 | 7,473 |
| | - | - | - | - |
| | 141 | (11,397) | (13,392) | - |
| | 38,312 | 37,798 | (13,794) | 16,652 |
| | (2,334) | (2,081) | (2,018) | (1,708) |
| | 51,103 | 37,282 | (15,971) | 27,540 |
| | 244,853 | 207,571 | 223,452 | 196,002 |
| \$ | 295,956 | \$ 244,853 | \$ 207,481 | \$ 223,542 |
| \$ | 3,890,539 | \$ 3,468,650 | \$ 3,412,725 | \$ 3,415,048 |
| | 7.61% | 7.06% | 6.08% | 6.55% |

COMBINING FUND STATEMENTS

CITY OF BRIDGE CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2024

| | Municipal Court Security | Street Maintenance | Child Safety | Gambling Forfeiture |
|-------------------------------------|--------------------------------|-----------------------|------------------|------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 88,446 | \$ 251,729 | \$ 33,158 | \$ 6,736 |
| Other Receivables | - | 42,314 | - | - |
| Total Assets | <u>\$ 88,446</u> | <u>\$ 294,043</u> | <u>\$ 33,158</u> | <u>\$ 6,736</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ 1,230 | \$ - | \$ - |
| Other Current Liabilities | - | - | - | 5,066 |
| Total Liabilities | <u>-</u> | <u>1,230</u> | <u>-</u> | <u>5,066</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| Capital Projects | - | - | - | - |
| Other Restricted Fund Balance | 88,446 | 292,813 | 33,158 | 1,670 |
| Total Fund Balances | <u>88,446</u> | <u>292,813</u> | <u>33,158</u> | <u>1,670</u> |
| Total Liabilities and Fund Balances | <u>\$ 88,446</u> | <u>\$ 294,043</u> | <u>\$ 33,158</u> | <u>\$ 6,736</u> |

| Municipal Court Technology | HMGP Drainage Grant | HMGP Winter Weather | Police Federal Seizure | Park Construction | Truancy | Police State Seizure | Opioid Abatement |
|----------------------------------|---------------------------|---------------------------|------------------------------|----------------------|------------------|----------------------------|---------------------|
| \$ 25,317 | \$ - | \$ - | \$ 1,370 | \$ 433 | \$ 39,628 | \$ 4,098 | \$ 30,368 |
| - | - | - | - | - | - | - | - |
| <u>\$ 25,317</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,370</u> | <u>\$ 433</u> | <u>\$ 39,628</u> | <u>\$ 4,098</u> | <u>\$ 30,368</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - | - | - |
| 25,317 | - | - | 1,370 | 433 | 39,628 | 4,098 | 30,368 |
| <u>25,317</u> | <u>-</u> | <u>-</u> | <u>1,370</u> | <u>433</u> | <u>39,628</u> | <u>4,098</u> | <u>30,368</u> |
| <u>\$ 25,317</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,370</u> | <u>\$ 433</u> | <u>\$ 39,628</u> | <u>\$ 4,098</u> | <u>\$ 30,368</u> |

CITY OF BRIDGE CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2024

| | Municipal Jury | CDBG Acquisitions Grant | Community Events/ Projects | Total Nonmajor Special Revenue Funds |
|-------------------------------------|-------------------|-------------------------------|----------------------------------|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 764 | \$ - | \$ 33,157 | \$ 515,204 |
| Other Receivables | - | - | - | 42,314 |
| Total Assets | <u>\$ 764</u> | <u>\$ -</u> | <u>\$ 33,157</u> | <u>\$ 557,518</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ 1,230 |
| Other Current Liabilities | - | - | - | 5,066 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,296</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| Capital Projects | - | - | - | - |
| Other Restricted Fund Balance | 764 | - | 33,157 | 551,222 |
| Total Fund Balances | <u>764</u> | <u>-</u> | <u>33,157</u> | <u>551,222</u> |
| Total Liabilities and Fund Balances | <u>\$ 764</u> | <u>\$ -</u> | <u>\$ 33,157</u> | <u>\$ 557,518</u> |

| Capital Projects Fund | Total Nonmajor Governmental Funds |
|-----------------------------|--|
| \$ 577,395 | \$ 1,092,599 |
| - | 42,314 |
| <u>\$ 577,395</u> | <u>\$ 1,134,913</u> |
| | |
| \$ - | \$ 1,230 |
| 10,395 | 15,461 |
| <u>10,395</u> | <u>16,691</u> |
| | |
| 567,000 | 567,000 |
| - | 551,222 |
| <u>567,000</u> | <u>1,118,222</u> |
| | |
| <u>\$ 577,395</u> | <u>\$ 1,134,913</u> |

CITY OF BRIDGE CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | Municipal Court Security | Street Maintenance | Child Safety | Gambling Forfeiture |
|---|--------------------------------|-----------------------|------------------|------------------------|
| REVENUES: | | | | |
| Intergovernmental Revenue and Grants | \$ - | \$ - | \$ - | \$ - |
| Charges for Services | 14,860 | 194,139 | - | - |
| Fines and Forfeitures | - | - | - | - |
| Investment Earnings | 162 | 421 | 60 | 50 |
| Contributions & Donations from Private | - | - | - | - |
| Other Revenue | - | - | 5,307 | 15,418 |
| Total Revenues | <u>15,022</u> | <u>194,560</u> | <u>5,367</u> | <u>15,468</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Court Administration | - | - | - | - |
| Police | - | - | - | 19,845 |
| Streets and Drainage | - | 166,203 | - | - |
| Total Expenditures | <u>-</u> | <u>166,203</u> | <u>-</u> | <u>19,845</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>15,022</u> | <u>28,357</u> | <u>5,367</u> | <u>(4,377)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 15,022 | 28,357 | 5,367 | (4,377) |
| Fund Balance - October 1 (Beginning) | <u>73,424</u> | <u>264,456</u> | <u>27,791</u> | <u>6,047</u> |
| Fund Balance - September 30 (Ending) | <u>\$ 88,446</u> | <u>\$ 292,813</u> | <u>\$ 33,158</u> | <u>\$ 1,670</u> |

| Municipal Court Technology | HMGP Drainage Grant | HMGP Winter Weather | Police Federal Seizure | Park Construction | Truancy | Police State Seizure | Opioid Abatement |
|----------------------------------|---------------------------|---------------------------|------------------------------|----------------------|------------------|----------------------------|---------------------|
| \$ - | \$ 111,800 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 12,100 | - | - |
| 55 | - | - | 17 | 1 | 67 | 40 | 55 |
| - | - | - | - | - | - | - | - |
| 30,150 | - | - | - | - | - | - | 4,932 |
| <u>30,205</u> | <u>111,800</u> | <u>-</u> | <u>17</u> | <u>1</u> | <u>12,167</u> | <u>40</u> | <u>4,987</u> |
| 39,230 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 7,938 | - | - | 17,790 | - |
| - | 2,010 | - | - | - | - | - | - |
| <u>39,230</u> | <u>2,010</u> | <u>-</u> | <u>7,938</u> | <u>-</u> | <u>-</u> | <u>17,790</u> | <u>-</u> |
| <u>(9,025)</u> | <u>109,790</u> | <u>-</u> | <u>(7,921)</u> | <u>1</u> | <u>12,167</u> | <u>(17,750)</u> | <u>4,987</u> |
| - | 402 | - | - | - | - | - | - |
| - | (110,192) | (1) | - | - | - | - | - |
| - | (109,790) | (1) | - | - | - | - | - |
| <u>(9,025)</u> | <u>-</u> | <u>(1)</u> | <u>(7,921)</u> | <u>1</u> | <u>12,167</u> | <u>(17,750)</u> | <u>4,987</u> |
| <u>34,342</u> | <u>-</u> | <u>1</u> | <u>9,291</u> | <u>432</u> | <u>27,461</u> | <u>21,848</u> | <u>25,381</u> |
| <u>\$ 25,317</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,370</u> | <u>\$ 433</u> | <u>\$ 39,628</u> | <u>\$ 4,098</u> | <u>\$ 30,368</u> |

CITY OF BRIDGE CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | Municipal Jury | CDBG Acquisitions Grant | Community Events/ Projects | Total Nonmajor Special Revenue Funds |
|--|-------------------|-------------------------------|----------------------------------|---|
| REVENUES: | | | | |
| Intergovernmental Revenue and Grants | \$ - | \$ 1,850 | \$ - | \$ 113,650 |
| Charges for Services | - | - | - | 208,999 |
| Fines and Forfeitures | - | - | - | 12,100 |
| Investment Earnings | 1 | - | 11 | 940 |
| Contributions & Donations from Private | - | - | 18,950 | 18,950 |
| Other Revenue | 218 | - | 14,196 | 70,221 |
| Total Revenues | <u>219</u> | <u>1,850</u> | <u>33,157</u> | <u>424,860</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Court | - | - | - | 39,230 |
| Administration | - | 1,850 | - | 1,850 |
| Police | - | - | - | 45,573 |
| Streets and Drainage | - | - | - | 168,213 |
| Total Expenditures | <u>-</u> | <u>1,850</u> | <u>-</u> | <u>254,866</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>219</u> | <u>-</u> | <u>33,157</u> | <u>169,994</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | - | - | - | 402 |
| Transfers Out | - | - | - | (110,193) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(109,791)</u> |
| Net Change in Fund Balance | 219 | - | 33,157 | 60,203 |
| Fund Balance - October 1 (Beginning) | <u>545</u> | <u>-</u> | <u>-</u> | <u>491,019</u> |
| Fund Balance - September 30 (Ending) | <u>\$ 764</u> | <u>\$ -</u> | <u>\$ 33,157</u> | <u>\$ 551,222</u> |

| Capital Projects Fund | Total Nonmajor Governmental Funds |
|-----------------------------|--|
| \$ - | \$ 113,650 |
| - | 208,999 |
| - | 12,100 |
| 1,257 | 2,197 |
| - | 18,950 |
| 22,874 | 93,095 |
| <u>24,131</u> | <u>448,991</u> |
| - | 39,230 |
| - | 1,850 |
| - | 45,573 |
| 117,566 | 285,779 |
| <u>117,566</u> | <u>372,432</u> |
| <u>(93,435)</u> | <u>76,559</u> |
| - | 402 |
| - | (110,193) |
| - | (109,791) |
| (93,435) | (33,232) |
| <u>660,435</u> | <u>1,151,454</u> |
| <u>\$ 567,000</u> | <u>\$ 1,118,222</u> |

FEDERAL SECTION



keri michutka
CERTIFIED- PUBLIC ACCOUNTANT

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

Mayor and City Council
City of Bridge City, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bridge City, Texas, as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 10, 2025.

Report of 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 the 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 then- 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.

Report on Compliance and Other Matters

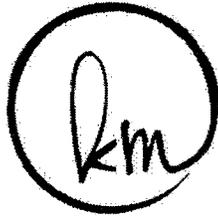
As part of obtaining reasonable assurance about whether the City of Bridge City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

Purpose of this Report

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

A handwritten signature in black ink, appearing to be 'K. M. F.', written in a cursive style.

Bridge City, Texas
January 10, 2025



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

Opinion on Each Major Federal Program

We have audited the City of Bridge City's compliance with the types of compliance requirements identified as subject to audit 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, 2024. 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.

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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Bridge City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Bridge City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Bridge City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Bridge City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*,

and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Bridge City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Bridge City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.


Bridge City, Texas
January 10, 2025

CITY OF BRIDGE CITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

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 | FAL 14.228 CDBG-DR Hurricane Harvey – Infrastructure Grant FAL 21.027 Covid-19 – Coronavirus Relief Fund |
| 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, 2024

No prior findings.

CITY OF BRIDGE CITY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2024

No corrective action is necessary for the City during the year ended September 30, 2024.

CITY OF BRIDGE CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Federal Grantor/Pass-Through: | Federal Assistance Listing No. | Federal Expenditures |
|--|--------------------------------------|-------------------------|
| U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT | | |
| <u>Passed through Texas General Land Office</u> | | |
| CDBG Disaster Recovery Program - Hurricane Harvey - Acquisitions | 14.228 | \$ 1,850 |
| CDBG Disaster Recovery Program - Hurricane Harvey - Infrastructure | 14.228 | 899,843 |
| Subtotal FAL 14.228 | | <u>901,693</u> |
| Total Passed through Texas General Land Office | | <u>901,693</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT | | <u>901,693</u> |
| U.S. DEPARTMENT OF JUSTICE | | |
| <u>Direct Grants</u> | | |
| The Patrick Leahy Bulletproof Vest Partnership Program | 16.607 | 4,786 |
| Total Direct Grants | | <u>4,786</u> |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | <u>4,786</u> |
| U.S. DEPARTMENT OF THE TREASURY | | |
| <u>Passed through Texas Division of Emergency Management</u> | | |
| Covid-19 - Coronavirus Relief Fund | 21.027 | 588,225 |
| Total Passed through Texas Division of Emergency Management | | <u>588,225</u> |
| TOTAL U.S. DEPARTMENT OF THE TREASURY | | <u>588,225</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | |
| <u>Passed through Texas Division of Emergency Management</u> | | |
| Disaster Grant - Public Assistance - Hurricane Harvey | 97.036 | 89,377 |
| Hazard Mitigation Grant - Drainage | 97.039 | 111,800 |
| Total Passed through Texas Division of Emergency Management | | <u>201,177</u> |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | <u>201,177</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u>\$ 1,695,881</u> |

CITY OF BRIDGE CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2024

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.