

City of Bridgeport
Texas



Fiscal Year
October 1, 2005 – September 30, 2006

AULDRIDGE, MATHEWS & VON TUNGELN
CERTIFIED PUBLIC ACCOUNTANTS

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City of Bridgeport

March 24, 2007

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 Comprehensive Annual Financial Report for the City of Bridgeport, Texas for the fiscal year ended September 30, 2006.

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

The City's financial statements have been audited by Auldrige, Mathews and von Tungeln 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, 2006, 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, 2006, 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 5,500. 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 5,400 in 2006.

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

Property valuations increased by about \$201,163,019 in 2006 to \$230,560,219. Residential and commercial activity continues to be strong. With new residential building lots going on line this year and commercial buildings currently under construction, all signs to property valuations continuing to increase.

The property tax rate increased from \$0.5625 to \$0.5875 to cover the debt that was issued in 2005.

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 (Hotel/Motel Tax & Court Technology/Security), and the debt service fund on pages 25 & 53-56.

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

Cash Management. The City utilizes its bank depository contract and its investment policy in the management of all cash. Under the bank depository contract, the City operating account earns the bank's public fund interest rate. The City's investment policy embraces current state regulations on the investment of public funds and authorizes the City to invest in certificates of deposits from the bank depository, direct obligations of the United States Government, obligations of an agency of the United States Government and local government investment pools. The 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 Political Subdivision.

Certificate of Achievement

This report represents the City of Bridgeport's desire to improve reporting to stakeholders. The City received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for the first time for the Fiscal Year 2004-2005 report.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only.

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bridgeport
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

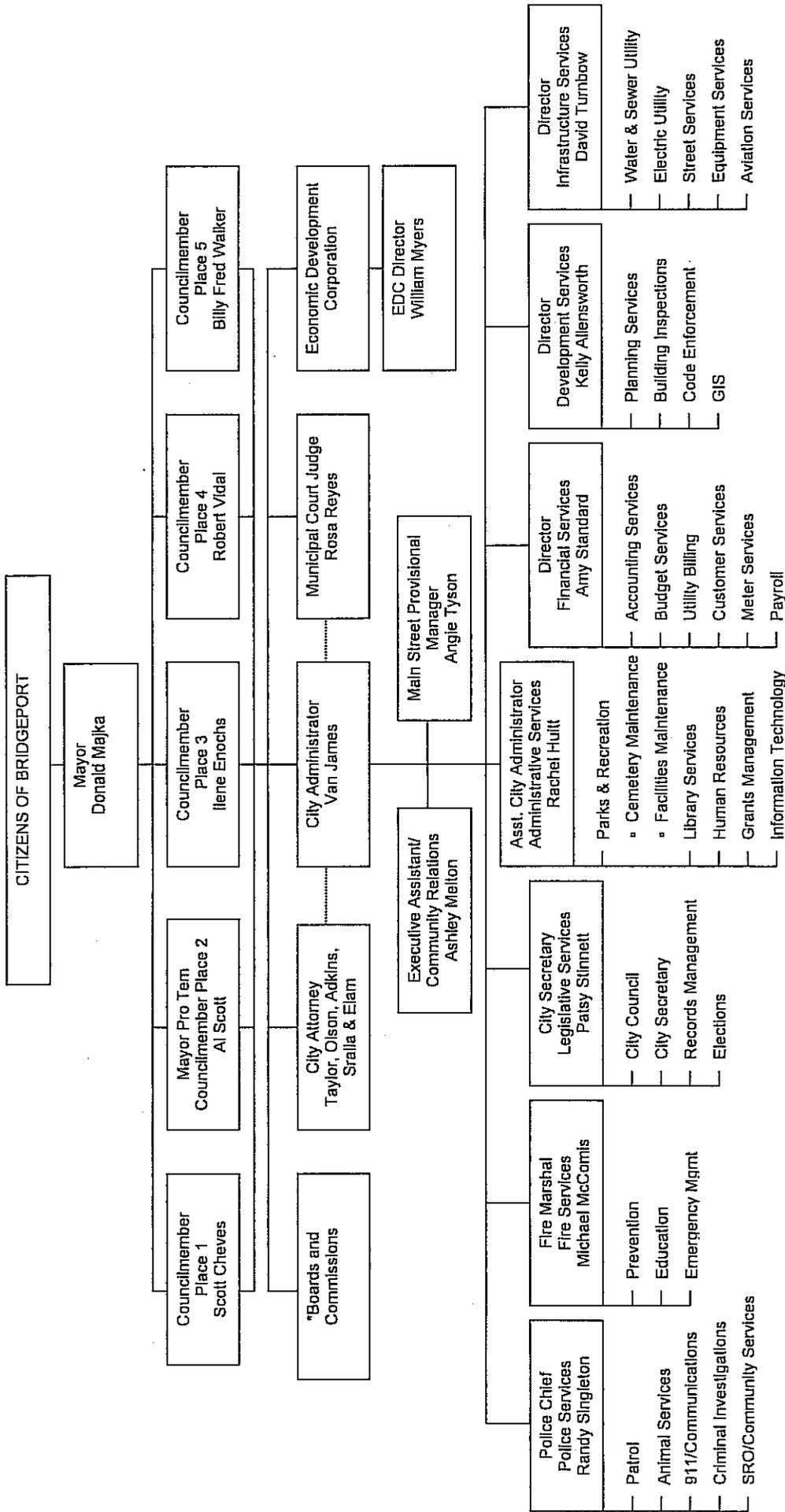
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Bridgeport Organizational Chart



*Airport Board, Cemetary Board, Cultural Arts Board, Maln Street Board, Housing Authority Board, Library Board, Parks Board, Planning & Zoning Commission

CITY OF BRIDGEPORT

LIST OF ELECTED AND APPOINTED OFFICIALS

YEAR ENDED SEPTEMBER 30, 2006

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 Protem
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
900 Thompson Street
Bridgeport, Texas 76426

Patsy Stinnett, City Secretary
900 Thompson Street
Bridgeport, Texas 76426

David Turnbow, Director of Public Works
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

Kelly Allensworth, Dir. of Devel. Svc
900 Thompson Street
Bridgeport, Texas 76426

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

Rosa Reyes, Municipal Judge
900 Thompson Street
Bridgeport, Texas 76426

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

Ashley Melton, Executive Assistant
900 Thompson Street
Bridgeport, Texas 76426

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

FINANCIAL SECTION

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AULDRIDGE, MATHEWS & VON TUNGELN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Jack L. Aldridge, Jr., CPA
W. L. "Woody" Mathews, Jr., CPA
Kenneth L. von Tungeln, CPA
Karen O. Thompson, CPA

Michael D. Dunlap, CPA
M. Heath Beaty, CPA
W.R. Connally Miller, CPA

Independent Auditor's Report

The Honorable Donald Majka, Mayor
and Members of the City Council
City of Bridgeport, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bridgeport, Texas, as of and for the year ended September 30, 2006, 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 of Bridgeport, Texas' 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; and OMB Circular A-133. 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, each major fund, and the aggregate remaining fund information of the City of Bridgeport, Texas, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue 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 issued our report dated February 22, 2007, on our consideration of the City of Bridgeport Texas' internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, as of September 30, 2006 on pages 3 through 12, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 opinions on the financial statements that collectively comprise the City of Bridgeport, Texas' basic financial statements. The combining and individual fund statements and schedules described in accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has 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, Mathews and von Tungen PC

Auldridge, Mathews & von Tungen PC
February 22, 2007

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, 2006. 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 \$12,627,466 at September 30, 2006. Of this amount, \$11,252,395 (restricted net assets) is restricted to capital projects, debt retirement, municipal court technology and security, and invested in capital assets, net of related debt.
- The City's total net assets increased by \$220,947. 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 \$6,293,874, a decrease of \$199,668 or 3% in comparison with the prior year's fund balance. Approximately 49% (\$3,332,448) 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 \$2,739,747, a decrease of 10% from prior year.

OVERVIEW OF 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, light and power, 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 13 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 5 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, Hotel/Motel Tax, Court Technology/Security, Capital Projects, and Debt Service, all of which are considered to be major funds.

The City adopts an annual appropriated budget for its general and debt service fund. A budgetary comparison statement has been provided for the general and debt service funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 17 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, light and power, 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 equipment services. 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, light and power, 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 25 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 31 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's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 49 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, 2006, the City of Bridgeport's assets exceeded liabilities by \$12,627,466.

The largest portion of the City's net assets (63%) reflects its investment in capital (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is 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

TABLE A - 1 NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 6,856,340	\$ 6,891,863	\$ 5,784,384	\$ 8,651,257	\$ 12,640,724	\$ 15,543,120
Capital assets, net of accumulated depreciation	8,177,069	6,744,605	9,600,782	9,052,815	17,777,851	15,797,420
Total assets	15,033,409	13,636,468	15,385,166	17,704,072	30,418,575	31,340,540
Long-term liabilities outstanding	10,754,751	9,595,925	4,913,331	5,765,631	15,668,082	15,361,556
Other liabilities	506,750	154,432	1,608,022	3,418,033	2,114,772	3,572,465
Total liabilities	11,261,501	9,750,357	6,521,353	9,183,664	17,782,854	18,934,021
Net assets						
Invested in capital assets, net of related debt	814,905	530,962	7,099,202	5,423,110	7,914,107	5,954,072
Restricted net assets						
Capital Projects	3,332,448	-	2,440,313	3,014,544	5,772,761	3,014,544
Debt retirement	67,534	118,075	214,292	882,370	281,826	1,000,445
Municipal Court Technology & Security	33,842	29,999	-	-	33,842	29,999
Unrestricted	(462,081)	3,207,075	(912,991)	(799,616)	(1,375,072)	2,407,459
Total net assets	\$ 3,786,650	\$ 3,886,111	\$ 8,840,816	\$ 8,520,408	\$ 12,627,466	\$ 12,406,519

An additional portion of the City's net assets (84%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,375,072) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2006, the city is able to report positive balances in three of four categories of net assets, for the government activities with negative unrestricted net assets of \$462,081 for the government activities, and two of four categories for business-type activities with negative unrestricted net assets of \$912,991 for the business-type activities.

Overall, there was an increase of \$220,947 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 decreased the City's net assets by \$97,551 thereby accounting for 49% of the total growth in the net assets. Key highlights include an unchanged property

tax rate of \$0.5875 per \$100 valuation of assessed values but due to increased appraisals and new construction, revenues still increased slightly.

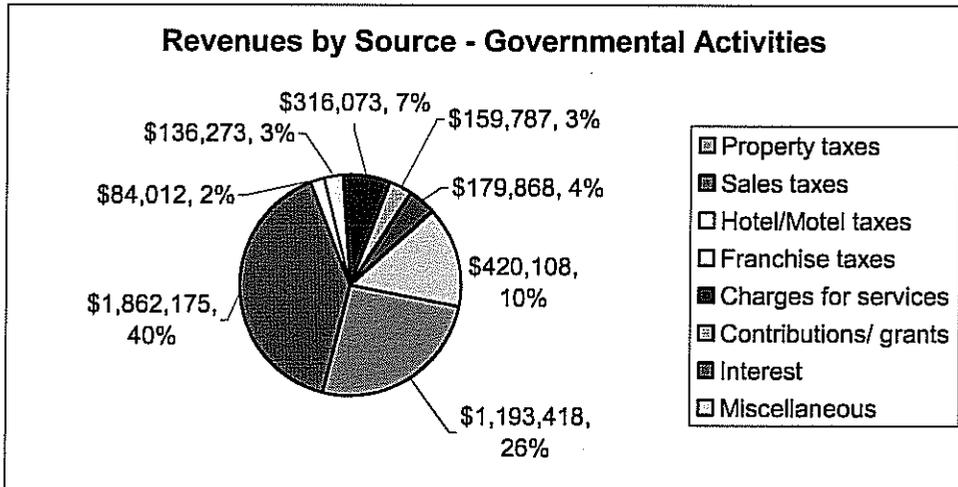
Business-type activities. Business-type activities increased the City's net assets by \$320,408, accounting for the other 51% of the total growth in net assets. Due to an increase in fuel costs our light and power revenues increased.

TABLE A - 2
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 316,613	\$ 1,105,514	\$ 9,160,593	\$ 6,493,066	\$ 9,477,206	\$ 7,598,580
Operating grants and contributions	159,787	54,008	53,305	17,336	213,092	71,344
Capital grants and contributions	-	-	395,000	223,000	395,000	223,000
General revenues						
Property taxes	1,193,418	1,004,776	-	-	1,193,418	1,004,776
Sales taxes	1,862,175	1,418,363	-	-	1,862,175	1,418,363
Franchise taxes	136,273	134,509	5,823	3,189	142,096	137,698
Hotel/ motel taxes	84,012	35,203	-	-	84,012	35,203
Gain (loss) on disposal of assets	-	-	-	1,079	-	1,079
Interest	179,868	116,112	268,733	155,151	448,601	271,263
Miscellaneous	685,953	420,108	4,320	75,821	690,273	495,929
Total revenues	4,618,099	4,288,593	9,888,774	6,968,642	14,506,873	11,257,235
Expenses:						
General government	2,655,599	684,513	-	-	2,655,599	684,513
Public safety	920,742	1,381,114	-	-	920,742	1,381,114
Highways and Streets	11,561	1,025,090	-	-	11,561	1,025,090
Culture and recreation	468,919	553,049	-	-	468,919	553,049
Development services	284,762	226,838	-	-	284,762	226,838
Maintenance	237,215	171,907	-	-	237,215	171,907
Interest on debt service	481,742	580,974	-	-	481,742	580,974
Water and sewer utilities	-	-	2,544,063	2,242,584	2,544,063	2,242,584
Electric utilities	-	-	6,383,406	3,876,732	6,383,406	3,876,732
Municipal airport	-	-	300,379	219,911	300,379	219,911
Grant	-	-	(5)	17,423	(5)	17,423
Total expenses	5,060,540	4,623,485	9,227,843	6,356,650	14,288,383	10,980,135
Increase (decrease) in net assets before transfers	(442,441)	(334,892)	660,931	611,992	218,490	277,100
Net transfers	345,429	336,064	(340,524)	(336,064)	4,905	-
Increase (decrease) in net assets	(97,010)	1,172	320,409	275,928	223,400	277,100
Net assets - beginning	3,883,662	3,884,938	8,520,408	8,244,478	12,404,073	12,129,416
Net assets - ending	\$ 3,786,650	\$ 3,886,111	\$ 8,840,817	\$ 8,520,408	\$ 12,627,473	\$ 12,406,519

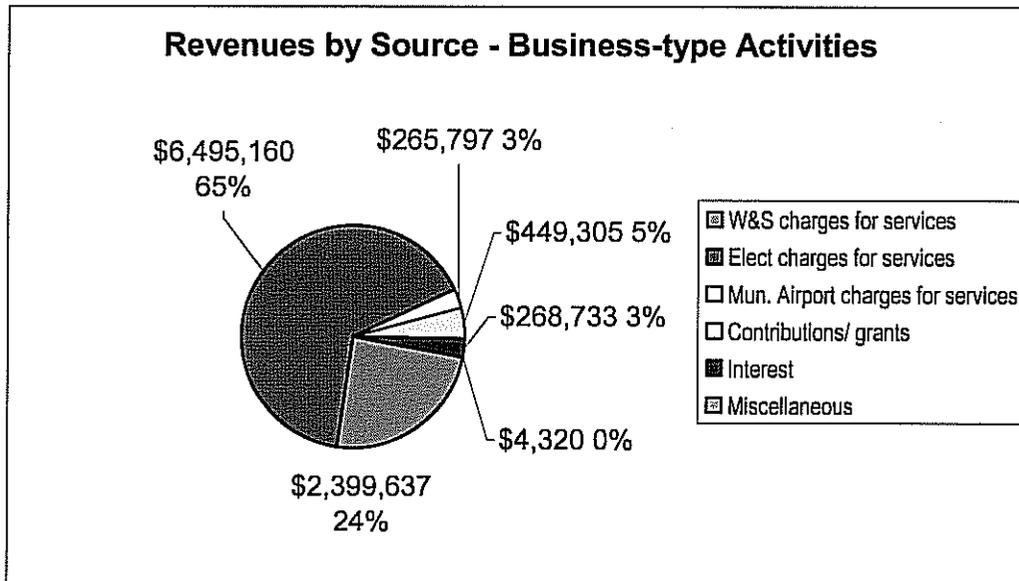
Governmental Activities

- Property tax rates increased from \$0.5625 to \$0.5875 from last year. This coupled with the increasing values enabled an increase of tax revenues to \$1,193,418 that resulted in an increase of \$188,642 from the prior year. This increase allowed the City to fully fund debt requirements with no reliance on interest earnings to be able to make debt payments.



Business-Type Activities

A significant portion of the City's revenue comes from charges for services, 65 percent Electric; 24 percent Water & Sewer; and 3 percent Municipal Airport, 5 percent comes from contributions and grants, 3 percent comes from interest earnings, and less than 1 percent is miscellaneous sources.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources.

Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City'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 \$6,293,874, a decrease of \$199,668 in comparison with the prior year. Approximately 48% 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 (\$3,332,448); 2) reserved for Court Technology & Security Fund (\$33,842).

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 2005-06 of \$435,928 for the general fund. However, due to stronger revenues the fund balance was only decreased by \$299,848.

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 are Water and Sewer – (\$4,242,046); Electric - \$3,369,684; Municipal Airport – (\$40,634); Grant – \$5. The water and sewer, electric, and municipal airport funds had increases in net assets of \$641,713, \$364,298, \$15,687, and \$27,308, respectively.

General Fund Budgetary Highlights

The City Council did have a few major budget adjustments during the year. The revisions included appropriations to develop a Traffic Signal System Plan, contract with RCI Technologies to inventory all of our capital assets and evaluate our insurance needs on city facilities, add office space to City Hall, convert the court and police data with the new software, install a new sound system in the Council Chambers, add on a new bay at the Fire House, purchase a new ladder fire truck, fund the architectural and engineering fees for the Park Grants, and fund the Small Communities Grant. Actual revenues were higher and actual expenditures were lower than the revised budget resulting in \$299,848 reducing an already healthy fund balance. The City's Financial Management Policy Statement established a target fund balance of 10% of the annual expenditures. The current fiscal year ending fund balance of \$3,039,596 is 93% of the adopted budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2006, amounts to \$17,783,358 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the City's capital asset investment for the current fiscal year was \$1,985,939. This was comprised of an 18% increase for governmental activities and a 6% increase in business-type activities.

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

- The continuation of the sewer plant expansion project. The City has contributed \$31,163 towards construction in progress at year end.

- The continuation of the Law Enforcement Center project. The City has contributed \$505,449 towards construction in progress at year end.
- The purchase of new reporting software for public safety.
- The purchase of a new ladder fire truck and a crack sealing machine.
- Improvements were made to the swimming pool, and we began work on the ATV Park, Indoor Recreation Center, and Harwood Park improvements.
- The purchase of new equipment in accordance with our equipment replacement plan.
- Over \$354,251 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	
	2006	2005	2006	2005	2006	2005
Land	\$ 143,352	\$ 143,352	\$ 116,283	\$ 66,583	\$ 259,635	\$ 209,935
Construction in progress	505,449	-	31,163	941,810	536,612	941,810
System Improvements	4,993,512	4,639,261	-	-	4,993,512	4,639,261
Water system improvements	-	-	8,107,362	6,538,626	8,107,362	6,538,626
Electric system improvements	-	-	757,566	782,636	757,566	782,636
Property, Plant & Equipment	1,431,710	1,249,149	410,221	414,901	1,841,931	1,664,050
Tools & Devices	74,812	127,958	91,953	160,386	166,765	288,344
Office furniture and equipment	204,002	143,289	23,902	44,738	227,904	188,027
Transportation Equipment	824,231	441,596	62,331	103,134	886,562	544,730
Total	\$ 8,177,069	\$ 6,744,605	\$ 9,600,782	\$ 9,052,814	\$ 17,777,849	\$ 15,797,419

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

Long-Term Debt. At year-end the City had \$15,270,000 in bonds outstanding as shown in Table A-5.

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 9,097,200	\$ 1,525,000	\$ 258,700	\$ 10,363,500	\$ 345,400
Capital leases payable	324,057	192,847	185,792	331,113	163,308
Compensated absences	89,768	164	-	89,932	
Governmental activity long-term liabilities:	<u>\$ 9,511,025</u>	<u>\$ 1,718,011</u>	<u>\$ 444,492</u>	<u>\$ 10,784,545</u>	<u>\$ 508,708</u>
Business-type activities:					
Bonds Payable	\$ 5,687,800	\$ -	\$ 781,300	\$ 4,906,500	\$ 319,600
Capital leases payable	14,641	-	10,408	4,233	4,233
Compensated absences	26,367	-	3,112	23,255	
Business-type activity long-term liabilities:	<u>\$ 5,728,808</u>	<u>\$ -</u>	<u>\$ 794,820</u>	<u>\$ 4,933,988</u>	<u>\$ 323,833</u>

During the current fiscal year the City's total debt increased by \$478,700. This increase is due to the issuance of \$1,525,000 in C.O.'s, but is partially offset by regularly scheduled annual principal payments.

Additional information on the City's long-term debt can be found in Note 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Bridgeport increased the tax rate to \$0.5875 per \$100 valuation. This increase consists of a shift in the operations and maintenance rate decreasing to \$0.2500, while the interest and sinking component will increase to \$0.3375. The City is forecasting an increase in sales tax collection with expectations of a growing economy.

Expenses for the general fund are expected to increase in personnel costs due to an increase in the number of employees and an increase in the benefits.

Wastewater rates have been revised eliminating the volume charge from the base rate. This will have the effect of lowering charges to households that use less water and increasing charges to large users. The increase will take effect on the first billing cycle in April 2007 and should increase water revenues by 11% and wastewater revenues by 19%. The water and sewer fund will continue to provide quality water distribution and effective wastewater collection services.

The electric rates will remain the same as the prior year, but the power cost adjustment charge will increase due to the increase in fuel costs. In January 2007, the City signed a contract with Bryan Texas Utilities that will ultimately reduce the customer charges by 9%. The electric fund will continue to provide quality electric distribution to the citizens of Bridgeport.

The municipal airport will continue to provide quality aviation services without any increases in the rates charged.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City'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.

Basic Financial Statements

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City of Bridgeport, Texas
Statement of Net Assets
September 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bridgeport EDC
ASSETS				
Cash and cash equivalents	\$ 2,173,173	\$ 370,421	\$ 2,543,594	\$ 350,085
Investments	2,247,983	1,168,806	3,416,788	132,572
Receivables (net of uncollectibles)				
Property taxes	69,607	-	69,607	-
Sales tax	334,268	-	334,268	167,134
Interest	339	-	339	-
Accounts	1,598,621	1,336,625	2,935,247	88,710
Internal Balances	374,751	(374,751)	(0)	-
Inventories	-	195,139	195,139	-
Prepaid items	616	-	616	5,337
Restricted Assets:				
Cash and cash investments	-	2,902,504	2,902,504	-
Deferred Charges	57,102	185,640	242,743	-
Capital Assets				
Land	143,352	116,283	259,635	1,719,225
Property, Plant & Equipment	1,919,830	478,421	2,398,251	-
System Improvements	10,650,669	16,624,158	27,274,827	108,413
Tools & Devices	175,310	429,592	604,902	-
Office Furniture and Equipment	294,943	229,980	524,923	-
Transportation Equipment	1,924,677	512,444	2,437,121	-
Less Accumulated Depreciation	(7,437,162)	(8,821,259)	(16,258,420)	(452)
Construction in progress	505,449	31,163	536,612	-
Total assets	<u>15,033,528</u>	<u>15,385,169</u>	<u>30,418,696</u>	<u>2,571,123</u>
LIABILITIES				
Accounts payable	306,442	1,248,846	1,555,287	378
Compensated absences payable	89,932	23,255	113,187	2,566
Accrued Liabilities	107,193	18,249	125,442	1,471
Taxes payable	-	28,483	28,483	-
Deposits	-	289,189	289,189	-
Note payable	-	-	-	2,226,818
Accrued interest payable	48,579	25,599	74,178	-
Current portion of capital leases	163,308	4,232	167,540	-
Current portion of long-term debt	345,400	319,600	665,000	-
Unearned revenue	-	-	-	88,710
Noncurrent Liabilities				
Capital leases payable	167,804	-	167,804	-
Revenue Bonds payable	-	3,661,900	3,661,900	-
CO bonds payable	10,018,100	925,000	10,943,100	-
Total liabilities	<u>11,246,759</u>	<u>6,544,352</u>	<u>17,791,111</u>	<u>2,319,942</u>
NET ASSETS				
Invested in capital assets, net of related debt	814,905	7,099,202	7,914,108	-
Restricted for Capital Projects	3,332,448	2,440,313	5,772,761	-
Restricted for Debt Retirement	67,534	214,292	281,826	-
Restricted for Municipal Court Technology & Security	33,842	-	33,842	-
Unrestricted	(462,081)	(912,991)	(1,375,071)	251,181
Total net assets	<u>\$ 3,786,650</u>	<u>\$ 8,840,816</u>	<u>\$ 12,627,466</u>	<u>\$ 251,181</u>

The accompanying notes are an integral part of this statement.

City of Bridgeport, Texas
Statement of Activities
For the Year Ended September 30, 2006

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	2,655,599	108,469	80,640	-
Public safety	920,742	76,176	36,982	-
Highways and Streets	11,561	-	-	-
Development Services	284,762	82,203	-	-
Culture and recreation	468,919	49,766	42,165	-
City maintenance	237,215	-	-	-
Interest Expense	481,742	-	-	-
Total governmental activities	<u>5,060,539</u>	<u>316,613</u>	<u>159,787</u>	<u>-</u>
Business-type activities:				
Grant Fund	(5)	-	42,303	-
Light and Power Fund	6,383,406	6,495,160	-	-
Municipal Airport	300,379	265,797	11,003	-
Water and Sewer Fund	2,544,063	2,399,637	-	396,000
Total business-type activities	<u>9,227,843</u>	<u>9,160,593</u>	<u>53,305</u>	<u>396,000</u>
Total Primary Government	<u>\$ 14,288,382</u>	<u>\$ 9,477,207</u>	<u>\$ 213,093</u>	<u>\$ 396,000</u>
Component unit:				
Economic Development Corporation	1,128,321	-	-	-
Total Component Unit	<u>\$ 1,128,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
Sales taxes
Hotel/Motel taxes
Franchise taxes
Governmental Interest
Proprietay Interest
Miscellaneous
Transfers in (out)
Total general revenues and transfers
Change in net assets
Net assets - beginning, as restated
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Bridgeport EDC
(2,466,490)	-	(2,466,490)	-
(807,583)	-	(807,583)	-
(11,561)	-	(11,561)	-
(202,559)	-	(202,559)	-
(376,988)	-	(376,988)	-
(237,215)	-	(237,215)	-
(481,742)	-	(481,742)	-
<u>(4,584,139)</u>	<u>-</u>	<u>(4,584,139)</u>	<u>-</u>
-	42,308	42,308	-
-	111,754	111,754	-
-	(23,580)	(23,580)	-
-	251,574	251,574	-
-	382,056	382,056	-
<u>(4,584,139)</u>	<u>382,056</u>	<u>(4,202,083)</u>	<u>-</u>
-	-	-	(1,128,321)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,128,321)</u>
1,193,418	-	1,193,418	-
1,862,175	-	1,862,175	926,939
84,012	-	84,012	-
136,273	5,823	142,096	-
179,868	-	179,868	8,855
-	268,733	268,733	-
685,953	4,320	690,272	741,122
345,429	(340,524)	4,906	(4,906)
<u>4,487,127</u>	<u>(61,647)</u>	<u>4,425,481</u>	<u>1,672,011</u>
(97,010)	320,409	223,398	543,690
3,883,662	8,520,408	12,404,070	(292,509)
<u>\$ 3,786,650</u>	<u>\$ 8,840,816</u>	<u>\$ 12,627,466</u>	<u>\$ 251,181</u>

City of Bridgeport, Texas
Balance Sheet
Governmental Funds
September 30, 2006

	General Fund	Special Revenue Hotel Motel Fund	Court Technology/ Security Fund
ASSETS			
Cash and cash equivalents	\$ 1,559,220	\$ 107,649	\$ 35,143
Investments	728,393	-	-
Receivables (net of allowance for uncollectibles)			
Interest	-	-	-
Property taxes	36,631	-	-
Sales taxes	334,268	-	-
Other	77,518	12,772	-
Due from other funds	374,751	-	-
Prepays	616	-	-
Total assets	<u>3,111,396</u>	<u>120,422</u>	<u>35,143</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and other current liabilities	244,974	-	1,301
Accrued liabilities	66,725	-	-
Due to other funds	3,521	-	-
Unearned revenue	36,631	-	-
Unearned revenue - court	19,258	-	-
Total liabilities	<u>371,109</u>	<u>-</u>	<u>1,301</u>
Fund balances:			
Reserved for:			
Public Safety Building/Street Improvements	-	-	-
Unreserved, reported in			
General fund	2,739,747	-	-
Special revenue fund	-	120,422	33,842
Debt service fund	-	-	-
General capital projects fund	-	-	-
Total fund balances	<u>2,739,747</u>	<u>120,422</u>	<u>33,842</u>
Total liabilities and fund balances	<u>\$ 3,110,856</u>	<u>\$ 120,422</u>	<u>\$ 35,143</u>

Theater Fund	General Capital Projects Fund	General Debt Service Fund	Total Governmental Funds
\$ -	\$ 394,901	\$ 67,200	\$ 2,164,113
-	1,519,294	295	2,247,983
-	-	339	339
-	-	32,976	69,607
-	-	-	334,268
-	1,508,331	-	1,598,621
-	-	-	374,751
-	-	-	616
-	<u>3,422,527</u>	<u>100,810</u>	<u>6,790,298</u>
120	90,078	300	336,773
-	-	-	66,725
-	-	-	3,521
-	-	32,976	69,607
-	-	-	19,258
<u>120</u>	<u>90,078</u>	<u>33,276</u>	<u>495,883</u>
-	3,332,448	-	3,332,448
-	-	-	-
-	-	-	2,739,747
(120)	-	-	154,144
-	-	67,534	67,534
-	-	-	-
<u>(120)</u>	<u>3,332,448</u>	<u>67,534</u>	<u>6,293,874</u>
<u>\$ -</u>	<u>\$ 3,422,527</u>	<u>\$ 100,810</u>	<u>\$ 6,789,757</u>

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City of Bridgeport, Texas
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
 Governmental Funds
 September 30, 2006

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

Fund balances - total governmental funds	\$ 6,293,874
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,984,762
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	(3,753)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(10,488,233)
Net assets of governmental activities	<u>\$ 3,786,650</u>

City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2006

	General Fund	Special Revenue Hotel Motel Fund	Court Technology/ Security Fund
REVENUES			
Taxes:			
Hotel/Motel	\$ -	\$ 84,012	\$ -
Property	575,712	-	-
Sales	1,862,175	-	-
Franchise	136,273	-	-
Charges for services	136,890	-	-
Licenses, permits and fees	82,203	-	-
Court fines	163,378	-	16,019
Grants	138,294	-	-
Donations	1,050	-	-
Rents	10,690	-	-
Miscellaneous	419,569	-	-
Total revenues	<u>3,526,235</u>	<u>84,012</u>	<u>16,019</u>
EXPENDITURES			
Current:			
General government	974,781	20,083	-
Public safety	1,425,368	-	12,175
Highways and Streets	247,563	-	-
Development Services	289,503	-	-
Culture and recreation	464,239	-	-
Debt service			
Administrative charges	-	-	-
Capital Outlay:			
General government	129,023	-	-
Public safety	498,833	-	-
Highways and Streets	282,200	-	-
Development Services	145	-	-
Culture and recreation	74,562	-	-
Total expenditures	<u>4,386,217</u>	<u>20,083</u>	<u>12,175</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(859,983)</u>	<u>63,929</u>	<u>3,844</u>
OTHER FINANCING SOURCES (USES)			
Principal retirement	-	-	-
Interest Expense	-	-	-
Interest Revenue	58,015	-	-
Bond Proceeds	-	-	-
Miscellaneous	492,847	-	-
Transfers in (out)	9,272	-	-
Total other financing sources and uses	<u>560,134</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(299,848)</u>	<u>63,929</u>	<u>3,844</u>
Fund balances - beginning	3,039,595	56,492	29,999
Fund balances - ending	<u>\$ 2,739,747</u>	<u>\$ 120,422</u>	<u>\$ 33,842</u>

Theater Fund	Capital Projects Fund	General Debt Service Fund	Total Governmental Funds
\$ -	\$ -	\$ -	84,012
-	-	624,721	1,200,433
-	-	-	1,862,175
-	-	-	136,273
-	-	-	136,890
-	-	-	82,203
-	-	-	179,397
-	-	-	138,294
-	-	-	1,050
-	-	-	10,690
-	-	-	419,569
-	-	624,721	4,250,987
120	20,230	-	1,015,214
-	-	-	1,437,543
-	-	-	247,563
-	-	-	289,503
-	-	-	464,239
-	-	3,266	3,266
-	-	-	129,023
-	-	-	498,833
-	1,574,050	-	1,856,250
-	-	-	145
-	-	-	74,562
120	1,594,280	3,266	6,016,141
(120)	(1,594,280)	621,454	(1,765,155)
-	-	(258,700)	(258,700)
-	-	(481,742)	(481,742)
-	117,701	4,152	179,868
-	1,525,000	-	1,525,000
-	-	-	492,847
-	-	98,942	108,214
-	1,642,700	(637,347)	1,565,488
(120)	48,421	(15,893)	(199,667)
-	3,284,028	83,427	6,493,541
\$ (120)	\$ 3,332,448	\$ 67,534	\$ 6,293,874

City of Bridgeport, Texas
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended September 30, 2006

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

Net change in fund balances - total governmental funds	\$ (199,667)
--	--------------

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.	1,253,057
---	-----------

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.	(1,150,400)
--	-------------

Change in net assets of governmental activities	<u>\$ (97,010)</u>
---	--------------------

City of Bridgeport, Texas
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 522,000	\$ 522,000	\$ 575,712	\$ 53,712
Sales	1,311,500	1,311,500	1,862,175	550,675
Franchise	134,500	134,500	136,273	1,773
Charges for services	259,750	259,750	136,890	(122,860)
Licenses, permits and fees	104,400	104,400	82,203	(22,197)
Grants	32,306	32,306	138,294	105,988
Court fines	353,000	353,000	163,378	(189,622)
Rentals	11,000	11,000	10,690	(310)
Miscellaneous	400,129	404,309	420,619	16,310
Total revenues	<u>3,128,585</u>	<u>3,132,765</u>	<u>3,526,235</u>	<u>393,469</u>
EXPENDITURES				
Current:				
General government	875,961	879,215	974,781	(95,566)
Public safety	1,577,165	1,588,846	1,425,368	163,477
Highways and Streets	262,399	273,309	247,563	25,747
Development Services	269,276	269,276	289,503	(20,227)
Culture and recreation	463,137	616,074	464,239	151,835
Total current:	<u>3,447,939</u>	<u>3,626,720</u>	<u>3,401,454</u>	<u>225,265</u>
Capital Outlay:				
General government	78,348	132,384	129,023	3,361
Public safety	44,500	137,000	498,833	(361,833)
Highways and Streets	116,007	193,804	282,200	(88,396)
Development Services	-	-	145	(145)
Culture and recreation	61,617	131,029	74,562	56,467
Total capital outlay:	<u>300,472</u>	<u>594,217</u>	<u>984,763</u>	<u>(390,546)</u>
Total expenditures	<u>3,748,411</u>	<u>4,220,936</u>	<u>4,386,217</u>	<u>(165,281)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(619,826)</u>	<u>(1,088,171)</u>	<u>(859,983)</u>	<u>228,188</u>
OTHER FINANCING SOURCES (USES)				
Interest Revenue	25,000	25,000	58,015	33,015
Miscellaneous	-	-	492,847	492,847
Transfers in	205,538	205,538	202,038	(3,500)
Transfers out	(46,640)	(192,766)	(192,766)	(0)
Total other financing sources and uses	<u>183,898</u>	<u>37,772</u>	<u>560,134</u>	<u>522,362</u>
Net change in fund balances	<u>(435,928)</u>	<u>(1,050,399)</u>	<u>(299,848)</u>	<u>750,550</u>
Fund balances - beginning	<u>3,039,595</u>	<u>3,039,595</u>	<u>3,039,595</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,603,668</u>	<u>\$ 1,989,197</u>	<u>\$ 2,739,747</u>	<u>750,550</u>

City of Bridgeport, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2006

	Water and Sewer Fund	Electric Fund	Municipal Airport Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 246,379	\$ 94,591	\$ 29,446
Investments	-	1,168,806	-
Receivables (net of allowance for uncollectibles)	363,182	972,899	544
Due from other funds	-	2,174,972	-
Inventories	62,501	132,638	-
Total current assets	<u>\$ 672,063</u>	<u>\$ 4,543,905</u>	<u>\$ 29,990</u>
Noncurrent assets:			
Restricted assets:			
Cash & cash investments	2,636,209	266,295	-
Deferred charges	185,640	-	-
Capital assets:			
Land	54,586	56,997	4,700
Building and improvements	236,349	96,594	145,478
System improvements	14,507,768	2,116,390	-
Machinery and equipment	359,862	69,731	-
Office furniture and fixtures	168,825	61,155	-
Transportation equipment	245,607	266,838	-
Accumulated depreciation	(7,021,481)	(1,782,478)	(17,300)
Construction in progress	31,163	-	-
Total capital assets (net of accumulated depreciation)	<u>8,582,679</u>	<u>885,227</u>	<u>132,878</u>
Total non-current assets	<u>11,404,528</u>	<u>1,151,522</u>	<u>132,878</u>
Total assets	<u>12,076,591</u>	<u>5,695,427</u>	<u>162,868</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	88,900	1,123,595	36,351
Accrued liabilities	9,793	8,455	-
Taxes payable	-	28,483	-
Due to other funds	2,515,451	-	34,272
Unearned revenue	-	-	-
Accrued interest payable	25,599	-	-
Current capital leases	-	4,232	-
Current portion of long-term debt	319,600	-	-
Total current liabilities	<u>2,959,342</u>	<u>1,164,765</u>	<u>70,624</u>
Current liabilities payable from restricted assets:			
Utility customer deposits	21,550	267,639	-
Total current liabilities payable from restricted assets:	<u>21,550</u>	<u>267,639</u>	<u>-</u>
Noncurrent liabilities:			
Compensated absences	10,911	12,344	-
Capital leases	-	-	-
Revenue Bonds payable	3,661,900	-	-
C O bonds payable	925,000	-	-
Total noncurrent liabilities	<u>4,597,811</u>	<u>12,344</u>	<u>-</u>
Total liabilities	<u>7,578,704</u>	<u>1,444,748</u>	<u>70,624</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,085,329	880,995	132,878
Restricted for Capital Projects	2,440,313	-	-
Restricted for debt retirement	214,292	-	-
Unrestricted	(4,242,046)	3,369,684	(40,634)
Total net assets	<u>\$ 4,497,887</u>	<u>\$ 4,250,679</u>	<u>\$ 92,245</u>

Grant Fund	Total Proprietary Funds	Gov. Activities Internal Service Fund
\$ 5	\$ 370,421	\$ 8,588
-	1,168,806	-
-	1,336,625	-
-	2,174,972	-
-	195,139	-
<u>\$ 5</u>	<u>\$ 5,245,963</u>	<u>\$ 8,588</u>
-	2,902,504	-
-	185,640	-
-	-	-
-	116,283	-
-	478,421	-
-	16,624,158	-
-	429,592	-
-	229,980	-
-	512,444	-
-	(8,821,259)	-
-	31,163	-
-	<u>9,600,784</u>	-
-	<u>12,688,928</u>	-
<u>5</u>	<u>17,934,891</u>	<u>8,588</u>
-	1,248,846	3,185
-	18,249	3,551
-	28,483	-
-	2,549,723	-
-	-	-
-	25,599	-
-	4,232	-
-	319,600	-
-	<u>4,194,731</u>	<u>6,736</u>
-	289,189	-
-	<u>289,189</u>	-
-	23,255	6,077
-	-	-
-	3,661,900	-
-	925,000	-
-	<u>4,610,155</u>	<u>6,077</u>
-	9,094,075	12,813
-	7,099,202	-
-	2,440,313	-
-	214,292	-
5	(912,991)	(4,225)
<u>\$ 5</u>	<u>\$ 8,840,816</u>	<u>\$ (4,225)</u>

City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

	Water and Sewer Fund	Electric Fund	Municipal Airport Fund
OPERATING REVENUES:			
Charges for sales and services:			
Water sales	\$ 1,462,748	-	-
Sewer charges	936,890	-	-
Electric	-	6,500,983	-
Municipal Airport	-	-	265,797
Other	-	-	-
Donations	396,000	-	-
Miscellaneous	246	4,074	-
Rents	-	-	-
Total operating revenues	<u>2,795,883</u>	<u>6,505,056</u>	<u>265,797</u>
OPERATING EXPENSES:			
General Government	-	-	-
Costs of sales and services:			
Salaries and wages	427,377	267,388	-
Employee benefits	115,540	64,201	-
Purchased water	342,226	-	-
Purchased electricity	-	5,180,030	-
Other purchased services	374,884	317,389	8,865
Supplies and maintenance	508,547	391,253	285,695
Property	-	-	-
Miscellaneous	14,394	68,509	-
Total operating expenses	<u>1,782,968</u>	<u>6,288,769</u>	<u>294,560</u>
Operating income (loss)	1,012,915	216,288	(28,764)
NONOPERATING REVENUES (EXPENSES):			
Grants	-	-	11,003
Interest and Fiscal charges	(1,171)	-	-
Miscellaneous	-	-	-
Interest expense	(191,359)	-	-
Depreciation	(568,564)	(94,637)	(5,819)
Total nonoperating revenue (expenses)	<u>(761,094)</u>	<u>(94,637)</u>	<u>5,184</u>
Income (loss) before contributions and transfers	251,820	121,650	(23,580)
Interest Revenue	170,700	98,033	-
Gain (Loss) on sale of assets	-	-	-
Transfers in (out)	219,191	(583,981)	39,266
Bond issuance costs	-	-	-
Change in net assets	641,711	(364,298)	15,687
Total net assets - beginning, as restated	<u>3,856,176</u>	<u>4,614,977</u>	<u>76,558</u>
Total net assets - ending	<u>\$ 4,497,887</u>	<u>\$ 4,250,679</u>	<u>92,245</u>

Grant Fund	Total Proprietary Funds	Gov. Activities Internal Service Fund
-	\$ 1,462,748	-
-	936,890	-
-	6,500,983	-
-	265,797	-
-	-	-
-	396,000	-
-	4,320	-
-	-	-
-	<u>9,566,736</u>	-
-	-	234,067
-	694,765	-
-	179,741	-
-	342,226	-
-	5,180,030	-
-	701,138	-
-	1,185,495	-
-	-	-
-	82,903	-
-	<u>8,366,297</u>	<u>234,067</u>
-	1,200,439	(234,067)
42,303	53,305	-
-	(1,171)	-
5	5	-
-	(191,359)	-
-	(669,020)	-
<u>42,308</u>	<u>(808,240)</u>	<u>-</u>
42,308	392,199	(234,067)
-	268,733	-
-	-	-
(15,000)	(340,524)	229,843
-	-	-
<u>27,308</u>	<u>320,408</u>	<u>(4,225)</u>
(27,303)	8,520,408	(0)
<u>5</u>	<u>8,840,816</u>	<u>(4,225)</u>

City of Bridgeport, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

Business-type Activities - Enterprise Funds

	Water and Sewer Fund	Electric Fund	Municipal Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from other	\$ 696	\$ 4,074	\$ 1,367
Cash received from customers	2,294,261	6,345,529	263,886
Cash payments to other	(139,073)	(49,236)	-
Cash payments to employees and professional contractors for services	(543,197)	(323,701)	-
Cash payments to suppliers for goods and services	(1,054,360)	(5,297,294)	(258,281)
Net cash provided from operating activities	<u>558,327</u>	<u>679,371</u>	<u>6,972</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants received	\$ -	\$ -	\$ 11,003
Transfer from(to) primary government	-	(108,796)	40,377
Transfer from(to) other funds	204,191	(473,212)	(18,373)
Net cash provided (used) by noncapital and related financing activities	<u>204,191</u>	<u>(582,008)</u>	<u>33,007</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(785,015)	(35,849)	(10,533)
Bond issuance cost	12,862	-	-
Capital grants received	15,000	-	-
Principal and interest paid on bonds and lease obligations	(860,054)	-	-
Proceeds from issuance of long-term debt	(125,000)	-	-
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,742,207)</u>	<u>(35,849)</u>	<u>(10,533)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	170,700	98,033	-
Sale/ maturity of investments	-	(45,676)	-
Net cash provided by investing activities	<u>170,700</u>	<u>52,357</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(808,989)	113,871	29,446
Cash and cash equivalents, October 1, 2005	3,691,577	247,015	-
Cash and cash equivalents, September 30, 2006	<u>\$ 2,882,588</u>	<u>\$ 360,886</u>	<u>\$ 29,446</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 48,351	\$ 121,650	\$ (34,583)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	568,564	94,637	5,819
Increase (decrease) in accounts payable - other	(1,862)	19,273	-
Increase (decrease) in accounts payable - supplier	69,314	636,325	36,280
Increase (decrease) in compensated absences	(4,135)	1,023	-
(Increase) decrease in customer receivables	(104,926)	(155,454)	(544)
Increase (decrease) in inventory	(20,833)	(44,948)	-
(Increase) decrease in other operating receivables	-	-	-
Increase (decrease) in salaries & benefits payable	3,854	6,864	-
Total adjustments	<u>509,976</u>	<u>557,720</u>	<u>41,554</u>
Net cash provided (used) by operating activities	<u>\$ 558,327</u>	<u>\$ 679,371</u>	<u>\$ 6,972</u>

The accompanying notes are an integral part of this statement

Grant Fund	Total Proprietary Funds	Gov. Activities Internal Services Fund
\$ -	\$ 6,137	\$ -
-	8,903,676	-
-	(188,309)	-
-	(866,899)	(165,111)
-	(6,609,935)	(60,963)
-	<u>1,244,670</u>	<u>(226,073)</u>
\$ 5	\$ 11,008	-
(27,303)	(95,722)	146,752
<u>27,303</u>	<u>(260,091)</u>	<u>83,716</u>
5	<u>(344,805)</u>	<u>230,468</u>
-	(831,396)	-
-	12,862	-
-	15,000	-
-	(860,054)	-
-	(125,000)	-
-	-	-
-	<u>(1,788,588)</u>	<u>-</u>
-	268,733	-
-	(45,676)	-
-	<u>223,057</u>	<u>-</u>
5	(665,667)	4,394
-	<u>3,938,592</u>	<u>4,194</u>
\$ 5	<u>3,272,925</u>	<u>8,588</u>
\$ 5	\$ 135,424	(234,067)
-	669,020	-
-	17,411	-
-	741,918	1,798
-	(3,112)	3,347
-	(260,924)	-
-	(65,781)	-
-	-	-
-	10,719	2,849
-	<u>1,109,251</u>	<u>7,994</u>
\$ 5	<u>1,244,675</u>	<u>(226,073)</u>

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

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. Financial 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 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.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

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 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.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

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/Wastewater 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.

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.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

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.

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.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

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

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

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 state at fair value, or market price as of September 30, 2006. 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.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

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

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 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.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

N. Capital Assets

Capital Assets:

Capital assets, which include property, plant, equipment and infrastructure assets, 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:

Infrastructure	30 years
Buildings	50 years
Building Improvements	20 years
Vehicles	2-15 years
Office equipment	3-15 years
Computer equipment	3-5 years

The City records capital contributions to proprietary funds as revenue. Total capital contributions to the enterprise funds in fiscal year 2006 were \$396,000.

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 unmatured 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.

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.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

Q. Comparative Data/Reclassification

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

R. Post Employment Benefits (other than pension benefits)

Except for health insurance provided pursuant to the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides no post employment benefits and thus has no related obligation.

S. 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. TM-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.

T. 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, 2006, there was not a significant risk arising from cash, investments, or accounts receivable.

U. 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.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

- **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. CASH AND INVESTMENTS

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

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

DEPOSITS

Texas Statutes require that all bank deposits be insured or fully collateralized by the U.S. government obligations or obligations of the State of Texas and its agencies. Market value of the collateral pledged must equal at least 100% of the bank deposits not covered by federal deposit insurance.

At year end, the carrying amount of the City's bank deposits was \$766,285 and the bank balances were \$702,995 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 \$321,219 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

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

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

The City's investments carried at fair value as of September 30, 2006, are:

Investment Type	Amount	Weighted Average Maturity	Rating as of September 30, 2006	Rating as of September 30, 2006
TexPool	\$ 5,872,290	31 days	AAAm	AAAm
Agency Discount Note - Senior unsecured debt	1,906,445	90 - 180 days	AAA	AAA
	<u>\$ 7,778,735</u>			

As of September 30, 2006 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.

Investment Type	Amount	Minimum Legal Rating	Rating as of August 31, 2006	Rating as of August 31, 2006
TexPool	\$ 5,872,290	AAA	AAAm	AAAm
Agency Discount Note - Senior unsecured debt	1,906,445	AAA	AAA	AAA
	<u>\$ 7,778,735</u>			

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, 2006, other than external investment pools and securities guaranteed by the U.S. Government, the City 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 transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

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, 2006 the carrying amount of the City's cash on hand and deposits were \$766,285 and the bank balance was \$702,995. Of the bank balance, \$100,000 was covered by federal depository insurance while the remaining \$602,995 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 Rule 2a7 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.

3. 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, 2006 was \$21,994 between the General and Debt Service Funds.

The City is permitted by the State of Texas to levy taxes up to \$2.50 per \$100 of assessed valuation for general government services and for the payment of principal and interest on general long-term debt. The combined current tax rate to finance general government services, including debt service for the fiscal year ended September 30, 2006, 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

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

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.

4. INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS

Balances due to primary government and from other funds at September 30, 2006, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water & Sewer Fund	374,751	Supplement other funds sources
Electric Fund	Municipal Airport Fund	34,272	Capital projects expenditures
Electric Fund	Water & Sewer Fund	2,140,700	Supplement other funds sources
	Total	<u>\$ 2,549,723</u>	

Transfers to and from other funds at September 30, 2006, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Municipal Airport Fund	\$ 46,639	Provide resources for repayment
Water and Sewer Fund	Debt Service Fund	71,551	Provide resources for repayment
Water and Sewer Fund	General Fund	99,769	Reimburse expenditures
Electric Fund	Water and Sewer Fund	442,456	Provide resources for repayment
Electric Fund	General Fund	99,769	Reimburse expenditures
Electric Fund	Debt Service Fund	27,391	Supplement other funds sources
EDC Fund	General Fund	2,500	Provide resources for repayment
Grant Fund	Sewer Capital Projects Fund	15,000	Reimburse expenditures
	Total	<u>\$ 805,075</u>	

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 143,352	\$ -	\$ -	\$ 143,352
Construction in progress	-	505,449	-	505,449
Total capital assets not being depreciated	<u>143,352</u>	<u>505,449.40</u>	<u>-</u>	<u>648,801</u>
Capital assets being depreciated:				
Property, Plant & Equipment	1,815,600	104,230	-	1,919,830
System Improvements	9,531,375	1,119,294	-	10,650,669
Tools & Devices	165,878	9,432	-	175,310
Office furniture and equipment	205,841	89,102	-	294,943
Vehicles	<u>1,274,685</u>	<u>649,992</u>	<u>-</u>	<u>1,924,677</u>
Total capital assets being depreciated	<u>12,993,379</u>	<u>1,972,050</u>	<u>-</u>	<u>14,965,430</u>
Less accumulated depreciation for:				
Property, plant and equipment	407,968	80,152	-	488,120
System Improvements	4,893,062	764,095	-	5,657,157
Tools & Devices	82,611	17,887	-	100,498
Office furniture and equipment	49,111	41,830	-	90,941
Vehicles	<u>959,373</u>	<u>141,073</u>	<u>-</u>	<u>1,100,446</u>
Total accumulated depreciation	<u>6,392,126</u>	<u>1,045,036</u>	<u>-</u>	<u>7,437,162</u>
Total capital assets being depreciated, net	<u>6,601,254</u>	<u>927,014</u>	<u>-</u>	<u>7,528,268</u>
Governmental activities capital assets, net	<u>\$ 6,744,606</u>	<u>\$ 1,432,464</u>	<u>\$ -</u>	<u>\$ 8,177,069</u>
Governmental activities depreciation by Function:				
General Government	\$ 69,810			
Public Safety	83,708			
Highways and Streets	865,081			
Development Services	3,815			
Culture and recreation	<u>22,621</u>			
Depreciation expense - governmental activities	<u>\$ 1,045,036</u>			

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 71,283	\$ 45,000	\$ -	\$ 116,283
Construction in progress	941,810	31,163	(941,810)	31,163
Total capital assets not being depreciated	<u>1,013,093</u>	<u>76,163</u>	<u>(941,810)</u>	<u>147,446</u>
Capital assets being depreciated:				
Property, plant and equipment	467,888	10,533	-	478,421
Water and sewer system improvements	12,461,107	2,046,661	-	14,507,768
Electric system improvements	2,090,950	25,440	-	2,116,390
Tools & Devices	429,592	-	-	429,592
Office Furniture and Equipment	229,980	-	-	229,980
Vehicles	512,444	-	-	512,444
Total capital assets being depreciated	<u>16,191,962</u>	<u>2,082,634</u>	<u>-</u>	<u>18,274,596</u>
Less accumulated depreciation for:				
Property, Plant & Equipment	68,200	-	-	68,200
Water and sewer system improvements	6,400,406	-	-	6,400,406
Electric system improvements	1,358,824	-	-	1,358,824
Tools & Devices	337,639	-	-	337,639
Office Furniture and Equipment	206,078	-	-	206,078
Vehicles	450,113	-	-	450,113
Total accumulated depreciation	<u>8,821,259</u>	<u>-</u>	<u>-</u>	<u>8,821,259</u>
Total capital assets being depreciated, net	<u>7,370,704</u>	<u>2,082,634</u>	<u>-</u>	<u>9,453,338</u>
Business-type activities capital assets, net	<u>\$ 8,383,797</u>	<u>\$ 2,158,797</u>	<u>\$ (941,810)</u>	<u>\$ 9,600,784</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Component Unit:</u>				
Capital assets not being depreciated:				
Land	\$ 2,138,661	\$ 53,837	\$ 473,273	\$ 1,719,225
Total capital assets not being depreciated	<u>2,138,661</u>	<u>53,837</u>	<u>-</u>	<u>1,719,225</u>
Capital assets being depreciated:				
Buildings and Improvements	-	108,413	-	108,413
Total capital assets being depreciated	<u>-</u>	<u>108,413</u>	<u>-</u>	<u>108,413</u>
Less accumulated depreciation for:				
Buildings and Improvements	452	-	-	452
Total accumulated depreciation	<u>452</u>	<u>-</u>	<u>-</u>	<u>452</u>
Total capital assets being depreciated, net	<u>(452)</u>	<u>108,413</u>	<u>-</u>	<u>107,961</u>
Component Unit capital assets, net	<u>\$ 2,138,209</u>	<u>\$ 162,249</u>	<u>\$ -</u>	<u>\$ 1,827,185</u>

Depreciation was charged to functions as follows:

Business Type Activities \$ 669,020

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

6. 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, 2006:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 9,097,200	\$ 1,525,000	\$ 258,700	\$ 10,363,500	\$ 345,400
Capital leases	324,057	192,847	185,792	331,113	163,308
Compensated absences *	89,768	164	-	89,932	-
Total governmental activities	<u>\$ 9,511,025</u>	<u>\$ 1,718,011</u>	<u>\$ 444,492</u>	<u>\$ 10,784,545</u>	<u>\$ 508,708</u>
<u>Business-type activities:</u>					
General obligation bonds	\$ 5,687,800	\$ -	\$ 781,300	\$ 4,906,500	319,600
Capital leases	14,641	-	10,408	4,233	4,233
Compensated absences *	26,367	-	3,112	23,255	-
Total business-type activities	<u>\$ 5,728,808</u>	<u>\$ -</u>	<u>\$ 794,820</u>	<u>\$ 4,933,988</u>	<u>\$ 323,833</u>
<u>Component Unit:</u>					
Notes payable	\$ 2,895,921	\$ 53,514	\$ 722,618	\$ 2,226,818	\$ 248,059
Compensated absences*	-	2,566	-	2,566	-
Total component unit activities	<u>\$ 2,895,921</u>	<u>\$ 56,080</u>	<u>\$ 722,618</u>	<u>\$ 2,229,384</u>	<u>\$ 248,059</u>

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	89,932
Compensated absences	Business-type	23,255

B. DEBT SERVICE REQUIREMENTS

Debt service requirements on long-term debt at September 30, 2006, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2007	345,400	477,466	822,866
2008	443,750	469,043	912,793
2009	472,100	445,494	917,594
2010	490,450	421,915	912,365
2011	512,150	399,505	911,655
2012-2016	2,969,450	1,623,326	4,592,776
2017-2021	3,325,200	888,809	4,214,009
2022-2026	1,540,000	276,573	1,816,573
2027-2029	265,000	51,543	316,543
Totals	<u>\$ 10,363,500</u>	<u>\$ 5,053,674</u>	<u>\$ 15,417,174</u>

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

<u>Year Ending September 30.</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	319,600	155,453	475,053
2008	341,250	145,927	487,177
2009	347,900	135,225	483,125
2010	359,550	124,000	483,550
2011	372,850	112,211	485,061
2012-2016	1,520,550	380,196	1,900,746
2017-2021	1,369,800	170,697	1,540,497
2022-2023	275,000	9,685	284,685
Total	<u>\$ 4,906,500</u>	<u>\$ 1,233,394</u>	<u>\$ 6,139,894</u>

<u>Year Ending September 30.</u>	<u>Component Unit</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	188,949	44,513	233,462
2008	204,448	40,717	245,165
2009	211,862	37,540	249,402
2010	215,356	23,180	238,536
2011	170,655	22,332	192,987
2012-2016	1,178,785	62,403	1,241,188
2017-2019	56,763	4,392	61,155
Totals	<u>\$ 2,226,818</u>	<u>\$ 235,077</u>	<u>\$ 2,461,895</u>

C. CAPITAL LEASES

Commitments under capitalized agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2006; as follows:

<u>Year Ending September 30.</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	163,308	18,095	181,403
2008	111,890	8,735	120,625
2009	50,692	2,534	53,226
2010	5,222	44	5,266
Totals	<u>\$ 331,112</u>	<u>\$ 29,408</u>	<u>\$ 360,520</u>

<u>Year Ending September 30.</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4,232	212	4,444
Totals	<u>\$ 4,232</u>	<u>\$ 212</u>	<u>\$ 4,444</u>

Lease Expenditures in 2006	\$	<u>196,200</u>
----------------------------	----	----------------

The effective interest rate on capital leases is 5.50%.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

7. RETIREMENT PLAN

A. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional joint contributory hybrid defined benefit plan, in the state-wide Texas Municipal Retirement System (TMRS). The City of Bridgeport is one of 811 municipalities having the benefit plan administered by TMRS, and agent multiple-employer public employee retirement system. Each of the 811 municipalities has an annual, individual actuarial valuation performed. The following assumptions were used for the December 31, 2005 valuations:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years – Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation Act	3.5%
Cost-of-Living Adjustments	None

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of 4/19/06)*:

Deposit Rate:	6%
Matching Ratio (City to Employee):	2 to 1
A member is vested after:	5 Years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City (expressed as years of services/age) are: 5 yrs/age 60, 25 yrs/any age

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

B. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost 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 currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25 year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2005 valuation is effective for rates beginning January 2007).

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Actuarial Value of Assets	\$ 2,449,734	\$ 2,213,913	\$ 2,001,378	\$ 2,116,861
Actuarial Accrued Liability	2,647,350	2,174,517	1,947,386	2,041,863
Percentage Funded	92.5%	101.8%	102.8%	103.7%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	197,616	(39,396)	(53,992)	(74,998)
Annual Covered Payroll	2,397,378	1,789,284	1,627,903	1,453,754
UAAL as a Percentage of Covered Payroll	8.2%	-2.2%	-3.3%	-5.2%
<hr/>				
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Pension Cost:				
Plus: Annual Required Contribution (ARC)	116,548	92,862	68,682	63,109
Less: Contributions Made	<u>(116,548)</u>	<u>(92,862)</u>	<u>(68,682)</u>	<u>(63,109)</u>
NPO at the end of the period	\$ -	\$ -	\$ -	\$ -

8. 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.

9. HEALTH CARE COVERAGE

During the year ended September 30, 2006, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$167.26 per pay period per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

City of Bridgeport
Notes to the Financial Statements
For the Year Ended September 30, 2006

10. 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, 2006.

11. DEFICIT FUND EQUITY

At September 30, 2006, the Internal Service Fund had negative net assets of \$4,225. This deficit is due to the transfers from the operating funds to cover the expenses within the Internal Service Fund.

12. SUBSEQUENT EVENTS

In January 2007, the City entered into a Limited Guaranty Agreement with Compass Bank for a line of credit on behalf of West 380 Family Care Facility. This agreement requires the City to establish a Special Limited Guaranty Interest and Sinking Fund in the amount of \$60,000 with the original principle amount being \$3,000,000. As of February 22, 2007, there have been no advances on the line.

Individual Fund Statements and Schedules

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City of Bridgeport, Texas
 Special Revenue Hotel Motel Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Hotel/Motel	-	-	84,012	84,012
Total revenues	-	-	84,012	84,012
EXPENDITURES				
Current:				
General government	9,800	36,057	20,083	15,974
Total expenditures	9,800	36,057	20,083	15,974
Excess (deficiency) of revenues over (under) expenditures	(9,800)	(36,057)	63,929	99,987
Fund balances - beginning	56,492	56,492	56,492	-
Fund balances - ending	\$ 46,692	\$ 20,435	\$ 120,422	\$ 99,987

City of Bridgeport, Texas
Special Revenue Court Technology & Security Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Court Fines	5,000	5,000	16,019	11,019
Total revenues	5,000	5,000	16,019	11,019
EXPENDITURES				
Current:				
Public Safety	-	17,263	12,175	5,088
Total expenditures	-	17,263	12,175	5,088
Excess (deficiency) of revenues over (under) expenditures	5,000	(12,263)	3,844	16,107
Fund balances - beginning	29,999	29,999	29,999	-
Fund balances - ending	\$ 34,999	\$ 17,735	\$ 33,842	\$ 16,107

City of Bridgeport, Texas
 General Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	-	-	20,230	(20,230)
Total current:	-	-	20,230	(20,230)
Capital Outlay:				
General Government	-	250,000	1,574,050	(1,324,050)
Total capital outlay:	-	250,000	1,574,050	(1,324,050)
Total expenditures	-	250,000	1,594,280	(1,344,280)
Excess (deficiency) of revenues over (under) expenditures	-	(250,000)	(1,594,280)	1,344,280
OTHER FINANCING SOURCES (USES)				
Interest Revenue	-	(1,091)	117,701	118,791
Miscellaneous	-	-	1,525,000	1,525,000
Total other financing sources and uses	-	(1,091)	1,642,701	1,643,791
Net change in fund balances	-	(251,091)	48,421	299,511
Fund balances - beginning	3,284,028	3,284,028	3,284,028	-
Fund balances - ending	\$ 3,284,028	\$ 3,032,937	\$ 3,332,448	\$ 299,511

City of Bridgeport, Texas
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	595,547	595,547	624,721	29,174
Total revenues	595,547	595,547	624,721	29,174
EXPENDITURES				
Debt Service:				
Principal	258,700	258,700	258,700	-
Interest	503,783	503,783	481,742	22,041
Administrative charges	1,500	1,500	3,266	(1,766)
Total expenditures	763,983	763,983	743,708	20,275
Excess (deficiency) of revenues over (under) expenditures	(168,436)	(168,436)	(118,987)	49,449
OTHER FINANCING SOURCES (USES)				
Interest Revenue	99,021	99,021	4,152	(94,869)
Transfers in	98,942	98,942	98,942	-
Total other financing sources and uses	197,963	197,963	103,094	(94,869)
Net change in fund balances	29,527	29,527	(15,893)	(45,420)
Fund balances - beginning	83,427	83,427	83,427	-
Fund balances - ending	\$ 112,954	\$ 112,954	\$ 67,533	\$ (45,420)

Bridgeport Economic Development Corporation
Balance Sheet
Governmental Funds
September 30, 2006

	EDC General Fund
ASSETS	
Cash and cash equivalents	\$ 482,757
Receivables sales taxes	167,134
Receivables other	88,710
Total assets	738,601
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	418
Wages payable	3,996
Deferred revenue	88,710
Total liabilities	93,124
 Fund balances:	
Unreserved	645,476
Total fund balance	645,476
Total liabilities and fund balance	\$ 738,601

Bridgeport Economic Development Corporation
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2006

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

Fund balance	\$ 645,476
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,827,185
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,226,818)
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>\$ 251,181</u>

Bridgeport Economic Development Corporation
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Governmental Funds
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts EDC General Fund	Variance with Final Budget
	Original	Final		
REVENUES				
Sales tax	\$ 600,000	\$ 600,000	\$ 934,696	\$ (334,696)
Miscellaneous	26,979	26,979	303,494	(276,515)
Total revenues	<u>626,979</u>	<u>626,979</u>	<u>1,238,190</u>	<u>(611,211)</u>
EXPENDITURES				
Current:				
Salaries and benefits	53,935	53,935	70,077	(16,142)
Supplies	2,700	2,700	18,074	(15,374)
Contractual services	66,346	66,346	30,876	35,470
Economic incentive grants	44,700	44,700	44,700	-
Debt service:				
Principal	108,427	108,427	254,274	(145,847)
Interest	-	-	44,159	(44,159)
Capital outlay:	186,042	186,042	599,860	(413,818)
Total expenditures	<u>462,150</u>	<u>462,150</u>	<u>1,062,019</u>	<u>(599,869)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>164,829</u>	<u>164,829</u>	<u>176,171</u>	<u>(11,342)</u>
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	-	-	-
Interest income	6,000	6,000	8,855	(2,855)
Transfers out	(6,000)	(6,000)	(2,500)	(3,500)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>6,355</u>	<u>(6,355)</u>
Net change in fund balances	164,829	164,829	182,526	(17,697)
Fund balances - beginning	466,285	466,285	466,285	-
Fund balances - ending	<u>\$ 631,114</u>	<u>\$ 631,114</u>	<u>\$ 648,811</u>	<u>\$ (17,697)</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, 2006

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

Net increase (decrease) in fund balances - total governmental funds	\$	182,526
Governmental funds report capital outlay as expenditures.		162,349
The issuance of long-term debt (e.g., notes payable) provides current financial resources to governmental funds		200,596
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.		(37,896)
Net increase (decrease) in net assets of governmental activities	\$	<u>507,577</u>

Other Supplementary Information

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AULDRIDGE, MATHEWS & VON TUNGELN, P.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

*[No Reportable Instances of Noncompliance and No Material Weaknesses
(No Reportable Conditions Identified)]*

The Honorable Donald Majka, Mayor
and Members of the City Council
City of Bridgeport, Texas

We have audited the basic financial statements of the City of Bridgeport, Texas as of and for the year ended September 30, 2006 and have issued our report thereon dated February 22, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance & Other Matters

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Bridgeport, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A *material weakness* is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization, Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Auldridge, Mathews and von Tungen PC

Auldridge, Mathews & von Tungen, P.C.

February 22, 2007

**City of Bridgeport
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2006**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None Reprted

Noncompliance material to financial statement noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X None Reported

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	U.S. Department of Housing and Urban Development
14.228	U.S. Department of Housing and Urban Development
14.239	U.S. Department of Housing and Urban Development
66.458	Environmental Protection Agency
66.458	Environmental Protection Agency

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statements Findings

None

C. Federal Award Findings and Quesitoned Costs

None

**City of Bridgeport
Summary Schedule of Prior Year Audit Findings
For the Year Ended September 30, 2006**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
None		

**City of Bridgeport
Corrective Action Plan
For the Year Ended September 30, 2006**

None

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Single Audit Act Requirements

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AULDRIDGE, MATHEWS & VON TUNGELN, P.C.

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

*[Unqualified Opinion on Compliance and No Material Weaknesses
(No Reportable Conditions Identified)]*

The Honorable Donald Majka, Mayor
and Members of the City Council
City of Bridgeport, Texas

Compliance

We have audited the compliance of the City of Bridgeport, Texas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. City of Bridgeport, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Bridgeport, Texas' management. Our responsibility is to express an opinion on the City of Bridgeport, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bridgeport, Texas' compliance with those requirements and performing other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Bridgeport, Texas' compliance with those requirements.

In our opinion, the City of Bridgeport, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control over Compliance

The management of the City of Bridgeport, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bridgeport, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Auldridge, Mathews, and vonTungeln PC

Auldridge, Mathews & von Tungeln, P.C.
February 22, 2007

CITY OF BRIDGEPORT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NO.	PASS- THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
PASSED THROUGH TEXAS DEPARTMENT OF AGRICULTURE 2005 TEXAS CAPITAL FUND	14.228	723142	\$ -
PASSED THROUGH TEXAS DEPARTMENT OF AGRICULTURE 2005 TEXAS CAPITAL FUND	14.228	723079	-
PASSED THROUGH TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS HOME PROGRAMS	14.239	1000287	81,161
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 81,161</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
PASSED THROUGH TEXAS WATER DEVELOPMENT BOARD	66.458	121300	\$ 461,091
PASSED THROUGH TEXAS WATER DEVELOPMENT BOARD	66.458	126600	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 461,091</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 542,252</u>

CITY OF BRIDGEPORT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE 1 – BASIS OF PRESENTATION

THE ACCOMPANYING SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS INCLUDES THE FEDERAL GRANT ACTIVITY OF CITY OF BRIDGEPORT, TEXAS AND IS PRESENTED ON THE MODIFIED ACCRUAL BASIS OF ACCOUNTING. THE INFORMATION IN THIS SCHEDULE IS PRESENTED IN ACCORDANCE WITH THE REQUIREMENTS OF OMB CIRCULAR A-133, AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS. THEREFORE, SOME AMOUNTS PRESENTED IN THIS SCHEDULE MAY DIFFER FROM AMOUNTS PRESENTED IN, OR USED IN THE PREPARATION OF, THE BASIC FINANCIAL STATEMENTS.

NOTE 2 – EXPENDITURES: HUD

\$81,161 OF TOTAL DIRECT PROGRAM EXPENDITURES AGREES WITH THE EXPENDITURES AS REPORTED ON COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS.

NOTE 3 – ENVIRONMENTAL PROTECTION AGENCY

\$461,091 OF TOTAL DIRECT PROGRAM EXPENDITURES AGREES WITH THE EXPENDITURES AS REPORTED ON COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS, PROPRIETARY FUNDS.

Texas Water Development Board Requirements

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AULDRIDGE, MATHEWS & VON TUNGELN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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M. Heath Beaty, CPA
W.R. Connally Miller, CPA

Report on Compliance with Texas Water Development Board Requirements

The Honorable Mayor and City Council
City of Bridgeport
Bridgeport, Texas 76426

The Honorable Mayor and City Council:

We have audited the accompanying general purpose financial statements of City of Bridgeport, as of and for the year ended September 30, 2006, and have issued our report there on dated February 22, 2007. 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.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the ordinance authorizing the issuance of the Series 1991 Utility System Revenue Bonds, Texas Water Development Board insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the City Council and management of the City of Bridgeport, Texas and the Texas Water Development Board and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Auldrige, Mathews and von Tungeln PC
Auldrige, Mathews & von Tungeln, PC

February 22, 2007

**City of Bridgeport
 Additional Information for Bonds
 September 30, 2006**

SCHEDULE OF RATES AND CUSTOMERS:

Sewer:

Customers 1,765

Rates:		<u>Gallons</u>
Residential within city limits	5.60	per month, minimum bill
	2.50	per 1,000 gallons
Residential outside city limits	7.60	per month, minimum bill
	5.00	per 1,000 gallons
Commercial within city limits	5.60	per month, minimum bill
	2.50	per 1,000 gallons
Commercial outside city limits	7.60	per month, minimum bill
	5.00	per 1,000 gallons
Commercial, Large Customers	4.50	per month, minimum bill
	3.00	per 1,000 gallons

Water:

Customers 2,183

Rates:		<u>Gallons</u>
Residential within city limits	13.72	0 - 3,000, minimum bill
	3.27	per 1,000, beyond minimum
Residential outside city limits	23.52	0 - 3,000, minimum bill
	3.27	per 1,000, beyond minimum
Commercial within city limits	14.38	0 - 3,000, minimum bill
	3.92	per 1,000, beyond minimum
Commercial outside city limits	26.14	0 - 3,000, minimum bill
	3.92	per 1,000, beyond minimum

City of Bridgeport
 Additional Information for Bonds
 September 30, 2006

SCHEDULE OF RATES AND CUSTOMERS:

Electric:

Customers 2,242

Rates:

Residential customer charge	6.42	Per month
Residential energy charge	5.86	Cents per Kwhr for all Kwhrs used per month in the summer months of May-October
	5.86	Cents per Kwhr for first 600 Kwhrs used per month in the winter billing months of November - April
	2.63	Cents per Kwhr for all additional Kwhrs used in the winter billing months of November - April
Commercial customer charge	15.32	Per month
Customer without metered demand - energy charge	6.17	Per Kwh 0 - 2,500
	3.25	Per Kwh over 2,500
Customer with metered demand - demand charge	6.8	Per Kw in excess of 10kw
Energy charge	6.1	Per Kwh 0 - 2,500
	3.21	Per Kwh 2,500 - 6,000
	0.71	Per Kwh over 6,000

There were no unmetered customers at September 30, 2006.

City of Bridgeport
 Schedule of Insurance
 September 30, 2006

<u>Insurance Company</u>	<u>Coverage</u>	<u>Policy Dates</u>	
Allstate Insurance Company	Fire & Casualty - \$5,972,000	11/1/2005	11/1/2006
St. Paul Fire & Casualty Ins. Co.	Law Enforcement Officers Liab - \$1,000,000	7/10/2006	7/19/2007
Old Republic Insurance Co.	Airport Liability - \$2,000,000	5/26/2006	5/26/2007
St. Paul Fire & Casualty Ins. Co.	Auto Liab & Physical Damage - \$1,000,000	7/19/2006	7/19/2007
St. Paul Fire & Casualty Ins. Co.	Commercial General Liability - \$2,000,000	7/17/2006	7/19/2007
St. Paul Fire & Casualty Ins. Co.	Public Officials Liab Policy - \$500,000	7/19/2006	7/19/2007
St. Paul Fire & Casualty Ins. Co.	Equipment Floater - \$170,837	7/19/2006	7/19/2007
American Merc Lloyds Ins. Co.	Performance Brush Bandit - \$17,500	3/20/2006	3/20/2007
Texas Political Subdivision	Worker's Compensation - statutory amts	10/1/2006	10/1/2007
Colony Management Service	Fuel Tank Police Dept - \$1,000,000	12/1/2005	12/1/2006
Allstate Insurance Company	Electronic Equipment Scada System Airport Weather System CPU System FBM System - \$222,384	11/2/2006	11/2/2007
Illinois Union Ins. Co.	Fuel Tank Airport - \$1,000,000	4/29/2006	4/29/2007

City of Bridgeport
Reserve Requirement
September 30, 2006

	Interest and Sinking Funds	Reserve Funds
First lien bonds		
Required ultimate balance	\$ -	\$ 167,143
Required present balance	\$ -	\$ 167,143
Actual present balance	\$ -	\$ 125,000
Junior lien bonds		
Required ultimate balance	\$ -	\$ -
Required present balance	\$ -	\$ -
Actual present balance	\$ -	\$ -

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