

City of Bridgeport
Texas



Fiscal Year
October 1, 2007 – September 30, 2008

CITY OF BRIDGEPORT

**Comprehensive Annual Financial Report
For year ended September 30, 2008**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal i
Organizational Chart v
List of Elected and Appointed Officials..... vi

FINANCIAL SECTION

Independent Auditor’s Report 3
Management’s Discussion and Analysis 7
Basic Financial Statements
 Government-wide Financial Statements:
 Statement of Net Assets 19
 Statement of Activities 20
 Fund Financial Statements:
 Balance Sheet – Governmental Funds 22
 Reconciliation of the Balance Sheet to Statement of Net Assets 24
 Statement of Revenues, Expenditures and Changes in Fund
 Balance..... 26
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance to the Statement of Activities..... 28
 Statement of Revenues, Expenditures, and Changes in Fund
 Balances – Budget and Actual – General Fund 29
 Statement of Net Assets – Proprietary Funds 30
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Funds 32
 Statement of Cash Flows – Proprietary Funds..... 34
 Notes to the Financial Statements 36
Required Supplementary Information
 Schedule of Funding Progress – Texas Municipal Retirement System 69
Combining and Individual Fund Statements and Schedules:
 Combining Balance Sheet – Non-major Governmental Funds 72
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balance – Non-major Governmental Funds 74
 Schedule of Revenues, Expenditures, and Changes in Fund Balance –
 Budget and Actual:
 Special Revenue Funds:
 General Capital Projects Fund..... 76
 Debt Service Fund 77
 Hotel/Motel Occupancy Tax Fund 78
 Donations Fund 79
 Court Technology/Security Fund 80
 Theater Fund 81
 Cemetery Fund 82
 Recreation Fund 83
 Main Street Fund 84

CITY OF BRIDGEPORT

**Comprehensive Annual Financial Report
For year ended September 30, 2008**

| | |
|--|----|
| Balance Sheet – Discretely Presented Component Unit..... | 85 |
| Reconciliation of the Balance Sheet to Statement of Net Assets – Component Unit | 86 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Component Unit..... | 87 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities – Component Unit | 88 |
| OTHER SUPPLEMENTARY INFORMATION | |
| Auditor’s Report on Compliance and on Internal Controls | 91 |



City of Bridgeport

June 2, 2009

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, 2008.

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 Auldridge 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, 2008, 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, 2008, 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 \$32 million in 2008 to \$294 million. Residential and commercial activity continues to be strong. Although the economy is in an economic crisis the development 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 at \$0.5875.

Sales tax collections continue to experience growth this year showing an increase over the previous year.

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 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 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 29 & 76-84.

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

Cash Management. The City utilizes is 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 combination of these investment vehicles provided a weighted average return of 3.403 percent over the fiscal year. The City requires that all deposits be collateralized with securities held in joint accounts at First Financial 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 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 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. 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.

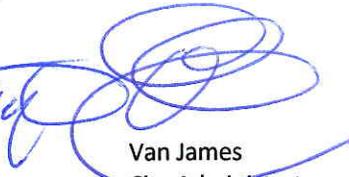
The City purchases liability insurance totaling \$14,882,721 for all exposures. The City also purchases workers' compensation coverage through Texas Municipal League/Risk Pool.

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 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 Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

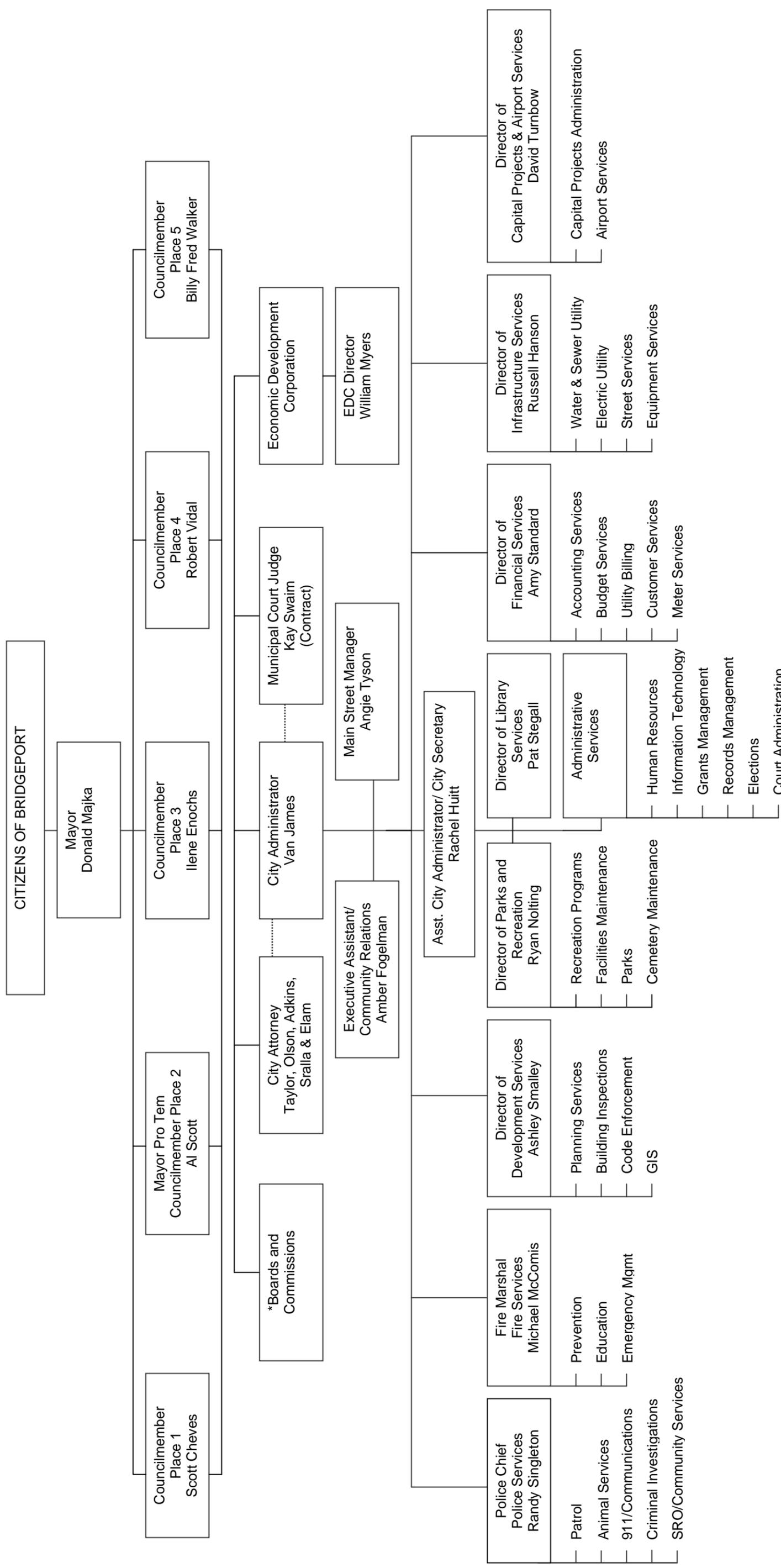
Respectfully submitted,


Donald C. Majka
Mayor


Van James
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, 2008

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

Van James, City Administrator
900 Thompson Street
Bridgeport, Texas 76426

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

David Turnbow, Director of Public Works
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

Michael McComis, Fire Marshall
900 Thompson Street
Bridgeport, Texas 76426

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

FINANCIAL SECTION

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Auldridge Griffin
Certified Public Accountants
A Professional Corporation

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

Michael D. Dunlap, CPA
Karen O. Thompson, CPA
John A. Stanbery, 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, 2008, 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, 2008, 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 June 2, 2009 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 72 through 88, 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 supplementary schedules contained on pages 93 through 95 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Auldridge Buffin, P.C.

Fort Worth, Texas
June 2, 2009

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, 2008. 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 \$12,234,805 at September 30, 2008. Of this amount, \$9,558,132 (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 increased by \$32,560. This is due to revenues exceeding expenses.
- As of the close of the current fiscal year, the City of Bridgeport's governmental funds reported combined ending fund balances of \$4,650,809, an increase of \$1,188,641 or 35% in comparison with the prior year's fund balance. Approximately 88% (\$4,090,809) 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 \$2,077,861 which is an increase of 28% 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 19 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 comparisons 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 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 30 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 69 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 72-74 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, 2008, the City of Bridgeport's assets exceeded liabilities by \$12,234,805.

The largest portion of the City's net assets (71%) 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 | |
|---|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 6,435,675 | \$ 3,913,453 | \$ 6,951,019 | \$ 4,860,205 | \$ 13,386,694 | \$ 8,773,658 |
| Capital assets, net of accumulated depreciation | 11,214,930 | 10,230,951 | 10,573,416 | 9,593,630 | 21,788,346 | 19,824,581 |
| Total assets | 17,650,606 | 14,144,404 | 17,524,437 | 14,453,835 | 35,175,039 | 28,598,239 |
| Long-term liabilities outstanding | 12,423,651 | 9,696,432 | 8,098,471 | 4,273,790 | 20,522,122 | 13,970,222 |
| Other liabilities | 1,636,251 | 1,190,024 | 781,864 | 932,539 | 2,418,115 | 2,122,563 |
| Total liabilities | 14,059,902 | 10,886,456 | 8,880,334 | 5,206,329 | 22,940,238 | 16,092,785 |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 924,681 | 1,450,946 | 7,810,909 | 5,108,677 | 8,735,590 | 6,559,623 |
| Restricted net assets | | | | | | |
| Capital projects | 367,353 | 1,551,566 | - | 2,715,892 | 367,353 | 4,267,458 |
| Debt retirement | 119,153 | 90,625 | 215,592 | 238,975 | 334,745 | 329,601 |
| Loan guaranty agreement | 60,000 | - | - | - | 60,000 | - |
| Special purpose | 60,443 | 44,506 | - | - | 60,443 | 44,506 |
| Unrestricted | 2,059,073 | 120,305 | 617,600 | 1,183,962 | 2,676,673 | 1,304,267 |
| Total net assets | \$ 3,590,704 | \$ 3,257,948 | \$ 8,644,101 | \$ 9,247,506 | \$ 12,234,805 | \$ 12,505,454 |

An additional portion of the City's net assets (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,676,673) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2008, 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 an increase of \$32,560 in total net assets during the fiscal year as mentioned above. This is due to revenues exceeding expenses. Specifically governmental activities and electric portion of the business-type activities had strong revenue increases over the previous year's revenues while net expenses had a slight increase.

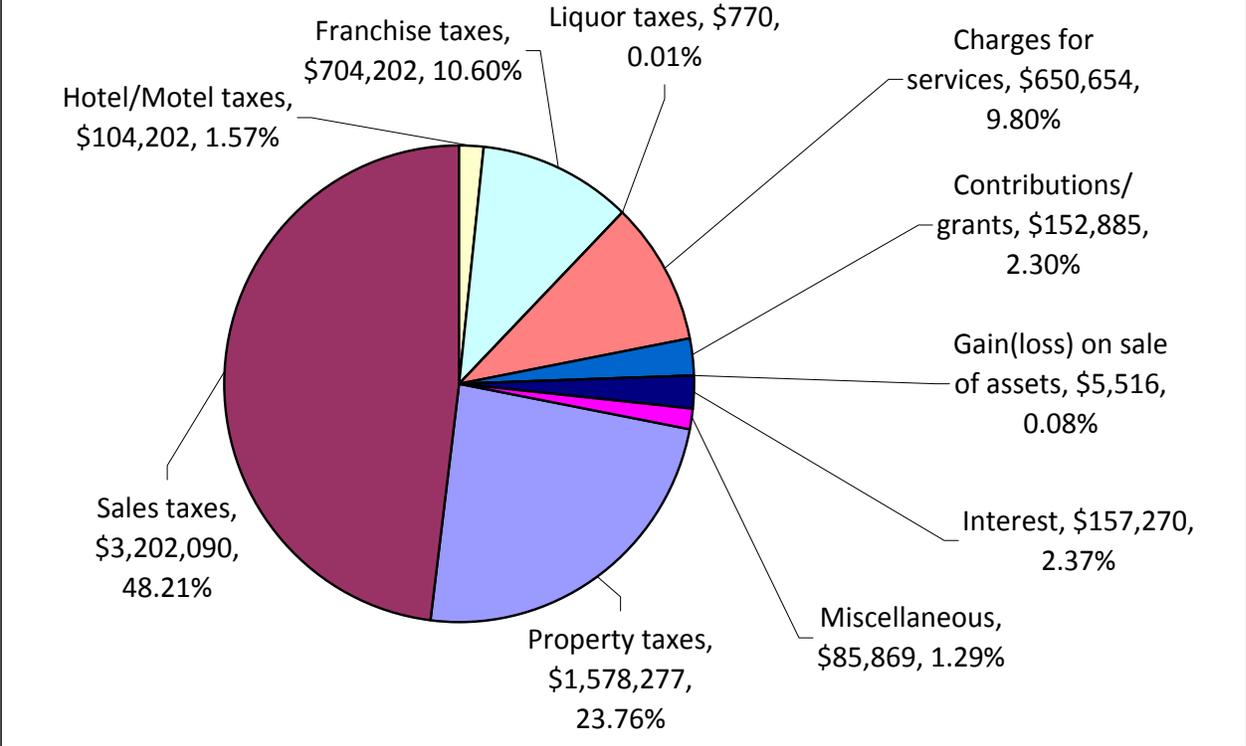
Governmental activities. Governmental activities increased the City's net assets by \$605,964 thereby accounting for 96% of the total growth in the net assets of the City of Bridgeport. Key elements of this increase are as follows:

TABLE A - 2
CHANGES IN NET ASSETS

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 650,654 | \$ 601,970 | \$ 10,060,837 | \$ 8,438,207 | \$ 10,711,491 | \$ 9,040,177 |
| Operating grants and contributions | 152,885 | 97,339 | 101,000 | 780,028 | 253,885 | 877,367 |
| General revenues | | | | | | |
| Property taxes | 1,578,277 | 1,384,035 | - | - | 1,578,277 | 1,384,035 |
| Sales taxes | 3,202,090 | 2,357,240 | - | - | 3,202,090 | 2,357,240 |
| Franchise taxes | 704,202 | 576,458 | 3,189 | - | 707,391 | 576,458 |
| Liquor taxes | 770 | 766 | - | - | 770 | 766 |
| Hotel/ motel taxes | 104,202 | 59,182 | - | - | 104,202 | 59,182 |
| Gain (loss) on disposal of assets | 5,516 | 18,651 | - | 42 | 5,516 | 18,693 |
| Interest | 157,270 | 180,403 | 162,365 | 253,871 | 319,635 | 434,275 |
| Miscellaneous | 85,869 | 58,141 | 9,430 | 98,898 | 95,299 | 157,039 |
| Total revenues | 6,641,735 | 5,334,186 | 10,336,821 | 9,571,047 | 16,978,555 | 14,905,233 |
| Expenses: | | | | | | |
| General government | 1,263,181 | 1,109,212 | - | - | 1,263,181 | 1,109,212 |
| Public safety | 2,127,564 | 3,781,048 | - | - | 2,127,564 | 3,781,048 |
| Development services | 409,644 | 384,890 | - | - | 409,644 | 384,890 |
| Culture and recreation | 692,012 | 568,601 | - | - | 692,012 | 568,601 |
| Highways and streets | 1,362,797 | 1,196,700 | - | - | 1,362,797 | 1,196,700 |
| Facility services | 3,516 | - | - | - | 3,516 | - |
| City maintenance | 511,480 | 442,191 | - | - | 511,480 | 442,191 |
| Interest expense | 839,514 | 488,905 | - | - | 839,514 | 488,905 |
| Water and sewer utilities | - | - | 2,779,791 | 2,397,932 | 2,779,791 | 2,397,932 |
| Electric utilities | - | - | 6,338,410 | 5,516,851 | 6,338,410 | 5,516,851 |
| Municipal airport | - | - | 645,098 | 378,663 | 645,098 | 378,663 |
| Grant | - | - | 14,605 | 714,444 | 14,605 | 714,444 |
| Total expenses | 7,209,710 | 7,971,547 | 9,777,903 | 9,007,890 | 16,987,613 | 16,979,437 |
| Increase (decrease) in net assets before | | | | | | |
| Transfers | (567,975) | (2,637,361) | 558,918 | 563,157 | (9,058) | (2,074,204) |
| Net transfers | 1,173,938 | 166,921 | (1,132,320) | (156,468) | 41,618 | 10,452 |
| Increase (decrease) in net assets | 605,964 | (2,470,441) | (573,403) | 406,688 | 32,560 | (2,063,753) |
| Net assets - beginning | 3,257,948 | 5,728,389 | 9,247,504 | 8,840,816 | 12,505,452 | 14,569,205 |
| Prior period adjustment -Note 13 | (273,208) | - | (30,000) | - | (303,208) | - |
| Net assets - ending | \$ 3,590,704 | \$ 3,257,948 | \$ 8,644,101 | \$ 9,247,504 | \$ 12,234,805 | \$ 12,505,452 |

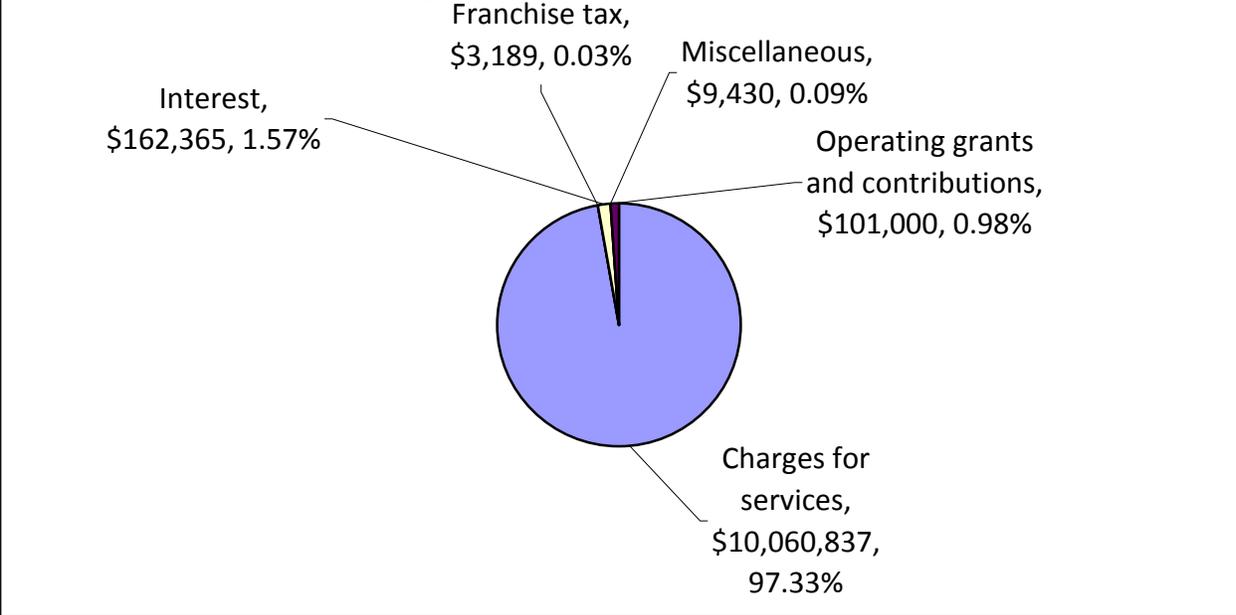
- Property taxes revenue increased by \$194,242 (14 percent) during the year while the tax rate remained the same at \$0.5875 per \$100 valuation. Most of this increase is the product of an increase in our total certified appraisal roll of approximately 13 percent.
- Sales tax revenue increased by \$844,850 (36 percent) during the year. The increase is primarily due to the Barnett Shale and the annexations adopted during the fiscal year.

Revenues by Source - Governmental Activities



Business-type activities. Business-type activities decreased the City’s net assets by \$573,403, accounting for the other 4% of the total growth in net assets of the City of Bridgeport.

Revenues by Source - Business-type Activities



A significant portion of the City's revenue comes from charges for services, 65 percent Electric; 27 percent Water & Sewer; and 6 percent Municipal Airport, less than 1 percent comes from franchise taxes, 2 percent comes from interest earnings, and less than 1 percent is miscellaneous sources.

- Due to the transfers between the water and sewer fund and the general and electric funds the net assets increased. These interfund transfers were for the deficit the water and sewer fund had.
- Charges for services increased by \$1,622,630 (19 percent) due to the warm weather in the summer months and a slight increase in our water rates to try and recover additional revenue to cover costs for service.

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 \$4,650,809 which is an increase of \$1,188,641 or 35% in comparison with the prior year. Approximately 88% 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 committed 1) to pay for specific capital improvements (\$500,000); and 2) reserved for loan guaranty agreement (\$60,000).

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 2007-08 of \$885,561 for the general fund. However, due to stronger revenues the fund balance was increased by \$491,437.

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 – (\$431,574); Electric - \$998,582; Municipal Airport – (\$35,985); and Grant – \$86,577. The grant funds had increases in net assets of \$86,401; while the water and sewer, electric fund, and municipal airport had decreases in net assets of \$(246,162); \$(401,694); and \$(11,949), respectively.

General Fund Budgetary Highlights

The City Council did have a few major budget adjustments during the year. The revisions included appropriations to purchase a new truck for the parks department after the accident that removed the original truck from operations, to purchase a new drug dog for the police department with funds donated by Express Energy, and to increase the council travel pay by \$50 each council member.

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, 2008 amounted to \$21,788,346 (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 \$1,963,765 (net of accumulated depreciation). This was comprised of a 9.6% increase for governmental activities and a 10% increase in business-type activities.

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

- The purchase of an equipment trailer and mowers for the parks and recreation department.
- The addition of additional dog runs at the animal shelter.
- A scoreboard and bleachers were added to the pee-wee league football field.
- The addition of a pumper tanker for the fire department.
- The construction phase for renovation of the Bridgeport Visitor's Center and the Community Center began.
- Improvements to the Bridgeport Stage which consisted of new lighting remodel of the entry way, new sound systems, and better seating. The total project cost \$300,000.
- The City contracted with an architect for a master plan for the redevelopment of Halsell Street.
- The purchase of a house to be demolished on Newby Street for the realignment of 13th Street. The realignment phase is not scheduled to begin until FY 2011-2012.
- The parks department renovated the Lawdwin ball fields, added additional playgrounds to Harwood Park and Payne Park, and painted the bridges in Harwood Park.
- The acquisition of an additional building for the Municipal Complex Expansion project.
- The design phase of a Youth Athletic Complex prepared by Bucher Willis and Ratliff.
- The continuation of the runway/taxiway rehabilitation and expansion project at the airport. The City purchased acreage for this project at a cost of \$400,984.
- The acquisition of land on FM 920 by the EDC for future development.
- The expansion of our water certificates of certainty and necessity (CCN) with the purchase of a portion of West Wise Water District's CCN.
- The purchase of new equipment in accordance with our equipment replacement plan.
- The purchase of a SCADA system for the wastewater treatment plant at a cost of \$102,984, and a new sewer camera to be used by the Sewer Collection Division.
- The electric fund made improvements to the electric system in an amount equal to \$230,235. This is a plan that is expanded over multiple fiscal years.
- Over \$176,412 was invested in the City's continual street improvement program.

TABLE A - 4
CITY OF BRIDGEPORT CAPITAL ASSETS (NET OF DEPRECIATION)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Construction in progress | \$ 961,518 | \$ 229,195 | \$ 179,648 | \$ 127,328 | \$ 1,141,166 | \$ 356,523 |
| Land and improvements | 429,406 | 357,539 | 1,212,096 | 116,283 | 1,641,502 | 473,822 |
| Intangible assets | - | - | 28,091 | - | 28,091 | - |
| Property, plant and equipment | 4,386,544 | 3,768,110 | 402,112 | 409,139 | 4,788,656 | 4,177,249 |
| System Improvements | 3,732,110 | 4,487,946 | 8,395,548 | 8,710,331 | 12,127,658 | 13,198,277 |
| Tools and devices | 66,514 | 132,157 | 163,307 | 49,261 | 229,821 | 181,418 |
| Office furniture and equipment | 208,669 | 283,207 | 896 | 3,066 | 209,565 | 286,273 |
| Transportation equipment | 1,430,169 | 972,798 | 191,719 | 178,224 | 1,621,888 | 1,151,022 |
| Total | \$ 11,214,928 | \$ 10,230,953 | \$ 10,573,417 | \$ 9,593,630 | \$ 21,788,347 | \$ 19,824,584 |

Additional information on the City's capital assets can be found in Note 6 of this report.

Long-term debt. At year-end the City had \$20,522,122 in total long-term debt as shown in Table A-5.

**Table A - 5
City's Long-term Debt**

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Bonds payable | \$ 11,399,252 | \$ 10,018,100 | \$ 7,310,748 | \$ 4,586,900 | \$ 18,710,000 | \$ 14,605,000 |
| Notes payable | 656,428 | 276,608 | 692,000 | - | 1,348,428 | 276,608 |
| Capital leases payable | 246,214 | 313,470 | 56,838 | 54,920 | 303,052 | 368,390 |
| Compensated absences | 121,757 | 133,351 | 38,885 | 33,786 | 160,642 | 167,137 |
| Total long-term debt | \$ 12,423,651 | \$ 10,741,529 | \$ 8,098,471 | \$ 4,675,606 | \$ 20,522,122 | \$ 15,417,135 |

During the current fiscal year the City's total debt increased by \$5,104,807. In February 2008 the City issued \$4.8 million in certificates of obligation to fund street improvements; park improvements; facility renovations; water and sewer improvements; electric improvements; and airport improvements. As well as additional lease purchases of vehicles for different city divisions, but is partially offset by regularly scheduled annual principal payments, and the increase in our compensated absences.

During the current fiscal year, the government refinanced some of its existing debt to take advantage of favorable interest rates.

- The City of Bridgeport issued certificates of obligation bonds to refinance previously outstanding combination tax and revenue bonds of the water, electric, and general debt service functions. The result provides for a net present value savings of \$279,960 or 7.043% of the debt that was refunded.

Additional information on the City's long-term debt can be found in Note 7.

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 slight decrease in sales tax in the 1st quarter of 2009, and due to the slight decrease we will reduce the amount of sales tax budgeted in FY 2009-2010.

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

In April 2008, the city approved an increase in water revenues by adjusting the volume rates for both commercial and residential customers. Due to the nice weather in the summer months of 2008, we have seen an increase in our water revenues. We do not forecast an increase in our water or sewer rates for the fiscal year 2009-2010.

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, and power cost adjustment rate, and for commercial customers a demand rate.

In June 2008, the city approved an increase in monthly hangar rental fees. Open T-Hanger went from \$50.00 to \$65.00, Open end T-Hanger went from \$50.00 to \$75.00, Enclosed T-Hanger went from \$100.00 to \$165.00, Enclosed end T-Hanger went from \$175.00 to \$180.00.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and 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, 2008

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | Bridgeport EDC |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,271,906 | \$ 205,183 | \$ 1,477,089 | \$ 1,314,774 |
| Investments | 3,192,065 | 687,915 | 3,879,981 | 654,063 |
| Accounts receivable, net: | | | | |
| Property taxes | 65,798 | - | 65,798 | - |
| Sales taxes | 557,787 | - | 557,787 | 278,894 |
| Interest | 339 | - | 339 | - |
| Utility accounts | 74,925 | 1,384,103 | 1,459,028 | 88,710 |
| Advance to component unit | 500,000 | - | 500,000 | - |
| Internal balances | 609,069 | (609,069) | - | - |
| Inventories | - | 123,800 | 123,800 | - |
| Prepaid items | - | - | - | 5,337 |
| Restricted assets: | | | | |
| Cash and cash investments | - | 4,946,111 | 4,946,111 | - |
| Deferred charges | 163,786 | 212,976 | 376,763 | - |
| Capital assets not being depreciated: | | | | |
| Land and improvements | - | - | - | 2,644,526 |
| Construction in progress | 961,518 | 179,648 | 1,141,166 | 80,707 |
| Capital assets: | | | | |
| Land and improvements | 440,012 | 1,227,148 | 1,667,161 | - |
| Intangible assets | - | 28,344 | 28,344 | 10,620 |
| Property, plant and equipment | 5,160,553 | 500,855 | 5,661,409 | - |
| System improvements | 10,992,176 | 17,356,579 | 28,348,755 | 108,413 |
| Tools and devices | 204,803 | 588,689 | 793,492 | - |
| Office furniture and equipment | 436,689 | 229,980 | 666,669 | - |
| Transportation equipment | 2,736,753 | 700,571 | 3,437,324 | - |
| Less: accumulated depreciation | (9,717,574) | (10,238,398) | (19,955,972) | (21,226) |
| Total assets | <u>17,650,606</u> | <u>17,524,437</u> | <u>35,175,044</u> | <u>5,164,818</u> |
| LIABILITIES | | | | |
| Accounts payable | 152,036 | 116,709 | 268,745 | 1,404 |
| Accrued liabilities | 284,086 | 37,792 | 321,878 | 3,018 |
| Taxes payable | - | 20,787 | 20,787 | - |
| Deposits | 1,503 | 327,832 | 329,335 | - |
| Due to bank | 1,076,672 | 193,535 | 1,270,207 | - |
| Accrued interest payable | 121,954 | 85,209 | 207,163 | - |
| Unearned revenue | - | - | - | 88,710 |
| Advance from primary government | - | - | - | 500,000 |
| Noncurrent liabilities: | | | | |
| Due within one year | 788,499 | 1,175,294 | 1,947,729 | 238,692 |
| Due in more than one year | 11,635,152 | 6,923,177 | 18,574,393 | 1,747,102 |
| Total liabilities | <u>14,059,902</u> | <u>8,880,334</u> | <u>22,940,237</u> | <u>2,578,926</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 924,681 | 7,810,909 | 8,735,590 | - |
| Restricted for: | | | | |
| Capital projects | 367,353 | - | 367,353 | - |
| Debt retirement | 119,153 | 215,592 | 334,745 | - |
| Loan guaranty agreement | 60,000 | - | 60,000 | - |
| Special purposes | 60,443 | - | 60,443 | - |
| Unrestricted | 2,059,073 | 617,600 | 2,676,673 | 2,585,892 |
| Total net assets | <u>\$ 3,590,704</u> | <u>\$ 8,644,101</u> | <u>\$ 12,234,805</u> | <u>\$ 2,585,892</u> |

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

City of Bridgeport, Texas
Statement of Activities
Year Ended September 30, 2008

| <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 | \$ 1,263,181 | \$ 120,097 | \$ 57,410 | \$ - |
| Public safety | 2,127,564 | 335,724 | 42,791 | - |
| Development services | 409,644 | 91,425 | - | - |
| Culture and recreation | 692,012 | 103,407 | 52,684 | - |
| Highways and streets | 1,362,797 | - | - | - |
| Facility services | 3,516 | - | - | - |
| City maintenance | 511,480 | - | - | - |
| Interest expense | 839,514 | - | - | - |
| Total governmental activities | <u>7,209,710</u> | <u>650,654</u> | <u>152,885</u> | <u>-</u> |
| Business-type activities: | | | | |
| Electric utilities | 6,338,410 | 6,695,677 | - | - |
| Grant | 14,605 | - | 101,000 | - |
| Municipal airport | 645,098 | 588,508 | - | - |
| Water and sewer utilities | 2,779,791 | 2,776,652 | - | - |
| Total business-type activities | <u>9,777,903</u> | <u>10,060,837</u> | <u>101,000</u> | <u>-</u> |
| Total primary government | <u>\$ 16,987,613</u> | <u>\$ 10,711,491</u> | <u>\$ 253,885</u> | <u>\$ -</u> |
| Component unit: | | | | |
| Economic development corporation | \$ 403,626 | \$ - | \$ - | \$ - |
| Total component unit | <u>\$ 403,626</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 (Loss) of disposal of assets
Miscellaneous
Transfers in (out)
 Total general revenues and transfers
 Change in net assets
Net assets - beginning
Prior period adjustment (See 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 |
| \$ (1,085,674) | \$ - | \$ (1,085,674) | \$ - |
| (1,749,049) | - | (1,749,049) | - |
| (318,219) | - | (318,219) | - |
| (535,921) | - | (535,921) | - |
| (1,362,797) | - | (1,362,797) | - |
| (3,516) | - | (3,516) | - |
| (511,480) | - | (511,480) | - |
| (839,514) | - | (839,514) | - |
| <u>(6,406,172)</u> | <u>-</u> | <u>(6,406,172)</u> | <u>-</u> |
| - | 357,267 | 357,267 | - |
| - | 86,395 | 86,395 | - |
| - | (56,590) | (56,590) | - |
| - | (3,139) | (3,139) | - |
| - | 383,934 | 383,934 | - |
| <u>(6,406,172)</u> | <u>383,934</u> | <u>(6,022,238)</u> | <u>-</u> |
| \$ - | \$ - | \$ - | \$ (403,626) |
| \$ - | \$ - | \$ - | \$ (403,626) |
| \$ 1,578,277 | \$ - | \$ 1,578,277 | \$ - |
| 3,202,090 | - | 3,202,090 | 1,600,639 |
| 104,202 | - | 104,202 | - |
| 704,202 | 3,189 | 707,391 | - |
| 770 | - | 770 | - |
| 157,270 | - | 157,270 | 42,279 |
| - | 162,365 | 162,365 | - |
| 5,516 | - | 5,516 | - |
| 85,869 | 9,430 | 95,299 | 185,772 |
| 1,173,938 | (1,132,320) | 41,618 | (41,618) |
| <u>7,012,135</u> | <u>(957,337)</u> | <u>6,054,798</u> | <u>1,787,072</u> |
| 605,964 | (573,403) | 32,560 | 1,383,447 |
| 3,257,948 | 9,247,504 | 12,505,452 | 1,202,445 |
| (273,208) | (30,000) | (303,208) | - |
| <u>\$ 3,590,704</u> | <u>\$ 8,644,101</u> | <u>\$ 12,234,805</u> | <u>\$ 2,585,892</u> |

City of Bridgeport, Texas
Balance Sheet
Governmental Funds
September 30, 2008

| | <u>General Fund</u> | <u>General Capital Projects Fund</u> |
|--|---------------------|--|
| ASSETS | | |
| Cash and cash equivalents | \$ 829,835 | \$ - |
| Investments | 340,501 | 2,851,244 |
| Accounts receivable net | | |
| Interest | - | - |
| Property taxes | 34,447 | - |
| Sales taxes | 557,787 | - |
| Other | 54,931 | - |
| Due from other funds | 609,069 | - |
| Advance to other funds | - | 500,000 |
| Total assets | <u>\$ 2,426,570</u> | <u>\$ 3,351,244</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable and other current liabilities | \$ 168,278 | \$ 26,134 |
| Accrued liabilities | 71,271 | 106,513 |
| Deposits | 1,503 | - |
| Due to bank | - | 1,076,672 |
| Unearned revenue | 37,968 | - |
| Unearned revenue - court | 9,689 | - |
| Total liabilities | <u>288,709</u> | <u>1,209,319</u> |
| Fund balances: | | |
| Reserved for: | | |
| Loan guaranty agreement | 60,000 | - |
| Advances | - | 500,000 |
| Unreserved, reported in | | |
| General fund | 2,077,861 | - |
| Special revenue fund | - | - |
| Debt service fund | - | - |
| General capital projects fund | - | 1,641,925 |
| Total fund balances | <u>2,137,861</u> | <u>2,141,925</u> |
| Total liabilities and fund balances | <u>\$ 2,426,570</u> | <u>\$ 3,351,244</u> |

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

| General Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|---|---|
| \$ 118,493 | \$ 234,679 | \$ 1,183,007 |
| 321 | - | 3,192,065 |
| | - | - |
| 339 | - | 339 |
| 31,350 | - | 65,798 |
| - | - | 557,787 |
| - | 19,994 | 74,925 |
| - | - | 609,069 |
| - | - | 500,000 |
| <u>\$ 150,503</u> | <u>\$ 254,673</u> | <u>\$ 6,182,990</u> |

| | | |
|---------------|--------------|------------------|
| \$ - | \$ 1,452 | \$ 195,865 |
| - | 1,351 | 179,135 |
| - | - | 1,503 |
| - | - | 1,076,672 |
| 31,350 | - | 69,318 |
| - | - | 9,689 |
| <u>31,350</u> | <u>2,803</u> | <u>1,532,182</u> |

| | | |
|-------------------|-------------------|---------------------|
| - | - | 60,000 |
| - | - | 500,000 |
| - | - | 2,077,861 |
| - | 251,870 | 251,870 |
| 119,153 | - | 119,153 |
| - | - | 1,641,925 |
| <u>119,153</u> | <u>251,870</u> | <u>4,650,809</u> |
| <u>\$ 150,503</u> | <u>\$ 254,673</u> | <u>\$ 6,182,990</u> |

City of Bridgeport, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|--|---------------------|
| Fund balances - total governmental funds | \$ 4,650,809 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 10,629,500 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (11,552,679) |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | (55,527) |
| Long-term liabilities, including accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (27,118) |
| Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds. | (68,743) |
| 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 in the governmental activities in the statement of net assets. | 14,461 |
| Net assets of governmental activities | <u>\$ 3,590,704</u> |

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City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2008

| | <u>General Fund</u> | <u>Capital Projects Fund</u> |
|---|---------------------|------------------------------|
| REVENUES | | |
| Taxes: | | |
| Hotel/motel | \$ - | \$ - |
| Property | 734,943 | - |
| Sales | 3,202,090 | - |
| Franchise | 704,202 | - |
| Liquor | 770 | - |
| Charges for services | 154,665 | - |
| Licenses, permits and fees | 91,425 | - |
| Court fines | 294,348 | - |
| Grants | 106,186 | - |
| Donations | 116 | - |
| Rents | 2,490 | - |
| Interest revenue | 68,648 | 67,957 |
| Miscellaneous | 80,440 | 3,500 |
| Total revenues | <u>5,440,323</u> | <u>71,457</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | 1,066,091 | 26,600 |
| Public safety | 1,888,842 | - |
| Development services | 399,964 | - |
| Culture and recreation | 542,125 | - |
| Highways and streets | 484,045 | - |
| Debt service: | | |
| Principal retirement | 234,803 | - |
| Interest expense | 33,823 | - |
| Administrative charges | - | - |
| Capital outlay: | | |
| General government | 27,429 | 1,637,617 |
| Public safety | 516,641 | - |
| Development services | 150 | - |
| Culture and recreation | 67,272 | - |
| Highways and streets | - | - |
| Total expenditures | <u>5,261,185</u> | <u>1,664,217</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>179,138</u> | <u>(1,592,761)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Loan proceeds | 414,384 | - |
| Capital lease proceeds | 160,555 | - |
| Bond proceeds | - | 2,183,120 |
| Miscellaneous | - | - |
| Transfers in (out) | (262,640) | - |
| Total other financing sources and uses | <u>312,300</u> | <u>2,183,120</u> |
| Net change in fund balances | <u>491,438</u> | <u>590,359</u> |
| Fund balances - beginning | 1,646,424 | 1,551,566 |
| Fund balances - ending | <u>\$ 2,137,861</u> | <u>\$ 2,141,925</u> |

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

| General Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|---|---|
| \$ - | \$ 104,202 | \$ 104,202 |
| 835,255 | - | 1,570,198 |
| - | - | 3,202,090 |
| - | - | 704,202 |
| - | - | 770 |
| - | 122,274 | 276,939 |
| - | - | 91,425 |
| - | 25,352 | 319,699 |
| - | - | 106,186 |
| - | 6,798 | 6,914 |
| - | - | 2,490 |
| 20,666 | - | 157,270 |
| - | - | 83,940 |
| <u>855,921</u> | <u>258,626</u> | <u>6,626,326</u> |
| - | 43,927 | 1,136,618 |
| - | 9,414 | 1,898,256 |
| - | - | 399,964 |
| - | 122,248 | 664,372 |
| - | - | 484,045 |
| 445,429 | - | 680,232 |
| 477,657 | - | 511,480 |
| 3,197 | - | 3,197 |
| - | 34,432 | 1,699,478 |
| - | - | 516,641 |
| - | - | 150 |
| - | - | 67,272 |
| - | - | - |
| <u>926,283</u> | <u>210,020</u> | <u>8,061,705</u> |
| <u>(70,362)</u> | <u>48,605</u> | <u>(1,435,379)</u> |
| - | - | 414,384 |
| - | - | 160,555 |
| - | - | 2,183,120 |
| 7,330 | - | 7,330 |
| 91,559 | 29,711 | (141,370) |
| <u>98,889</u> | <u>29,711</u> | <u>2,624,020</u> |
| <u>28,527</u> | <u>78,316</u> | <u>1,188,641</u> |
| <u>90,625</u> | <u>173,553</u> | <u>3,462,168</u> |
| <u>\$ 119,153</u> | <u>\$ 251,870</u> | <u>\$ 4,650,809</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, 2008

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 1,188,641 |
| 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 is the amount by which depreciation exceeded capital outlays in the current period. | 830,844 |
| 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 is the net effect of these differences in the treatment of long-term debt and related items. | (1,404,164) |
| Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds. | (42,262) |
| 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 in the governmental activities in the statement of net assets. | 32,905 |
| Change in net assets of governmental activities | <u>\$ 605,964</u> |

City of Bridgeport, Texas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended September 30, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| | | | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 740,886 | \$ 740,886 | \$ 734,943 | \$ (5,943) |
| Sales | 2,200,000 | 2,200,000 | 3,202,090 | 1,002,090 |
| Franchise | 813,801 | 813,801 | 704,202 | (109,599) |
| Liquor | 1,500 | 1,500 | 770 | (730) |
| Charges for services | 122,800 | 126,050 | 154,665 | 28,615 |
| Licenses, permits and fees | 93,750 | 93,750 | 91,425 | (2,325) |
| Grants | 89,250 | 91,001 | 106,186 | 15,185 |
| Court fines | 358,750 | 358,750 | 294,348 | (64,402) |
| Rentals | 7,000 | 7,000 | 2,490 | (4,510) |
| Donations | - | - | 116 | 116 |
| Interest revenue | 36,000 | 36,000 | 68,648 | 32,648 |
| Miscellaneous | 12,500 | 21,005 | 80,440 | 59,435 |
| Total revenues | <u>4,476,237</u> | <u>4,489,743</u> | <u>5,440,323</u> | <u>950,580</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,114,531 | 1,109,412 | 1,066,091 | 43,321 |
| Public safety | 2,109,835 | 2,083,255 | 1,888,842 | 194,413 |
| Highways and streets | 501,862 | 503,789 | 484,045 | 19,744 |
| Development services | 395,937 | 427,042 | 399,964 | 27,078 |
| Culture and recreation | 577,341 | 576,895 | 542,125 | 34,770 |
| Debt Service: | | | | |
| Principal | - | 234,803 | 234,803 | - |
| Interest expense | - | 39,265 | 33,823 | 5,442 |
| Capital outlay: | | | | |
| General government | - | 3,295 | 27,429 | (24,134) |
| Public safety | 219,730 | 219,730 | 516,641 | (296,911) |
| Highways and streets | 50,385 | 50,385 | - | 50,385 |
| Development services | - | - | 150 | (150) |
| Culture and recreation | 17,967 | 29,642 | 67,272 | (37,630) |
| Total expenditures | <u>4,987,588</u> | <u>5,277,513</u> | <u>5,261,185</u> | <u>16,328</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(511,351)</u> | <u>(787,771)</u> | <u>179,138</u> | <u>966,908</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Loan proceeds | - | - | 414,384 | 414,384 |
| Capital lease proceeds | - | - | 160,555 | 160,555 |
| Transfers in (out) | (93,403) | (97,790) | (262,640) | (164,850) |
| Total other financing sources and uses | <u>(93,403)</u> | <u>(97,790)</u> | <u>312,299</u> | <u>410,089</u> |
| Net change in fund balances | (604,754) | (885,561) | 491,437 | 1,376,997 |
| Fund balances - beginning | 1,646,424 | 1,646,424 | 1,646,424 | - |
| Fund balances - ending | <u>\$ 1,041,669</u> | <u>\$ 760,863</u> | <u>\$ 2,137,861</u> | <u>\$ 1,376,997</u> |

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

City of Bridgeport, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2008

| | <u>Water and Sewer Fund</u> | <u>Electric Fund</u> | <u>Municipal Airport Fund</u> |
|--|---------------------------------|----------------------|-----------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ - | \$ 10,994 | \$ - |
| Investments | 268,366 | 99,364 | 320,184 |
| Receivables (net of allowance for uncollectibles) | 327,647 | 904,842 | 11,589 |
| Due from other funds | - | 12,272 | - |
| Inventories | 35,462 | 88,338 | - |
| Restricted assets: | | | |
| Cash and cash investments | <u>3,921,513</u> | <u>507,655</u> | <u>-</u> |
| Total current assets | <u>4,552,988</u> | <u>1,623,465</u> | <u>331,774</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and cash investments | 215,597 | 301,345 | - |
| Deferred charges | 195,882 | 17,094 | - |
| Capital assets not being depreciated: | | | |
| Land and improvements | - | - | - |
| Construction in progress | 179,648 | - | - |
| Capital assets: | | | |
| Land and improvements | 54,586 | 56,997 | 1,115,565 |
| Intangible assets | 19,227 | 9,116 | - |
| Property, plant and equipment | 258,783 | 96,594 | 145,478 |
| System improvements | 14,705,077 | 2,651,502 | - |
| Tools and devices | 518,958 | 69,731 | - |
| Office furniture and equipment | 168,825 | 61,155 | - |
| Transportation equipment | 310,433 | 390,138 | - |
| Less: accumulated depreciation | <u>(8,219,746)</u> | <u>(1,987,708)</u> | <u>(30,944)</u> |
| Total capital assets (net of accumulated depreciation) | <u>7,995,793</u> | <u>1,347,525</u> | <u>1,230,099</u> |
| Total non-current assets | <u>8,407,272</u> | <u>1,665,964</u> | <u>1,230,099</u> |
| Total assets | <u>12,960,260</u> | <u>3,289,429</u> | <u>1,561,873</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and other current liabilities | 70,549 | 43,081 | 1,917 |
| Accrued liabilities | 26,489 | 11,303 | 19,804 |
| Taxes payable | - | 20,787 | - |
| Due to other funds | 362,595 | - | 12,272 |
| Due to bank | 179,954 | - | 13,581 |
| Unearned revenue | - | - | - |
| Accrued interest payable | 55,811 | 9,594 | - |
| Current compensated absences | 2,405 | 1,483 | - |
| Current capital leases | 10,028 | 32,108 | - |
| Current portion of bonds payable | 383,194 | 35,626 | 18,450 |
| Current portion of note payable | - | - | 692,000 |
| Total current liabilities | <u>1,091,025</u> | <u>153,982</u> | <u>758,024</u> |
| Current liabilities payable from restricted assets: | | | |
| Utility customer deposits | <u>23,870</u> | <u>303,962</u> | <u>-</u> |
| Total current liabilities payable from restricted assets | <u>23,870</u> | <u>303,962</u> | <u>-</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 21,647 | 13,350 | - |
| Capital leases | 10,564 | 4,138 | - |
| Bonds payable | 5,263,199 | 920,249 | 690,030 |
| Total noncurrent liabilities | <u>5,295,410</u> | <u>937,737</u> | <u>690,030</u> |
| Total liabilities | <u>6,410,305</u> | <u>1,395,681</u> | <u>1,448,054</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 6,765,937 | 895,168 | 149,804 |
| Restricted for debt retirement | 215,592 | - | - |
| Unrestricted | <u>(431,574)</u> | <u>998,582</u> | <u>(35,985)</u> |
| Total net assets | <u>\$ 6,549,955</u> | <u>\$ 1,893,749</u> | <u>\$ 113,819</u> |

| <u>Grant Fund</u> | <u>Total Proprietary Funds</u> | <u>Gov. Activities Internal Service Fund</u> |
|-------------------|------------------------------------|--|
| \$ 194,189 | \$ 205,183 | \$ 88,899 |
| - | 687,915 | - |
| 140,024 | 1,384,103 | - |
| - | 12,272 | - |
| - | 123,800 | - |
| - | 4,429,168 | - |
| <u>334,213</u> | <u>6,842,440</u> | <u>88,899</u> |
| - | 516,942 | - |
| - | 212,976 | - |
| - | - | - |
| - | 179,648 | - |
| - | 1,227,148 | - |
| - | 28,344 | - |
| - | 500,855 | - |
| - | 17,356,579 | - |
| - | 588,689 | - |
| - | 229,980 | - |
| - | 700,571 | - |
| - | (10,238,398) | - |
| - | <u>10,573,416</u> | - |
| - | <u>11,303,336</u> | - |
| <u>334,213</u> | <u>18,145,776</u> | <u>88,899</u> |
| 1,161 | 116,709 | 34,551 |
| - | 57,595 | 26,572 |
| - | 20,787 | - |
| 246,474 | 621,341 | - |
| - | 193,535 | - |
| - | - | - |
| - | 65,405 | - |
| - | 3,888 | 1,332 |
| - | 42,136 | - |
| - | 437,270 | - |
| - | 692,000 | - |
| <u>247,635</u> | <u>2,250,665</u> | <u>62,454</u> |
| - | 327,832 | - |
| - | <u>327,832</u> | - |
| - | 34,997 | 11,984 |
| - | 14,702 | - |
| - | 6,873,478 | - |
| - | <u>6,923,177</u> | <u>11,984</u> |
| <u>247,635</u> | <u>9,501,675</u> | <u>74,438</u> |
| - | 7,810,909 | - |
| - | 215,592 | - |
| 86,577 | 617,600 | 14,461 |
| <u>\$ 86,577</u> | <u>\$ 8,644,101</u> | <u>\$ 14,461</u> |

City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2008

| | <u>Water and Sewer Fund</u> | <u>Electric Fund</u> | <u>Municipal Airport Fund</u> |
|--|---------------------------------|----------------------|-----------------------------------|
| OPERATING REVENUES: | | | |
| Charges for sales and services: | | | |
| Water sales | \$ 1,664,141 | \$ - | \$ - |
| Sewer charges | 1,112,511 | - | - |
| Electric | - | 6,698,866 | - |
| Municipal airport | - | - | 588,508 |
| Miscellaneous | 985 | 8,148 | 297 |
| Total operating revenues | <u>\$ 2,777,637</u> | <u>\$ 6,707,014</u> | <u>\$ 588,804</u> |
| OPERATING EXPENSES: | | | |
| General Government | - | - | - |
| Costs of sales and services: | | | |
| Salaries and wages | 474,111 | 354,263 | - |
| Employee benefits | 192,693 | 132,902 | - |
| Purchased water | 321,503 | - | - |
| Purchased electricity | - | 4,853,896 | - |
| Other purchased services | 633,201 | 625,491 | 56,445 |
| Supplies and maintenance | 362,361 | 194,833 | 562,027 |
| Miscellaneous | 2,134 | 26,432 | - |
| Depreciation | 586,435 | 106,483 | 6,822 |
| Total operating expenses | <u>2,572,437</u> | <u>6,294,301</u> | <u>625,294</u> |
| Operating income (loss) | 205,200 | 412,714 | (36,490) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Grants | - | - | - |
| Interest revenue | 114,468 | 41,722 | 6,169 |
| Interest expense | (207,353) | (44,109) | (19,804) |
| Total nonoperating revenue (expenses) | <u>(92,886)</u> | <u>(2,388)</u> | <u>(13,635)</u> |
| Income (loss) before contributions and transfers | 112,314 | 410,326 | (50,124) |
| Transfers in (out) | <u>(358,477)</u> | <u>(812,019)</u> | <u>38,175</u> |
| Change in net assets | (246,162) | (401,694) | (11,949) |
| Total net assets - beginning | 6,796,117 | 2,295,443 | 125,768 |
| Total net assets - ending | <u>\$ 6,549,955</u> | <u>\$ 1,893,749</u> | <u>\$ 113,819</u> |

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

| <u>Grant Fund</u> | <u>Total Proprietary Funds</u> | <u>Gov. Activities Internal Service Fund</u> |
|-------------------|--------------------------------|--|
| \$ - | \$ 1,664,141 | \$ - |
| - | 1,112,511 | - |
| - | 6,698,866 | - |
| - | 588,508 | - |
| - | 9,430 | - |
| <u>\$ -</u> | <u>\$ 10,073,456</u> | <u>\$ -</u> |
| - | - | 839,514 |
| - | 828,374 | - |
| - | 325,595 | - |
| - | 321,503 | - |
| - | 4,853,896 | - |
| 14,605 | 1,329,741 | - |
| - | 1,119,222 | - |
| - | 28,566 | - |
| - | 699,739 | - |
| <u>14,605</u> | <u>9,506,637</u> | <u>839,514</u> |
| (14,605) | 566,819 | (839,514) |
| 101,000 | 101,000 | - |
| 6 | 162,365 | - |
| - | (271,266) | - |
| <u>101,006</u> | <u>(7,902)</u> | <u>-</u> |
| 86,401 | 558,917 | (839,514) |
| - | (1,132,321) | 872,419 |
| 86,401 | (573,403) | 32,905 |
| 176 | 9,217,504 | (18,443) |
| <u>\$ 86,577</u> | <u>\$ 8,644,101</u> | <u>\$ 14,461</u> |

City of Bridgeport, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2008

Business-type Activities - Enterprise Funds

| | Water and Sewer Fund | Electric Fund | Municipal Airport Fund |
|---|---------------------------------|----------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash from other | \$ 14,935 | \$ 8,148 | \$ 297 |
| Cash received from customers | 2,717,654 | 6,591,430 | 577,662 |
| Cash payments to other | (2,772) | 23,975 | - |
| Cash payments to employees and professional contractors for services | (659,568) | (490,576) | - |
| Cash payments to interfund | (173,562) | (377,239) | - |
| Cash payments to suppliers for goods and services | (1,100,177) | (5,237,573) | (617,231) |
| Net cash provided from operating activities | <u>796,511</u> | <u>518,165</u> | <u>(39,272)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfer from(to) other funds | (358,476) | (1,146,387) | 16,175 |
| Net cash provided (used) by noncapital and related financing activities | <u>(358,476)</u> | <u>(1,146,387)</u> | <u>16,175</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (313,946) | (251,923) | (1,093,065) |
| Bond issuance cost | (34,956) | (17,094) | - |
| Capital grants received | - | - | - |
| Proceeds from and principal and interest paid on bonds and lease obligations, net | 886,586 | 902,686 | - |
| Proceeds from issuance of long-term debt | - | - | 1,400,480 |
| Net cash provided (used) by capital and related financing activities | <u>537,684</u> | <u>633,669</u> | <u>307,415</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment income | 114,468 | 41,722 | 6,169 |
| Purchases of investments, net of sales | (299,944) | (14,429) | (320,184) |
| Net cash provided by investing activities | <u>(185,477)</u> | <u>27,293</u> | <u>(314,015)</u> |
| Net increase (decrease) in cash and cash equivalents | 790,242 | 32,740 | (29,697) |
| Cash and cash equivalents, beginning | 3,135,336 | 279,600 | 16,116 |
| Cash and cash equivalents, ending | <u>\$ 3,925,578</u> | <u>\$ 312,340</u> | <u>\$ (13,581)</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 205,200 | \$ 412,714 | \$ (36,490) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 586,435 | 106,483 | 6,822 |
| Increase (decrease) in accounts payable - other | (638) | 23,975 | - |
| Increase (decrease) in accounts payable - supplier | 35,579 | 24,232 | 1,241 |
| Increase (decrease) in compensated absences | 6,367 | (1,269) | - |
| (Increase) decrease in customer receivables | (45,048) | (107,436) | (10,845) |
| Increase (decrease) in inventory | 7,747 | 61,609 | - |
| (Increase) decrease in other operating receivables | - | - | - |
| Increase (decrease) in salaries & benefits payable | 869 | (2,142) | - |
| Total adjustments | <u>591,311</u> | <u>105,452</u> | <u>(2,782)</u> |
| Net cash provided (used) by operating activities | <u>\$ 796,511</u> | <u>\$ 518,165</u> | <u>\$ (39,272)</u> |

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

| <u>Grant Fund</u> | <u>Total Proprietary Funds</u> | <u>Gov. Activities Internal Services Fund</u> |
|-------------------|--------------------------------|---|
| \$ 178,624 | \$ 202,003 | \$ - |
| - | 9,886,746 | - |
| - | 21,203 | - |
| - | (1,150,144) | (305,742) |
| - | (550,801) | - |
| <u>(85,619)</u> | <u>(7,040,599)</u> | <u>(477,777)</u> |
| <u>93,005</u> | <u>1,368,409</u> | <u>(783,519)</u> |
| | | |
| <u>101,000</u> | <u>(1,387,688)</u> | <u>872,419</u> |
| <u>101,000</u> | <u>(1,387,689)</u> | <u>872,419</u> |
| | | |
| - | (1,658,934) | - |
| - | (52,050) | - |
| - | - | - |
| - | 1,789,272 | - |
| - | 1,400,480 | - |
| <u>-</u> | <u>1,478,768</u> | <u>-</u> |
| | | |
| 6 | 162,365 | - |
| - | (634,557) | - |
| <u>6</u> | <u>(472,192)</u> | <u>-</u> |
| | | |
| 194,011 | 987,296 | 88,899 |
| 178 | 3,431,229 | - |
| <u>\$ 194,189</u> | <u>4,418,526</u> | <u>88,899</u> |
| | | |
| \$ (14,605) | \$ 566,819 | (839,514) |
| - | 699,739 | - |
| - | 23,337 | - |
| (71,014) | (9,961) | - |
| - | 5,098 | 50,641 |
| - | (163,330) | 5,116 |
| - | 69,356 | - |
| 178,624 | 178,624 | - |
| - | (1,273) | 238 |
| <u>107,610</u> | <u>801,590</u> | <u>55,995</u> |
| <u>\$ 93,005</u> | <u>\$ 1,368,409</u> | <u>\$ (783,519)</u> |

City of Bridgeport
Notes to the Financial Statements
Year Ended September 30, 2008

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. BEDC can not be considered a blended component unit because the revenues are not only for the benefit of the City. 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. It 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 BEDC shall be converted to the City. The City accounts for BEDC as a discretely presented component unit on the government-wide financial statements.

Separate audited financial statements are not issued for 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)
Year Ended September 30, 2008

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)
Year Ended September 30, 2008

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)
Year Ended September 30, 2008

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 financial 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)
Year Ended September 30, 2008

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 the 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

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

Administrator has authority, without Council approval, to transfer appropriation balances from one fund to another.

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, cash and cash equivalents consist of demand deposits, certificates of deposits and deposits in authorized investment pools.

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, 2008. 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)
Year Ended September 30, 2008

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

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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 General Fund and interfund payables of the deficit fund.

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)
Year Ended September 30, 2008

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:

Capital assets, which include land and improvements, intangible assets, 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 over one year.

Depreciation for assets not following the modified approach is computed using the straight-line method on the composite assets based upon the estimated useful lives as follows:

| | |
|--------------------------------|------------|
| Land and 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 |

The City records capital contributions to proprietary funds as revenue.

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)
Year Ended September 30, 2008

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.

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

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, 2008, there was not a significant risk arising from cash, investments, or accounts receivable.

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.

2. Reconciliation of government-wide and fund financial statements

A. Explanation of certain difference between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a 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 \$11,552,679 difference are as follows:

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

| | |
|--|-----------------------------------|
| Bonds payable | \$ (11,342,693) |
| Less: Deferred charge on issuance costs (to be amortized as over life of debt) | 83,356 |
| Capital lease payable | 339,215 |
| Note payable | <u>(632,557)</u> |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | <u><u>\$ (11,552,679)</u></u> |

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide state of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt decreases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.

| | |
|---|----------------------------|
| Debt issued: | |
| Debt proceeds | \$ 2,574,037 |
| Debt repayments and reductions: | |
| Repayments for debt principal | (726,985) |
| Debt transfer to business-type activities | <u>(442,889)</u> |
| Net adjustment | <u><u>\$ 1,404,164</u></u> |

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources and revenues are not recognized until available for collection. In the statement of activities, however, which is presented on the accrual basis, revenues, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

| | |
|------------------|-------------------------|
| Property taxes | \$ (8,079) |
| Accrued interest | 61,935 |
| Compensated | <u>(11,594)</u> |
| Net adjustment | <u><u>\$ 42,262</u></u> |

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

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

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 \$1,477,089 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 a carrying amount of \$1,314,774 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 (1) year. The maximum final stated maturity of any investment should not exceed five (5) years.

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

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

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 carried at fair value as of September 30, 2008, are:

| Investment Type | Amount | Weighted Average Maturity | Rating as of September 30, 2008 |
|---|----------------------------|--|--|
| TexPool | \$ 8,127,420 | 31 days | * AAAm |
| Agency Discount Note - Senior unsecured debt | 1,712,739 | 90 - 180 days | * AAA |
| | <u>\$ 9,840,159</u> | | |

* rating from Standard & Poors

As of September 30, 2008 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, 2008, 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 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 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 securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

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, 2008 the carrying amount of the City's cash on hand and deposits were \$569,328 and the bank balance was \$431,885. Of the bank balance, \$250,000 was covered by federal depository insurance while the remaining \$181,885 was secured with securities held by the pledging financial institution's trust department or agent in the City's name.

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 year collected. The allowance for uncollectible taxes at September 30, 2008 was \$31,684 between the General and Debt Service Funds.

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

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, 2008, 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, 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. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits to the City monthly 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.

5. Interfund Receivables / Payables and Transfers

Balances due to primary government and from other funds at September 30, 2008, consisted of the following:

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------------|-----------------------------|-------------------------|
| General Fund | Water and sewer fund | \$ 362,595 |
| | Grant fund | 246,474 |
| General capital projects | EDC fund | 500,000 |
| Electric fund | Airport fund | <u>\$ 12,272</u> |

Transfers to and from other funds at September 30, 2008, consisted of the following:

| Transfer In: | | | | | | | | | |
|-----------------------------|-------------------|-------------------|-----------------------------|------------------------------|---------------------------|-------------------|------------------|-----------------------|---------------------|
| Transfers Out: | General fund | Debt service fund | Nonmajor governmental funds | Governmental activities debt | Water and wastewater fund | Electric fund | Airport fund | Internal service fund | Total |
| General fund | \$ - | \$ - | \$ 38,971 | \$ - | \$ - | \$ - | \$ 40,000 | \$ 644,303 | \$ 723,274 |
| Debt service fund | - | - | - | - | 252,989 | 189,900 | - | - | 442,889 |
| Nonmajor governmental funds | - | - | - | - | - | - | - | 9,260 | 9,260 |
| Water and sewer fund | 223,074 | 296,850 | - | 252,989 | - | - | - | 135,721 | 908,634 |
| Electric fund | 223,074 | 222,823 | - | 189,900 | 297,169 | - | 11,000 | 57,953 | 1,001,919 |
| Airport fund | - | - | - | - | - | - | - | 12,825 | 12,825 |
| EDC fund | 14,486 | 14,774 | - | - | - | - | - | 12,358 | 41,618 |
| | <u>\$ 460,634</u> | <u>\$ 534,447</u> | <u>\$ 38,971</u> | <u>\$ 442,889</u> | <u>\$ 550,158</u> | <u>\$ 189,900</u> | <u>\$ 51,000</u> | <u>\$ 872,420</u> | <u>\$ 3,140,419</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, 3) move long term liabilities from government activities to business-type activities.

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

6. Capital Assets

Capital asset activity for the year ended September 30, 2008, 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 | \$ 229,195 | \$ 774,461 | \$ (42,138) | \$ 961,518 |
| Total capital assets not being depreciated | <u>229,195</u> | <u>774,461</u> | <u>(42,138)</u> | <u>961,518</u> |
| Capital assets being depreciated: | | | | |
| Land and improvements | 358,114 | 81,899 | - | 440,013 |
| Property, plant and equipment | 4,460,494 | 700,060 | - | 5,160,554 |
| System improvements | 10,937,776 | 54,400 | - | 10,992,176 |
| Tools and devices | 175,309 | 29,494 | - | 204,803 |
| Office furniture and equipment | 436,689 | - | - | 436,689 |
| Transportation equipment | 2,133,961 | 666,919 | (64,128) | 2,736,753 |
| Total capital assets being depreciated | <u>18,502,344</u> | <u>1,532,772</u> | <u>(64,128)</u> | <u>19,970,988</u> |
| Less accumulated depreciation for: | | | | |
| Land and improvements | 575 | 10,032 | - | 10,607 |
| Property, plant and equipment | 581,606 | 192,404 | - | 774,010 |
| System improvements | 6,454,574 | 805,492 | - | 7,260,066 |
| Tools and devices | 119,800 | 18,489 | - | 138,289 |
| Office furniture and equipment | 156,170 | 71,850 | - | 228,020 |
| Transportation equipment | 1,187,862 | 182,850 | (64,128) | 1,306,584 |
| Total accumulated depreciation | <u>8,500,586</u> | <u>1,281,117</u> | <u>(64,128)</u> | <u>9,717,574</u> |
| Total capital assets being depreciated, net | <u>10,001,758</u> | <u>251,655</u> | <u>-</u> | <u>10,253,412</u> |
| Governmental activities capital assets, net | <u>\$ 10,230,953</u> | <u>\$ 1,026,116</u> | <u>\$ (42,138)</u> | <u>\$ 11,214,930</u> |
| Governmental activities depreciation by Function: | | | | |
| General government | \$ 98,793 | | | |
| Public safety | 242,676 | | | |
| Highways and streets | 878,753 | | | |
| Development services | 9,530 | | | |
| Culture and recreation | 51,363 | | | |
| Depreciation expense-governmental activities | <u>\$ 1,281,115</u> | | | |

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|---------------------|--------------------|----------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 127,328 | \$ 111,788 | \$ (59,468) | \$ 179,648 |
| Total capital assets not being depreciated | 127,328 | 111,788 | (59,468) | 179,648 |
| Capital assets being depreciated: | | | | |
| Land and improvements | 116,283 | 1,110,865 | - | 1,227,148 |
| Intangible assets | - | 28,344 | - | 28,344 |
| Property, plant and equipment | 500,855 | - | - | 500,855 |
| Water and sewer system improvements | 14,643,590 | 61,487 | - | 14,705,077 |
| Electric system improvements | 2,421,115 | 230,387 | - | 2,651,502 |
| Tools and devices | 436,705 | 151,983 | - | 588,688 |
| Office furniture and equipment | 229,980 | - | - | 229,980 |
| Transportation equipment | 656,433 | 44,139 | - | 700,572 |
| Total capital assets being depreciated | 19,004,961 | 1,627,205 | - | 20,632,166 |
| Less accumulated depreciation for: | | | | |
| Land and improvements | - | 15,052 | - | 15,052 |
| Intangible assets | - | 253 | - | 253 |
| Property, plant and equipment | 101,727 | (2,984) | - | 98,743 |
| Water and sewer system improvements | 6,919,581 | 524,728 | - | 7,444,309 |
| Electric system improvements | 1,447,145 | 69,577 | - | 1,516,722 |
| Tools and devices | 365,423 | 59,958 | - | 425,381 |
| Office furniture and equipment | 226,914 | 2,170 | - | 229,084 |
| Transportation equipment | 477,868 | 30,985 | - | 508,853 |
| Total accumulated depreciation | 9,538,658 | 699,739 | - | 10,238,398 |
| Total capital assets being depreciated, net | 9,466,303 | 927,466 | - | 10,393,768 |
| Business-type activities capital assets, net | \$ 9,593,631 | \$ 1,039,254 | \$ (59,468) | \$ 10,573,417 |

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

| | <u>Beginning</u> <u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> <u>Balances</u> |
|--|-------------------------------------|-------------------|--------------------|----------------------------------|
| <u>Component Unit:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 1,919,857 | \$ 724,669 | \$ - | \$ 2,644,526 |
| Construction in progress | - | 80,707 | - | 80,707 |
| Total capital assets not being depreciated | <u>1,919,857</u> | <u>805,376</u> | <u>-</u> | <u>2,725,233</u> |
| Capital assets being depreciated: | | | | |
| Intangible assets | - | 10,620 | - | 10,620 |
| Property, plant and equipment | 47,586 | - | (47,586) | - |
| System improvements | 108,413 | - | - | 108,413 |
| Total capital assets being depreciated | <u>155,999</u> | <u>10,620</u> | <u>(47,586)</u> | <u>119,032</u> |
| Less accumulated depreciation for: | | | | |
| Intangible assets | - | 3,245 | - | 3,245 |
| Property, plant and equipment | 5,872 | 12,109 | - | 17,981 |
| Total accumulated depreciation | <u>5,872</u> | <u>15,354</u> | <u>-</u> | <u>21,226</u> |
| Total capital assets being depreciated, net | <u>150,127</u> | <u>(4,734)</u> | <u>(47,586)</u> | <u>97,806</u> |
| Component unit capital assets, net | <u>\$ 2,069,984</u> | <u>\$ 800,643</u> | <u>\$ (47,586)</u> | <u>\$ 2,823,040</u> |
| Depreciation was charged to functions as follows: | | | | |
| Business - type activities | <u>\$ 699,739</u> | | | |

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

7. Long-term Debt

A. Overview

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 2008:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|--|
| Governmental activities: | | | | | |
| Bonds payable | \$ 10,018,100 | \$ 6,424,013 | \$ 5,042,861 | \$ 11,399,252 | \$ 527,730 |
| Notes payable | 276,608 | 743,100 | 363,280 | 656,428 | 69,871 |
| Capital leases | 313,470 | 358,457 | 425,713 | 246,214 | 178,722 |
| Compensated absences * | 133,351 | - | 11,594 | 121,757 | 12,176 |
| Total governmental activities | \$ 10,741,529 | \$ 7,525,570 | \$ 5,843,448 | \$ 12,423,651 | \$ 788,499 |
| Business-type activities: | | | | | |
| Bonds payable | \$ 4,586,900 | \$ 4,834,154 | \$ 2,110,306 | \$ 7,310,748 | 437,270 |
| Notes payable | - | 692,000 | - | 692,000 | 692,000 |
| Capital leases | 54,920 | 80,601 | 78,683 | 56,838 | 42,136 |
| Compensated absences * | 33,786 | 5,099 | - | 38,885 | 3,888 |
| Total business-type activities | \$ 4,675,606 | \$ 5,611,854 | \$ 2,188,989 | \$ 8,098,471 | \$ 1,175,294 |
| Component Unit: | | | | | |
| Bonds payable | \$ - | \$ 492,745 | \$ 492,745 | \$ - | \$ - |
| Notes payable | 2,027,628 | 175,000 | 224,026 | 1,978,602 | 237,973 |
| Compensated absences* | 5,232 | 1,960 | - | 7,192 | 719 |
| Total component unit activities | \$ 2,032,860 | \$ 669,705 | \$ 716,771 | \$ 1,985,794 | \$ 238,692 |

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

| <u>Liability</u> | <u>Activity Type</u> | <u>Amount</u> |
|----------------------|----------------------|------------------|
| Compensated absences | Governmental | \$ 121,757 |
| Compensated absences | Business-type | <u>\$ 38,885</u> |

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

B. Debt service requirements

Debt service requirements on Bonds payable at September 30, 2008, 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> |
| 2009 | \$ 527,730 | \$ 479,670 | \$ 437,270 | \$ 251,914 |
| 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 |
| 2014-2018 | 3,616,313 | 1,488,398 | 1,758,688 | 752,554 |
| 2019-2023 | 2,925,257 | 724,142 | 1,774,743 | 454,630 |
| 2024-2028 | 1,452,588 | 256,314 | 822,412 | 226,881 |
| 2029-2033 | 522,177 | 54,475 | 622,821 | 64,975 |
| Totals | \$ 11,399,252 | \$ 4,684,708 | 7,310,748 | \$ 2,606,334 |

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

C. Capital leases

Commitments under capitalized agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2008; as follows:

| <u>Year Ending September 30,</u> | <u>Governmental Activities</u> | |
|----------------------------------|--------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 178,722 | \$ 14,262 |
| 2010 | 67,489 | 3,724 |
| 2011 | 3 | - |
| Totals | \$ 246,214 | \$ 17,986 |

| <u>Year Ending September 30,</u> | <u>Business-type Activities</u> | |
|----------------------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 42,136 | \$ 31,882 |
| 2010 | 14,701 | 742 |
| 2011 | 1 | - |
| Totals | \$ 56,838 | \$ 32,624 |

| | | |
|----------------------------|----|---------------|
| Lease Expenditures in 2008 | \$ | <u>42,220</u> |
|----------------------------|----|---------------|

The effective interest rate on capital leases outstanding at September 30, 2008 is 5.50%.

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

D. Notes payable

Notes payable represent obligations to banks or other creditors based on formal written agreements.

| <u>Year Ending September 30,</u> | <u>Governmental Activities</u> | |
|----------------------------------|--------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 69,871 | \$ 34,352 |
| 2010 | 73,812 | 30,411 |
| 2011 | 77,975 | 26,248 |
| 2012 | 82,312 | 21,911 |
| 2013 | 87,017 | 17,206 |
| 2014-2018 | <u>265,441</u> | <u>21,172</u> |
| Totals | <u>\$ 656,428</u> | <u>\$ 151,300</u> |

| <u>Year Ending September 30,</u> | <u>Business-type Activities</u> | |
|----------------------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 692,000 | \$ 27,680 |
| Totals | <u>\$ 692,000</u> | <u>\$ 27,680</u> |

| <u>Year Ending September 30,</u> | <u>Component Unit</u> | |
|----------------------------------|-----------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$ 237,973 | \$ 26,606 |
| 2010 | 241,759 | 20,481 |
| 2011 | 197,154 | 15,657 |
| 2012 | 208,652 | 13,157 |
| 2013-2017 | 1,043,284 | 26,541 |
| 2018-2022 | <u>49,780</u> | <u>2,314</u> |
| Totals | <u>\$ 1,978,602</u> | <u>\$ 104,756</u> |

8. Retirement Plan

Pension 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 827 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

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

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.

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 of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

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, 2007 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 \$512.9 million and \$470.7 million were made in 2007 and 2006 by the member cities in accordance with the actuarially determined city contribution rates, based on the December 31, 2005 and 2004 actuarial valuations, respectively. The employees of the cities contributed \$276.0 million and \$257.3 million in 2007 and 2006 in accordance with the city-adopted employee contribution rate for each city.

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

| | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--|-------------|-------------|-------------|
| PLAN PROVISIONS | | | |
| 1 Total # of participating entities | 811 | 821 | 827 |
| <u>City Specific:</u> | | | |
| 2 Employee deposit rate | 6.0% | 7.0% | 7.0% |
| 3 Matching ratio (city to employee) | 2 to 1 | 2 to 1 | 2 to 1 |
| 4 Years required for vesting | 5 | 5 | 5 |
| 5 Service retirement eligibility (age/years of service) | 60/5, 0/25 | 60/5, 0/20 | 60/5, 0/20 |
| 6 Updated service credit | 100% | 100% | 100% |
| annually repeating (Y/N) | Y | Y | Y |
| 7 Annuity increase to retirees | 70% | 70% | 70% |
| annually repeating (Y/N) | Y | Y | Y |
| 8 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 2008 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, 2008 contribution rate is based on the 12/31/2006 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, 2007, the City’s annual pension cost of \$197,088 was equal to the City’s required and actual contributions.

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|---------------------------------|-------------------------------------|------------------------------|
| 9/30/2005 | \$80,736 | 100% | - |
| 9/30/2006 | \$116,737 | 100% | - |
| 9/30/2007 | \$197,088 | 100% | - |

The required contribution was determined as part of the December 31, 2005 actuarial valuation using the Unit Credit actuarial funding method. The actuarial assumptions at December 31, 2005 included (a) a 7.0 % investment rate of return, (b) no projected salary increases, and (c) an inflation factor of 3.5%. City specific assumptions included (a) payroll growth assumption of 3% and (b) High/High withdrawal rates for Male/Female.

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

| ACTUARIAL INFORMATION | 2005 | 2006 | 2007 |
|----------------------------------|---------------------------------|---------------------------------|--|
| 1 Actuarial cost method | Unit Credit Level percent of | Unit Credit Level percent of | Projected Unit Credit Level percent of |
| 2 Amortization method | payroll 25 years - open | payroll 25 years - open | payroll 30 years - closed |
| 3 Amortization period | period | period | period |
| 4 Asset valuation method | Amortized cost | Amortized cost | Amortized cost |
| 5 Assumptions | | | |
| Investment return | 7% | 7% | 7% |
| Projected salary increases | None | None | Varies by age and service |
| Inflation | 3.5% | 3.5% | 3.0% |
| Cost of living adjustments | None | None | 2.1 % (3.0% CPI) |
| 6 City specific assumptions | | | |
| Payroll growth assumption | 3.0% | 3.0% | 3.0% |
| Withdrawal rates for male/female | High/High | High/High | High/High |

Funded Status and Funding Progress. As of December 31, 2007, the most recent actuarial valuation date, the plan was 66.8% funded. The actuarial accrued liability for benefits was \$4.653 million, and the actuarial value of assets was \$3.106 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.157 million, and the ratio of the UAAL to the covered payroll was 49.0%.

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)

Supplemental Death Benefits Plan for Retirees

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

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

pension benefit (OPEB or other postemployment benefit) and is a fixed amount of \$7,500. The 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)
Year Ended September 30, 2008

| | 2007 |
|---|------|
| PLAN PROVISIONS | |
| 1 Total # of participating entities offering supplemental death to retirees | 714 |
| <u>City Specific:</u> | |
| 2 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 2008 this was 0.20% of the annual covered payroll. The City's contributions for the years ended September 30, 2007, 2006, and 2005 were \$6,326, \$5,223, and \$4,597, respectively, which equaled the required contributions each year.

| | 2007 |
|----------------------------------|---|
| ACTUARIAL INFORMATION | |
| 1 Valuation date | 12/31/2007 Projected |
| 2 Actuarial cost method | Unit Credit |
| 3 Amortization method | Level percent of payroll 25 years - |
| 4 Amortization period | open period |
| 5 Asset valuation method | Fund value |
| 5 Assumptions | |
| Investment return | 4.25% |
| Projected salary increases | None |
| Inflation | 3.0% |
| Cost of living adjustments | None |
| 6 City specific assumptions | |
| Payroll growth assumption | 3.0% |
| Withdrawal rates for male/female | High/High |

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, 2008, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$430.48 per month per employee to the Plan. Employees,

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

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.

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 the City, 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 has no reportable litigation pending against the City as of September 30, 2008.

13. Prior Period Adjustments

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

| | Governmental Activities | Business Type Activities |
|---|------------------------------------|-------------------------------------|
| Net assets at September 30, 2007, as previously reported | \$ 3,257,948 | \$ 9,247,504 |
| Prior period adjustment | (273,208) | (30,000) |
| Net assets at September 30, 2008, restated | <u>\$ 2,984,740</u> | <u>\$ 9,217,504</u> |

In the governmental activities, a capital lease purchase for fire equipment was erroneously omitted from the prior year's statements. Net assets at September 30, 2007 were reduced by \$273,208, to properly reflect the capital financing in the prior fiscal year.

In the business-type activities, net assets at September 30, 2007 were reduced by \$30,000 to properly reflect the electric fund's portion of a loan guaranty agreement in fiscal 2007.

City of Bridgeport
Notes to the Financial Statements – (continued)
Year Ended September 30, 2008

14. Subsequent Events

A prior year's chapter 380 economic development agreement was updated in January 2009, with a memorandum of agreement for the terms of reimbursement. The terms included a sales tax rebate in the amount not to exceed \$653,895 over a fifteen year period. The reimbursement is for water, wastewater and street infrastructure improvements contributed by the developer.

Required Supplementary Information

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Required Supplementary Information
Texas Municipal Retirement System
Schedule of Funding Progress
September 30, 2008

| Fiscal year | 2007 | 2006 | 2005 |
|---|--------------|--------------|--------------|
| Actuarial value of assets | \$ 3,106,371 | \$ 2,784,827 | \$ 2,449,734 |
| Actuarial accrued liability | 4,653,329 | 3,291,640 | 2,647,350 |
| Percentage funded | 66.8% | 84.6% | 92.5% |
| Unfunded (over-funded) actuarial accrued liability (UAAL) | 1,546,958 | 506,813 | 197,616 |
| Annual covered payroll | 3,156,730 | 2,426,239 | 2,397,378 |
| UAAL as a percentage of covered payroll | <u>49.0%</u> | <u>20.9%</u> | <u>8.2%</u> |

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Combining and Individual Fund Statements and Schedules

City of Bridgeport, Texas
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2008

| | Special | | |
|--|------------------------|------------------|---|
| | <u>Hotel/Motel Tax</u> | <u>Donations</u> | <u>Court Technology/ Security</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 123,029 | \$ 1,140 | \$ 60,849 |
| Accounts receivable net | | | |
| Other | 19,994 | - | - |
| Total assets | <u>\$ 143,023</u> | <u>\$ 1,140</u> | <u>\$ 60,849</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable and other current liabilities | \$ 400 | \$ - | \$ - |
| Accrued liabilities | - | - | 406 |
| Total liabilities | <u>400</u> | <u>-</u> | <u>406</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Court Technology | - | - | 13,258 |
| Court Security | - | - | 42,204 |
| Juvenile Case Manager | - | - | 4,981 |
| Unreserved, reported in | | | |
| Special revenue fund | 142,623 | 1,140 | - |
| Total fund balances | <u>142,623</u> | <u>1,140</u> | <u>60,443</u> |
| Total liabilities and fund balances | <u>\$ 143,023</u> | <u>\$ 1,140</u> | <u>\$ 60,849</u> |

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

Revenue Funds

| Bridgeport Stage | Cemetery | Recreation | Main Street | Total Non-Major Governmental Funds |
|-----------------------------|------------------|-------------------|--------------------|---|
| \$ 17,667 | \$ 28,621 | \$ (3,108) | \$ 6,480 | \$ 234,679 |
| - | - | - | - | 19,994 |
| <u>\$ 17,667</u> | <u>\$ 28,621</u> | <u>\$ (3,108)</u> | <u>\$ 6,480</u> | <u>\$ 254,673</u> |
| \$ 54 | \$ - | \$ 998 | \$ - | \$ 1,452 |
| - | - | 944 | - | 1,351 |
| <u>54</u> | <u>-</u> | <u>1,943</u> | <u>-</u> | <u>2,803</u> |
| - | - | - | - | 13,258 |
| - | - | - | - | 42,204 |
| - | - | - | - | 4,981 |
| <u>17,613</u> | <u>28,621</u> | <u>(5,050)</u> | <u>6,480</u> | <u>191,427</u> |
| <u>17,613</u> | <u>28,621</u> | <u>(5,050)</u> | <u>6,480</u> | <u>251,870</u> |
| <u>\$ 17,667</u> | <u>\$ 28,621</u> | <u>\$ (3,108)</u> | <u>\$ 6,480</u> | <u>\$ 254,673</u> |

City of Bridgeport, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended September 30, 2008

| | Special | | |
|---|------------------------|------------------|---|
| | <u>Hotel/Motel Tax</u> | <u>Donations</u> | <u>Court Technology/ Security</u> |
| REVENUES | | | |
| Taxes: | | | |
| Hotel/motel | \$ 104,202 | \$ - | \$ - |
| Charges for services | - | - | - |
| Court fines | - | - | 25,352 |
| Donations | - | 1,140 | - |
| Total revenues | <u>104,202</u> | <u>1,140</u> | <u>25,352</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 32,313 | - | - |
| Public safety | - | - | 9,414 |
| Culture and recreation | - | - | - |
| Capital Outlay: | | | |
| General government | 30,382 | - | - |
| Total expenditures | <u>62,695</u> | <u>-</u> | <u>9,414</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>41,507</u> | <u>1,140</u> | <u>15,938</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 41,507 | 1,140 | 15,938 |
| Fund balances - beginning | 101,116 | - | 44,506 |
| Fund balances - ending | <u>\$ 142,623</u> | <u>\$ 1,140</u> | <u>\$ 60,443</u> |

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

Revenue Funds

| <u>Bridgeport Stage</u> | <u>Cemetery</u> | <u>Recreation</u> | <u>Main Street</u> | <u>Total Non-Major Governmental Funds</u> |
|-----------------------------|------------------|-------------------|--------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ 104,202 |
| 4,695 | 32,850 | 84,761 | (32) | 122,274 |
| - | - | - | - | 25,352 |
| <u>1,286</u> | <u>230</u> | <u>100</u> | <u>4,042</u> | <u>6,798</u> |
| <u>5,981</u> | <u>33,080</u> | <u>84,861</u> | <u>4,010</u> | <u>258,626</u> |
| - | 11,614 | - | - | 43,927 |
| - | - | - | - | 9,414 |
| 3,256 | - | 118,689 | 303 | 122,248 |
| - | 4,050 | - | - | 34,432 |
| <u>3,256</u> | <u>15,664</u> | <u>118,689</u> | <u>303</u> | <u>210,020</u> |
| <u>2,725</u> | <u>17,416</u> | <u>(33,828)</u> | <u>3,707</u> | <u>48,605</u> |
| <u>5,580</u> | <u>-</u> | <u>24,131</u> | <u>-</u> | <u>29,711</u> |
| <u>5,580</u> | <u>-</u> | <u>24,131</u> | <u>-</u> | <u>29,711</u> |
| 8,305 | 17,416 | (9,697) | 3,707 | 78,316 |
| 9,308 | 11,205 | 4,646 | 2,773 | 173,553 |
| <u>\$ 17,613</u> | <u>\$ 28,621</u> | <u>\$ (5,050)</u> | <u>\$ 6,480</u> | <u>\$ 251,870</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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|-------------|----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Interest revenue | \$ - | \$ - | \$ 67,957 | \$ 67,957 |
| Miscellaneous | - | 8,500 | 3,500 | (5,000) |
| Total revenues | - | 8,500 | 71,457 | 62,957 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 30,000 | 30,000 | 26,600 | 3,400 |
| Public safety | - | - | - | - |
| Development services | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Total current: | 30,000 | 30,000 | 26,600 | 3,400 |
| Capital outlay: | | | | |
| General government | 2,571,630 | 2,970,130 | 1,637,617 | 1,332,513 |
| Total capital outlay: | 2,571,630 | 2,970,130 | 1,637,617 | 1,332,513 |
| Total expenditures | 2,601,630 | 3,000,130 | 1,664,217 | 1,335,913 |
| Excess (deficiency) of revenues over (under) expenditures | (2,601,630) | (2,991,630) | (1,592,761) | 1,398,870 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond proceeds | 1,350,000 | 1,665,000 | 2,183,120 | 518,120 |
| Transfers in(out) | 120,900 | 120,900 | - | (120,900) |
| Total other financing sources and uses | 1,470,900 | 1,785,900 | 2,183,120 | 397,220 |
| Net change in fund balances | (1,130,730) | (1,205,730) | 590,359 | 1,796,089 |
| Fund balances - beginning | 1,551,566 | 1,551,566 | 1,551,566 | - |
| Fund balances - ending | \$ 420,836 | \$ 345,836 | \$ 2,141,925 | \$ 1,796,089 |

City of Bridgeport, Texas
Debt Service 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 | | | | |
| Taxes: | | | | |
| Property | \$ 832,013 | \$ 832,013 | \$ 835,255 | \$ 3,242 |
| Interest revenue | 10,000 | 10,000 | 20,666 | 10,666 |
| Total revenues | <u>842,013</u> | <u>842,013</u> | <u>855,921</u> | <u>13,908</u> |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | 443,750 | 443,750 | 445,429 | (1,679) |
| Interest | 469,043 | 469,043 | 477,657 | (8,614) |
| Administrative charges | 1,500 | 1,500 | 3,197 | (1,697) |
| Total expenditures | <u>914,293</u> | <u>914,293</u> | <u>926,283</u> | <u>(11,990)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(72,280)</u> | <u>(72,280)</u> | <u>(70,362)</u> | <u>1,918</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Miscellaneous | - | - | 7,330 | 7,330 |
| Transfers in(out) | 76,785 | 76,785 | 91,559 | 14,774 |
| Total other financing sources and uses | <u>76,785</u> | <u>76,785</u> | <u>98,889</u> | <u>22,104</u> |
| Net change in fund balances | 4,505 | 4,505 | 28,527 | 24,022 |
| Fund balances - beginning | 90,625 | 90,625 | 90,625 | - |
| Fund balances - ending | <u>\$ 95,131</u> | <u>\$ 95,131</u> | <u>\$ 119,153</u> | <u>\$ 24,022</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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Hotel/motel taxes | \$ 100,000 | \$ 100,000 | \$ 104,202 | \$ 4,202 |
| Total revenues | <u>100,000</u> | <u>100,000</u> | <u>104,202</u> | <u>4,202</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 62,140 | 64,640 | 32,313 | 32,327 |
| Capital outlay: | | | | |
| General government | <u>110,000</u> | <u>110,000</u> | <u>30,382</u> | <u>79,618</u> |
| Total expenditures | <u>172,140</u> | <u>174,640</u> | <u>62,695</u> | <u>111,945</u> |
| | <u>(72,140)</u> | <u>(74,640)</u> | <u>41,507</u> | <u>116,147</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>(72,140)</u> | <u>(74,640)</u> | <u>41,507</u> | <u>116,147</u> |
| Fund balances - beginning | 101,116 | 101,116 | 101,116 | - |
| Fund balances - ending | <u>\$ 28,976</u> | <u>\$ 26,476</u> | <u>\$ 142,623</u> | <u>\$ 116,147</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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-------|----------------|---|
| | Original | Final | | |
| | | | | |
| REVENUES | | | | |
| Donations | \$ - | \$ - | \$ 1,140 | \$ 1,140 |
| Total revenues | - | - | 1,140 | 1,140 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Capital outlay: | | | | |
| General government | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 1,140 | 1,140 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | - | - |
| Total other financing sources and uses | - | - | - | - |
| Net change in fund balances | - | - | 1,140 | 1,140 |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ 1,140 | \$ 1,140 |

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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Court fines | \$ 46,125 | \$ 46,125 | \$ 25,352 | \$ (20,773) |
| Total revenues | <u>46,125</u> | <u>46,125</u> | <u>25,352</u> | <u>(20,773)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 15,608 | 15,567 | 9,414 | 6,153 |
| Total expenditures | <u>15,608</u> | <u>15,567</u> | <u>9,414</u> | <u>6,153</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>30,517</u> | <u>30,558</u> | <u>15,938</u> | <u>(14,620)</u> |
| Fund balances - beginning | 44,506 | 44,506 | 44,506 | - |
| Fund balances - ending | <u>\$ 75,023</u> | <u>\$ 75,064</u> | <u>\$ 60,443</u> | <u>\$ (14,620)</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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| | | | | |
| REVENUES | | | | |
| Charges and services | \$ 11,024 | \$ 11,024 | \$ 4,695 | \$ (6,329) |
| Donations | 2,500 | 2,500 | 1,286 | (1,214) |
| Total revenues | <u>13,524</u> | <u>13,524</u> | <u>5,981</u> | <u>(7,543)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 21,312 | 21,312 | 3,256 | 18,056 |
| Total expenditures | <u>21,312</u> | <u>21,312</u> | <u>3,256</u> | <u>18,056</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(7,788)</u> | <u>(7,788)</u> | <u>2,725</u> | <u>10,513</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 20,210 | 20,210 | 10,210 | (10,000) |
| Transfers out | <u>(5,081)</u> | <u>(5,081)</u> | <u>(4,630)</u> | <u>451</u> |
| Total other financing sources and uses | <u>15,129</u> | <u>15,129</u> | <u>5,580</u> | <u>(9,549)</u> |
| Net change in fund balances | 7,341 | 7,341 | 8,305 | 964 |
| Fund balances - beginning | 9,308 | 9,308 | 9,308 | - |
| Fund balances - ending | <u>\$ 16,649</u> | <u>\$ 16,649</u> | <u>\$ 17,613</u> | <u>\$ 964</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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|------------------|---|
| | Original | Final | | |
| | | | | |
| REVENUES | | | | |
| Charges and services | \$ 15,000 | \$ 15,000 | \$ 32,850 | \$ 17,850 |
| Donations | - | - | 230 | 230 |
| Total revenues | <u>15,000</u> | <u>15,000</u> | <u>33,080</u> | <u>18,080</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 13,720 | 13,720 | 11,614 | 2,106 |
| Capital outlay: | | | | |
| General government | <u>5,000</u> | <u>5,000</u> | <u>4,050</u> | <u>950</u> |
| Total expenditures | <u>18,720</u> | <u>18,720</u> | <u>15,664</u> | <u>3,056</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,720)</u> | <u>(3,720)</u> | <u>17,416</u> | <u>21,136</u> |
| Net change in fund balances | (3,720) | (3,720) | 17,416 | 21,136 |
| Fund balances - beginning | <u>11,205</u> | <u>11,205</u> | <u>11,205</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 7,485</u> | <u>\$ 7,485</u> | <u>\$ 28,621</u> | <u>\$ 21,136</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 | \$ 148,371 | \$ 148,371 | \$ 84,761 | \$ (63,610) |
| Donations | - | - | 100 | 100 |
| Total revenues | <u>148,371</u> | <u>148,371</u> | <u>84,861</u> | <u>(63,510)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 175,520 | 175,520 | 118,689 | 56,831 |
| Total expenditures | <u>175,520</u> | <u>175,520</u> | <u>118,689</u> | <u>56,831</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(27,149)</u> | <u>(27,149)</u> | <u>(33,828)</u> | <u>(6,679)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer in | 27,149 | 27,149 | 24,131 | (3,018) |
| Total other financing sources and uses | <u>27,149</u> | <u>27,149</u> | <u>24,131</u> | <u>(3,018)</u> |
| Net change in fund balances | - | - | (9,697) | (9,697) |
| Fund balances - beginning | 4,646 | 4,646 | 4,646 | - |
| Fund balances - ending | <u>\$ 4,646</u> | <u>\$ 4,646</u> | <u>\$ (5,050)</u> | <u>\$ (9,697)</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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|----------|----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for service | \$ - | \$ - | \$ (32) | \$ (32) |
| Donations | - | - | 4,042 | 4,042 |
| Total revenues | - | - | 4,010 | 4,010 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | 303 | (303) |
| Total expenditures | - | - | 303 | (303) |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 3,707 | 3,707 |
| Fund balances - beginning | 2,773 | 2,773 | 2,773 | - |
| Fund balances - ending | \$ 2,773 | \$ 2,773 | \$ 6,480 | \$ 3,707 |

Bridgeport Economic Development Corporation
Balance Sheet
Governmental Funds
September 30, 2008

| | <u>EDC General Fund</u> |
|---|--------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,314,774 |
| Investments | 654,063 |
| Sales tax receivable | 278,894 |
| Receivables other | 88,710 |
| Total assets | <u>2,336,441</u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities: | |
| Accounts payable | 1,404 |
| Accrued Liabilities | 3,018 |
| Advance from primary government | 500,000 |
| Deferred revenue | 88,710 |
| Total liabilities | <u>593,132</u> |
| Fund balances: | |
| Unreserved | <u>1,743,309</u> |
| Total fund balance | <u>1,743,309</u> |
| Total liabilities and fund balance | <u>\$ 2,336,441</u> |

Bridgeport Economic Development Corporation
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|---|---------------------|
| Fund balance | \$ 1,743,309 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 2,823,040 |
| Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported. | (1,985,794) |
| 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. | 5,337 |
| Net assets of governmental activities | <u>\$ 2,585,892</u> |

Bridgeport Economic Development Corporation
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Governmental Funds
Year Ended September 30, 2008

| | <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 | \$ 700,000 | \$ 700,000 | \$ 1,600,639 | \$ (900,639) |
| Other revenue | 8,188 | 8,188 | 185,772 | (177,584) |
| Interest | 10,000 | 10,000 | 42,279 | (32,279) |
| Total revenues | <u>718,188</u> | <u>718,188</u> | <u>1,828,690</u> | <u>(1,110,502)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Salaries and benefits | 108,729 | 108,729 | 110,267 | (1,538) |
| Supplies | 27,450 | 27,450 | 18,346 | 9,104 |
| Contractual services | 194,750 | 194,750 | 168,151 | 26,599 |
| Economic incentive grants | 47,302 | 47,302 | 47,813 | (511) |
| Debt service: | | | | |
| Principal | - | 229,448 | 229,448 | (0) |
| Interest | - | 39,175 | 39,175 | (0) |
| Capital outlay | 2,538,642 | 2,538,642 | 810,789 | 1,727,853 |
| Total expenditures | <u>2,916,873</u> | <u>3,185,496</u> | <u>1,423,990</u> | <u>1,761,506</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,198,685)</u> | <u>(2,467,308)</u> | <u>404,700</u> | <u>(2,872,008)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond proceeds | - | 500,000 | - | 500,000 |
| Loan proceeds | 1,990,918 | 1,990,918 | 175,000 | 1,815,918 |
| Grants | 495,777 | 495,777 | - | 495,777 |
| Sale of capital assets | - | - | 43,700 | (43,700) |
| Transfers out | 7,832 | 7,832 | (41,618) | 49,450 |
| Total other financing sources and uses | <u>2,494,527</u> | <u>2,994,527</u> | <u>177,082</u> | <u>2,817,445</u> |
| Net change in fund balances | 295,842 | 527,219 | 581,782 | (54,563) |
| Fund balances - beginning | 1,161,526 | 1,161,526 | 1,161,526 | |
| Fund balances - ending | <u>\$ 1,457,368</u> | <u>\$ 1,688,745</u> | <u>\$ 1,743,309</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, 2008

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|---------------------|
| Net increase (decrease) in fund balances - total governmental funds | \$ 581,782 |
| Governmental funds report capital outlay as expenditures. This is the amount by which capital outlay exceeded depreciation in the current period. | 795,436 |
| Proceeds from the sale of capital assets. | (43,700) |
| Debt principal repayments. | 229,448 |
| Debt proceeds. | (175,000) |
| 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. | (4,519) |
| Net increase (decrease) in net assets of governmental activities | <u>\$ 1,383,447</u> |

Other Supplementary Information

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Auldridge Griffin
Certified Public Accountants
A Professional Corporation

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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, 2008, 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, 2008, 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 June 2, 2009 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 72 through 88, 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.

Subsequent Cash Disbursements

Subsequent to closing the fiscal 2008 general ledger and preparation of the year-end bank reconciliations, we discovered that certain vendor invoices received after year-end were improperly accounted for. Such items were erroneously processed by the City's accounts payable system, whereby the corresponding checks were reflected as outstanding items in the respective bank reconciliation, although the checks were not actually cut until fiscal 2009. As a result, the year-end reconciled bank balance did not agree to the City's fiscal 2008 general ledger. We recommend that additional controls be implemented in the accounts payable system, preventing disbursements from being "back-dated" in a prior accounting period. Otherwise, there is an ongoing risk that proper cut-off will not be achieved at the end of a reporting period and the City's financial statements could be materially misstated.

Texpool Investment Activity

In connection with our procedures regarding year-end cash balances, we noted that a large transfer from the City's Texpool investment account to the City's consolidated bank account in fiscal 2009 was improperly reflected as a fiscal 2008 transaction. This error resulted in an overstatement of the City's bank balance, which required a correcting audit adjustment. We recommend that additional review procedures be implemented at the appropriate management level to help ensure that reconciliations are accurately prepared and reconciling items are reflected in the proper accounting period.

Accounts Payable

While performing audit procedures in connection with the City's accounts payable at September 30, 2008, we determined that there were numerous vendor invoices not recorded in the proper fiscal year. This control deficiency, if not remedied, could result in material misstatements in the City's future monthly and annual financial statements. We recommend that the City implement and consistently apply monthly closing procedures that help ensure proper accrual of expenses and liabilities in the appropriate accounting period.

Year-end Closing Procedures and Adjustments

In connection with our examination of year-end balances, we determined that the City does not have an established cut-off date for making subsequent adjustments to the general ledger. As a result, various adjusting entries were made well beyond fiscal 2008 year-end and the City's general ledger was superseded by multiple revisions. This practice could lead to improper reliance on incorrect financial information by the City, and has a significant impact on our ability to complete our year-end audit procedures in a timely fashion. We recommend that procedures be implemented to prevent general ledger revisions occurring beyond a certain date, and any adjustments identified beyond such date should be treated as adjustments to be considered in conjunction with the outside audit engagement.

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 supplementary schedules contained on pages 93 through 95 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Auldridge Buffin, P.C.

Fort Worth, Texas
June 2, 2009

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