

City of Bridgeport
Texas



Fiscal Year
October 1, 2008 – September 30, 2009

CITY OF BRIDGEPORT

**Comprehensive Annual Financial Report
For year ended September 30, 2009**

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City of Bridgeport

January 5, 2010

The City Council and the Citizens of the City of Bridgeport

State law requires that all general-purposed local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement, the Mayor and staff are pleased to submit the Basic Financial Statements for the City of Bridgeport, Texas for the fiscal year ended September 30, 2009.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making representations, the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Auldrige Griffin P.C., Independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2009, are free from material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

Profile of the City

The City was incorporated in 1913. The City occupies approximately five (5) square miles and serves a population of about 5,700. The City is empowered by state statute to levy a tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate city limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City operates under the mayor-council form of government. Policy-making and legislative authority are vested in a governing Council consisting of the Mayor and five (5) Council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Administrator, City Attorney, and Municipal Judge. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and appointing head of various departments. The Mayor and City Council members serve two (2) year staggered terms. The Council is elected on a non-partisan basis and the Mayor is elected at large.

The City of Bridgeport also is financially accountable for a legally separate economic development corporation, which is a discretely reported component unit within the City of Bridgeport's financial statements. Additional information this legally separate entity can be found in the notes to the financial statements (See Note I).

Services Provided. The City provides a full range of services, including public safety (police, fire, and municipal court), maintenance of streets and infrastructure, sanitation services, maintenance of the treated water distribution system and both sanitary and storm water collection, and electrical distribution, recreational and cultural activities, and airport facility maintenance as well as general administrative services.

Economic Conditions and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader of the specific environment within which the City operates.

Local economy. The City of Bridgeport has and is still experiencing steady population growth. The City's population increased from 4,827 (adjusted census count) in 2000 to an estimated 5,700 in 2008.

The following facts reflect Bridgeport's economic condition and outlook:

Property valuations increased by about \$35 million in 2009 to \$330 million. Residential and commercial activity continues to be strong. Although the overall U.S. economy is in an economic crisis, developmental activity has continued to exist within the City. Most of the new construction is commercial which in turn will stimulate an increase in jobs within our community.

The property tax rate remained the same as in 2008 at \$0.5875.

In March 2009, sales tax collections began to decline over the prior year due to the general economic downturn.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control

should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Bridgeport's financial planning and control. The Mayor, as the Budget Officer, is responsible for the development of an annual budget. The City Administrator and the accounting staff coordinate the process. Activities of the general fund, debt service funds, and proprietary funds are included in the annual appropriated budget. The City Administrator is authorized to transfer budgeted amounts between line items and departments within any fund; however any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the department level. Financial reports are produced throughout the year showing budget and actual expenditures by line item, and are distributed monthly to the departmental management and to others upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled item by item. Revenue budgets are reviewed monthly.

Budget-to-actual comparisons are provided in the report for the general fund, special revenue funds, and the debt service fund on pages 28 & 74-83.

Debt Management. The City has been funding its capital program from issuance of certificates of obligations and grants.

Cash Management. The City utilizes its bank depository contract and its investment policy in the management of all cash. Under the bank depository contract, the City operating account earns the bank's public fund interest rate. The City's investment policy embraces current state regulations on the investment of public funds and authorizes the City to invest in certificates of deposits from the bank depository, direct obligations of the United States Government, obligations of an agency of the United States Government and local government investment pools. The City requires that all deposits be collateralized with securities held in joint accounts at First State Bank of Bridgeport. Collateral is monitored monthly to ensure that the market value of the pledged securities equals or exceeds the related deposit or investment balance. Investments are always executed on the delivery-versus-payment method. That is, funds are not wired or paid until verification has been made that the correct security has been received. Securities are held on behalf of the City by the City's agent. All collateral shall be subject to verification and audit by the Director of Financial Services and the City's independent auditors.

Tax Appraisal/Collection Responsibilities. Under Texas law enacted in 1979, and subsequent revisions of the State Property Tax Code, the appraised value of taxable property in Bridgeport is established by the Wise County Appraisal District. The City of Bridgeport and other taxing jurisdictions in Wise County provide a pro rata share of the budgeted expenditures incurred by the Appraisal District, based on individual levy. The Wise County Tax Assessor-Collector provides tax collection services for the City and other taxing jurisdictions in Wise County.

Risk Management. Risk management within the City is a joint effort of all City department heads in coordination with the City's property and casualty insurance provider. Under a contractual arrangement, the City's facilities, procedures and claims are reviewed and evaluated by the loss prevention

representative with the insurance provider. The representative and department heads address areas of needs as identified through both external and internal analysis.

The minimizing of risk is addressed through employee training in the form of training films, safety courses and on-site instruction.

The City purchases liability insurance totaling \$14,882,721 for all exposures. The City also purchases workers' compensation coverage through Texas Municipal League/Risk Pool.

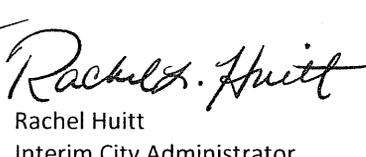
Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the City and its consultants. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Donald C. Majka
Mayor

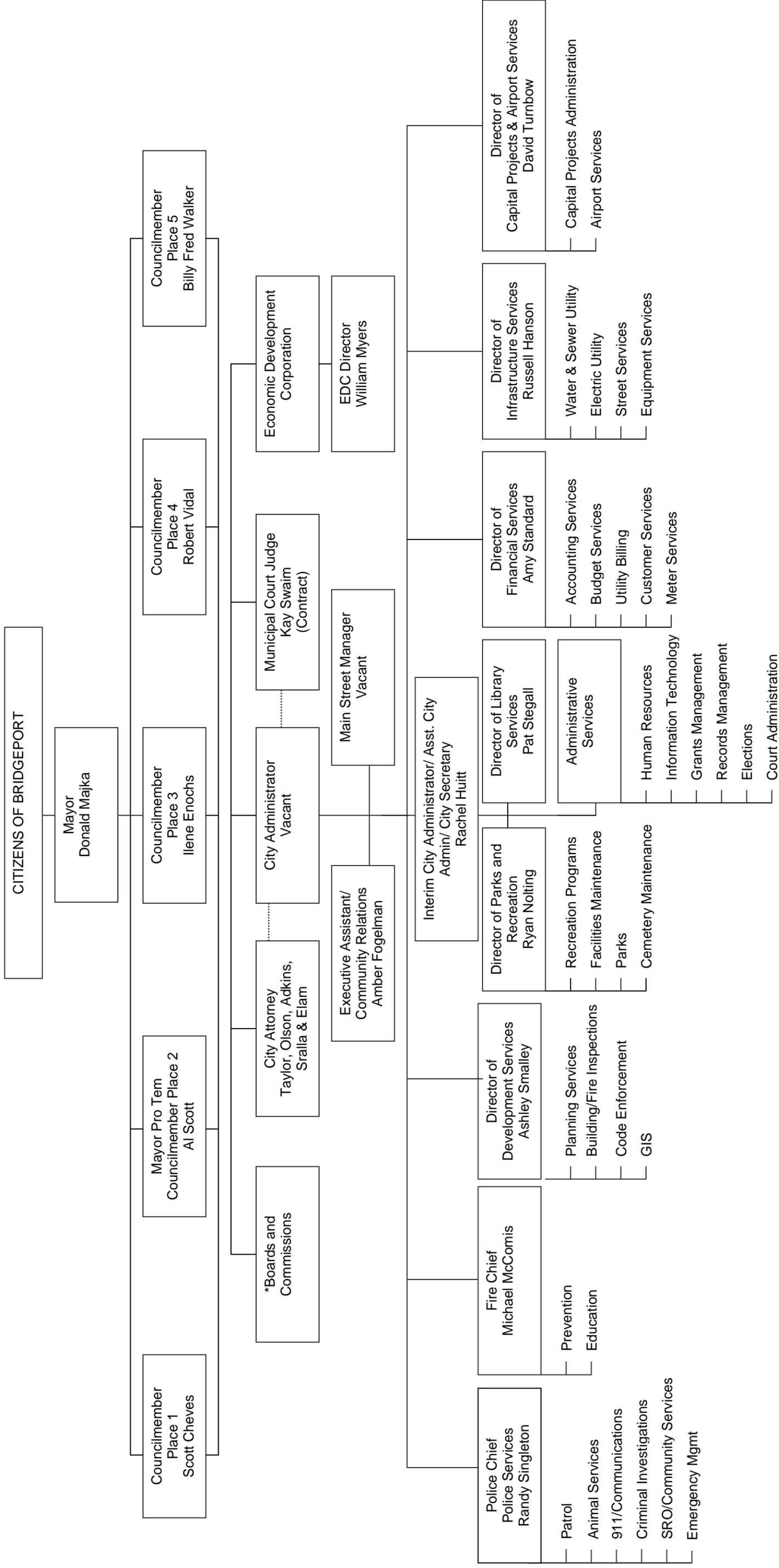


Rachel Huitt
Interim City Administrator



Amy Standard
Director of Financial Services

City of Bridgeport Organizational Chart



*Airport Board, Cemetery Board, Cultural Arts Board, Main Street Board, Housing Authority Board, Library Board, Parks Board, Planning & Zoning Commission, Stagecoach Committee

CITY OF BRIDGEPORT

LIST OF ELECTED AND APPOINTED OFFICIALS

YEAR ENDED SEPTEMBER 30, 2009

The City Council of Bridgeport, Texas

Donald Majka, Mayor
1001 Krista Drive
Bridgeport, Texas 76426

Billy Fred Walker, Council Member
P. O. Box 1031
Bridgeport, Texas 76426

Robert Vidal, Council Member
1706 Halsell
Bridgeport, Texas 76426

Scott Cheves, Council Member
1728 Boston Avenue
Bridgeport, Texas 76426

Al Scott, Council Member and Mayor Pro-tem
P.O. Box 503
Bridgeport, Texas 76426

Ilene R. Enochs, Council Member
21 Robin Hood Lane
Bridgeport, TX 76426

Appointed Officials

Vacant, City Administrator

Rachel Huitt, Interim City Administrator/
Assist. City Administrator/City Secretary
900 Thompson Street
Bridgeport, Texas 76426

David Turnbow, Director of Capital Projects
900 Thompson Street
Bridgeport, Texas 76426

William Myers, EDC Director
900 Thompson Street
Bridgeport, Texas 76426

Randy Singleton, Chief of Police
900 Thompson Street
Bridgeport, Texas 76426

Amy Standard, Dir. of Financial Services
900 Thompson Street
Bridgeport, Texas 76426

Ashley Smalley, Dir. of Devel. Svc
900 Thompson Street
Bridgeport, Texas 76426

Ryan Nolting, Dir. of Parks & Recreation
900 Thompson Street
Bridgeport, Texas 76426

Kay Swain, Municipal Judge
900 Thompson Street
Bridgeport, Texas 76426

Russell Hanson, Director of Infrastructure
900 Thompson Street
Bridgeport, Texas 76426

Amber Fogelman, Executive Assistant
900 Thompson Street
Bridgeport, Texas 76426

FINANCIAL SECTION

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Jack L. Auldridge, Jr., CPA
Michael W. Griffin, CPA
W.L. "Woody" Mathews, Jr., CPA
Kenneth L. von Tungen, CPA
Keith A. Hollar, CPA

Michael D. Dunlap, CPA
Karen O. Thompson, CPA
Kenneth W. Sanders, CPA

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Bridgeport, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bridgeport (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bridgeport as of September 30, 2009, and the respective changes in financial position and cash flows thereof, where applicable, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 7 through 15, and the schedules on pages 67 through 87, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Bridgeport's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all immaterial respects, in relation to the basic financial statements taken as a whole.

Auldridge Griffin, P.C.

Fort Worth, Texas
January 5, 2010

Management's Discussion & Analysis (MD&A)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Bridgeport's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total combined net assets were \$11,130,715 at September 30, 2009. Of this amount, \$9,559,451 (restricted net assets) is restricted to capital projects, debt retirement, municipal court technology and security, loan guaranty agreement, and invested in capital assets, net of related debt.
- The City's total net assets decreased by \$1,104,090. This is due primarily to certain capital projects that were completed in fiscal year 2009.
- As of the close of the current fiscal year, the City of Bridgeport's governmental funds reported combined ending fund balances of \$2,760,730, a decrease of 42% in comparison with the prior year's fund balance. Approximately 78% (\$2,144,730) of this total combined fund balance is available for spending at the government's discretion (unreserved fund balance). Some of these unreserved fund balances must be spent for legally designated purposes and others are required by the governing body to be held as a required or targeted reserve level.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,015,798 which is a decrease of 51% from prior year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Bridgeport's basic financial statements. The City's basic financial statements are comprised of 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 themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Bridgeport that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, development services, and culture and recreation. The business-type activities of the City include water and sewer, electric, municipal airport, and grant activities.

The government-wide financial statements include not only the City of Bridgeport itself (known as primary government), but also include the Bridgeport Economic Development Corporation which is legally separate but

financially accountable to the City. A discrete presentation has been used to report the financial information of this component unit. The financial information for the individual component unit is available from the City.

The government-wide financial statements can be found on pages 17 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. The City of Bridgeport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: [1] governmental funds, [2] proprietary funds, and an [3] internal service fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader 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 10 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 General, Capital Projects, and Debt Service, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregate 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 and debt service fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budgets. Budgetary comparison schedules for the non major governmental funds are provided in the combining statements section.

The basic governmental fund financial statements can be found on pages 22 of this report.

Proprietary Funds. The City maintains four major different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, electric, municipal airport and grant activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet management, facilities management, and information technology. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer, electric, municipal airport, and grant, all of which are considered to be major funds of the City. The internal service fund is a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 29 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 36 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Bridgeport's progress in funding its

obligation to provide pension benefits to its employees. Required supplementary information can be found on page 67 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 70-72 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of September 30, 2009, the City of Bridgeport's assets exceeded liabilities by \$11,130,715.

The largest portion of the City's net assets (73%) reflects its investment in capital (e.g., land, building, equipment, improvements, construction in progress, and infrastructure); less any related debt used to acquire those assets that are still outstanding. 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.

City of Bridgeport's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 3,624,286	\$ 6,435,675	\$ 4,132,909	\$ 6,951,019	\$ 7,757,195	\$ 13,386,694
Capital assets, net of accumulated depreciation	12,018,199	11,214,930	12,469,598	10,573,416	24,487,797	21,788,346
Total assets	15,642,486	17,650,605	16,602,510	17,524,435	32,244,993	35,175,040
Long-term liabilities outstanding	11,598,360	12,423,651	7,918,193	8,098,471	19,516,553	20,522,122
Other liabilities	617,433	1,636,251	980,186	781,864	1,597,619	2,418,115
Total liabilities	12,215,793	14,059,902	8,898,379	8,880,335	21,114,172	22,940,237
Net assets						
Invested in capital assets, net of related debt	999,567	924,681	7,194,689	7,810,909	8,194,256	8,735,590
Restricted net assets:						
Capital projects	796,111	367,353	-	-	796,111	367,353
Debt retirement	148,301	119,153	189,915	215,592	338,216	334,745
Loan guaranty agreement	116,000	60,000	-	-	116,000	60,000
Special purpose	114,868	60,443	-	-	114,868	60,443
Unrestricted	1,251,735	2,059,073	319,527	617,600	1,571,262	2,676,673
Total net assets	\$ 3,426,583	\$ 3,590,703	\$ 7,704,132	\$ 8,644,101	\$ 11,130,715	\$ 12,234,804

An additional portion of the City's net assets (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,571,262) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2009, the City is able to report positive balances in all three major categories of net assets, for the government as a whole, as well as for its separate government and business-type activities. The same situation held true for the prior fiscal year.

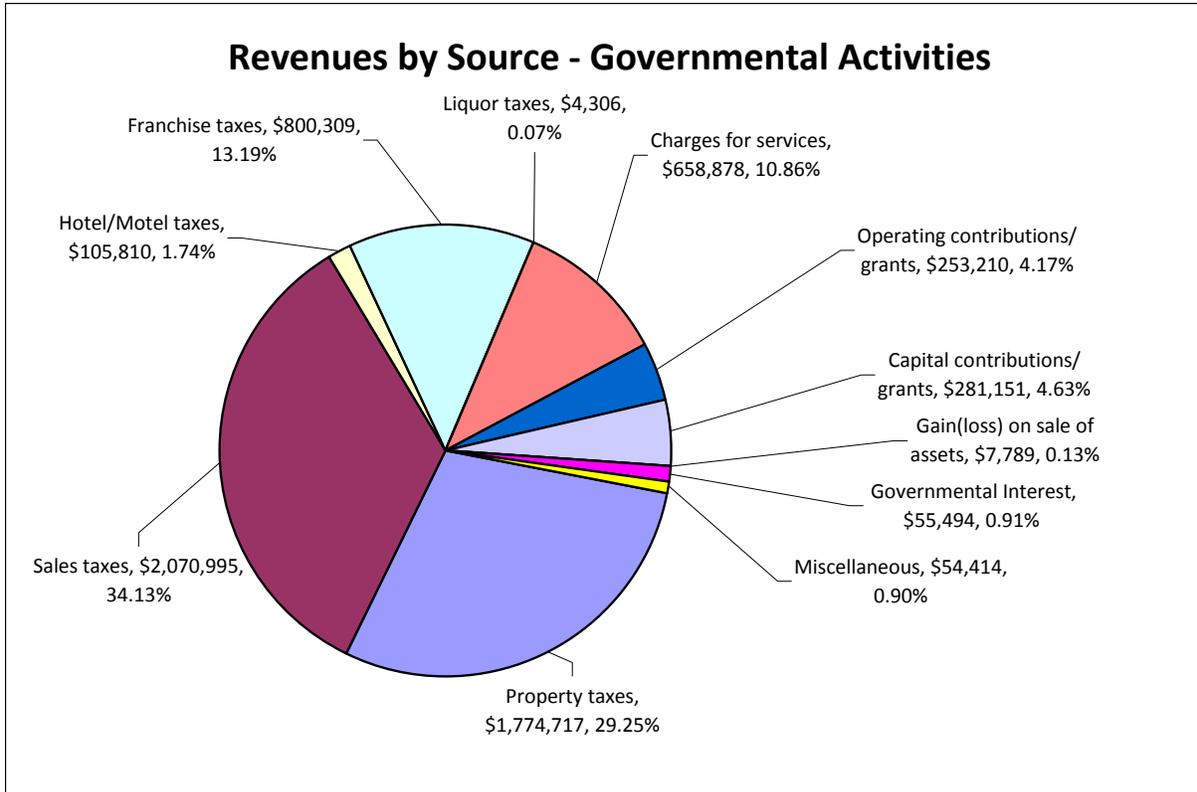
Overall, there was a decrease of \$1,104,090 in total net assets during the fiscal year as mentioned above. This is due to expenses exceeding revenues. Specifically, governmental activities experienced reduced revenues due to the economic recession which caused our sales tax to significantly decline. The governmental activities also completed a number of capital projects which reduced the City's cash and investment balances. The electric portion of the business-type activities had slight revenue increases over the previous year's revenues while net expenses increased 29%.

Governmental activities. Governmental activities decreased the City's net assets by \$164,121 thereby accounting for 15% of the decline in the City's total net assets. Key elements of this decrease are as follows:

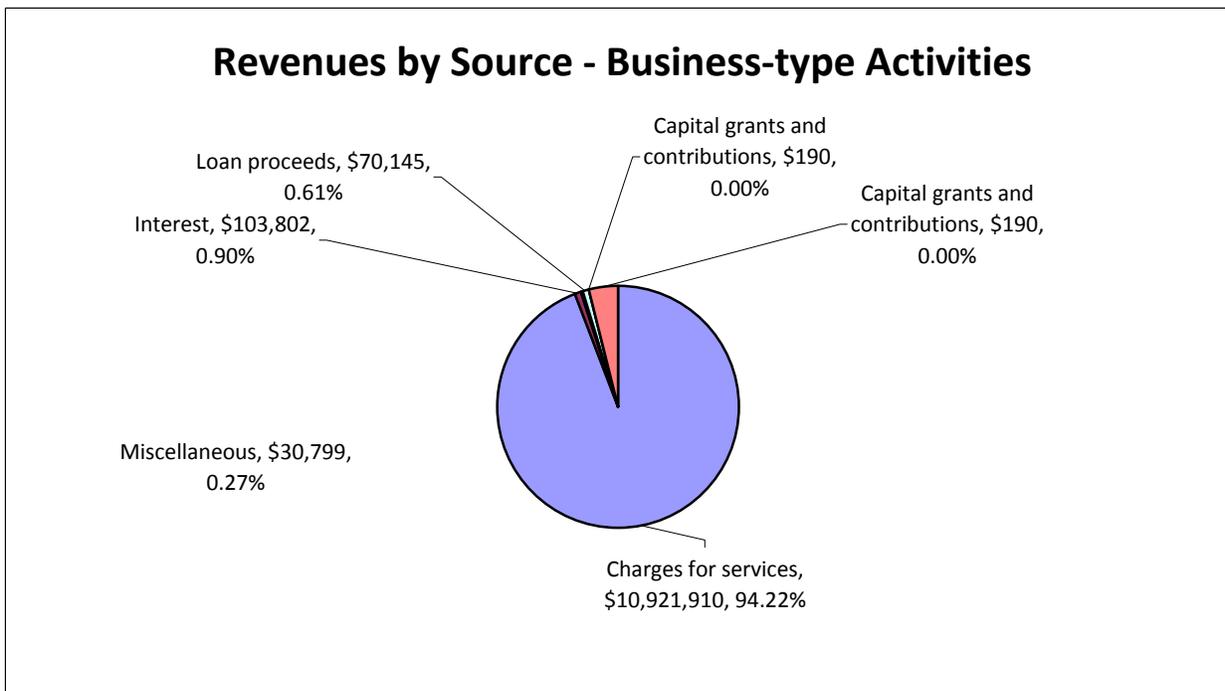
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues						
Charges for services	\$ 658,878	\$ 650,654	\$ 10,921,910	\$ 10,060,837	\$ 11,580,788	\$ 10,711,491
Operating grants and contributions	253,210	152,885	464,887	101,000	718,097	253,885
Capital grants and contributions	281,151	-	190	-	281,341	-
General revenues						
Property taxes	1,774,717	1,578,277	-	-	1,774,717	1,578,277
Sales taxes	2,070,995	3,202,090	-	-	2,070,995	3,202,090
Hotel/ motel taxes	105,810	104,202	-	-	105,810	104,202
Franchise taxes	800,309	704,202	-	3,189	800,309	707,391
Liquor taxes	4,306	770	-	-	4,306	770
Interest	55,494	157,270	103,802	162,365	159,296	319,635
Gain (loss) on disposal of assets	7,789	5,516	-	-	7,789	5,516
Miscellaneous	54,415	85,869	30,799	9,430	85,214	95,299
Loan proceeds	-	-	70,145	-	70,145	-
Total revenues	6,067,074	6,641,735	11,591,733	10,336,821	17,658,806	16,978,555
Expenses:						
General government	2,165,155	1,263,181	-	-	2,165,155	1,263,181
Public safety	2,332,527	2,127,564	-	-	2,332,527	2,127,564
Development services	321,541	409,644	-	-	321,541	409,644
Culture and recreation	503,338	692,012	-	-	503,338	692,012
Highways and streets	908,304	1,362,797	-	-	908,304	1,362,797
Facility services	3,836	3,516	-	-	3,836	3,516
City maintenance	775,899	511,480	-	-	775,899	511,480
Interest expense	522,321	839,514	-	-	522,321	839,514
Water and sewer utilities	-	-	2,621,514	2,779,791	2,621,514	2,779,791
Electric utilities	-	-	8,147,736	6,338,410	8,147,736	6,338,410
Municipal airport	-	-	582,433	645,098	582,433	645,098
Grant	-	-	123,512	14,605	123,512	14,605
Total expenses	7,532,921	7,209,710	11,475,195	9,777,903	19,008,117	16,987,613
Increase (decrease) in net assets before transfers	(1,465,847)	(567,975)	116,538	558,918	(1,349,311)	(9,058)
Net transfers	1,170,235	1,173,938	(1,111,980)	(1,132,320)	58,255	41,618
Increase (decrease) in net assets	(295,612)	605,964	(995,442)	(573,403)	(1,291,054)	32,560
Net assets - beginning	3,590,704	3,257,948	8,644,101	9,247,504	12,234,805	12,505,452
Prior period adjustment -(note 13)	131,491	(273,208)	55,473	(30,000)	186,964	(303,208)
Net assets - ending	\$ 3,426,583	\$ 3,590,704	\$ 7,704,132	\$ 8,644,101	\$ 11,130,715	\$ 12,234,805

- Property taxes revenue increased by \$196,440 (12%) during the year while the tax rate remained the same at \$0.5875 per \$100 valuation. Most of this increase is the product of an increase in our total certified appraisal roll of approximately 12%.
- Sales tax revenue decreased by \$1,131,095 (35%) during the year. The decrease is primarily due to the economic recession during the fiscal year.



Business-type activities. Business-type activities decreased the City's net assets by \$939,969, accounting for the other 85% of the total decline in net assets of the City of Bridgeport.



A significant portion of the City's revenue comes from charges for services, 66% electric; 24% water and sewer; and less than 5% municipal airport, 4% comes from operating grants and contributions, and less than 1% comes from franchise taxes, interest earnings, loan proceeds, capital grants and contributions, and miscellaneous sources.

- Charges for services increased by \$861,073 (9%) due to the warm weather in the summer months and a slight increase in our electric rates to try and recover additional revenue to cover costs for service. There was a 29% increase in our electric expenses which is primarily due to the extreme heat in the summer months which means the air conditioners operated more frequently and more electricity was used.

Financial Analysis of the Government's Funds

As noted earlier, the City of Bridgeport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Bridgeport'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 of Bridgeport's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Bridgeport's governmental funds reported combined ending fund balance of \$2,760,730 which is a decrease of 42% in comparison with the prior year. Approximately 78% constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated, indicating that it is not available for new spending because it has already been 1) committed to pay for specific capital improvements (\$500,000); and 2) reserved for loan guaranty agreement (\$116,000).

The general fund is the chief operating fund of the City. The City of Bridgeport budgeted and planned for a decrease in fund balance for fiscal year 2008-09 of \$931,269 for the general fund, but since we did not make our budgeted revenues in sales tax we used \$1,137,555 of fund balance.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the respective proprietary funds were water and sewer – \$114,490; electric - \$233,232; municipal airport – (\$22,302); and grant – (\$5,893). The water and sewer fund and municipal airport had increases in unrestricted net assets of \$546,064 and \$13,683, respectively; while the electric fund and grant fund had decreases in unrestricted net assets of \$765,350 and \$92,470, respectively.

General Fund Budgetary Highlights

The City Council experienced several major budget adjustments during the year. The revisions included appropriations to reorganize the infrastructure services department and to create the capital projects administration department by moving the existing director of infrastructure to the director of capital projects and promoting the existing assistant director of infrastructure to the director position. The amendment moved the monies from the water and sewer fund to the general fund for salary expenses not spent as of the reorganization date. Another revision includes appropriating the monies received from the Rene Bates auction to improve the firing range for the police department. Two other revisions included appropriating monies to pay the interest payments on the North Texas Community Hospital (formerly Doctor's Hospital) line of credit with Compass Bank and to appropriate monies to inspect each of the awnings on Halsell Street for safety concerns.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009 amounted to \$24,487,806 (net of accumulated depreciation). This investment in capital assets includes land and improvements, intangible assets, property, plant, and equipment, system improvements, tools, and devices, office furniture and equipment, transportation equipment. The total increase in the City's capital asset investment for the current fiscal year was \$2,699,459 (net of accumulated depreciation). This was comprised of a 7% increase for governmental activities and a 15% increase for business-type activities.

Major capital asset events during the current fiscal year included the following:

- The purchase new budget software and new software for use at the library.
- The purchase of additional land to be used for the 13th Street realignment. The realignment phase is not scheduled to begin until fiscal 2011-2012.
- A new 911 voice recorder purchased with grant money received from NCTCOG.
- The completion of the Bridgeport Visitor Center and Community Center renovations.
- The lease purchase of a new Tahoe for police patrol.
- Improvements to the firing range began with monies from the Rene Bates auction.
- The purchase of a house to be demolished on Carpenter Street for future expansion of the municipal complex and/or additional parkland.
- The design phase of the new central fire station began this fiscal year and construction is to begin in fiscal 2011-2012.
- The completion of the gate house at the ATV park which was funded with grant money received from Texas Parks and Wildlife.
- The completion of a drainage study for the westside of Bridgeport.
- Construction of Energy Way began and is expected to finish in fiscal 2009-2010.
- The EDC completed the parking lot for use by downtown customers and customers of the Bridgeport Stage.
- The acquisition of a new building to be utilized by the EDC for office space.
- The purchase of a new website design for the EDC.
- The construction of a new waterline on FM1658 and SH114.
- The construction of a new sewer trunk main along Dry Creek in Bridgeport. This project is funded by the Texas Water Development Board and is expected to be completed in fiscal 2009-2010.
- The completion of a flood study along Turkey Creek prepared by Baird Hampton & Brown.
- The acquisition of a new digger truck for the electric distribution department and a new small pickup for use by the utility billing division.
- Additional electrical system improvements including new electric lines, repairs to the existing electric system and new underground electricity.
- Investments in the City's continual street improvement program.

CITY OF BRIDGEPORT CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Construction in progress	\$ 431,185	\$ 961,518	\$ 1,390,071	\$ 179,648	\$ 1,821,256	\$ 1,141,166
Land improvements	490,072	429,406	1,331,859	1,212,096	1,821,931	1,641,502
Property, plant and equipment	6,474,439	4,386,544	398,361	402,112	6,872,800	4,788,656
System Improvements	2,995,417	3,732,110	8,304,609	8,395,548	11,300,026	12,127,658
Machinery and equipment	47,530	66,514	221,246	163,307	268,776	229,821
Office furniture and equipment	176,478	208,669	820	896	177,298	209,565
Transportation equipment	1,322,333	1,430,169	321,479	191,719	1,643,812	1,621,888
Other	80,751	-	501,156	28,091	581,907	28,091
Total	\$ 12,018,200	\$ 11,214,931	\$ 12,469,601	\$ 10,573,415	\$ 24,487,806	\$ 21,788,347

Additional information on the City's capital assets can be found in note 6 to the City's audited financial statements.

Long-term debt. At year-end the City had \$19,516,552 in total long-term debt outstanding.

City's Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Bonds payable	\$ 10,871,522	\$ 11,399,252	\$ 6,873,478	\$ 7,310,748	\$ 17,745,000	\$ 18,710,000
Notes payable	479,451	656,428	784,020	692,000	1,263,471	1,348,428
Capital leases payable	95,000	246,214	219,233	56,838	314,233	303,052
Compensated absences	152,387	121,757	41,461	38,885	193,848	160,642
Total long-term debt	\$ 11,598,360	\$ 12,423,651	\$ 7,918,193	\$ 8,098,471	\$ 19,516,552	\$ 20,522,122

During the current fiscal year the City's total debt decreased by \$1,005,570. The change is primarily due to additional lease purchases of vehicles for different city divisions, and the increase in our compensated absences, partially offset by regularly scheduled annual principal payments.

Additional information on the City's long-term debt can be found in note 7 to the City's audited financial statements.

Economic Factors and Next Year's Budgets and Rates

The City of Bridgeport's tax rate has remained the same since 2006 at \$0.5875 per \$100 valuation. The City has seen a significant decrease in our sales tax from the 2008 fiscal year. Bridgeport has a heavy oil industry population, and when the Barnett Shale work was completed or postponed it caused many of the businesses to relocate away from the City. In turn, this caused the decrease in our sales tax revenue. Bridgeport has also been hit like all other communities with the downturn in the employment. Many businesses are laying employees off due to the lack of work for them.

Expenses are expected to remain the same in fiscal year 2009-2010 due to the unknown economic state. As the overall economy faces a recession we will budget conservatively to remain serving the citizens with the same quality of life as now.

In January 2009, the City increased electric rates due to the recent cost of service study prepared by McCord Engineering. The major changes in our electric rates consist of the elimination of the winter/summer rates and volume rates. The new rate structure consists of an energy rate, base rate, power cost adjustment rate, and for

commercial customers a demand rate. In October 2009, the City Council approved an amendment to the commercial rate structure which consisted of removing the cost difference between single phase and three phase wiring. The service charge, also known as minimum bill, will be the same for all commercial rate classes no matter what type of wiring is at the location. The amendment also created a new industrial class for the commercial customers that have volume greater than 100 kilowatts.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Bridgeport's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Attn: Director of Financial Services, at 900 Thompson Street, Bridgeport, Texas 76426, call (940) 683-3405, or e-mail astandard@cityofbridgeport.net.

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Basic Financial Statements

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City of Bridgeport, Texas
Statement of Net Assets
September 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bridgeport EDC
ASSETS				
Cash and cash equivalents	\$ 1,586,674	\$ 482,809	\$ 2,069,483	\$ 1,864,891
Investments	-	115,284	115,285	-
Accounts receivable, net:				
Property taxes	65,798	-	65,798	-
Sales taxes	195,171	-	195,171	97,586
Interest	339	-	339	-
Utility accounts	142,650	1,864,827	2,007,477	-
Advance to component unit	500,000	-	500,000	-
Internal balances	939,188	(983,725)	(44,538)	44,538
Inventories	37,692	172,847	210,539	-
Prepaid items	1,280	-	1,280	-
Restricted assets:				
Cash and cash equivalents	-	1,909,727	1,909,727	-
Investments	-	372,433	372,433	-
Deferred charges	155,383	198,709	354,093	-
Capital assets not being depreciated:				
Land and improvements	-	-	-	2,877,067
Construction in progress	431,185	1,390,071	1,821,256	71,940
Capital assets:				
Land improvements	510,752	1,350,043	1,860,796	-
Property, plant and equipment	7,372,980	500,855	7,873,836	371,367
System improvements	11,154,794	17,910,882	29,065,676	108,413
Machinery and equipment	217,465	704,155	921,620	-
Office furniture and equipment	472,689	230,800	703,489	16,000
Transportation equipment	2,722,754	875,074	3,597,828	-
Other	80,751	504,448	585,199	42,920
Less - accumulated depreciation	(10,945,170)	(10,996,730)	(21,941,900)	(38,777)
Total assets	<u>15,642,376</u>	<u>16,602,512</u>	<u>32,244,889</u>	<u>5,455,943</u>
LIABILITIES				
Accounts payable	260,363	611,133	871,496	1,722
Accrued liabilities	265,381	57,626	323,007	5,707
Taxes payable	-	4,310	4,310	-
Deposits	1,606	261,001	262,607	-
Accrued interest payable	58,586	46,115	104,701	1,231
Unearned revenue	31,498	-	31,498	-
Advance from primary government	-	-	-	500,000
Noncurrent liabilities:				
Due within one year	706,775	573,400	1,280,175	192,824
Due in more than one year	10,891,585	7,344,793	18,236,378	1,657,709
Total liabilities	<u>12,215,793</u>	<u>8,898,379</u>	<u>21,114,172</u>	<u>2,359,193</u>
NET ASSETS				
Invested in capital assets, net of related debt	999,567	7,194,689	8,194,256	2,099,690
Restricted for:				
Capital projects	796,111	-	796,111	500,000
Debt retirement	148,301	189,915	338,216	-
Loan guaranty agreement	116,000	-	116,000	-
Special purposes	114,868	-	114,868	-
Unrestricted	1,251,735	319,527	1,571,262	497,060
Total net assets	<u>\$ 3,426,583</u>	<u>\$ 7,704,132</u>	<u>\$ 11,130,715</u>	<u>\$ 3,096,750</u>

The accompanying notes are an integral part of this financial statement.

City of Bridgeport, Texas
Statement of Activities
Year Ended September 30, 2009

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,165,155	\$ 94,787	\$ 2,940	\$ 281,151
Public safety	2,332,527	369,990	67,150	-
Development services	321,541	51,440	-	-
Culture and recreation	503,338	142,661	183,120	-
Highways and streets	908,304	-	-	-
Facility services	3,836	-	-	-
City maintenance	775,899	-	-	-
Interest expense	522,321	-	-	-
Total governmental activities	<u>7,532,921</u>	<u>658,878</u>	<u>253,210</u>	<u>281,151</u>
Business-type activities:				
Electric utilities	8,147,736	7,581,672	-	-
Grant	123,512	-	464,887	-
Municipal airport	582,433	592,912	-	190
Water and sewer utilities	2,621,514	2,747,326	-	-
Total business-type activities	<u>11,475,195</u>	<u>10,921,910</u>	<u>464,887</u>	<u>190</u>
Total primary government	<u>\$ 19,008,116</u>	<u>\$ 11,580,787</u>	<u>\$ 718,097</u>	<u>\$ 281,341</u>
Component unit -				
Economic development corporation	<u>\$ 539,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
Sales taxes
Hotel/motel taxes
Franchise taxes
Liquor taxes
Governmental interest
Proprietary interest
Gain on disposal of assets
Miscellaneous
Loan Proceeds
Transfers in (out)
 Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior period adjustment (note 13)
Net assets - ending

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Bridgeport EDC
\$ (1,786,277)	\$ -	\$ (1,786,277)	\$ -
(1,895,387)	-	(1,895,387)	-
(270,101)	-	(270,101)	-
(177,556)	-	(177,556)	-
(908,304)	-	(908,304)	-
(3,836)	-	(3,836)	-
(775,899)	-	(775,899)	-
(522,321)	-	(522,321)	-
<u>(6,339,682)</u>	<u>-</u>	<u>(6,339,682)</u>	<u>-</u>
-	(566,064)	(566,064)	-
-	341,375	341,375	-
-	10,669	10,669	-
-	125,812	125,812	-
-	(88,208)	(88,208)	-
<u>(6,339,682)</u>	<u>(88,208)</u>	<u>(6,427,891)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (539,880)</u>
\$ 1,774,717	\$ -	\$ 1,774,717	\$ -
2,070,995	-	2,070,995	1,060,292
105,810	-	105,810	-
800,309	-	800,309	-
4,306	-	4,306	-
55,494	-	55,494	22,548
-	103,802	103,802	-
7,789	-	7,789	-
54,415	30,799	85,214	26,154
-	70,145	70,145	-
1,170,235	(1,111,980)	58,255	(58,255)
<u>6,044,071</u>	<u>(907,234)</u>	<u>5,136,837</u>	<u>1,050,739</u>
(295,612)	(995,442)	(1,291,054)	510,859
3,590,704	8,644,101	12,234,805	2,585,892
131,491	55,473	186,964	-
<u>\$ 3,426,583</u>	<u>\$ 7,704,132</u>	<u>\$ 11,130,715</u>	<u>\$ 3,096,750</u>

City of Bridgeport, Texas
Balance Sheet
Governmental Funds
September 30, 2009

	<u>General Fund</u>	<u>General Capital Projects Fund</u>
ASSETS		
Cash and cash equivalents	\$ 595,612	\$ 867,773
Accounts receivable, net:		
Interest	-	-
Property taxes	34,447	-
Sales taxes	195,171	-
Other	96,087	32,700
Due from other funds	603,778	417,563
Advance to other funds	-	500,000
Inventories	15,218	-
Prepaid items	1,280	-
Total assets	<u>\$ 1,541,593</u>	<u>\$ 1,818,036</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and other current liabilities	\$ 281,307	\$ 27,098
Accrued liabilities	51,503	127,054
Deposits	1,606	-
Due to other funds	-	440,433
Unearned revenue	37,968	-
Unearned revenue - court	37,412	-
Total liabilities	<u>409,796</u>	<u>594,585</u>
Fund balances:		
Reserved for:		
Loan guaranty agreement	116,000	-
Advances	-	500,000
Unreserved, reported in:		
General fund	1,015,798	-
Special revenue fund	-	-
Debt service fund	-	-
General capital projects fund	-	723,451
Total fund balances	<u>1,131,798</u>	<u>1,223,451</u>
Total liabilities and fund balances	<u>\$ 1,541,593</u>	<u>\$ 1,818,036</u>

The accompanying notes are an integral part of this financial statement.

General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 119,107	\$ 4,183	\$ 1,586,675
339	-	339
31,350	-	65,798
-	-	195,171
-	13,863	142,650
28,855	206,433	1,256,629
-	-	500,000
-	-	15,218
-	-	1,280
<u>\$ 179,652</u>	<u>\$ 224,479</u>	<u>\$ 3,763,760</u>
\$ -	\$ 3,198	\$ 311,603
-	5,659	184,216
-	-	1,606
-	(41,558)	398,875
31,350	-	69,318
-	-	37,412
<u>31,350</u>	<u>(32,701)</u>	<u>1,003,030</u>
-	-	116,000
-	-	500,000
-	-	1,015,798
-	257,180	257,180
148,301	-	148,301
-	-	723,451
<u>148,301</u>	<u>257,180</u>	<u>2,760,730</u>
<u>\$ 179,652</u>	<u>\$ 224,479</u>	<u>\$ 3,763,760</u>

City of Bridgeport, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2009

Fund balances - total governmental funds	\$ 2,760,730
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources in the current period and, therefore, are not reported in the funds.	11,395,544
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(10,667,933)
Long-term liabilities, including compensated absences, and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	(82,645)
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	(38,511)
Internal service funds are used by management to charge the costs of fleet management, facilities management, and information technology to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	59,398
Net assets of governmental activities	<u>\$ 3,426,583</u>

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City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>
REVENUES		
Taxes:		
Hotel/motel	\$ -	\$ -
Property	799,464	-
Sales	2,070,995	-
Franchise	800,309	-
Liquor	4,306	-
Charges for services	143,959	-
Licenses, permits and fees	51,440	-
Court fines	330,286	-
Grants	54,821	132,720
Donations	8,053	273,098
Rents	1,400	-
Interest revenue	33,977	16,475
Miscellaneous	53,429	-
Total revenues	<u>4,352,439</u>	<u>422,293</u>
EXPENDITURES		
Current:		
General government	1,209,298	-
Public safety	2,096,373	-
Development services	311,718	-
Culture and recreation	636,613	-
Highways and streets	481,568	-
Debt service:		
Principal retirement	346,550	-
Interest expense	106,028	-
Administrative charges	-	-
Capital outlay:		
General government	78,444	1,811,835
Public safety	5,413	-
Development services	293	-
Culture and recreation	396	-
Total expenditures	<u>5,272,695</u>	<u>1,811,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(920,257)</u>	<u>(1,389,542)</u>
OTHER FINANCING SOURCES (USES)		
Capital lease proceeds	37,228	-
Transfers in (out)	<u>(254,526)</u>	<u>471,068</u>
Total other financing sources and uses	<u>(217,298)</u>	<u>471,068</u>
Net change in fund balances	<u>(1,137,554)</u>	<u>(918,474)</u>
Fund balances - beginning	2,269,352	2,141,925
Fund balances - ending	<u>\$ 1,131,798</u>	<u>\$ 1,223,451</u>

The accompanying notes are an integral part of this financial statement.

General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 105,810	\$ 105,810
977,118	-	1,776,582
-	-	2,070,995
-	-	800,309
-	-	4,306
-	149,759	293,718
-	-	51,440
-	27,743	358,028
-	-	187,541
-	21,870	303,021
-	-	1,400
5,042	-	55,493
-	8,774	62,203
<u>982,161</u>	<u>313,956</u>	<u>6,070,848</u>
-	60,503	1,269,801
-	19,869	2,116,242
-	-	311,718
-	184,755	821,367
-	-	481,568
527,730	-	874,280
479,660	-	585,688
2,884	-	2,884
-	118,939	2,009,218
-	-	5,413
-	-	293
-	175	571
<u>1,010,274</u>	<u>384,241</u>	<u>8,479,046</u>
<u>(28,113)</u>	<u>(70,285)</u>	<u>(2,408,197)</u>
-	-	37,228
<u>57,262</u>	<u>75,595</u>	<u>349,399</u>
<u>57,262</u>	<u>75,595</u>	<u>386,627</u>
29,149	5,310	(2,021,570)
119,153	251,870	4,782,300
<u>\$ 148,301</u>	<u>\$ 257,180</u>	<u>\$ 2,760,730</u>

City of Bridgeport, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended September 30, 2009

Net change in fund balances - total governmental funds	\$ (2,021,570)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This represents is the amount by which depreciation exceeded capital outlays in the current period.	766,044
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these differences in the treatment of long-term debt and related	884,746
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	30,231
Internal service funds are used by management to charge the costs of fleet management, facilities management, and information technology to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	44,937
Change in net assets of governmental activities	<u>\$ (295,612)</u>

City of Bridgeport, Texas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 792,894	\$ 792,894	\$ 799,464	\$ 6,570
Sales	2,600,000	2,600,000	2,070,995	(529,005)
Franchise	665,200	665,200	800,309	135,109
Liquor	750	750	4,306	3,556
Charges for services	130,800	130,800	143,959	13,159
Licenses, permits and fees	84,400	84,400	51,440	(32,960)
Grants	49,534	64,534	54,821	(9,713)
Court fines	265,750	265,750	330,286	64,536
Rentals	-	-	1,400	1,400
Donations	-	113,000	8,053	(104,947)
Interest revenue	40,000	40,000	33,977	(6,023)
Miscellaneous	27,200	27,200	53,429	26,229
Total revenues	<u>4,656,528</u>	<u>4,784,528</u>	<u>4,352,439</u>	<u>(432,089)</u>
EXPENDITURES				
Current:				
General government	1,386,810	1,434,852	1,209,298	225,554
Public safety	2,104,249	2,149,637	2,096,373	53,264
Highways and streets	506,264	512,285	481,568	30,717
Development services	353,212	358,231	311,718	46,513
Culture and recreation	645,998	659,542	636,613	22,929
Debt Service:				
Principal	-	267,447	346,550	(79,103)
Interest expense	-	83,012	106,028	(23,016)
Capital outlay:				
General government	-	1,540	78,444	(76,904)
Public safety	158,891	5,413	5,413	-
Highways and streets	6,971	-	-	-
Development services	-	-	293	(293)
Culture and recreation	16,012	300	396	(96)
Total expenditures	<u>5,178,407</u>	<u>5,472,258</u>	<u>5,272,695</u>	<u>199,563</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(521,879)</u>	<u>(687,730)</u>	<u>(920,257)</u>	<u>(232,526)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	37,228	37,228
Transfers in (out)	(157,833)	(243,539)	(254,526)	(10,987)
Total other financing sources and uses	<u>(157,833)</u>	<u>(243,539)</u>	<u>(217,298)</u>	<u>26,241</u>
Net change in fund balances	(679,712)	(931,269)	(1,137,555)	(206,285)
Fund balances - beginning	2,269,352	2,269,352	2,269,352	-
Fund balances - ending	<u>\$ 1,589,640</u>	<u>\$ 1,338,083</u>	<u>\$ 1,131,798</u>	<u>\$ (206,285)</u>

The accompanying notes are an integral part of this financial statement.

City of Bridgeport, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2009

	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Municipal Airport Fund</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 186,927	\$ 2,323	\$ 289,840
Investments	66,809	48,475	-
Receivables (net of allowance for uncollectibles)	306,378	1,109,124	16,467
Due from other funds	317,526	1,272	-
Inventories	61,881	110,966	-
Restricted assets:			
Cash and cash equivalents	1,730,930	17,042	104,012
Investments	-	189,025	-
Total current assets	<u>2,670,450</u>	<u>1,478,228</u>	<u>410,319</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	6,508	51,235	-
Investments	183,408	-	-
Deferred charges	182,420	16,289	-
Capital assets not being depreciated:			
Land improvements	-	-	-
Construction in progress	1,390,071	-	-
Capital assets:			
Land and improvements	54,586	56,997	1,238,460
Property, plant and equipment	258,783	96,594	145,478
System improvements	14,974,464	2,936,419	-
Tools and devices	634,425	69,731	-
Office furniture and equipment	169,645	61,155	-
Transportation equipment	310,433	564,641	-
Other	495,332	9,116	-
Less accumulated depreciation	<u>(8,828,168)</u>	<u>(2,130,796)</u>	<u>(37,766)</u>
Total capital assets (net of accumulated depreciation)	<u>9,459,573</u>	<u>1,663,857</u>	<u>1,346,173</u>
Total non-current assets	<u>9,831,907</u>	<u>1,731,380</u>	<u>1,346,173</u>
Total assets	<u>12,502,358</u>	<u>3,209,608</u>	<u>1,756,492</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	46,414	562,095	2,625
Accrued liabilities	46,078	11,548	-
Taxes payable	-	4,310	-
Due to other funds	569,019	260,848	30,187
Accrued interest payable	35,551	4,605	5,958
Current compensated absences	-	-	-
Current capital leases	37,755	42,148	-
Current portion of bonds payable	394,288	36,182	18,450
Current portion of note payable	-	-	40,432
Total current liabilities	<u>1,129,105</u>	<u>921,736</u>	<u>97,652</u>
Current liabilities payable from restricted assets - utility customer deposits			
	<u>19,635</u>	<u>241,366</u>	<u>-</u>
Total current liabilities payable from restricted assets	<u>19,635</u>	<u>241,366</u>	<u>-</u>
Noncurrent liabilities:			
Compensated absences	19,782	21,679	-
Capital leases	58,107	81,223	-
Bonds payable	4,868,911	884,067	671,580
Note Payable	-	-	743,589
Total noncurrent liabilities	<u>4,946,800</u>	<u>986,969</u>	<u>1,415,169</u>
Total liabilities	<u>6,095,540</u>	<u>2,150,071</u>	<u>1,512,820</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,102,411	826,305	265,973
Restricted for debt retirement	189,915	-	-
Unrestricted	114,490	233,232	(22,302)
Total net assets	<u>\$ 6,406,817</u>	<u>\$ 1,059,536</u>	<u>\$ 243,672</u>

<u>Grant Fund</u>	<u>Total Proprietary Funds</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 3,719	\$ 482,809	\$ -
-	115,285	-
432,858	1,864,828	-
-	318,798	81,433
-	172,847	22,474
-	1,851,983	-
-	189,025	-
<u>436,577</u>	<u>4,995,574</u>	<u>103,907</u>
-	57,743	-
-	183,408	-
-	198,709	-
-	-	-
-	1,390,071	-
-	1,350,043	-
-	500,855	-
-	17,910,883	-
-	704,156	-
-	230,800	-
-	875,074	-
-	504,449	-
-	(10,996,730)	-
-	12,469,601	-
-	12,909,460	-
<u>436,577</u>	<u>17,905,034</u>	<u>103,907</u>
-	611,135	18,664
-	57,625	11,261
-	4,310	-
442,470	1,302,524	-
-	46,114	-
-	-	-
-	79,903	-
-	448,920	-
-	40,432	-
<u>442,470</u>	<u>2,590,961</u>	<u>29,925</u>
-	261,001	-
-	261,001	-
-	41,461	14,584
-	139,330	-
-	6,424,558	-
-	743,589	-
-	7,348,938	14,584
<u>442,470</u>	<u>10,200,902</u>	<u>44,509</u>
-	7,194,689	-
-	189,915	-
(5,893)	319,527	59,398
<u>\$ (5,893)</u>	<u>\$ 7,704,132</u>	<u>\$ 59,398</u>

City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2009

	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Municipal Airport Fund</u>
OPERATING REVENUES			
Charges for sales and services:			
Water sales	\$ 1,684,962	\$ -	\$ -
Sewer charges	1,062,364	-	-
Electric	-	7,581,672	-
Municipal airport	-	-	592,912
Miscellaneous	14,529	16,205	65
Total operating revenues	<u>\$ 2,761,855</u>	<u>\$ 7,597,877</u>	<u>\$ 592,977</u>
OPERATING EXPENSES			
General government	-	-	-
Costs of sales and services:			
Salaries and wages	411,376	377,807	-
Employee benefits	167,232	157,523	-
Purchased water	311,612	-	-
Purchased electricity	-	6,539,689	-
Other purchased services	563,926	715,899	70,325
Supplies and maintenance	360,954	106,789	479,284
Miscellaneous	16,285	69,461	-
Depreciation	608,422	143,089	6,822
Total operating expenses	<u>2,439,807</u>	<u>8,110,259</u>	<u>556,430</u>
Operating income (loss)	322,048	(512,381)	36,547
NONOPERATING REVENUES (EXPENSES)			
Donations	-	-	190
Grants	-	-	-
Bond issuance costs	-	(805)	-
Interest revenue	83,277	18,045	2,468
Bond Proceeds	-	-	70,145
Interest expense	(181,708)	(36,673)	(26,003)
Total nonoperating revenue (expenses)	<u>(98,431)</u>	<u>(19,434)</u>	<u>46,800</u>
Income (loss) before contributions and transfers	223,617	(531,814)	83,347
Transfers in (out)	<u>(385,247)</u>	<u>(320,890)</u>	<u>28,015</u>
Change in net assets	(161,630)	(852,704)	111,362
Total net assets - beginning	6,568,446	1,912,240	132,310
Total net assets - ending	<u>\$ 6,406,817</u>	<u>\$ 1,059,536</u>	<u>\$ 243,672</u>

The accompanying notes are an integral part of this financial statement.

<u>Grant Fund</u>	<u>Total Proprietary Funds</u>	<u>Governmental Activities Internal Service Fund</u>
\$ -	\$ 1,684,962	\$ -
-	1,062,364	-
-	7,581,672	-
-	592,912	-
-	30,799	-
<u>\$ -</u>	<u>\$ 10,952,709</u>	<u>\$ -</u>
-	-	775,899
-	789,183	-
-	324,755	-
-	311,612	-
-	6,539,689	-
123,512	1,473,661	-
-	947,028	-
-	85,746	-
-	758,332	-
<u>123,512</u>	<u>11,230,006</u>	<u>775,899</u>
(123,512)	(277,298)	(775,899)
-	190	-
464,887	464,887	-
-	(805)	-
13	103,803	-
-	70,145	-
-	(244,384)	-
<u>464,900</u>	<u>393,835</u>	<u>-</u>
341,388	116,538	(775,899)
<u>(433,858)</u>	<u>(1,111,980)</u>	<u>820,836</u>
(92,470)	(995,442)	44,937
86,577	8,699,574	14,461
<u>\$ (5,893)</u>	<u>\$ 7,704,132</u>	<u>\$ 59,398</u>

City of Bridgeport, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2009

Business-type Activities - Enterprise Funds

	Water and Sewer Fund	Electric Fund	Municipal Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,765,427	\$ 7,331,804	\$ 588,099
Payments to suppliers	(1,321,822)	(6,935,452)	(568,705)
Payments to employees and professional contractors for services	(563,289)	(544,716)	-
Net cash provided from operating activities	<u>880,316</u>	<u>(148,364)</u>	<u>19,394</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Capital grants	-	-	190
Payments from(to) other funds	(496,349)	(49,042)	45,930
Net cash provided (used) by noncapital and related financing activities	<u>(496,349)</u>	<u>(49,042)</u>	<u>46,120</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(2,025,645)	(459,420)	(84,600)
Proceeds from and principal and interest paid on bonds and lease obligations, net	(492,541)	5,577	103,867
Net cash provided (used) by capital and related financing activities	<u>(2,518,186)</u>	<u>(453,843)</u>	<u>19,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	83,277	18,045	2,468
Purchases of investments, net of sales	43,225	110,296	-
Net cash provided by investing activities	<u>126,502</u>	<u>128,341</u>	<u>2,468</u>
Net change in cash and cash equivalents	(2,007,717)	(522,908)	87,249
Cash and cash equivalents - beginning of year	3,932,081	593,508	306,603
Cash and cash equivalents end of year	<u>\$ 1,924,364</u>	<u>\$ 70,600</u>	<u>\$ 393,852</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 322,048	\$ (512,381)	\$ 36,547
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	608,422	143,089	6,822
Change in assets and liabilities:			
Accounts receivable	21,269	(204,282)	(4,879)
Inventory	(26,419)	(22,628)	-
Deferred charges	(13,462)	805	-
Accounts payable and other current liabilities	(42,626)	519,014	708
Accrued liabilities	19,589	246	(19,804)
Taxes payable	-	(16,477)	-
Customer deposits	(4,235)	(62,596)	-
Compensated absences	(4,270)	6,846	-
Net cash provided (used) by operating activities	<u>\$ 880,316</u>	<u>\$ (148,364)</u>	<u>\$ 19,394</u>

The accompanying notes are an integral part of this financial statement.

Grant Fund	Total Proprietary Funds	Governmental Activities Internal Services Fund
\$ -	\$ 10,685,330	\$ -
(124,673)	(8,950,652)	(828,303)
-	(1,108,005)	-
<u>(124,673)</u>	<u>626,673</u>	<u>(828,303)</u>
172,052	172,242	-
(237,862)	(737,323)	81,433
<u>(65,810)</u>	<u>(565,081)</u>	<u>81,433</u>
-	(2,569,665)	-
-	(383,097)	-
<u>-</u>	<u>(2,952,762)</u>	<u>-</u>
13	103,803	-
-	153,521	-
<u>13</u>	<u>257,323</u>	<u>-</u>
(190,470)	(2,633,846)	(88,899)
194,189	5,026,381	88,899
<u>\$ 3,719</u>	<u>\$ 2,392,535</u>	<u>\$ -</u>
\$ (123,512)	\$ (277,298)	\$ (775,899)
-	758,332	-
-	(187,892)	-
-	(49,047)	(22,475)
-	(12,657)	-
(1,161)	475,935	(15,887)
-	31	(15,311)
-	(16,477)	-
-	(66,831)	-
-	2,576	1,268
<u>\$ (124,673)</u>	<u>\$ 626,673</u>	<u>\$ (828,303)</u>

City of Bridgeport
Notes to the Financial Statements
September 30, 2009

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the City of Bridgeport, Texas, ("City"), included in the accompanying basic financial statements conform to the generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

A. Reporting entity

The City of Bridgeport was incorporated under the laws of the State of Texas in 1913 and operates under a Mayor-Council form of government. The City's financial statements include the accounts of all City operations. Generally accepted accounting principles require all funds that are controlled by or are independent on the City Council to be included in the City's financial statements. The reporting entity is the primary government, or the City, and those component units for which the primary government is financially accountable. Financial accountability is defined as the appointment of a voting majority of the potential component unit's board and either the ability to impose its will by the primary government or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate statements to be misleading or incomplete. Based on these considerations, the City's financial statements include the Corporation for Economic Development of the City of Bridgeport as a discretely presented component unit.

Discretely presented component unit. The Corporation for Economic Development of the City of Bridgeport, Texas (BEDC) has been included in the reporting entity as a discretely presented component unit. The BEDC can not be considered a blended component unit because the revenues are not only for the benefit of the City. The BEDC was created by the City in September 1994, although no activity took place until fiscal year 1995 under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The BEDC is funded through voter authorized sales tax. The five member Board, minimum of three residents and the Mayor serving on the board in Place 1 for the duration of term, all of whom shall own property in the City, is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net assets of the BEDC shall be converted to the City. The City accounts for the BEDC as a discretely presented component unit on the government-wide financial statements.

Separate audited financial statements are not issued for the BEDC. Unaudited financial statements may be obtained from the City's finance office.

Related organizations. The Mayor and City Council are responsible for appointing a voting majority of the members of some local boards and commissions, but the City's accountability for

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

these organizations does not extend beyond making the appointments. These entities are the Airport Board, Parks and Recreation Board, Main Street Board, Cultural Arts Board, Planning and Zoning Commission, Cemetery Board, and Bridgeport Housing Authority.

B. Basis of Presentation

Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both sets of financial statements classify activities as either governmental, which are supported by taxes and intergovernmental revenues, or business-type activities, which rely on fees and charges for support.

Government-wide financial statements. The government-wide statement of activities demonstrates the degree to which direct expenses of a given program or function is offset by the program's revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The effect of interfund activity within the governmental and business-type activities columns has been removed from these statements.

Fund financial statements. The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Each fund is considered a separate accounting entity and the operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be presented for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements; all non-major fund are aggregated and presented in a single column.

The government wide focus is on the sustainability of the City as an entity and the change in net financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories.

Each presentation provides a different focus, which allows the reader to compare and analyze the information to enhance the usefulness of the statements.

Governmental Fund Types

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds (in the fund financial statements) is on

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

the sources, uses and balance of current financial resources and include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. The individual funds are described as follows:

Major Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted to expenditures for specified purposes.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

General Capital Projects Fund – This capital projects fund is used to account for financial resources to be used for the acquisition or construction of parks, buildings, and other facilities. Such resources are derived from proceeds of general obligation bonds or other sources of revenue specifically set aside for capital projects.

Proprietary Fund Types

The Proprietary Fund Types are used to account for the City's organization and activities which are similar to those often found in the private sector. These funds are financed and operated in a manner similar to private business enterprises – where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered mainly through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Major Proprietary Funds

Electric Fund – This fund accounts for the City's electric utility, including operations, maintenance of the infrastructure and expansion of the system within the City's service territory.

Water and Sewer Fund– This fund accounts for the City's water, wastewater, including operations, contracted maintenance, internal maintenance, expansion of the system within the City's service territory and the costs of environmental mandates that arise.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

Airport Fund – This fund accounts for the City’s airport operations, including contracted maintenance, and internal maintenance.

Non-major Proprietary Fund

Internal Service Fund - This fund provides services primarily to other funds of the government, is presented in the summary form as part of the proprietary fund financial statements. The financial statement of the internal service fund is allocated in the governmental column when presented at the government-wide level. Various operations are accounted for as an internal service fund, such as operational costs associated with automobile and heavy equipment owned by the City and made available to various departments, costs related to maintaining and repairing City owned facilities, operational costs associated with the City’s computer equipment within various departments, as well as jointly shared administrative departments.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal on-going operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement focus/Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to timing of revenue and expenditure recognition in the financial statements.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time the liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in both the government-wide and proprietary fund financials statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing sources) in net current assets.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues available if they are collected within sixty (60) days after year-end. Expenditures are recognized when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recorded when due, and compensated absences, which are recorded when payable from current available financial resources.

Ad valorem, sales, hotel, and franchise tax revenues recorded in the Governmental Fund Types are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fine and forfeitures and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

D. Budgets

At least 30 days prior to the end of each fiscal year, the City Administrator submits a proposed budget presenting a complete financial plan for the ensuing fiscal year to the City Council (the Council). Public hearings are conducted, at which time all interested persons' comments concerning the budget are heard. The budget must be legally adopted by the Council through passage of an ordinance no later than the thirtieth day of the last month of the fiscal year.

Formal budgetary integration is employed as a management control device during the year for all Governmental and Proprietary Fund Types. Budgets for all funds were legally adopted for the period. Budgetary control is exercised at the division level. All budgets are prepared on the budgetary basis, recognizing encumbrances outstanding at year-end as expenditures against that year's appropriation. These encumbrances are reconciled to generally accepted accounting principles where appropriate.

The Council may transfer any unencumbered appropriation balance or portion thereof from one division, office, department or agency to another at any time. The Director of Financial Services has authority, without Council approval, to transfer appropriation balances from one expenditure account to another within a single division, office, and department. The City Administrator has authority, without Council approval, to transfer appropriation balances from one fund to another.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

Budget amounts are as originally adopted, or as transferred pursuant to authorization of the Council. Individual amendments were not material in relation to the original appropriations, with the exception of amendments related to capital projects and the internal service fund transfers. Unencumbered appropriations lapse each year at September 30.

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

E. Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary control in all funds. Encumbrance accounting is a process whereby purchase orders, contracts and other commitments for the expending of monies are recorded in order to reserve that portion of the applicable appropriation. Outstanding year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments are carried forward into the subsequent fiscal year.

F. Cash and investments

For cash flow purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

The operating cash balances from all funds are consolidated in pooled cash and investment accounts. Excess pooled balances are invested in U.S. Treasury securities, U.S. Government agency securities, fully collateralized money market funds and local government investment pools. Maturities on all investments are consistent with the City's cash flow requirements. Investments are stated at fair value, or market price as of September 30, 2009. Interest earnings are then allocated to each fund based on average monthly pooled equity balances. Separate cash and investment accounts are maintained for restricted cash such as debt service and bond proceeds reserved for future construction.

G. Restricted assets

The utility funds, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources that could be used only to service outstanding debt. In addition, restricted assets consist of cash and investments, including customer deposits.

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources first, and then restricted resources as they are needed.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

H. Long-term receivables

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of year-end.

I. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded at cost on a first-in, first-out basis.

J. Interfund receivables and payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the surplus funds and interfund payables of the deficit funds.

K. Interfund transactions

All legally authorized transfers have been appropriately presented as interfund transfers and are included in the fund financial statements of both Governmental and Proprietary Fund Types. As a general rule, the effect of interfund activity is shown as the net and reported as internal balances on the government-wide financial statements.

L. Intergovernmental revenues

Intergovernmental revenues represent entitlements and shared revenues which are accounted for within the fund financed. Such revenues, received for purposes normally financed through the general government, are accounted for within the Special Revenue Funds.

M. Compensated absences

All employees may accumulate a maximum of two times their annual vacation, up to an absolute cap of 240 hours, or 30 days. Upon termination, non-civil service employees are paid only for any unused accumulated vacation hours. Upon termination, civil service employees are paid for any unused accumulated vacation hours, any holidays not taken, and any personal day not taken. Sick leave for both regular and civil service employees is not paid upon termination, but will be paid only upon illness while in the employ of the City.

Accumulated vacation leave, which is expected to be liquidated with expendable available financial resources, is reported as expenditure and a fund liability of the governmental fund that

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

will pay it. Amounts of accumulated vacation leave within governmental funds that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability on the statement of net assets. No expenditure is reported for these amounts in the fund financial statements. Accumulated vacation leave of proprietary fund types are recorded as an expense and liability of those funds as the benefits accrue to employees.

N. Capital assets

Capital assets, which primarily include land and improvements, property, plant and equipment, system improvements, tools and devices, office furniture and equipment, transportation equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and an expected useful life of more than one year.

Capital assets are depreciated using the straight-line method. Estimated useful lives for depreciable assets are as follows:

Land improvements	30 years
Property, plant and equipment	50 years
Building improvements	20 years
Transportation equipment	2-15 years
Office furniture and equipment	3-15 years

O. Long-term obligations

The portion of long-term general obligation debt used to finance proprietary fund operations and payable from the revenues of the Enterprise Funds is recorded in such funds. General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the City as a whole and not its individual funds. Accordingly, such un-matured obligations of the City are accounted for on the statement of net assets and payments of principal and interest relating to the general obligation bonds are recorded as expenditures when they are paid in the fund statements. Self-supporting general obligation debt, which will be repaid from non-general revenue sources, is recorded in the appropriate proprietary fund.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

P. Bond issuance costs

For Governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period on the fund financial statements. Bond proceeds are reported as other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For Proprietary fund types and on the government-wide statements, premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charged and amortized over the term of the related debt.

Q. Post employment benefits (other than pension benefits)

Except for health insurance provided pursuant to the Consolidated Omnibus Budget Reconciliation Act (COBRA) and Supplemental Death Benefit for retirees provided through the Texas Municipal Retirement System (TMRS), the City provides no post-employment benefits and thus has no related obligation.

R. Risk financing activity

The City of Bridgeport is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. During fiscal year 2004, the City purchased general liability coverage from Texas Municipal League Intergovernmental Risk Pool (TML-IRP). The City pays an annual premium to TML-IRP for such coverage. TML-IRP is a self-funded pool operating as a common risk management and insurance program. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

S. Credit risk

Financial investments which potentially subject the City to concentrations of credit risk consist principally of cash, investments and accounts receivable. At September 30, 2009, in the opinion of management, there was not a significant risk arising from cash, investments, or accounts receivable.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

T. Nature and purpose of reservations and designation of fund equity

In fund financial statements, governmental funds report reservations for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Fund balances and net assets are restricted and/or reserved for the following purposes:

Restrictions:

Debt Service – tax funds levied and reserved for retirement of general long-term debt.

Capital Projects – funds identified for capital outlay including infrastructure and other capital projects; these funds were collected through bond proceeds, legally restricted for capital needs. Bond proceeds are considered restricted because of ordinances authorizing their issuance and documents filed with the State Attorney General specifying the usage of the related proceeds.

Reservations:

Encumbrances – funds reserved for payment of outstanding commitments related to unperformed contracts for goods or services, i.e. open purchase orders.

Inventories – assets such as supplies and fuel that are unavailable for spending.

Special Programs – funds relating to grants, hotel/motel tax, and other restricted sources.

U. Reclassifications

Certain prior-year amounts presented in the fiscal 2009 financial statements have been reclassified to conform with the current-year presentation.

2. Reconciliation of government-wide and fund financial statements

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ (10,814,963)
Less: Deferred charge on issuance costs (to be amortized over life of debt)	74,953
Capital lease payable	527,656
Note payable	<u>(455,580)</u>
Net difference as reported	<u><u>\$ (10,667,933)</u></u>

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

3. Cash and Investments

For cash flow purposes, cash and temporary investments consist of demand deposits, certificates of deposits, and in authorized investment pools. The operating cash balance from all funds is consolidated in pooled cash and investment accounts. Excess pooled balances are invested in U.S. Treasury securities, U.S. Government agency securities, fully collateralized money market funds and local government investment pools. Maturities on all investments are consistent with the City's cash flow requirements. Investments are recorded at cost. Interest earnings are allocated to each fund based on average monthly pooled equity balances. Separate cash and investment accounts are maintained for restricted cash such as debt service, utility debt reserves, and bond proceeds reserved for future construction.

The investment policies of the City are governed by State statutes and a City Council adopted Investment Policy.

Deposits

Texas Statutes require that all bank deposits be insured or fully collateralized by the U.S. government obligations or obligations of the State of Texas and its agencies. Market value of the collateral pledged must equal at least 102% of the bank deposits not covered by federal deposit insurance.

At year end, the primary government aggregate for cash and cash equivalents were \$2,069,483 all of which were entirely covered by Federal depository insurance or by collateral held by the City's agent bank in the City's name. The City's discretely presented component unit had cash with a carrying amount of \$1,864,891 at year-end.

Investments

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.

The City of Bridgeport intends to match the holding periods of investment funds with liquidity needs of the City. In no case will the weighted average maturity (WAM) of investments of the City's operating funds exceed one year. The maximum final stated maturity of any investment should not exceed five years.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

The act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing in mainly investment pools which purchase a combination of shorter term investments with an average maturity of less than 31 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

The City's investments are carried at fair value and as of September 30, 2009 are as follows:

Investment Type	Amount	Weighted Average Maturity	Rating as of September 30, 2009
TexPool	\$ 2,483,693	31 days	* AAAM
TexStar	1,474,236	31 days	* AAAM
Agency discount note - senior unsecured debt	233,378	90 - 180 days	* AAA
	<u>\$ 4,191,307</u>		

* rating from Standard & Poors

As of September 30, 2009 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk - is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Concentration of Credit Risk - The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2009, other than external investment pools and securities guaranteed by the U.S. Government, the City does not have 5% or more of its investments with any one issuer.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

At September 30, 2009 the carrying amount of the City's cash on hand and deposits was \$5,228 and the bank balance was \$158,712. As of December 31, 2009, the federal depository insurance covered increased to \$250,000 per institution.

The City is a voluntary participant in the TexPool external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The City is a voluntary participant in the TexSTAR external investment pool. TexSTAR is overseen by a Governing Board of Directors made up of Participants in the pool and Administrators of the pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the Governing Board has established an advisory board composed of both Participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. TexSTAR operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940 and is rated AAAM by Standard and Poor's. TexSTAR uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexSTAR is the same as the value of TexSTAR shares.

4. Taxes

Property Taxes – Property is appraised and a lien on such property becomes enforceable as of January 1st of each year. Taxes are levied on and payable the following October 1st. Taxes become delinquent February 1st of the following year and are subject to interest and penalty charges. Under an agreement which began in 1985, Wise County Appraisal District (Appraisal District) collects the City's taxes. In the fund financial statements, City property tax revenues are recognized when levied to the extent that they are collected in the current year. Taxes collected prior to the levy date to which they apply are recorded as unearned revenues and recognized as revenue of the period to which they apply. All collections from prior year levies are considered delinquent tax revenue for reporting purposes in the

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

year collected. The combined allowance for uncollectible taxes at September 30, 2009 was \$31,684 for the General and Debt Service Funds.

The City is permitted by the State of Texas to levy taxes up to \$2.50 per \$100 of assessed valuation for general government services and for the payment of principal and interest on general long-term debt. The combined current tax rate to finance general government services, including debt service for the fiscal year ended September 30, 2009, was \$0.5875 per \$100 of assessed valuation.

The Appraisal District is responsible for the recording and appraisal of property for all taxing units in Wise County. The Appraisal District is required to assess property at 100% of its appraised value. Real property must be reappraised at least every four years. The City may, at its own expense, require annual reviews by the Appraisal District through various appeals and, if necessary, legal action. Under this system, if the rate, excluding tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to an increase of no more than 8%.

In May 2006, the Council approved an initiative to freeze property taxes for homeowners over the age of 65 or disabled. This measure mirrors the State of Texas Constitutional Amendment Proposition 13, which passed overwhelmingly statewide in 2003. "Prop 13" gives local governments the option of "freezing" taxes for the elderly and disabled.

Sales Taxes – The City has adopted the provisions of Article 1066C, Vernon's Texas Civil Statutes, as amended, which grant the City the power to impose and levy a 1% Local Sales and Use Tax within the City. Proceeds of the tax are credited to the General Fund and EDC. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits monthly to the City the proceeds of the tax, after deduction of a 2% service fee.

In 1994, the City began collecting an additional ½ cent sales tax in accordance with the Texas Development Corporation Act of 1979, Article 5190.6, Section 4A Texas Revised Civil Statutes for the promotion and development of new and expanded business enterprises. This sales tax is administered through the Corporation for Economic Development of the City of Bridgeport (BEDC), a legally separate entity from the City. BEDC is reported as a discretely presented component unit of the City.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

5. Interfund Receivables / Payables and Transfers

Balances due to primary government and from other funds at September 30, 2009, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 362,595
	Capital projects	225,888
	Grant fund	15,295
Hotel motel tax fund	Capital projects	58,866
Court technology/security fund	Capital projects	72,507
Bridgeport stage fund	Capital projects	10,726
Cemetery fund	Capital projects	31,906
Recreation fund	Capital projects	12,431
Main street fund	Capital projects	4,966
TIRZ#1 fund	Capital projects	9,652
	Electric fund	33,446
General capital projects fund	EDC fund	500,000
	Grant fund	417,563
General debt service fund	Electric fund	28,855
Economic development fund	Electric fund	6,011
	Airport fund	28,915
	Grant fund	9,612
Water and sewer fund	Electric fund	111,102
Electric fund	Airport fund	1,272
Internal service fund	Electric fund	81,433
		<u>\$ 2,023,042</u>

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

Transfers to and from other funds for the year ended September 30, 2009, consisted of the following:

Transfers In:										
Transfers Out:	General fund	Debt service fund	Nonmajor governmental funds	Water and Sewer fund	Electric fund	Airport fund	Grant fund	Internal service fund	EDC	Total
General fund	\$ -	\$ -	\$ 121,849	\$ -	\$ -	\$ 40,000	\$ -	\$ 611,248	\$ (2,486)	\$ 770,611
Debt service fund	-	-	18,918	-	-	-	-	-	-	18,918
Nonmajor governmental funds	-	-	-	-	-	-	-	-	-	-
Water and sewer fund	-	-	12,447	-	-	-	-	11,666	-	24,114
Electric fund	252,381	24,377	-	-	-	-	-	123,682	-	400,441
Airport fund	252,381	18,298	-	-	-	-	-	50,211	-	320,890
Grant fund	-	-	-	-	-	-	-	11,985	-	11,985
EDC fund	16,295	-	417,563	-	-	-	-	-	-	433,858
	-	33,504	-	15,194	-	-	-	12,043	-	60,741
	<u>\$ 521,057</u>	<u>\$ 76,180</u>	<u>\$ 570,777</u>	<u>\$ 15,194</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 820,836</u>	<u>\$ (2,486)</u>	<u>\$ 2,041,558</u>

Transfers are used to 1) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies, 2) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; and 3) move long-term liabilities from government activities to business-type activities.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

6. Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities				
Capital assets not being depreciated-				
construction in progress	\$ 961,518	\$ 272,489	\$ (802,821)	\$ 431,185
Total capital assets not being depreciated	<u>961,518</u>	<u>272,489</u>	<u>(802,821)</u>	<u>431,185</u>
Capital assets being depreciated:				
Land improvements	440,013	70,740	-	510,753
Property, plant and equipment	5,160,554	2,212,426	-	7,372,980
System improvements	10,992,176	162,618	-	11,154,794
Machinery and equipment	204,804	12,662	-	217,466
Office furniture and equipment	436,688	36,000	-	472,688
Transportation equipment	2,736,753	37,228	(51,227)	2,722,755
Other	-	80,751	-	80,751
Total capital assets being depreciated	<u>19,970,988</u>	<u>2,612,425</u>	<u>(51,227)</u>	<u>22,532,186</u>
Less accumulated depreciation for:				
Land improvements	10,607	10,074	-	20,681
Property, plant and equipment	774,010	124,531	-	898,541
System improvements	7,260,066	899,311	-	8,159,377
Machinery and equipment	138,289	31,647	-	169,936
Office furniture and equipment	228,020	68,190	-	296,210
Transportation equipment	1,306,584	123,717	(29,879)	1,400,422
Total accumulated depreciation	<u>9,717,574</u>	<u>1,257,470</u>	<u>(29,879)</u>	<u>10,945,170</u>
Total capital assets being depreciated, net	<u>10,253,414</u>	<u>1,354,955</u>	<u>(21,348)</u>	<u>11,587,014</u>
Governmental activities capital assets, net	<u>\$ 11,214,930</u>	<u>\$ 1,627,444</u>	<u>\$ (824,169)</u>	<u>\$ 12,018,200</u>
Governmental activities depreciation expense by function:				
General government	\$ 91,722			
Public safety	271,175			
Highways and streets	775,743			
Development services	9,530			
Culture and recreation	75,589			
Facility Maintenance	3,836			
Depreciation expense-governmental activities	<u>\$ 1,227,591</u>			

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Capital assets not being depreciated-				
construction in progress	\$ 179,648	\$ 1,210,423	\$ -	\$ 1,390,071
Total capital assets not being depreciated	<u>179,648</u>	<u>1,210,423</u>	<u>-</u>	<u>1,390,071</u>
Capital assets being depreciated:				
Land improvements	1,227,148	122,895	-	1,350,043
Property, plant and equipment	500,855	-	-	500,855
Water and sewer system improvements	14,705,077	269,386	-	14,974,464
Electric system improvements	2,611,214	284,917	-	2,896,131
Airport system improvements	40,288	-	-	40,288
Machinery and equipment	588,689	115,466	-	704,155
Office furniture and equipment	229,980	820	-	230,800
Transportation equipment	700,571	174,503	-	875,074
Other	28,344	476,104	-	504,448
Total capital assets being depreciated	<u>20,632,167</u>	<u>1,444,092</u>	<u>-</u>	<u>22,076,259</u>
Less accumulated depreciation for:				
Land improvements	15,052	3,132	-	18,184
Property, plant and equipment	98,743	3,751	-	102,494
Water and sewer system improvements	7,444,309	528,848	-	7,973,157
Electric system improvements	1,516,722	101,829	-	1,618,551
Airport system improvements	-	14,566	-	14,566
Machinery and equipment	425,381	57,528	-	482,909
Office furniture and equipment	229,084	896	-	229,980
Transportation equipment	508,853	44,742	-	553,595
Other	253	3,039	-	3,292
Total accumulated depreciation	<u>10,238,397</u>	<u>758,332</u>	<u>-</u>	<u>10,996,730</u>
Total capital assets being depreciated, net	<u>10,393,770</u>	<u>685,760</u>	<u>-</u>	<u>11,079,529</u>
Business-type activities capital assets, net	<u>\$ 10,573,418</u>	<u>\$ 1,896,183</u>	<u>\$ -</u>	<u>\$ 12,469,600</u>

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

<u>Component Unit</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land improvements	\$ 2,644,526	\$ 232,542	\$ -	\$ 2,877,067
Construction in progress	80,707	18,362	(27,130)	71,940
Total capital assets not being depreciated	2,725,233	250,904	(27,130)	2,949,007
Capital assets being depreciated:				
Property, plant and equipment	-	371,367	-	371,367
System improvements	108,413	-	-	108,413
Office Equipment	-	16,000	-	16,000
Other	10,620	32,300	-	42,920
Total capital assets being depreciated	119,033	419,667	-	538,699
Less accumulated depreciation for:				
Land improvements	-	12,678	-	12,678
Property, plant and equipment	17,981	-	-	17,981
Office Equipment	-	1,333	-	1,333
Other	3,245	3,540	-	6,785
Total accumulated depreciation	21,226	17,551	-	38,777
Total capital assets being depreciated, net	97,807	402,116	-	499,922
Component unit capital assets, net	\$ 2,823,040	\$ 653,020	\$ (27,130)	\$ 3,448,929

7. Long-term Debt

A. Overview

The following is a summary of long-term debt transactions for the fiscal year ended September 30, 2009:

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 11,399,252	\$ -	\$ 527,730	\$ 10,871,522	\$ 546,080
Notes payable	656,428	-	176,977	479,451	63,145
Capital leases	246,214	37,228	188,442	95,000	76,262
Compensated absences	121,757	30,630	-	152,387	21,288
Total governmental activities	\$ 12,423,651	\$ 67,858	\$ 893,149	\$ 11,598,360	\$ 706,775

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Business-type activities					
Bonds payable	\$ 7,310,748	\$ -	\$ 437,270	\$ 6,873,478	448,920
Notes payable	692,000	104,100	12,080	784,020	40,432
Capital leases	56,838	276,869	114,474	219,233	79,903
Compensated absences	38,885	6,846	4,269	41,461	4,145
Total business-type activities	\$ 8,098,471	\$ 387,815	\$ 568,093	\$ 7,918,193	\$ 573,400
Component Unit					
Bonds payable	\$ -	\$ 492,745	\$ 492,745	\$ -	\$ -
Notes payable	1,978,602	164,000	299,722	1,842,879	192,059
Compensated absences	7,192	462	-	7,654	765
Total component unit activities	\$ 1,985,794	\$ 657,207	\$ 792,467	\$ 1,850,533	\$ 192,825

B. Debt service requirements

Debt service requirements on bonds payable at September 30, 2009 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	546,080	456,498	448,920	237,409
2011	568,725	433,262	466,276	222,322
2012	604,719	409,018	480,281	206,295
2013	635,663	382,931	499,337	189,354
2014	663,936	355,324	446,680	213,490
2015-2019	3,773,962	1,336,503	1,794,517	673,467
2020-2024	2,514,267	601,519	1,497,190	383,237
2025-2029	1,165,127	196,614	764,323	189,260
2030-2034	399,044	33,189	475,956	39,586
	\$ 10,871,522	\$ 4,204,858	6,873,478	\$ 2,354,419

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

C. Capital leases

Commitments under capitalized agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2009 as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 76,262	\$ 4,962	\$ 79,903	\$ 9,947
2011	9,164	843	68,137	6,270
2012	9,574	431	71,193	3,204
	<u>\$ 95,000</u>	<u>\$ 6,236</u>	<u>\$ 219,233</u>	<u>\$ 19,421</u>

The effective interest rate on capital leases outstanding at September 30, 2009 is 5.50%. Total capital lease expenditures for the year ended September 30, 2009 were \$188,442.

D. Notes payable

Debt service requirements on notes payable at September 30, 2009 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 63,145	\$ 18,023	\$ 40,432	\$ 30,620	\$ 71,052
2011	65,717	15,451	42,079	28,973	71,052
2012	68,358	12,810	43,716	27,336	71,052
2013	71,180	9,988	45,575	25,477	71,052
2014	74,080	7,088	47,431	23,621	71,052
2015-2019	136,972	5,072	267,703	87,556	355,260
2020-2024	-	-	297,084	28,571	325,654
	<u>\$ 479,451</u>	<u>\$ 68,432</u>	<u>\$ 784,020</u>	<u>\$ 252,153</u>	<u>\$ 71,052</u>

<u>Year Ending September 30,</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 192,059	\$ 20,351
2011	206,636	18,488
2012	218,138	15,986
2013	231,247	13,377
2014-2019	141,447	10,677
2020-2024	786,494	26,567
2025-2029	65,651	7,135
2030-2034	1,209	4
	<u>\$ 1,842,879</u>	<u>\$ 112,585</u>

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

8. Retirement Plan

Plan Description. The City's pension plan is administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide agent multiple-employer defined benefit pension plan that administers 833 nontraditional, joint contributory, hybrid defined benefit plans covering all eligible employees of member cities in Texas.

Benefits upon retirement, benefits depend on the sum of the employee's contributions, with interest, and the city-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the inception of each city's plan, the city granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since each plan began (or current service credits) are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, each city can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as Updated Service Credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming that the current member deposit rate of the currently employing city (5%, 6%, or 7%) has always been in effect. The computation also assumes that the member's salary has always been the member's average salary — using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the city match currently in effect (100%, 150%, or 200%). The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options: retiree life only; one of three lifetime survivor options; or one of three guaranteed term options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution (PLSD) in an amount equal to 12, 24, or 36 monthly payments under the retiree life only option, which cannot exceed 75% of the total member deposits and interest. A member city may elect to increase the annuities of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. Cities may adopt annuity increases at a rate equal to either 30%, 50%, or 70% of the increase (if any) in the Consumer Price Index — all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases. Members in most cities can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Some cities have elected retirement eligibility with 25 years of service regardless of age. Most plans also provide death benefits and all provide disability benefits.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

Effective January 1, 2002, members are vested after 5 years, unless a city opted to maintain 10-year vesting. The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS.

Members may work for more than one TMRS city during their career. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Contributions — The contribution rates for employees are either 5%, 6%, or 7% of employee gross earnings (three cities have a 3% rate, which is no longer allowed for new cities under the Act), and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of each city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method (effective with the December 31, 2008 actuarial valuation). This rate consists of the normal cost contribution rate and the prior service cost contribution rate. The normal cost contribution rate finances the currently accruing monetary credits due to the city matching percentage, which are the obligation of the city as of the employee's retirement date, not at the time the employee's contributions are made. A member city's retirement contribution rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating updates, such as Updated Service Credit and Annuity Increases. The employer contribution rate cannot exceed a statutory maximum rate, which is a function of the employee contribution rate and the city matching percentage. There is an optional higher maximum that may be applied in certain circumstances if elected by the city, or a city may elect to remove the maximum rate. For example, with a 6% employee contribution rate and a city matching percentage of 200%, the maximum employer contribution rate is 12.5% (13.5% if the higher maximum is elected). The maximum does not apply at all for cities beginning participation on or after December 31, 1999.

Contributions are made monthly by both the employees and the member cities. Since each member city must know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the contribution rate and the calendar year when the rate goes into effect. Contributions totaling \$564.7 million and \$512.9 million were made in 2008 and 2007 by the member cities in accordance with the actuarially determined city contribution rates, based on the December 31, 2006 and 2005 actuarial valuations, respectively. Effective January 1, 2008, member cities are allowed to make additional contributions to the Pension Trust Fund; during 2008, seventeen member cities contributed a total of \$2.5 million in such additional contributions. The employees of the cities contributed \$298.0 million and \$276.0 million in 2008 and 2007 in accordance with the city-adopted employee contribution rate for each city.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

	<u>2006</u>	<u>2007</u>	<u>2008</u>
PLAN PROVISIONS			
Total # of participating entities	821	827	833
<u>City Specific:</u>			
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%	100%
annually repeating (Y/N)	Y	Y	Y
Annuity increase to retirees	70%	70%	70%
annually repeating (Y/N)	Y	Y	Y
Supplemental death benefit			
for active employees (Y/N)	Y	Y	Y
for active retirees (Y/N)	Y	Y	Y

Funding Policy. Eligible City employees are required to contribute 7 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate; these rates are provided to the City on an annual basis, following the completion of an actuarial valuation. The 2009 rate was 6.98% of annual covered payroll. There is a time delay in the valuation and when the rate becomes effective – for example, the January 1, 2009 contribution rate is based on the 12/31/2008 valuation results; if a change in plan provisions is elected by the City, this rate can change. The actuary determines contribution rates on a calendar year basis; the City discloses the annual pension costs (which equal the required contributions) based on the calculated rate for the City’s fiscal year.

Annual Pension Cost. For the fiscal year ended September 30, 2009, the City’s annual pension cost of \$300,627 was equal to the City’s required contributions, but the city pays the phase-in rate which totaled to \$255,567 which leaves a net pension obligation as of September 30, 2009 of \$45,060.

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2006	\$116,737	\$ 116,737	100%	-
2007	\$197,088	\$ 197,088	100%	-
2008	\$300,627	\$ 255,567	85%	\$ 45,060

The required contribution was determined as part of the December 31, 2008 actuarial valuation using the Unit Credit actuarial funding method. The actuarial assumptions at December 31, 2008 included (a) a 7.5 % investment rate of return, (b) salary increases which varies by age and service, and (c) an inflation factor of 3.0%.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

ACTUARIAL INFORMATION	2006	2007	2008
Actuarial cost method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Amortization period	25 years - open period	30 years - closed period	29 years - closed period
Asset valuation method	Amortized cost	Amortized cost	Amortized cost
Assumptions			
Investment return	7%	7%	7.5%
Projected salary increases	None	Varies by age and service	Varies by age and service
Inflation	3.5%	3.0%	3.0%
Cost of living adjustments	None	2.1 % (3.0% CPI)	2.1 % (3.0% CPI)

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was 67.9% funded. The actuarial accrued liability for benefits was \$5.510 million, and the actuarial value of assets was \$3.742 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.702 million, and the ratio of the UAAL to the covered payroll was 47.8%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. Other Post Employment Benefits (OPEB)

Plan Description. TMRS also administers a cost sharing multiple-employer defined benefit group term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating municipalities may elect, by ordinance, to provide group-term life insurance coverage (“supplemental death benefits”) for their active members and/or retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits — Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered a postemployment benefit other than pension benefit (OPEB or other postemployment benefit) and is a fixed amount of \$7,500. The

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Contributions — Contributions are made monthly based on the covered payroll of employee members of the participating municipality. The contractually required contribution rate is determined annually for each municipality. 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 municipality. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net assets available for OPEB.

Funded Status and Funding Progress - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The schedule includes results for as many valuations as have been performed based on the parameters established under GASB Statement No. 43, which was implemented by the System effective December 31, 2006.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Additional information as of the latest actuarial valuation follows: Assets of the SDBF are valued at "fund value" (or fund balance) as these assets are pooled with those of the Pension Trust Fund under the provisions of the TMRS Act. GASB Statement No. 43 requires the investment return (discount rate) assumption to take into account the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Benefits are expected to be provided partially from accumulated plan assets (including accumulated investment earnings) and partially from direct employer contributions. While assets invested in the Supplemental Death Benefit Fund are expected to earn 5% interest annually, employer contributions will be made from working funds held in cash or short-term investments. Based on the expected blend of the source of these funds, the investment return assumption has been set at 4.25%.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

	<u>2008</u>
PLAN PROVISIONS	
Total # of participating entities offering supplemental death to retirees	717
<u>City Specific:</u>	
Bridgeport offers supplemental death to:	
active employees (yes/no)	Yes
retirees (yes/no)	Yes

Funding Policy. Participating cities are contractually required to contribute at a rate assessed each year by the TMRS SDBF, for 2009 this was 0.17% of the annual covered payroll. The City's contributions for the years ended September 30, 2008, 2007, and 2006 were \$5,847, \$6,326, and \$5,223, respectively, which equaled the required contributions each year.

	<u>2008</u>
ACTUARIAL INFORMATION	
Valuation date	12/31/2008
	Projected Unit
Actuarial cost method	Credit
	Level percent of
Amortization method	payroll
	25 years - open
Amortization period	period
Asset valuation method	Fund value
Assumptions	
Investment return	4.3%
Projected salary increases	N/A
Inflation	3.0%
Cost of living adjustments	None

10. Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The plan is administered by MetLife.

11. Health Care Coverage

During the year ended September 30, 2009, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$430 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

12. Commitments and Contingencies

Grants

The City participates in 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 and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds or any money received may be required and the collectibles of any related receivable may be impaired. In the opinion of management, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Litigation

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregated liability, if any, with respect to potential legal actions will not have a material adverse effect on the City's financial position, results of operations, or cash flows.

13. Prior Period Adjustment

Beginning net assets were adjusted from the prior year's statements as follows:

	Governmental Activities
Net assets at September 30, 2008, as previously reported	\$ 3,590,704
Prior period adjustment	131,491
Net assets at September 30, 2008, restated	<u>\$ 3,722,195</u>

Certain grant proceeds received from the Texas Forest Service during the year ended September 30, 2009 should have been accrued as of September 30, 2008 and certain insurance expenditures incurred during the year ended September 30, 2008 should be expensed in the City's fiscal 2009 financial statements. Accordingly, net assets at September 30, 2008 for governmental activities have been increased by a net amount of \$131,491.

Similarly, net assets at September 30, 2008 have been increased by \$55,473 to properly reflect the water and sewer, electric, and municipal airport portion of certain insurance expenditures erroneously expensed in 2008 for business-type activities.

City of Bridgeport
Notes to the Financial Statements – (continued)
September 30, 2009

14. Hospital Loan Guarantee

In October 2006, the City entered into an economic development agreement with West 380 Family Care Facility (dba North Texas Community Hospital) (the Hospital). In connection with this agreement, the City became a guarantor of the Hospital's \$3.0 million line of credit with Compass Bank, which matures in January 2012. As of September 30, 2009, the Compass Bank line of credit was fully drawn with an outstanding balance of \$3.0 million.

As disclosed in the Hospital's audited financial statements for the year ended December 31, 2008, the Hospital is currently in default of certain debt covenants related to the Hospital's Series 2007 Revenue Bonds issued in the amount of \$59.1 million. The debt-covenant violations were primarily attributable to the Hospital's significant operating losses in 2008 and 2009 and the Hospital's inability to meet its current obligations.

Additionally, as a result of the Hospital not being in compliance with its bond covenants, the Hospital is subject to various financial restrictions and currently unable to make monthly interest payments on its outstanding line of credit balance with Compass Bank. Beginning in May 2009, the City believed that it was in its best interest to remit monthly interest payments on behalf of the Hospital in accordance with the underlying loan guaranty agreement with Compass Bank. Total payments made to Compass Bank and expensed by the City during the year ended September 30, 2009 were \$65,256. The annual interest rate on the Compass Bank line of credit was 5.0% at September 30, 2009.

Given the current circumstances surrounding the Hospital's outstanding bonds and related debt-covenant violations, the City intends to continue making monthly interest payments to Compass Bank on behalf of the Hospital. As of September 20, 2009, cash of approximately \$116,000 is restricted in the City's General Fund for estimated interest payments to be made in fiscal 2010 on behalf of the Hospital.

The City does not believe that it is necessary or appropriate to accrue a liability in the City's financial statements as of September 20, 2009 for all or part of the Hospital's \$3.0 million line of credit with Compass Bank. The City believes that the Hospital's current management team has devised a strategic plan to increase both revenues and cash flow sufficient to provide the Hospital the ability to continue as a going concern, meet all of its debt obligations, and fully comply with its debt covenants. To the extent that new facts or circumstances become known that would impact the Hospital's ability to effectively execute its strategic plan, the impact of the change will be reflected in the City's financial statements at the time.

15. Subsequent Events

None.

Required Supplementary Information

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Required Supplementary Information
Texas Municipal Retirement System
Schedule of Funding Progress
September 30, 2009

Fiscal year	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarial value of assets	\$ 3,742,403	\$ 3,106,371	\$ 2,784,827
Actuarial accrued liability	5,510,845	4,653,329	3,291,640
Percentage funded	67.9%	66.8%	84.6%
Unfunded (over-funded) actuarial accrued liability (UAAL)	1,768,442	1,546,958	506,813
Annual covered payroll	3,702,073	3,156,730	2,426,239
UAAL as a percentage of covered payroll	<u>47.8%</u>	<u>49.0%</u>	<u>20.9%</u>

City of Bridgeport, Texas
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2009

	Special		
	<u>Hotel/Motel Tax</u>	<u>Donations</u>	<u>Court Technology/ Security</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 3,583	\$ -
Accounts receivable, net	13,863	-	-
Due from other funds	58,866	13,491	72,507
Other	-	-	-
Total assets	<u>\$ 72,729</u>	<u>\$ 17,074</u>	<u>\$ 72,507</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and other current liabilities	\$ 771	\$ 1,552	\$ 257
Accrued liabilities	-	-	479
Total liabilities	<u>771</u>	<u>1,552</u>	<u>736</u>
Fund balances:			
Reserved for:			
Court Technology	-	-	-
Court Security	-	-	-
Juvenile Case Manager	-	-	-
Unreserved, reported in:			
Special revenue fund	<u>71,958</u>	<u>15,522</u>	<u>71,770</u>
Total fund balances	<u>71,958</u>	<u>15,522</u>	<u>71,770</u>
Total liabilities and fund balances	<u>\$ 72,729</u>	<u>\$ 17,074</u>	<u>\$ 72,507</u>

The accompanying notes are an integral part of this financial statement.

Revenue Funds

Bridgeport Stage	Cemetery	Recreation	Main Street	TIRZ#1	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 600	\$ -	\$ -	\$ 4,183
-	-	-	-	-	13,863
10,726	31,906	12,431	4,966	43,098	247,991
-	-	-	-	-	-
<u>\$ 10,726</u>	<u>\$ 31,906</u>	<u>\$ 13,031</u>	<u>\$ 4,966</u>	<u>\$ 43,098</u>	<u>\$ 266,037</u>
\$ 155	\$ -	\$ 609	\$ 10	\$ -	3,354
-	-	5,025	-	-	5,504
<u>155</u>	<u>-</u>	<u>5,634</u>	<u>10</u>	<u>-</u>	<u>8,858</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,571	31,906	7,397	4,956	43,098	257,179
<u>10,571</u>	<u>31,906</u>	<u>7,397</u>	<u>4,956</u>	<u>43,098</u>	<u>257,179</u>
<u>\$ 10,726</u>	<u>\$ 31,906</u>	<u>\$ 13,031</u>	<u>\$ 4,966</u>	<u>\$ 43,098</u>	<u>\$ 266,037</u>

City of Bridgeport, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended September 30, 2009

	Special		
	<u>Hotel/Motel Tax</u>	<u>Donations</u>	<u>Court Technology/ Security</u>
REVENUES			
Taxes-hotel/motel	\$ 105,810	\$ -	\$ -
Charges for services	-	-	-
Court fines	-	-	27,743
Miscellaneous	-	-	-
Donations	2,500	18,047	-
Total revenues	<u>108,310</u>	<u>18,047</u>	<u>27,743</u>
EXPENDITURES			
Current:			
General government	47,589	-	-
Public safety	-	3,453	16,416
Culture and recreation	-	212	-
Capital outlay -			
General government	118,939	-	-
Culture and recreation	-	-	-
Total expenditures	<u>166,528</u>	<u>3,664</u>	<u>16,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,217)</u>	<u>14,382</u>	<u>11,327</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(12,447)</u>	-	-
Total other financing sources and uses	<u>(12,447)</u>	-	-
Net change in fund balances	(70,664)	14,382	11,327
Fund balances - beginning	142,623	1,140	60,443
Fund balances - ending	<u>\$ 71,958</u>	<u>\$ 15,522</u>	<u>\$ 71,770</u>

The accompanying notes are an integral part of this financial statement.

Revenue Funds

Bridgeport Stage	Cemetery	Recreation	Main Street	TIRZ#1	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,810
4,143	16,200	129,416	-	-	149,759
-	-	-	-	-	27,743
-	-	-	-	8,774	8,774
-	-	300	1,023	-	21,870
<u>4,143</u>	<u>16,200</u>	<u>129,716</u>	<u>1,023</u>	<u>8,774</u>	<u>313,956</u>
-	12,914	-	-	-	60,503
-	-	-	-	-	19,869
17,800	-	164,197	2,547	-	184,756
-	-	-	-	-	118,939
-	-	175	-	-	175
<u>17,800</u>	<u>12,914</u>	<u>164,372</u>	<u>2,547</u>	<u>-</u>	<u>384,241</u>
<u>(13,657)</u>	<u>3,286</u>	<u>(34,656)</u>	<u>(1,524)</u>	<u>8,774</u>	<u>(70,285)</u>
<u>6,614</u>	<u>-</u>	<u>47,104</u>	<u>-</u>	<u>34,324</u>	<u>75,595</u>
<u>6,614</u>	<u>-</u>	<u>47,104</u>	<u>-</u>	<u>34,324</u>	<u>75,595</u>
<u>(7,042)</u>	<u>3,286</u>	<u>12,448</u>	<u>(1,524)</u>	<u>43,098</u>	<u>5,310</u>
<u>17,613</u>	<u>28,621</u>	<u>(5,050)</u>	<u>6,480</u>	<u>-</u>	<u>251,870</u>
<u>\$ 10,571</u>	<u>\$ 31,906</u>	<u>\$ 7,397</u>	<u>\$ 4,956</u>	<u>\$ 43,098</u>	<u>\$ 257,180</u>

City of Bridgeport, Texas
General Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Donations	\$ -	\$ -	\$ 273,098	\$ 273,098
Grants	-	-	132,720	132,720
Interest revenue	70,000	70,000	16,475	(53,525)
Miscellaneous	-	-	-	-
Total revenues	<u>70,000</u>	<u>70,000</u>	<u>422,293</u>	<u>352,293</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Culture and recreation	-	-	-	-
Total current:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay -				
general government	-	169,807	1,811,835	(1,642,028)
Total expenditures	<u>-</u>	<u>169,807</u>	<u>1,811,835</u>	<u>(1,642,028)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,000</u>	<u>(99,807)</u>	<u>(1,389,543)</u>	<u>(1,289,735)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Transfers in(out)	-	-	471,068	471,068
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>471,068</u>	<u>471,068</u>
Net change in fund balances	<u>70,000</u>	<u>(99,807)</u>	<u>(918,474)</u>	<u>(818,667)</u>
Fund balances - beginning	<u>2,141,925</u>	<u>2,141,925</u>	<u>2,141,925</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,211,925</u>	<u>\$ 2,042,118</u>	<u>\$ 1,223,451</u>	<u>\$ (818,667)</u>

City of Bridgeport, Texas
 Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes -				
property	\$ 957,310	\$ 957,310	\$ 977,118	\$ 19,808
Interest revenue	15,000	15,000	5,042	(9,958)
Total revenues	<u>972,310</u>	<u>972,310</u>	<u>982,161</u>	<u>9,851</u>
EXPENDITURES				
Debt service:				
Principal	825,000	545,687	527,730	17,957
Interest	693,415	507,503	479,660	27,843
Administrative charges	-	-	2,884	(2,884)
Total expenditures	<u>1,518,415</u>	<u>1,053,190</u>	<u>1,010,274</u>	<u>42,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(546,105)</u>	<u>(80,880)</u>	<u>(28,113)</u>	<u>52,767</u>
OTHER FINANCING SOURCES (USES)				
Miscellaneous	-	-	-	-
Transfers in(out)	522,486	57,262	57,262	-
Total other financing sources and uses	<u>522,486</u>	<u>57,262</u>	<u>57,262</u>	<u>-</u>
Net change in fund balances	<u>(23,618)</u>	<u>(23,618)</u>	<u>29,149</u>	<u>52,767</u>
Fund balances - beginning	<u>119,153</u>	<u>119,153</u>	<u>119,153</u>	<u>-</u>
Fund balances - ending	<u>\$ 95,534</u>	<u>\$ 95,534</u>	<u>\$ 148,301</u>	<u>\$ 52,767</u>

City of Bridgeport, Texas
Special Revenue Hotel Motel Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes -				
Hotel/motel taxes	\$ 120,000	\$ 120,000	\$ 105,810	\$ (14,190)
Donations	-	-	2,500	2,500
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>108,310</u>	<u>(11,690)</u>
EXPENDITURES				
Current-general government	67,140	69,640	47,589	22,051
Capital asset-general government	-	101,741	118,939	(17,198)
Total expenditures	<u>67,140</u>	<u>171,381</u>	<u>166,528</u>	<u>4,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,860</u>	<u>(51,381)</u>	<u>(58,217)</u>	<u>(6,836)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,000)	(12,000)	(12,447)	(447)
Total other financing sources and uses	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,447)</u>	<u>(447)</u>
Net change in fund balances	40,860	(63,381)	(70,664)	(7,283)
Fund balances - beginning	142,623	142,623	142,623	-
Fund balances - ending	<u>\$ 183,483</u>	<u>\$ 79,242</u>	<u>\$ 71,958</u>	<u>\$ (7,283)</u>

City of Bridgeport, Texas
Special Revenue Donations Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Donations	\$ -	\$ -	\$ 18,047	\$ 18,047
Total revenues	-	-	18,047	18,047
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	3,453	(3,453)
Culture and recreation	-	-	212	(212)
Capital outlay-general government	-	-	-	-
Total expenditures	-	-	3,664	(3,664)
Excess (deficiency) of revenues over (under) expenditures	-	-	14,382	14,382
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	14,382	14,382
Fund balances - beginning	1,140	1,140	1,140	-
Fund balances - ending	\$ 1,140	\$ 1,140	\$ 15,522	\$ 14,382

City of Bridgeport, Texas
Special Revenue Court Technology & Security Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Court fines	\$ 16,000	\$ 16,000	\$ 27,743	\$ 11,743
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>27,743</u>	<u>11,743</u>
EXPENDITURES				
Current-public safety	17,569	17,569	16,416	1,153
Total expenditures	<u>17,569</u>	<u>17,569</u>	<u>16,416</u>	<u>1,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,569)</u>	<u>(1,569)</u>	<u>11,327</u>	<u>12,896</u>
Fund balances - beginning	60,443	60,443	60,443	-
Fund balances - ending	<u>\$ 58,874</u>	<u>\$ 58,874</u>	<u>\$ 71,770</u>	<u>\$ 12,896</u>

City of Bridgeport, Texas
Special Revenue Bridgeport Stage Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges and services	\$ 10,750	\$ 10,750	\$ -	\$ (10,750)
Donations	2,500	2,500	4,143	1,643
Total revenues	<u>13,250</u>	<u>13,250</u>	<u>4,143</u>	<u>(9,107)</u>
EXPENDITURES				
Current-culture and recreation	21,312	21,312	17,800	3,512
Total expenditures	<u>21,312</u>	<u>21,312</u>	<u>17,800</u>	<u>3,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,062)</u>	<u>(8,062)</u>	<u>(13,657)</u>	<u>(5,595)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	12,000	12,447	447
Transfers out	<u>(5,997)</u>	<u>(5,997)</u>	<u>(5,833)</u>	<u>164</u>
Total other financing sources and uses	<u>6,003</u>	<u>6,003</u>	<u>6,614</u>	<u>611</u>
Net change in fund balances	<u>(2,059)</u>	<u>(2,059)</u>	<u>(7,042)</u>	<u>(4,983)</u>
Fund balances - beginning	17,613	17,613	17,613	-
Fund balances - ending	<u>\$ 15,554</u>	<u>\$ 15,554</u>	<u>\$ 10,571</u>	<u>\$ (4,983)</u>

City of Bridgeport, Texas
Special Revenue Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges and services	\$ 18,000	\$ 18,000	\$ 16,200	\$ (1,800)
Donations	-	-	-	-
Total revenues	<u>18,000</u>	<u>18,000</u>	<u>16,200</u>	<u>(1,800)</u>
EXPENDITURES				
Current-general government	13,720	13,720	12,914	806
Capital outlay -				
Total expenditures	<u>13,720</u>	<u>13,720</u>	<u>12,914</u>	<u>806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,280</u>	<u>4,280</u>	<u>3,286</u>	<u>(994)</u>
Net change in fund balances	4,280	4,280	3,286	(994)
Fund balances - beginning	28,621	28,621	28,621	-
Fund balances - ending	<u>\$ 32,901</u>	<u>\$ 32,901</u>	<u>\$ 31,906</u>	<u>\$ (994)</u>

City of Bridgeport, Texas
Special Revenue Recreation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges and services	\$ 139,966	\$ 139,966	\$ 129,416	\$ (10,550)
Donations	-	-	300	300
Total revenues	<u>139,966</u>	<u>139,966</u>	<u>129,716</u>	<u>(10,250)</u>
EXPENDITURES				
Current-culture and recreation	182,406	186,906	164,197	22,708
Total expenditures	<u>182,406</u>	<u>186,906</u>	<u>164,197</u>	<u>22,708</u>
Capital outlay -				
culture and recreation	-	-	175	(175)
Total expenditures	<u>182,406</u>	<u>186,906</u>	<u>175</u>	<u>(175)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,440)</u>	<u>(46,940)</u>	<u>(34,656)</u>	<u>12,283</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	48,437	52,937	52,937	-
Transfer out	(5,997)	(5,997)	(5,833)	164
Total other financing sources and uses	<u>42,440</u>	<u>46,940</u>	<u>47,104</u>	<u>164</u>
Net change in fund balances	-	-	12,448	12,447
Fund balances - beginning	(5,050)	(5,050)	(5,050)	-
Fund balances - ending	<u>\$ (5,050)</u>	<u>\$ (5,050)</u>	<u>\$ 7,398</u>	<u>\$ 12,447</u>

City of Bridgeport, Texas
Special Revenue Main Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for service	\$ -	\$ -	\$ -	\$ -
Donations	4,500	4,500	1,023	(3,477)
Total revenues	<u>4,500</u>	<u>4,500</u>	<u>1,023</u>	<u>(3,477)</u>
EXPENDITURES				
Current -				
Culture and recreation	-	-	2,547	(2,547)
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>2,547</u>	<u>(2,547)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,500</u>	<u>4,500</u>	<u>(1,524)</u>	<u>(6,024)</u>
Fund balances - beginning	6,480	6,480	6,480	-
Fund balances - ending	<u>\$ 10,980</u>	<u>\$ 10,980</u>	<u>\$ 4,956</u>	<u>\$ (6,024)</u>

City of Bridgeport, Texas
Special Revenue TIRZ#1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 8,774	\$ 8,774
Total revenues	-	-	8,774	8,774
OTHER FINANCING SOURCES (USES)				
Transfers in	34,324	34,324	34,324	-
Transfers out	-	-	-	-
Total other financing sources and uses	34,324	34,324	34,324	-
Net change in fund balances	34,324	34,324	43,098	8,774
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ 34,324	\$ 34,324	\$ 43,098	\$ 8,774

Bridgeport Economic Development Corporation
Balance Sheet
Governmental Funds
September 30, 2009

	<u>EDC General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,864,891
Sales tax receivable	97,586
Due from other funds	44,538
Total assets	<u>2,007,015</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	1,722
Accrued liabilities	5,931
Advance from primary government	500,000
Total liabilities	<u>507,653</u>
Fund balances - unreserved	<u>1,499,362</u>
Total liabilities and fund balance	<u>\$ 2,007,015</u>

Bridgeport Economic Development Corporation
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2009

Net change in fund balance	\$ 1,499,362
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,448,929
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,851,541)
Net assets of governmental activities	<u>\$ 3,096,750</u>

Bridgeport Economic Development Corporation
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Governmental Funds
Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>EDC Fund</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 1,000,000	\$ 1,000,000	\$ 1,060,292	\$ (60,292)
Other revenue	15,000	15,000	26,154	(11,154)
Interest	15,000	15,000	22,548	(7,548)
Total revenues	<u>1,030,000</u>	<u>1,030,000</u>	<u>1,108,994</u>	<u>(78,994)</u>
EXPENDITURES				
Current:				
Salaries and benefits	121,355	121,355	124,763	(3,408)
Supplies	30,950	30,950	15,536	15,414
Maintenance of buildings and equipment	18,100	18,100	13,243	4,857
Contractual services	177,700	177,700	248,756	(71,056)
Economic incentive grants	1,052,698	1,052,698	36,903	1,015,795
Debt service:				
Principal	-	-	309,018	(309,018)
Interest	77,000	77,000	12,541	64,459
Capital outlay	4,351,100	4,351,100	533,927	3,817,173
Total expenditures	<u>5,828,903</u>	<u>5,828,903</u>	<u>1,294,686</u>	<u>4,534,217</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,798,903)</u>	<u>(4,798,903)</u>	<u>(185,692)</u>	<u>(4,613,211)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	4,051,100	4,051,100	-	4,051,100
Transfers out	(64,209)	(66,926)	(58,255)	(8,671)
Total other financing sources and uses	<u>3,986,891</u>	<u>3,984,174</u>	<u>(58,255)</u>	<u>4,042,429</u>
Net change in fund balances	<u>(812,012)</u>	<u>(814,729)</u>	<u>(243,947)</u>	<u>(570,782)</u>
Fund balances - beginning	1,743,309	1,743,309	1,743,309	-
Fund balances - ending	<u>\$ 931,297</u>	<u>\$ 928,580</u>	<u>\$ 1,499,361</u>	<u>\$ (570,783)</u>

Bridgeport Economic Development Corporation
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
September 30, 2009

Net increase (decrease) in fund balances - total governmental funds	\$ (243,947)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. This is the amount by which capital outlay exceeded depreciation in the current period.	459,308
Debt principal repayments.	298,492
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,994)
Net increase in net assets of governmental activities	<u>\$ 510,859</u>

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Other Supplementary Information

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**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**

To the City Council
City of Bridgeport, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bridgeport, Texas (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 5, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (findings 2009-1 through 2009-3).

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

* * * * *

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Auldridge Griffin, P.C.

Fort Worth, Texas
January 5, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council
City of Bridgeport, Texas

Compliance

We have audited the compliance of the City of Bridgeport, Texas (City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City's compliance with those requirements.

In our opinion, the City of Bridgeport, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the City of Bridgeport, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be

significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be significant deficiencies (findings 2009-1 through 2009-3).

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Auldridge Griffin, P.C.

Fort Worth, Texas
January 5, 2010

**City of Bridgeport
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2009**

Part I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes No

Reportable condition identified not considered to be a material weakness? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Reportable condition identified not considered to be a material weakness? Yes No

Type of auditor's report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 - Section .510(a)? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$500,000

Auditee qualified as low-risk auditee? Yes No

**CITY OF BRIDGEPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Part II – FINANCIAL STATEMENT FINDINGS

2009-1

Criteria: Obtain a sufficient knowledge of the entity’s internal control over major types of activities, the sources of the information used in those activities, and how the activities lead to a corrective action plan.

Condition: To understand the City’s control environment over financial reporting for audit planning.

Context: In connection with inventory-related audit procedures and review of related internal controls, we noted that the City has no formal written policies and procedures over inventory management.

Effect: The City runs the risk of using unreliable information in financial reports generated for assessing and monitoring financial performance. No reliance on internal control over inventory required additional audit procedures to determine accuracy of financial statement assertions related to inventory.

Cause: Although the City adopted a new inventory accounting system in 2009, no formal policies and procedures were developed and documented. There may be an assumption that because the City’s accounting system is relatively simple and personnel have direct and easy access to the finance director when questions arise, there is no need for formal written policies and procedures.

Recommendations:

We recommend clearly written procedures, instructions, and assignment of duties to oversee and manage the City’s inventory. Written polices and procedures will prevent or reduce misunderstandings, errors, inefficient or wasted efforts, duplicated or omitted procedures, and other situations that could result in inaccurate or untimely accounting records. Formal inventory policies and procedures will also help ensure that all similar transactions are treated consistently, accounting principles are used are proper, and monthly financial reports are produced in the form desired by management.

Views of responsible officials:

The City’s Director of Financial Services will immediately begin developing and implementing formal accounting policies and procedures to help ensure accurate monthly monitoring and reporting of the City’s inventory assets.

2009-2

Criteria: Obtain a sufficient knowledge of the entity’s internal control over major types of activities, the sources of the information used in those activities, and how the activities lead to a corrective action plan.

Condition: To understand the City’s control environment over financial reporting for audit planning.

Context: In connection with fixed asset-related audit procedures and review of related internal controls, we noted that the City does not have effective procedures in place regarding the review and evaluation of potentially obsolete or impaired fixed assets.

Effect: The City runs the risk of using unreliable information in financial reports generated for assessing and monitoring financial performance. No reliance on internal controls over potentially obsolete or

impaired fixed assets required additional audit procedures to determine accuracy of financial statement assertions related to obsolete or impaired assets.

Cause: The City does not have proper procedures in place to periodically review fixed asset ledgers to identify potentially obsolete or impaired assets.

Recommendations:

We recommend the City consider implementing the following procedures on a quarterly/annual basis:

- All department heads should review and approve their department's detailed fixed asset ledger for potential obsolete or impaired items.
- All potentially obsolete or impaired assets identified should be further evaluated and, if deemed appropriate, written-off or restated at the respective fair values.

Implementation of these procedures will help ensure that fixed assets are properly recorded in the City's internal financial statements and that potential asset impairments have been appropriately considered by management.

Views of responsible officials:

The City's Director of Financial Services will immediately develop and implement formal procedures that require periodic reviews of the City's fixed assets by appropriate members of management to determine whether or not any assets have been impaired and, if necessary, appropriate adjustments made to the City's financial records in accordance with applicable accounting standards.

2009-3

Criteria: Obtain a sufficient knowledge of the entity's monitoring process to understand the major types of activities used to monitor internal control, the sources of the information used in those activities (such as budget variances, reconciliations, or monthly financial reports), and how the activities lead to corrective actions.

Condition: To understand the City's control environment over financial reporting.

Context: In connection with cash-related audit procedures, we observed numerous outstanding checks greater than six months old on the City's bank reconciliation reports.

Effect: The City runs the risk of using unreliable information in financial reports generated for assessing and monitoring financial performance.

Cause: The City does not have proper procedures in place to periodically review checks outstanding for extended periods of time.

Recommendations:

We recommend the City implement procedures to periodically review and investigate all checks issued that have been outstanding for extended periods of time, and take the appropriate action related to them.

Views of responsible officials:

The City's Director of Financial Services will immediately adopt new procedures that require a periodic review by the City's accounting staff of all old outstanding checks identified in the City's monthly bank reconciliations and appropriate action taken to properly dispose of such items in a timely manner.

Part III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings.

**CITY OF BRIDGEPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Federal Grantor	CFDA Number	Total Expenditures
<u>Environmental Protection Agency</u>		
Passed Through Texas Water Development Board:		
➤ Clean Water State Revolving Fund – Project No. 71503	66.458	\$ 1,129,738
<u>U.S. Department of Transportation</u>		
Passed Through Texas Parks & Wildlife Department		
➤ National Recreational Trails Grant – Project No. RT-0503	20.219	76,876
<u>U.S. Department of Justice</u>		
➤ Bullet Proof Vest Partnership (BPV)	16.710	1,634
<u>Texas State-Funded Grant Programs</u>		
➤ Texas Parks & Wildlife Department – Project No. 51-000053	N/A	175,092
➤ Texas State Library and Archives Commission – Bridgeport Public Library		5,788
➤ North Central Texas Council of Governments – Regional Solid Waste Program		24,846
➤ North Central Texas Council of Governments – State Revolving Fund		<u>15,000</u>
Total Federal and State Grant Awards		<u>\$ 1,428,974</u>

CITY OF BRIDGEPORT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

NOTE 1 – PURPOSE OF SCHEDULE

The schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Bridgeport, Texas. Federal awards consist of direct and pass-through assistance from federal granting agencies.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting and the cost accounting principles contained in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.