

City of Bridgeport
Texas



Fiscal Year
October 1, 2009 – September 30, 2010

CITY OF BRIDGEPORT

**Comprehensive Annual Financial Report
For year ended September 30, 2010**

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CITY OF BRIDGEPORT

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City of Bridgeport

April 19, 2010

The City Council and the Citizens of the City of Bridgeport

State law requires that all general-purposed local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement, the Mayor and staff are pleased to submit the Basic Financial Statements for the City of Bridgeport, Texas for the fiscal year ended September 30, 2010.

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

The City's financial statements have been audited by Auldrige Griffin P.C., Independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2010, 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, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

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

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

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

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

Economic Conditions and Outlook

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

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

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

Property valuations decreased by about \$23 million in 2010 to \$307 million. The residential and commercial activity has declined substantially. As the overall U.S. economy is in an economic crisis, it has begun to affect the City. When there is not any new commercial activity it does not make for a great job economy.

The property tax rate remained the same as in 2009 at \$0.5875.

In fiscal year 2010 the sales tax continued to decline to \$1.6 million dollars. This decline hurt the City's ability to fund all the current positions and in June 2010 had to eliminate 25 positions across the whole City.

Accounting System and Budgetary Control

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

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

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

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

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

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

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

Budget-to-actual comparisons are provided in the report for the general fund, special revenue funds, and the debt service fund on pages 27 & 68-78.

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

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

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

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

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

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

Acknowledgements

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

Respectfully submitted,

Keith McComis
Mayor

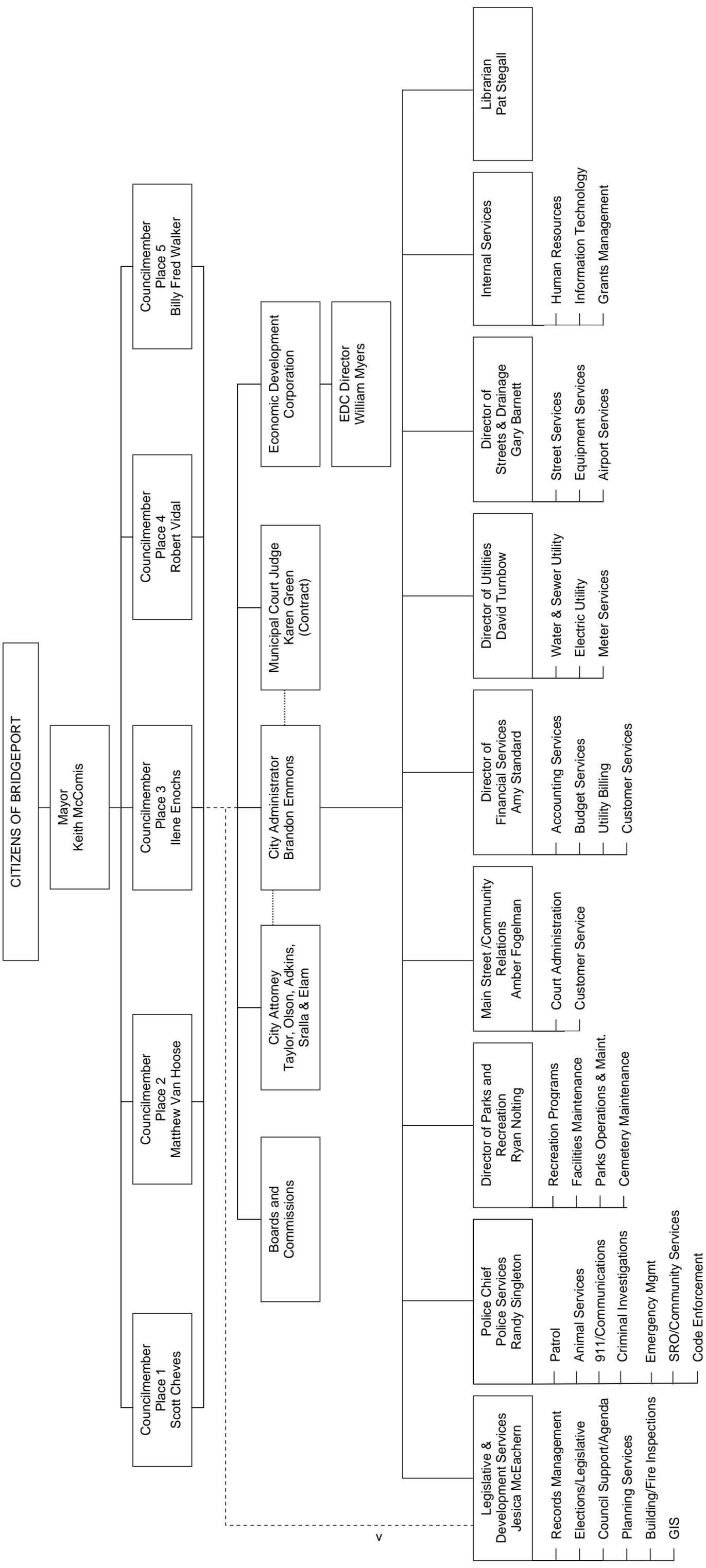


Brandon Emmons
City Administrator



Amy Standard
Director of Financial Services

City of Bridgeport Organizational Chart



CITY OF BRIDGEPORT

LIST OF ELECTED AND APPOINTED OFFICIALS

YEAR ENDED SEPTEMBER 30, 2010

The City Council of Bridgeport, Texas

Keith McComis, Mayor
148 Nottingham Circle
Bridgeport, Texas 76426

Billy Fred Walker, Council Member
108 Blocker Street
Bridgeport, Texas 76426

Scott Cheves, Council Member and Mayor Pro-tem
1728 Boston Avenue
Bridgeport, Texas 76426

Robert Vidal, Council Member
1706 Halsell
Bridgeport, Texas 76426

Matthew VanHoose, Council Member
2004 Lanice Avenue
Bridgeport, Texas 76426

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

Appointed Officials

Brandon Emmons, City Administrator

Amy Standard, Dir. of Financial Services

William Myers, EDC Director

Jesica McEachern, City Secretary

Randy Singleton, Chief of Police

Ashley Smalley, Dir. of Devel. Svc

Ryan Nolting, Dir. of Parks & Recreation

David Turnbow, Director of Infrastructure

Karen Green, Municipal Judge

Gary Barnett, Director of Transportation

Amber Fogelman, Executive Assistant/Main St Manager

FINANCIAL SECTION

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Auldridge Griffin
Certified Public Accountants
A Professional Corporation

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

Michael D. Dunlap, CPA
Karen O. Thompson, CPA

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Bridgeport, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bridgeport (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bridgeport as of September 30, 2010, and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 67 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bridgeport's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Audrey Dwyer, P.C.

Fort Worth, Texas
May 3, 2011

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, 2010. 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 \$6,976,802 at September 30, 2010. Of this amount, \$10,496,724 (restricted net assets) is restricted to capital projects, debt retirement, municipal court technology and security, loan guaranty agreement, and invested in capital assets, net of related debt.
- The City's total net assets decreased by \$4,153,911. This is due primarily to certain capital projects that were completed in fiscal year 2010, and the loan guaranty at Compass Bank.
- As of the close of the current fiscal year, the City of Bridgeport's governmental funds reported combined ending fund balances of negative \$755,147, a decrease of 127% in comparison with the prior year's fund balance.
- At the end of the current fiscal year, unreserved fund balance for the general fund was negative \$2,036,385 which is a decrease of 280% from prior year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Bridgeport's basic financial statements. The City's basic financial statements are comprised of three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements include not only the City of Bridgeport itself (known as primary government), but also include the Bridgeport Economic Development Corporation which is legally separate but financially accountable to the City. A discrete presentation has been used to report the financial information of this component unit. The financial information for the individual component unit is available from the City.

The government-wide financial statements can be found on pages 17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bridgeport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: [1] governmental funds, [2] proprietary funds, and an [3] internal service fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Capital Projects, and Debt Service, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining* statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and debt service fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budgets. Budgetary comparison schedules for the non major governmental funds are provided in the combining statements section.

The basic governmental fund financial statements can be found on pages 20 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 28 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 34 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Bridgeport's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 64 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 64-66 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, 2010, the City of Bridgeport's assets exceeded liabilities by \$6,976,802.

The largest portion of the City's net assets (124%) reflects its investment in capital (e.g., land, building, equipment, improvements, construction in progress, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Bridgeport's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 2,966,216	\$ 3,624,286	\$ 1,888,527	\$ 4,132,909	\$ 4,854,743	\$ 7,757,195
Capital assets, net of accumulated depreciation	<u>12,047,114</u>	<u>12,018,199</u>	<u>13,090,058</u>	<u>12,469,598</u>	<u>25,137,172</u>	<u>24,487,797</u>
Total assets	<u>15,013,330</u>	<u>15,642,486</u>	<u>14,978,585</u>	<u>16,602,510</u>	<u>29,991,915</u>	<u>32,244,992</u>
Long-term liabilities outstanding	13,997,920	11,598,360	7,330,655	7,918,193	21,328,575	19,516,553
Other liabilities	<u>570,716</u>	<u>617,433</u>	<u>1,115,820</u>	<u>980,186</u>	<u>1,686,536</u>	<u>1,597,619</u>
Total liabilities	<u>14,568,637</u>	<u>12,215,793</u>	<u>8,446,476</u>	<u>8,898,379</u>	<u>23,015,113</u>	<u>21,114,172</u>
Net assets						
Invested in capital assets, net of related debt	1,353,527	999,567	7,308,748	7,194,689	8,662,275	8,194,256
Restricted net assets:						
Capital projects	671,374	796,111	-	-	671,374	796,111
Debt retirement	248,788	148,301	437,184	189,915	685,972	338,216
Loan guaranty agreement	116,000	116,000	-	-	116,000	116,000
Special purpose	361,103	114,868	-	-	361,103	114,868
Unrestricted	<u>(2,306,098)</u>	<u>1,251,735</u>	<u>(1,213,823)</u>	<u>319,527</u>	<u>(3,519,922)</u>	<u>1,571,262</u>
Total net assets	<u>\$ 444,694</u>	<u>\$ 3,426,583</u>	<u>\$ 6,532,108</u>	<u>\$ 7,704,132</u>	<u>\$ 6,976,802</u>	<u>\$ 11,130,713</u>

An additional portion of the City's net assets (26%) represents resources that are subject to external restrictions on how they may be used. At this time the remaining balance of *unrestricted net assets* (\$3,519,922) limits the abilities of the government from meeting any additional obligations.

As of September 30, 2010, the City is not able to report positive balances in all three major categories of net assets. The government as a whole has a positive net asset, but the unrestricted is negative at \$3,519,922. The governmental funds all have a positive fund balance with the exception of the General fund and it is negative \$2,036,385 which is primarily due to the guaranty agreement with Compass Bank. The proprietary funds all have negative fund balances with the exception of the Internal Service Fund.

Overall, there was a decrease of \$4,153,911 in total net assets during the fiscal year as mentioned above. This is due to expenses exceeding revenues. Specifically, governmental activities had to recognize the loss on the guaranty agreement at Compass Bank. The business-type activities seen a decrease of \$1,213,823 in all the funds primarily due to the lack of cash flow.

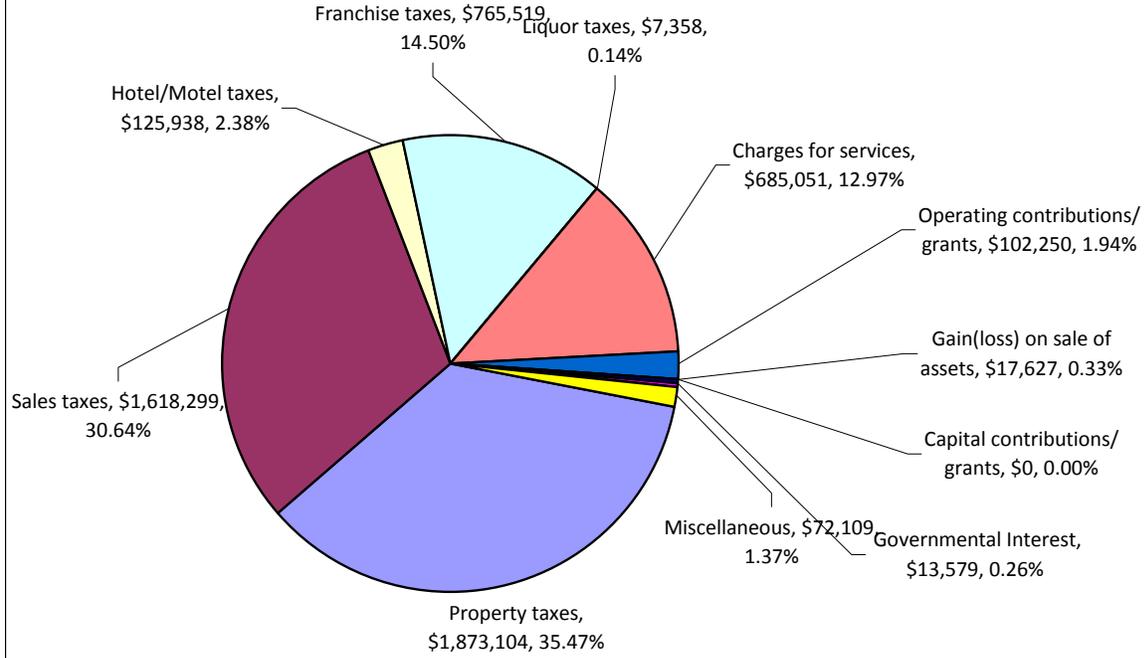
Governmental activities. Governmental activities decreased the City's net assets by \$2,981,889 thereby accounting for 72% of the decline in the City's total net assets. Key elements of this decrease are as follows:

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 685,051	\$ 658,878	\$ 10,623,306	\$ 10,921,910	\$ 11,308,357	\$ 11,580,788
Operating grants and contributions	102,250	253,210	26,612	464,887	128,862	718,097
Capital grants and contributions	-	281,151	-	190	-	281,341
General revenues						
Property taxes	1,873,104	1,774,717	-	-	1,873,104	1,774,717
Sales taxes	1,618,299	2,070,995	-	-	1,618,299	2,070,995
Hotel/ motel taxes	125,938	105,810	-	-	125,938	105,810
Franchise taxes	765,519	800,309	-	-	765,519	800,309
Liquor taxes	7,358	4,306	-	-	7,358	4,306
Interest	13,579	55,494	3,301	103,802	16,880	159,296
Gain (loss) on disposal of assets	17,627	7,789	6,670	-	24,297	7,789
Miscellaneous	72,109	54,415	7,707	30,799	79,816	85,214
Loan proceeds	-	-	-	70,145	-	70,145
Total revenues	5,280,834	6,067,074	10,667,596	11,591,733	15,948,430	17,658,806
Expenses:						
General government	4,373,852	2,165,155	-	-	4,373,852	2,165,155
Public safety	2,177,881	2,332,527	-	-	2,177,881	2,332,527
Development services	297,792	321,541	-	-	297,792	321,541
Culture and recreation	847,327	503,338	-	-	847,327	503,338
Highways and streets	815,243	908,304	-	-	815,243	908,304
Facility services	-	3,836	-	-	-	3,836
City maintenance	612,617	775,899	-	-	612,617	775,899
Interest expense	638,662	522,321	-	-	638,662	522,321
Water and sewer utilities	-	-	2,366,461	2,621,514	2,366,461	2,621,514
Electric utilities	-	-	7,615,346	8,147,736	7,615,346	8,147,736
Municipal airport	-	-	391,489	582,433	391,489	582,433
Grant	-	-	24,544	123,512	24,544	123,512
Total expenses	9,763,374	7,532,921	10,397,840	11,475,195	20,161,215	19,008,117
Increase (decrease) in net assets before transfers	(4,482,540)	(1,465,847)	269,756	116,538	(4,212,785)	(1,349,311)
Net transfers	1,500,652	1,170,235	(1,441,778)	(1,111,980)	58,874	58,255
Increase (decrease) in net assets	(2,981,889)	(295,612)	(1,172,023)	(995,442)	(4,153,912)	(1,291,054)
Net assets - beginning	3,426,583	3,590,704	7,704,132	8,644,101	11,130,715	12,234,805
Prior period adjustment -(note 13)	-	131,491	-	55,473	-	186,964
Net assets - ending	\$ 444,694	\$ 3,426,583	\$ 6,532,108	\$ 7,704,132	\$ 6,976,802	\$ 11,130,715

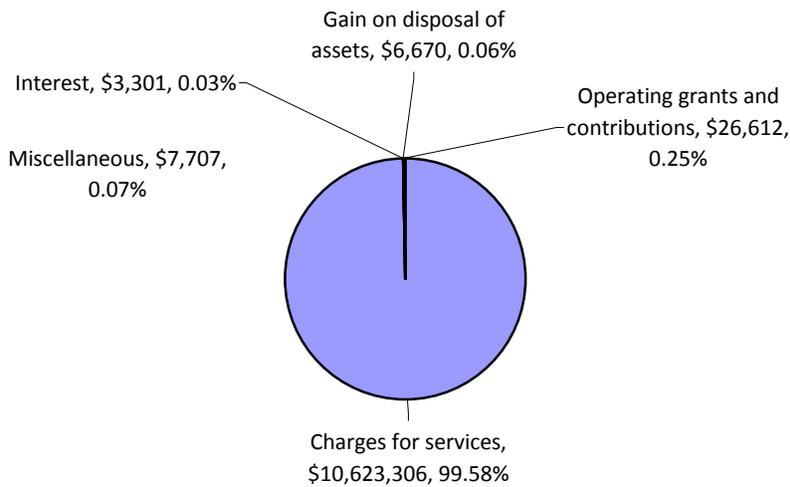
- Property taxes revenue increased by \$98,387 (6%) during the year while the tax rate remained the same at \$0.5875 per \$100 valuation.
- Sales tax revenue decreased by \$452,696 (22%) during the year. The decrease is primarily due to the economic recession during the fiscal year.

Revenues by Source - Governmental Activities



Business-type activities. Business-type activities decreased the City’s net assets by \$1,172,024, accounting for the other 28% of the total decline in net assets of the City of Bridgeport.

Revenues by Source - Business-type Activities



A significant portion of the City's revenue comes from charges for services, 73% electric; 24% water and sewer; and less than 3% municipal airport, and less than 1% comes from operating grants and contributions, interest earnings, sale of capital assets, and miscellaneous sources.

- Charges for services increased by \$175,557 (2%) due to the warm weather in the summer months and a severe winter storm that caused the consumption to increase during the winter months.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Bridgeport's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Bridgeport's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Bridgeport's governmental funds reported combined ending fund balance of negative \$755,147 which is a decrease of 127% in comparison with the prior year. The City's unreserved and undesignated fund balance is approximately negative \$1,371,147 which limits the governments ability to operate effectively. This is primarily due to the North Texas Hospital defaulting on the loan guaranty agreement at Compass Bank. The City has had to make the interest payments since May 2009 on behalf of the hospital. The principal is due and payable in February 2012 which constitutes the massive decrease in fund balance in the General Fund. The remainder of fund balance is reserved or designated, indicating that it is not available for new spending because is has already been 1) committed to pay for specific capital improvements (\$500,000); and 2) reserved for loan guaranty agreement (\$116,000).

The general fund is the chief operating fund of the City. The City of Bridgeport budgeted and planned for a decrease in fund balance for fiscal year 2009-10 of \$475,757 for the general fund, but since we were not on track to make our budgeted revenues in sales tax we amended the budget by reducing budgeted revenues and expenditures. The City of Bridgeport reduced forces by 25 full time positions.

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

Unrestricted net assets of the respective proprietary funds were water and sewer – negative \$604,470; electric – negative \$532,910; municipal airport – negative \$69,957; and grant – negative \$6,487. The water and sewer fund, electric fund, municipal airport, and grant fund had decreases in unrestricted net assets of \$718,960; \$766,142; \$47,655; and \$594, respectively.

General Fund Budgetary Highlights

The City Council experienced two major budget adjustments during the year. The revisions included two reductions in force, one in February and another one in June 2010. The first revision to the budget reduced sales tax revenues by \$500,000. The other reductions include but are not limited to reducing the contingency budget by \$45,000, a scheduled transfer to the Recreation Fund of \$22,937, we reduced all departments by a set number of days for furlough, combined the Administrative Assistant for the City Administrator's office with the Main Street Manager, removed funding in the budget for the vacancies in the police department and animal control department, eliminated the court marshal/bailiff position, and the elimination of the Capital Projects Administration department. All the expense reductions totaled \$498,975. In June 2010, we had to even further reduce our expenditures due to the sales tax continuing to drop even further. At that time we eliminated more positions such as Code Enforcement officer, Building Inspector, Finance Technician, Administrative Assistants, and custodial staff.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010 amounted to \$25,137,172 (net of accumulated depreciation). This investment in capital assets includes land and improvements, intangible assets, property, plant, and equipment, system improvements, tools, and devices, office furniture and equipment, transportation equipment. The total increase in the City's capital asset investment for the current fiscal year was 649,375 (net of accumulated depreciation). This was comprised of less than 1% increase for governmental activities and a 5% increase for business-type activities.

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

- The completion of the Dry Creek sewer main.
- Small miscellaneous items.

CITY OF BRIDGEPORT CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Construction in progress	\$ 329,533	\$ 431,185	\$ 207,456	\$ 1,390,071	\$ 536,989	\$ 1,821,256
Intangible assets	54,519	80,751	562,904	501,156	617,423	581,907
Land improvements	479,789	490,072	1,328,727	1,331,859	1,808,516	1,821,931
Property, plant and equipment	6,073,577	6,474,439	364,325	398,361	6,437,902	6,872,800
System Improvements	3,747,250	2,995,417	10,162,994	8,304,609	13,910,244	11,300,026
Machinery and equipment	324,414	47,530	256,183	221,246	580,597	268,776
Office furniture and equipment	112,906	176,478	-	820	112,906	177,298
Transportation equipment	925,124	1,322,333	207,468	321,479	1,132,593	1,643,812
Total	\$ 12,047,114	\$ 12,018,200	\$ 13,090,058	\$ 12,469,601	\$ 25,137,172	\$ 24,487,806

Additional information on the City's capital assets can be found in note IV(C) to the City's audited financial statements.

Long-term debt. At year-end the City had \$21,328,575 in total long-term debt outstanding.

City's Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Bonds payable	\$ 10,325,442	\$ 10,871,522	\$ 6,424,558	\$ 6,873,478	\$ 16,750,000	\$ 17,745,000
Notes payable	3,419,697	479,451	744,621	784,020	4,164,318	1,263,471
Capital leases payable	127,989	95,000	139,214	219,233	267,203	314,233
Compensated absences	124,792	152,387	22,260	41,461	147,053	193,848
Total long-term debt	\$ 13,997,920	\$ 11,598,360	\$ 7,330,655	\$ 7,918,193	\$ 21,328,575	\$ 19,516,552

During the current fiscal year the City's total debt increased by \$1,812,023. The change is primarily due to recognizing the loan guaranty at Compass Bank and the increase in our compensated absences, partially offset by regularly scheduled annual principal payments.

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

Economic Factors and Next Year's Budgets and Rates

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

Expenses are expected to remain the same in fiscal year 2010-2011 due to the unknown economic state. As the overall economy faces a recession we will budget conservatively to remain serving the citizens with the same quality of life as now.

Requests for Information

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

Basic Financial Statements

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City of Bridgeport, Texas
Statement of Net Assets
September 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bridgeport EDC
ASSETS				
Cash and cash equivalents	\$ 356,408	\$ 13,389	\$ 369,797	\$ 734,426
Investments	180,006	690,379	870,385	666,753
Accounts receivable, net:				
Property taxes	86,899	-	86,899	-
Sales taxes	293,372	-	293,372	146,686
Interest	339	-	339	-
Utility accounts	126,263	1,489,596	1,615,859	-
Advance to component unit	500,000	-	500,000	-
Internal balances	1,240,225	(1,240,225)	-	-
Inventories	20,037	271,972	292,009	-
Prepaid items	9,544	-	9,544	-
Restricted assets:				
Cash and cash equivalents	6,143	-	6,143	-
Investments	-	478,975	478,975	-
Deferred charges	146,980	184,441	331,421	-
Capital assets not being depreciated:				
Land and improvements	-	-	-	3,063,350
Construction in progress	329,533	207,456	536,989	175,907
Capital assets:				
Land improvements	510,752	1,350,043	1,860,795	-
Intangible assets	81,751	579,890	661,641	66,920
Property, plant and equipment	7,232,369	482,951	7,715,320	385,080
System improvements	12,238,779	20,442,587	32,681,366	108,413
Machinery and equipment	550,833	770,214	1,321,047	-
Office furniture and equipment	451,096	227,148	678,244	16,000
Transportation equipment	2,571,050	865,635	3,436,685	-
Less - accumulated depreciation	(11,919,049)	(11,835,866)	(23,754,915)	(71,816)
Total assets	<u>15,013,330</u>	<u>14,978,585</u>	<u>29,991,915</u>	<u>5,291,719</u>
LIABILITIES				
Accounts payable	196,847	114,459	311,306	1,320
Accrued liabilities	63,381	609,410	672,791	10,830
Other payables	19,640	339,109	358,749	206
Accrued wages payable	74,019	19,558	93,577	3,083
Accrued interest payable	73,029	38,575	111,604	1,133
Unearned revenue	90,419	(5,291)	85,128	-
Unearned revenue - court	53,381	-	53,381	-
Advance from primary government	-	-	-	500,000
Noncurrent liabilities:				
Due within one year	690,964	578,717	1,269,681	206,636
Due in more than one year	13,306,956	6,751,938	20,058,894	1,445,695
Total liabilities	<u>14,568,637</u>	<u>8,446,476</u>	<u>23,015,113</u>	<u>2,168,903</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,353,527	7,308,748	8,662,275	2,099,690
Restricted for:				
Capital projects	671,374	-	671,374	500,000
Debt retirement	248,788	437,184	685,972	-
Loan guaranty agreement	116,000	-	116,000	-
Special purposes	361,103	-	361,103	-
Unrestricted	(2,306,098)	(1,213,823)	(3,519,922)	523,126
Total net assets	<u>\$ 444,694</u>	<u>\$ 6,532,108</u>	<u>\$ 6,976,802</u>	<u>\$ 3,122,816</u>

City of Bridgeport, Texas
Statement of Activities
Year Ended September 30, 2010

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 4,373,852	\$ 101,275	\$ 25	\$ -
Public safety	2,177,881	308,533	52,227	-
Development services	297,792	52,034	-	-
Culture and recreation	847,327	223,209	49,997	-
Highways and streets	815,243	-	-	-
City maintenance	612,617	-	-	-
Interest expense	638,662	-	-	-
Total governmental activities	<u>9,763,374</u>	<u>685,051</u>	<u>102,250</u>	<u>-</u>
Business-type activities:				
Electric utilities	7,615,346	7,757,229	-	-
Grant	24,544	-	26,612	-
Municipal airport	391,489	337,504	-	-
Water and sewer utilities	2,366,461	2,528,572	-	-
Total business-type activities	<u>10,397,840</u>	<u>10,623,306</u>	<u>26,612</u>	<u>-</u>
Total primary government	<u>\$ 20,161,215</u>	<u>\$ 11,308,357</u>	<u>\$ 128,862</u>	<u>\$ -</u>
Component unit -				
Economic development corporation	<u>\$ 827,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Bridgeport EDC
\$ (4,272,552)	\$ -	\$ (4,272,552)	\$ -
(1,817,121)	-	(1,817,121)	-
(245,758)	-	(245,758)	-
(574,120)	-	(574,120)	-
(815,243)	-	(815,243)	-
(612,617)	-	(612,617)	-
(638,662)	-	(638,662)	-
<u>(8,976,074)</u>	<u>-</u>	<u>(8,976,074)</u>	<u>-</u>
-	141,883	141,883	-
-	2,068	2,068	-
-	(53,985)	(53,985)	-
-	162,111	162,111	-
-	252,078	252,078	-
<u>(8,976,074)</u>	<u>252,078</u>	<u>(8,723,996)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (827,451)</u>
\$ 1,873,104	\$ -	\$ 1,873,104	\$ -
1,618,299	-	1,618,299	820,683
125,938	-	125,938	-
765,519	-	765,519	-
7,358	-	7,358	-
13,579	-	13,579	12,214
-	3,301	3,301	-
17,627	6,670	24,297	-
72,109	7,707	79,816	79,493
1,500,652	(1,441,778)	58,874	(58,874)
<u>5,994,184</u>	<u>(1,424,101)</u>	<u>4,570,083</u>	<u>853,516</u>
(2,981,889)	(1,172,023)	(4,153,913)	26,066
3,426,583	7,704,132	11,130,715	3,096,750
<u>\$ 444,694</u>	<u>\$ 6,532,108</u>	<u>\$ 6,976,803</u>	<u>\$ 3,122,816</u>

City of Bridgeport, Texas
Balance Sheet
Governmental Funds
September 30, 2010

	<u>General Fund</u>	<u>General Capital Projects Fund</u>
ASSETS		
Cash and cash equivalents	\$ 35,540	\$ -
Investments	-	179,544
Accounts receivable, net:		
Interest	-	-
Property taxes	41,667	-
Sales taxes	293,372	-
Other	106,269	-
Due from other funds	857,608	20,878
Restricted assets:		
Cash and cash equivalents	3,071	-
Advance to other funds	-	500,000
Inventories	10,002	-
Prepaid items	9,544	-
Total assets	<u>\$ 1,357,073</u>	<u>\$ 700,422</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and other current liabilities	\$ 256,654	\$ 3,135
Accrued liabilities	37,668	25,939
Deposits	568	-
Unearned revenue	45,188	-
Unearned revenue - court	53,380	-
Notes payable	3,000,000	-
Total liabilities	<u>3,393,458</u>	<u>29,074</u>
Fund balances:		
Reserved for:		
Loan guaranty agreement	116,000	-
Advances	-	500,000
Unreserved, reported in:		
General fund	(2,152,385)	-
Special revenue fund	-	-
Debt service fund	-	-
General capital projects fund	-	171,347
Total fund balances	<u>(2,036,385)</u>	<u>671,347</u>
Total liabilities and fund balances	<u>\$ 1,357,073</u>	<u>\$ 700,422</u>

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

General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 248,126	\$ 5,698	\$ 289,364
323	-	179,867
339	-	339
45,231	-	86,898
-	-	293,372
-	19,994	126,263
-	340,535	1,219,021
-	3,073	6,144
-	-	500,000
-	-	10,002
-	-	9,544
<u>\$ 294,019</u>	<u>\$ 369,300</u>	<u>\$ 2,720,814</u>
\$ -	\$ 8,196	\$ 267,985
-	-	63,607
-	-	568
45,231	-	90,419
-	-	53,380
-	-	3,000,000
<u>45,231</u>	<u>8,196</u>	<u>3,475,960</u>
-	-	116,000
-	-	500,000
-	-	(2,152,385)
-	361,103	361,103
248,788	-	248,788
-	-	171,347
<u>248,788</u>	<u>361,103</u>	<u>(755,147)</u>
<u>\$ 294,019</u>	<u>\$ 369,300</u>	<u>\$ 2,720,814</u>

City of Bridgeport, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2010

Fund balances - total governmental funds	\$ (755,147)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources in the current period and, therefore, are not reported in the funds.	11,275,487
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,954,522)
Long-term liabilities, including compensated absences, and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	(180,523)
Internal service funds are used by management to charge the costs of fleet management, facilities management, and information technology to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	59,398
Net assets of governmental activities	<u>\$ 444,694</u>

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City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>
REVENUES		
Taxes:		
Hotel/motel	\$ -	\$ -
Property	870,073	-
Sales	1,618,299	-
Franchise	765,519	-
Liquor	7,358	-
Charges for services	134,944	-
Licenses, permits and fees	52,034	-
Court fines	287,107	-
Grants	47,305	-
Donations	-	-
Rents	19,666	-
Interest revenue	8,245	1,138
Miscellaneous	52,815	43,171
Total revenues	<u>3,863,364</u>	<u>44,308</u>
EXPENDITURES		
Current:		
General government	4,217,855	-
Public safety	1,876,778	-
Development services	284,022	-
Culture and recreation	549,723	-
Highways and streets	393,840	-
Debt service:		
Principal retirement	161,698	-
Interest expense	156,774	-
Administrative charges	-	-
Capital outlay:		
General government	1,000	81,188
Public safety	148,970	-
Culture and recreation	(4,713)	2,690
Highways and streets	30,707	730,965
Total expenditures	<u>7,816,654</u>	<u>814,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,953,290)</u>	<u>(770,535)</u>
OTHER FINANCING SOURCES (USES)		
Capital lease proceeds	148,970	-
Transfers in (out)	636,137	218,431
Total other financing sources and uses	<u>785,107</u>	<u>218,431</u>
Net change in fund balances	<u>(3,168,183)</u>	<u>(552,103)</u>
Fund balances - beginning	1,131,798	1,223,451
Fund balances - ending	<u>\$ (2,036,385)</u>	<u>\$ 671,347</u>

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

<u>General Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 125,938	\$ 125,938
1,068,575	-	1,938,648
-	-	1,618,299
-	-	765,519
-	-	7,358
-	220,197	355,141
-	-	52,034
-	25,193	312,300
-	-	47,305
-	10,544	10,544
-	-	19,666
4,139	57	13,579
-	-	95,986
<u>1,072,714</u>	<u>381,929</u>	<u>5,362,316</u>
-	45,872	4,263,727
-	33,205	1,909,983
-	4,137	288,159
-	185,083	734,805
-	-	393,840
546,080	-	707,778
459,041	-	615,815
83	-	83
-	-	82,188
-	-	148,970
-	-	(2,023)
-	-	761,672
<u>1,005,204</u>	<u>268,297</u>	<u>9,904,998</u>
<u>67,510</u>	<u>113,632</u>	<u>(4,542,683)</u>
-	-	148,970
<u>32,977</u>	<u>(9,709)</u>	<u>877,836</u>
<u>32,977</u>	<u>(9,709)</u>	<u>1,026,806</u>
100,487	103,923	(3,515,876)
148,301	257,180	2,760,730
<u>\$ 248,788</u>	<u>\$ 361,103</u>	<u>\$ (755,147)</u>

City of Bridgeport, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended September 30, 2010

Net change in fund balances - total governmental funds	\$ (3,515,876)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This represents is the amount by which depreciation exceeded capital outlays in the current period.</p>	(120,057)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these differences in the treatment of long-term debt and related</p>	713,411
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p>	(59,366)
Change in net assets of governmental activities	<u>\$ (2,981,889)</u>

City of Bridgeport, Texas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 888,585	\$ 896,585	\$ 870,073	\$ (26,512)
Sales	1,900,000	1,500,000	1,618,299	118,299
Franchise	741,624	743,686	765,519	21,833
Liquor	3,500	7,358	7,358	-
Charges for services	134,300	134,300	134,944	644
Licenses, permits and fees	42,300	44,586	52,034	7,448
Grants	50,400	52,128	47,305	(4,823)
Court fines	353,750	284,750	287,107	2,357
Rentals	-	13,333	19,666	6,333
Interest revenue	18,000	7,800	8,245	445
Miscellaneous	27,200	57,138	52,815	(4,323)
Total revenues	<u>4,159,659</u>	<u>3,741,664</u>	<u>3,863,364</u>	<u>121,701</u>
EXPENDITURES				
Current:				
General government	1,452,295	1,162,022	4,217,855	(3,055,833)
Public safety	2,109,606	1,918,782	1,876,778	42,004
Highways and streets	521,729	408,455	284,022	124,433
Development services	337,851	287,361	549,723	(262,362)
Culture and recreation	638,035	557,277	393,840	163,437
Debt Service:				
Principal	136,033	165,633	161,698	3,935
Interest expense	165,434	204,834	156,774	48,060
Capital outlay:				
General government	-	-	1,000	(1,000)
Public safety	30,000	-	148,970	(148,970)
Highways and streets	-	-	30,707	(30,707)
Culture and recreation	-	(4,673)	(4,713)	40
Total expenditures	<u>5,390,983</u>	<u>4,699,691</u>	<u>7,816,654</u>	<u>(3,116,965)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,231,324)</u>	<u>(958,027)</u>	<u>(3,953,290)</u>	<u>(2,995,264)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	148,970	148,970
Transfers in (out)	755,567	827,437	636,137	(191,300)
Total other financing sources and uses	<u>755,567</u>	<u>827,437</u>	<u>785,107</u>	<u>(42,330)</u>
Net change in fund balances	(475,757)	(130,590)	(3,168,183)	(3,037,593)
Fund balances - beginning	1,131,798	1,131,798	1,131,798	-
Fund balances - ending	<u>\$ 656,041</u>	<u>\$ 1,001,208</u>	<u>\$ (2,036,385)</u>	<u>\$ (3,037,593)</u>

City of Bridgeport, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2010

	Water and Sewer Fund	Electric Fund	Municipal Airport Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 205	\$ 2	\$ -
Investments	619,851	388	70,140
Receivables (net of allowance for uncollectibles)	323,086	1,153,973	9,862
Due from other funds	-	-	143,906
Inventories	61,338	210,634	-
Restricted assets:			
Investments	-	279,723	-
Total current assets	<u>1,004,480</u>	<u>1,644,720</u>	<u>223,908</u>
Noncurrent assets:			
Restricted assets:			
Investments	199,252	-	-
Deferred charges	168,958	15,483	-
Capital assets not being depreciated:			
Construction in progress	131,950	-	75,506
Capital assets:			
Land and improvements	54,586	56,997	1,238,460
Intangible assets	570,773	9,116	-
Property, plant and equipment	251,412	96,594	134,945
System improvements	17,506,168	2,936,419	-
Tools and devices	632,438	119,893	17,883
Office furniture and equipment	165,993	61,155	-
Transportation equipment	330,628	513,849	21,158
Less accumulated depreciation	(9,486,404)	(2,281,471)	(67,992)
Total capital assets (net of accumulated depreciation)	<u>10,157,544</u>	<u>1,512,552</u>	<u>1,419,961</u>
Total non-current assets	<u>10,525,754</u>	<u>1,528,035</u>	<u>1,419,961</u>
Total assets	<u>11,530,234</u>	<u>3,172,756</u>	<u>1,643,869</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	72,072	373,049	26,541
Accrued liabilities	66,662	542,749	-
Due to other funds	371,671	991,582	-
Unearned revenue	-	(5,291)	-
Accrued interest payable	28,947	4,519	5,109
Current capital leases	28,416	39,720	-
Current portion of bonds payable	408,768	38,321	19,188
Current portion of note payable	-	-	42,079
Total current liabilities	<u>976,535</u>	<u>1,984,648</u>	<u>92,917</u>
Noncurrent liabilities:			
Compensated absences	14,798	7,462	-
Capital leases	29,575	41,504	-
Bonds payable	4,460,143	845,747	652,392
Note Payable	-	-	702,543
Total noncurrent liabilities	<u>4,504,516</u>	<u>894,713</u>	<u>1,354,935</u>
Total liabilities	<u>5,481,051</u>	<u>2,879,361</u>	<u>1,447,852</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,216,470	826,305	265,973
Restricted for debt retirement	437,184	-	-
Unrestricted	(604,470)	(532,910)	(69,957)
Total net assets	<u>\$ 6,049,184</u>	<u>\$ 293,395</u>	<u>\$ 196,017</u>

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

<u>Grant Fund</u>	<u>Total Proprietary Funds</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 13,181	\$ 13,388	\$ 67,184
-	690,380	-
2,675	1,489,597	-
-	143,906	21,204
-	271,972	10,035
-	279,723	-
<u>15,856</u>	<u>2,888,966</u>	<u>98,423</u>
-	199,252	-
-	184,441	-
-	207,456	-
-	1,350,043	-
-	579,889	-
-	482,951	-
-	20,442,587	-
-	770,214	-
-	227,148	-
-	865,635	-
-	(11,835,867)	-
-	<u>13,090,056</u>	-
-	<u>13,473,751</u>	-
<u>15,856</u>	<u>16,362,717</u>	<u>98,423</u>
1,465	473,128	17,685
-	609,410	4,428
20,878	1,384,131	-
-	(5,291)	-
-	38,575	-
-	68,136	-
-	466,277	-
-	42,079	-
<u>22,343</u>	<u>3,076,443</u>	<u>22,113</u>
-	22,260	16,912
-	71,079	-
-	5,958,282	-
-	702,543	-
-	<u>6,754,164</u>	<u>16,912</u>
<u>22,343</u>	<u>9,830,607</u>	<u>39,025</u>
-	7,308,748	-
-	437,184	-
(6,487)	(1,213,823)	59,398
<u>\$ (6,487)</u>	<u>\$ 6,532,108</u>	<u>\$ 59,398</u>

City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2010

	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Municipal Airport Fund</u>
OPERATING REVENUES			
Charges for sales and services:			
Water sales	\$ 1,561,514	\$ -	\$ -
Sewer charges	967,058	-	-
Electric	-	7,757,229	-
Municipal airport	-	-	337,504
Miscellaneous	38	(6,708)	14,376
Total operating revenues	<u>\$ 2,528,610</u>	<u>\$ 7,750,522</u>	<u>\$ 351,881</u>
OPERATING EXPENSES			
General government	-	-	-
Costs of sales and services:			
Salaries and wages	342,246	357,010	-
Employee benefits	146,150	126,719	-
Purchased water	339,284	-	-
Purchased electricity	-	6,181,853	-
Other purchased services	481,082	622,899	32,052
Supplies and maintenance	248,271	26,223	289,179
Bad debt expense	9,202	79,699	-
Depreciation	614,884	178,158	12,090
Total operating expenses	<u>2,181,117</u>	<u>7,572,561</u>	<u>333,322</u>
Operating income (loss)	347,493	177,961	18,559
NONOPERATING REVENUES (EXPENSES)			
Donations	-	-	289
Grants	-	-	-
Bond issuance costs	-	(805)	-
Interest revenue	5,279	(2,272)	-
Interest expense	(185,343)	(41,979)	(58,168)
Total nonoperating revenue (expenses)	<u>(180,065)</u>	<u>(45,057)</u>	<u>(57,878)</u>
Income (loss) before contributions and transfers	167,428	132,905	(39,319)
Gain/(loss) on sale of assets	6,670	-	-
Transfers in (out)	<u>(531,730)</u>	<u>(899,045)</u>	<u>(8,336)</u>
Change in net assets	(357,633)	(766,142)	(47,655)
Total net assets - beginning	6,406,817	1,059,536	243,672
Total net assets - ending	<u>\$ 6,049,184</u>	<u>\$ 293,395</u>	<u>\$ 196,017</u>

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

<u>Grant Fund</u>	<u>Total Proprietary Funds</u>	<u>Governmental Activities Internal Service Fund</u>
\$ -	\$ 1,561,514	\$ -
-	967,058	-
-	7,757,229	-
-	337,504	-
-	7,706	-
<u>\$ -</u>	<u>\$ 10,631,013</u>	<u>\$ -</u>
-	-	622,816
-	699,256	-
-	272,869	-
-	339,284	-
-	6,181,853	-
24,544	1,160,576	-
-	563,674	-
-	88,901	-
-	805,131	-
<u>24,544</u>	<u>10,111,548</u>	<u>622,816</u>
(24,544)	519,465	(622,816)
-	289	-
26,612	26,612	-
-	(805)	-
5	3,012	-
-	(285,490)	-
<u>26,617</u>	<u>(256,378)</u>	<u>-</u>
2,073	263,086	(622,816)
-	6,670	-
<u>(2,667)</u>	<u>(1,441,778)</u>	<u>622,816</u>
(594)	(1,172,022)	-
<u>(5,893)</u>	<u>7,704,132</u>	<u>59,398</u>
<u>\$ (6,487)</u>	<u>\$ 6,532,109</u>	<u>\$ 59,398</u>

City of Bridgeport, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2010

Business-type Activities - Enterprise Funds

	Water and Sewer Fund	Electric Fund	Municipal Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,502,700	\$ 7,620,683	\$ 358,486
Payments to suppliers	(1,050,255)	(6,831,537)	(297,315)
Payments to employees and professional contractors for services	(492,241)	(500,573)	-
Net cash provided from operating activities	<u>960,204</u>	<u>288,573</u>	<u>61,171</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments from(to) other funds	(411,552)	(167,039)	(182,429)
Net cash provided (used) by noncapital and related financing activities	<u>(411,552)</u>	<u>(167,039)</u>	<u>(182,429)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,298,563)	(26,853)	(85,879)
Proceeds from and principal and interest paid on bonds and lease obligations, net	(610,641)	(120,396)	(116,865)
Net cash provided (used) by capital and related financing activities	<u>(1,909,203)</u>	<u>(147,248)</u>	<u>(202,745)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	5,279	(2,272)	289
Net cash provided by investing activities	<u>5,279</u>	<u>(2,272)</u>	<u>289</u>
Net change in cash and cash equivalents	(1,355,272)	(27,987)	(323,714)
Cash and cash equivalents - beginning of year	2,174,582	308,100	393,852
Cash and cash equivalents end of year	<u>\$ 819,308</u>	<u>\$ 280,113</u>	<u>\$ 70,140</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 347,493	\$ 177,961	\$ 18,559
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	614,884	178,158	12,090
Gain on sale of assets	(6,670)	-	-
Change in assets and liabilities:			
Accounts payable and other current liabilities	24,508	99,107	23,916
Compensated absences	(4,985)	(14,217)	-
Accounts receivable	(16,708)	(50,140)	6,605
Inventory	543	(99,668)	-
Taxes payable	1,139	(2,628)	-
Net cash provided (used) by operating activities	<u>\$ 960,204</u>	<u>\$ 288,573</u>	<u>\$ 61,171</u>

Grant Fund	Total Proprietary Funds	Governmental Activities Internal Services Fund
\$ 430,183	\$ 10,912,052	\$ -
(23,079)	(8,202,186)	(296,970)
-	(992,814)	(318,891)
<u>407,104</u>	<u>1,717,053</u>	<u>(615,861)</u>
(397,647)	(1,158,666)	683,045
<u>(397,647)</u>	<u>(1,158,666)</u>	<u>683,045</u>
-	(1,411,295)	-
-	(847,902)	-
-	<u>(2,259,197)</u>	-
5	3,301	-
<u>5</u>	<u>3,300</u>	<u>-</u>
9,462	(1,697,510)	67,184
3,719	2,880,253	-
<u>\$ 13,181</u>	<u>\$ 1,182,744</u>	<u>\$ 67,184</u>

\$ (24,544)	\$ 519,469	\$ (622,816)
-	805,132	-
-	(6,670)	-
1,465	148,996	(7,812)
-	(19,202)	2,327
430,183	369,940	-
-	(99,125)	12,439
-	(1,489)	-
<u>\$ 407,104</u>	<u>\$ 1,717,053</u>	<u>\$ (615,861)</u>

September 30, 2010

I. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

September 30, 2010

I. SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenues*.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 30 days of the end of the current fiscal period. Property taxes availability period is considered to be 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

September 30, 2010

I. SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Revenues susceptible to accrual are property taxes, franchise taxes, sales taxes, interest revenue, and charges for services. All other revenue items are considered to be measurable and available only when cash is received by the City. Unbilled receivables for electric and water utility services are recorded at year-end.

Pursuant to the election option made available by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the business-type activities and the enterprise fund financial statements.

In the governmental funds, the City reports deferred revenue for amounts that have been billed and/or collected and do not meet both the “measurable” and “available” criteria for recognition in the current period. The City reports unearned revenue in the government-wide and fund financial statements for any amounts where an asset was recognized before the earnings process was complete.

The City reports the following major governmental funds:

The **General Fund** is the City’s primary operating fund. It is utilized to account for all financial resources, except those required to be accounted for in other funds.

The **Special Revenue Funds** are utilized 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.

The **Debt Service Fund** is used to account for the financial resources being accumulated for payment of the principal and interest requirements of general obligation bonds.

The **General Capital Projects Fund** is utilized to account for the proceeds from the issuance of general obligation bonds to be used for the acquisition or construction of parks, buildings, and other facilities.

The City reports the following major proprietary funds:

The **Electric Fund** is utilized to account for the operations of the City’s electric utility, including operations, maintenance of the infrastructure and expansion of the system within the City’s service territory.

September 30, 2010

I. SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

The Water and Sewer Fund is utilized to account for the operations of the City's water and wastewater utility, including operations, contracted maintenance, internal maintenance, and expansion of the system within the City's service territory and the costs of environmental mandates that arise.

The Airport Fund is utilized to account for the operations of the City's airport, including contracted maintenance, and internal maintenance.

The City reports the following non-major proprietary fund:

The Internal Service 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

I. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Cash, Cash Equivalents, and Investments

The City's general policy is to report all investments at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

For the purposes of the statement of cash flows, the City considers cash and other investments with maturities of three months or less from the date of purchase to be cash and cash equivalents.

2. Property taxes

Property taxes are levied on October 1, on property values assessed as of January 1. The Wise County Appraisal District bills and collects all property taxes on behalf of the City and establishes appraisal values. Property taxes attach as an enforceable lien on property as of January 1.

Taxes are due on October 1. Full payment can be made prior to February 1, to avoid penalty and interest charges.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2010, was \$.5875 per \$100 of assessed valuation. The assessed value upon which the completed fiscal 2009 levy was based was approximately \$329,914,420.

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

I. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

3. Sales taxes

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

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

4. Restricted assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances.

Deposits collected from utility customers are set aside until repayment.

5. Inventory

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

6. Capital assets

Capital assets, which include land and improvements, property, plant and equipment, system improvements, tools and devices, office furniture and equipment, transportation equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds.

September 30, 2010

I. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. Capital assets (Continued)

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	30
Property, plant and equipment	50
Building improvements	20
Transportation equipment	2-15
Office furniture and equipment	3-15

Renewals and betterments of property and equipment are capitalized, whereas normal repairs and maintenance are charged to expense as incurred. Individual items with an initial cost greater than \$5,000 and with an estimated useful life of at least two years following the date of acquisition are capitalized. Purchased or constructed assets are recorded at historical cost or estimated historical cost if actual cost is unavailable. Assets acquired by donation are recorded at fair market value at the date of acquisition.

Interest is capitalized on business-type assets acquired with tax-exempt debt. The City calculates capitalized interest by applying the interest rate of the debt to the weighted average construction expenditures.

7. 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.

September 30, 2010

I. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. Compensated absences (Continued)

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.

8. Long-term obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as unamortized debt issue costs and amortized over the term of the related debt.

In the fund financials statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

September 30, 2010

I. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

10. Interfund services provided and used

Interfund services provided and used are sales and purchases of goods and services between funds for a price approximating their external value. Interfund services provided and used are recognized as revenues and expenditures (or expenses) in the funds involved just as they would be recognized if the transactions involved organizations outside the government unit.

11. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not appropriable for expenditure or legally segregated for specific future use. Designated fund balance represents tentative plans for future use of financial resources.

12. Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling of legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

13. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

14. Concentration of credit risk

The City has property tax receivables due from residents and businesses all of whom are located in the City. Also, the City has utility receivables due from residents and businesses located in the City and surrounding area.

September 30, 2010

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$9,954,522 difference are as follows:

Bonds payable	\$ (10,268,882)
Less: Deferred charge on issuance costs (to be amortized over life of debt)	66,550
Capital lease payable	643,636
Note payable	<u>(395,826)</u>
Net difference as reported	<u>\$ (9,954,522)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

- 1) The City Administrator is required to submit to the City Council a proposed budget for the fiscal year beginning on the following October 1.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) The City Administrator is authorized to transfer budgeted amounts between accounts within any department. However, any revisions that alter total expenditures of any fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level. Appropriations lapse at year-end.

September 30, 2010

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary information (Continued)

- 4) Annual budgets are legally adopted for all funds, except for the Capital Projects Funds, which adopt project-length budgets. The budgets are prepared on an accrual basis consistent with the basis of accounting for each fund type, with the exception of depreciation, which is not budgeted in the proprietary fund types and capital expenditures and debt service principal, which are budgeted in the proprietary fund types. All governmental type funds are budgeted based on the modified accrual basis of accounting.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, the State of Texas or its agencies; other states, counties, cities, and state agencies with an "A" rating or equivalent, fully insured or collateralized bank certificates of deposit, and fully collateralized direct repurchase agreements. The City's investments at year-end are shown below.

<u>Investment Type</u>	<u>Maturity Date</u>	<u>Market Value 9/30/10</u>	<u>% of Total</u>	<u>Weighted Average Maturity (Days)</u>
Local Government Investment				
Pools (2a-7 like pools):				
TexPool	10/01/10	\$ 979,085	73.48%	31
TexStar	10/01/10	<u>353,292</u>	<u>26.52%</u>	31
Total		<u>\$ 1,332,377</u>	<u>100.00%</u>	
Total all investments		<u>\$ 1,332,377</u>	<u>100.00%</u>	

Interest Rate Risk: In compliance with the City's Investment Policy the City minimizes interest rate risk or the decrease in market value of securities in the City's portfolio due to changes in interest through strong cash flow projections so that market value losses are reduced and through investments in short-term securities with maturity dates that do not exceed five years from the date of purchase with the exception of security purchases related to reserve funds or that are matched to other specific cash flows and by investing operating funds in short-term securities or government investment pools. By doing this, the city avoids the need to sell securities in the secondary market prior to the maturity date. At September 30, 2010, 100% of the City's portfolio had maturity dates less than one year.

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Credit Risk: The City has no formal policy addressing credit risk. However, safety of principal is the primary objective of the City's investment policy. In accordance with this objective, the City limits its investments to those that have been issued one of the top ratings by a nationally recognized credit rating agency. As of September 30, 2010, the City's investment in TexPool and TexStar were rated AAAM by Standard & Poor's.

Concentration of Credit Risk: In accordance with the City's investment policy, the City of Bridgeport limits their exposure of concentration of credit risk by restricting investments in a single security type or financial institute to less than 50% of the City's total investment portfolio with the exception of U.S. Treasury and Agency Securities and authorized pools. As of September 30, 2010, 100% was in local government investment pools.

It is the City's policy to report all debt securities held at the end of the reporting period at fair value, regardless of the remaining maturity at time of purchase. The fair value of investments is based on quoted market prices for the same or similar security with like stated interest and maturity characteristics.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. 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. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review. 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.

The Texas Short-term Asset Reserve Program, TexStar, is managed by a five-member Board of Directors in accordance with its bylaws which set forth procedures governing the selection of, and actions taken by the Board. Board oversight is maintained through daily, weekly, and monthly reporting contracts. Administration of TexStar is maintained by JP Morgan Chase, Inc. and First Southwest Asset Management, Inc. who serve as co-administrators for TexStar under contract with the Board. The contract may be extended periodically to a term of two years or less.

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

In accordance with the Public Funds Investment Act, TexStar maintains an advisory board. The members of the Board are composed of participants and other persons who do not have a business relationship with TexStar. Members are appointed and serve at the will of the Board of Directors.

TexStar is rated AAAm by Standard & Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost rather than market value. Accordingly, the fair value of the position in TexStar is the same as the value of the TexStar shares.

As of September 30, 2010, the City held restricted cash and investments of \$485,119 for the following purposes:

Governmental Activities:		
Donations	\$	3,073
Police forfeiture account		3,071
Total governmental activities		6,144
Business-type Activities:		
Revenue bond reserve		478,975
Total business-type activities		478,975
Total restricted cash and investments	\$	485,119

B. Interfund receivables, payables and transfers

The composition of interfund balances as of September 30, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 362,595
	Grant fund	15,295
General capital projects fund	EDC fund	500,000
	Grant fund	20,878
		\$ 898,768

Balances resulted from the time lag between the dates that payments between funds are made.

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Interfund receivables, payables and transfers (Continued)

Interfund transfers during the year were as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>					Total
	General	Debt service	Nonmajor governmental	Water and Sewer	Internal service	
General fund	\$ -	\$ -	\$ 1,115	\$ -	\$ 491,440	\$ 492,555
Nonmajor governmental	1,268	-	11,610	-	10,198	23,076
Water and sewer	455,264	-	-	-	94,926	550,190
Electric	855,264	-	-	-	45,457	900,721
Airport	-	-	-	-	8,730	8,730
EDC	6,000	32,977	-	14,955	5,222	59,154
	<u>\$ 1,317,796</u>	<u>\$ 32,977</u>	<u>\$ 12,725</u>	<u>\$ 14,955</u>	<u>\$ 655,973</u>	<u>\$ 2,034,426</u>

Transfers are generally used 1) to transfer franchise fees to General Fund from the Electric and Water/Sewer Funds; 2) to transfer funds from the General Fund to fund various capital projects; 3) to transfer funds from the proprietary funds to the General Fund for administrative services provided by the General Fund; 4) to move receipts restricted to debt service from the General Fund to the Debt Service Fund; and 5) to move funds from the General, Electric, EDC, Water/Sewer, and Airport Funds to the Internal Service Fund which provides fleet management, technology services, and facilities maintenance to each operating fund.

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities				
Capital assets not being depreciated-				
construction in progress	\$ 431,185	\$ 58,763	\$ (160,416)	\$ 329,533
Total capital assets not being depreciated	<u>431,185</u>	<u>58,763</u>	<u>(160,416)</u>	<u>329,533</u>
Capital assets being depreciated:				
Land improvements	510,753	-	-	510,752
Intangible assets	80,751	1,000	-	81,751
Property, plant and equipment	7,372,980	25,115	(165,726)	7,232,369
System improvements	11,154,794	1,083,985	-	12,238,779
Machinery and equipment	217,466	368,367	(35,000)	550,833
Office furniture and equipment	472,688	-	(21,593)	451,096
Transportation equipment	2,722,754	292,115	(443,820)	2,571,050
Total capital assets being depreciated	<u>22,532,185</u>	<u>1,770,583</u>	<u>(666,139)</u>	<u>23,636,629</u>
Less accumulated depreciation for:				
Land improvements	20,681	10,281	-	30,962
Intangible assets	-	27,231	-	27,231
Property, plant and equipment	898,541	260,251	-	1,158,792
System improvements	8,159,377	332,152	-	8,491,529
Machinery and equipment	169,936	85,233	(28,750)	226,419
Office furniture and equipment	296,210	50,131	(8,152)	338,189
Transportation equipment	1,400,422	363,270	(117,767)	1,645,926
Total accumulated depreciation	<u>10,945,170</u>	<u>1,128,550</u>	<u>(154,668)</u>	<u>11,919,049</u>
Total capital assets being depreciated, net	<u>11,587,015</u>	<u>642,033</u>	<u>(511,471)</u>	<u>11,717,578</u>
Governmental activities capital assets, net	<u>\$ 12,018,201</u>	<u>\$ 700,796</u>	<u>\$ (671,886)</u>	<u>\$ 12,047,114</u>

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type activities</u>				
Capital assets not being depreciated- construction in progress	\$ 1,390,071	\$ 134,851	\$ (1,317,466)	\$ 207,456
Total capital assets not being depreciated	<u>1,390,071</u>	<u>134,851</u>	<u>(1,317,466)</u>	<u>207,456</u>
Capital assets being depreciated:				
Land improvements	1,350,043	-	-	1,350,043
Intangible assets	504,448	75,442	-	579,890
Property, plant and equipment	500,855	-	(17,905)	482,951
Water and sewer system improvements	14,974,464	2,531,704	-	17,506,168
Electric system improvements	2,896,131	-	-	2,896,131
Airport system improvements	40,288	-	-	40,288
Machinery and equipment	704,155	76,237	(10,178)	770,214
Office furniture and equipment	230,800	-	(3,653)	227,148
Transportation equipment	875,074	55,229	(64,668)	865,635
Total capital assets being depreciated	<u>22,076,259</u>	<u>2,738,612</u>	<u>(96,404)</u>	<u>24,718,467</u>
Less accumulated depreciation for:				
Land improvements	18,184	3,132	-	21,316
Intangible assets	3,292	13,694	-	16,986
Property, plant and equipment	102,494	16,132	-	118,626
Water and sewer system improvements	7,973,157	542,248	-	8,515,405
Electric system improvements	1,618,551	128,884	-	1,747,435
Airport system improvements	14,566	2,186	-	16,752
Machinery and equipment	482,909	41,300	(10,178)	514,031
Office furniture and equipment	229,980	-	(2,832)	227,148
Transportation equipment	553,595	165,355	(60,784)	658,166
Total accumulated depreciation	<u>10,996,730</u>	<u>912,931</u>	<u>(73,794)</u>	<u>11,835,866</u>
Total capital assets being depreciated, net	<u>11,079,529</u>	<u>1,825,681</u>	<u>(22,610)</u>	<u>12,882,601</u>
Business-type activities capital assets, net	<u>\$ 12,469,600</u>	<u>\$ 1,960,533</u>	<u>\$ (1,340,076)</u>	<u>\$ 13,090,058</u>

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (Continued)

<u>Component Unit</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land improvements	\$ 2,877,067	\$ 186,282	\$ -	\$ 3,063,350
Construction in progress	71,940	103,967	-	175,907
Total capital assets not being depreciated	2,949,007	290,249	-	3,239,256
Capital assets being depreciated:				
Intangible assets	42,920	24,000	-	66,920
Property, plant and equipment	371,367	13,713	-	385,080
System improvements	108,413	-	-	108,413
Office Equipment	16,000	-	-	16,000
Total capital assets being depreciated	538,700	37,713	-	576,412
Less accumulated depreciation for:				
Land improvements	12,678	7,385	-	20,063
Intangible assets	6,785	5,540	-	12,325
Property, plant and equipment	17,981	16,913	-	34,894
Office Equipment	1,333	3,200	-	4,533
Total accumulated depreciation	38,777	33,038	-	71,816
Total capital assets being depreciated, net	499,923	4,675	-	504,596
Component unit capital assets, net	\$ 3,448,930	\$ 294,925	\$ -	\$ 3,743,852

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities depreciation expense by function:	
General government	\$ 140,353
Public safety	267,898
Highways and streets	589,592
Development services	9,634
Culture and recreation	117,235
Facility Maintenance	3,836
Depreciation expense-governmental activities	1,128,550

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	<u>Unavailable</u>
General Fund	
Delinquent property taxes receivable	\$ 45,188
Court fines	53,380
Miscellaneous	3,521
Total general fund	102,089
 Debt service fund	
Delinquent property taxes receivable	45,231
Total debt service fund	45,231
Total governmental funds	\$ 147,320

E. Bonds and certificates of obligation payable

The annual requirements to amortize the long-term debt as of September 30, 2010, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	568,725	433,262	466,277	222,322
2012	604,719	409,018	480,281	206,295
2013	635,663	382,931	499,337	189,354
2014	663,936	355,324	331,065	171,348
2015	693,544	327,870	341,456	161,460
2016-2020	3,731,220	1,177,189	1,878,780	640,125
2021-2025	2,292,285	496,771	1,297,715	343,146
2026-2030	864,001	149,165	805,998	161,410
2031-2035	271,350	16,828	323,650	20,072
	\$ 10,325,442	\$ 3,748,360	6,424,559	\$ 2,115,531

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Notes Payable

Notes payable at September 30, 2010, consisted of the following:

Governmental activities:

First State Bank Chico

August 2006, the City received a State Infrastructure Bank Loan in the amount of \$673,230. Payable in monthly installments of \$7,099, including interest at 5.5%

\$ 419,697

Compass Bank:

January 2007, the City signed a loan guaranty on behalf of the North Texas Community Hospital in the amount of \$3,000,000. Principal matures on February 10, 2012. The interest accrues at 5% monthly.

3,000,000

Total governmental activities \$ 3,419,697

Business-type activities:

First State Bank Chico

April 2008, the City received a State Infrastructure Bank Loan in the amount of \$796,100. Payable in monthly installments of \$5,891, including interest at 4%

744,621

Total business-type activities \$ 744,621

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Notes Payable (Continued)

Component unit:

RHJR, LTD:

December 2005, the EDC received an interest free loan in the amount of \$200,000. Payable in annual installments of \$25,000, matures in December 2015. 100,000

Bank of New York:

June 2003, the EDC received a State Infrastructure Bank Loan in the amount of \$315,000. Payable in monthly installments of \$2,400, including a variable interest rate. 188,350

State Bank and Trust:

February 2005, the EDC received an interest free loan in the amount of \$1,599,500. Payable in monthly installments of \$6,000. 1,019,240

Oran Goode:

July 2005, the EDC purchased land from Mr. Oran Goode for future development in the amount of \$49,0487. Payable in monthly installments of \$3,504, including interest of 4%. 180,685

First State Bank:

July 2009, the EDC received a State Infrastructure Bank Loan in the amount of \$164,000. Payable in monthly installments of \$1,213, including interest of 4%. 155,840

Total component unit \$ 1,644,115

Total notes payable \$ 5,063,812

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Notes Payable (Continued)

The annual requirements to amortize the long-term debt as of September 30, 2010, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 65,717	\$ 177,451	\$ 42,079	\$ 28,973	\$ 71,052
2012	3,068,358	12,810	43,716	27,329	71,045
2013	71,180	9,988	45,575	25,563	71,138
2014	74,080	7,088	47,431	23,724	71,155
2015	140,363	5,072	49,364	21,810	71,174
2016-2020	-	-	278,579	77,500	356,079
2021-2025	-	-	237,877	18,790	256,667
	<u>\$ 3,419,697</u>	<u>\$ 212,409</u>	<u>\$ 744,621</u>	<u>\$ 223,689</u>	<u>\$ 968,310</u>

<u>Year Ending September 30,</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 206,636	\$ 18,488
2012	218,138	15,986
2013	231,247	13,377
2014	141,447	10,677
2015	708,178	22,290
2016-2020	137,967	11,412
2021-2025	503	4
	<u>\$ 1,644,115</u>	<u>\$ 92,234</u>

G. Capital lease obligation

The City has entered into a lease agreement as lessee for financing the acquisition of transportation equipment for various departments. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their minimum lease payments as of the inception date. The assets acquired through the capital lease were capitalized in the appropriate funds.

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 44,044	\$ 5,642	\$ 68,136	\$ 6,270
2012	45,896	3,698	71,078	3,204
2013	38,049	41,294	-	-
	<u>\$ 127,989</u>	<u>\$ 50,634</u>	<u>\$ 139,214</u>	<u>\$ 9,474</u>

The effective interest rate on capital leases outstanding at September 30, 2010 is 5.50%. Total capital lease expenditures for the year ended September 30, 2010 were \$115,979.

September 30, 2010

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term liability activity

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds payable	\$ 10,871,522	\$ -	\$ 546,080	\$ 10,325,442	\$ 568,725
Notes payable	479,451	3,000,000	59,754	3,419,697	65,717
Capital leases	94,998	148,970	115,979	127,989	44,044
Compensated absences	152,387	2,715	30,310	124,792	12,479
Total governmental activities	<u>\$ 11,598,359</u>	<u>\$ 3,151,685</u>	<u>\$ 752,123</u>	<u>\$ 13,997,920</u>	<u>\$ 690,965</u>
Business-type activities					
Bonds payable	\$ 6,873,478	\$ -	\$ 448,920	\$ 6,424,558	466,277
Notes payable	784,020	-	39,399	744,621	42,079
Capital leases	219,233	-	80,019	139,214	68,136
Compensated absences	41,461	-	19,201	22,260	2,225
Total business-type activities	<u>\$ 7,918,192</u>	<u>\$ -</u>	<u>\$ 587,539</u>	<u>\$ 7,330,653</u>	<u>\$ 578,717</u>
Component Unit					
Notes payable	1,842,880	-	198,765	1,644,115	206,636
Compensated absences	7,654	563	-	8,216	822
Total component unit activities	<u>\$ 1,850,534</u>	<u>\$ 563</u>	<u>\$ 198,765</u>	<u>\$ 1,652,331</u>	<u>\$ 207,458</u>

V. OTHER INFORMATION

A. Retirement plan

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

September 30, 2010

V. OTHER INFORMATION (Continued)

A. Retirement plan (Continued)

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (asset) is as follows:

Annual Required Contribution (ARC)	366,644
Interest on Net Pension Obligation	3,380
Adjustment to the ARC	-
Annual Pension Cost (APC)	<u>370,024</u>
Contributions made	<u>(303,667)</u>
Increase (decrease) in net pension	66,357
Net Pension Obligation/(Asset), beginning of year	<u>45,060</u>
Net Pension Obligation/(Asset), end of year	<u>\$ 111,417</u>

September 30, 2010

V. OTHER INFORMATION (Continued)

A. Retirement plan (Continued)

Contributions (Continued)

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
9/30/08	\$197,088	\$ 197,088	100%	-
9/30/09	\$300,627	\$ 255,567	85%	\$ 45,060
9/30/10	\$370,024	\$ 303,667	82%	\$ 111,417

The required contribution rates for fiscal year 2010 were determined as part of the December 21, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, as follows:

Actuarial Valuation Date	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	30 years - closed period	29 years - closed period	28 years - closed period
Amortization period for new Gains/Losses	30 years	30 years	30 years
Asset valuation method	Amortized cost	Amortized cost	10-year smoothed market market
Actuarial Assumptions:			
Investment rate of return*	7%	7.5%	7.5%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at Cost of living adjustments	3.0% 2.10%	3.0% 2.10%	3.0% 2.10%

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability benefits. The funded status as of December 31, 2009, is the most recent actuarial valuation.

September 30, 2010

V. OTHER INFORMATION (Continued)

A. Retirement plan (Continued)

Contributions (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	3,106,371	4,653,329	1,546,958	66.8%	3,156,730	49.0%
12/31/08	3,742,403	5,510,845	1,768,442	67.9%	3,702,073	47.8%
12/31/09	4,081,096	6,006,384	1,925,288	67.9%	4,012,306	48.0%

B. Other postemployment benefits (OPEB)

Supplemental death benefits plan for retirees

Plan description

The City participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

September 30, 2010

V. OTHER INFORMATION (Continued)

B. Other postemployment benefits (OPEB) (Continued)

Supplemental death benefits plan for retirees (Continued)

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee' entire careers. Contributions are made on a monthly basis on the covered payroll of employee members of the City.

Schedule of Contribution Rates

<u>Plan/Calendar Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>
2008	0.03%	0.03%	100.0%
2009	0.02%	0.02%	100.0%
2010	0.01%	0.01%	100.0%

C. Risk management

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

V. OTHER INFORMATION (Continued)

D. Contingencies

Grants

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

Litigation

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

E. Hospital Loan Guaranty

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

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

Based on the Hospital's current economic condition, the Hospital is out of compliance with its bond covenants. As a result of the compliance the Hospital is subject to various financial restrictions and currently unable to make monthly interest payments on its outstanding line of credit balance with Compass Bank. Beginning in May 2009, the City believed that it was in its best interest to remit monthly interest payments on behalf of the Hospital in accordance with the underlying loan guaranty agreement with Compass Bank. Total payments made to Compass Bank and expensed by the City during the year ended September 30, 2009 were

City of Bridgeport
Notes to the Financial Statements (Continued)
September 30, 2010

V. OTHER INFORMATION (Continued)

E. Hospital Loan Guaranty (Continued)

\$65,256. The annual interest rate on the Compass Bank line of credit was 5.0% at September 30, 2009.

As discussed above the City is a guarantor on the line of credit at Compass Bank for the Hospital. Based on the Hospital's financial restrictions the City believes it will ultimately be responsible for the entire amount of the guaranty, and as such has recorded in the General Fund a \$3 million liability and recognized a \$3 million bad debt related to the guaranty.

F. Subsequent Events

None

G. Accounting changes

In March 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds. This statement is effective for fiscal year 2011. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

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Required Supplementary Information

City of Bridgeport, Texas
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2010

	Special		
	<u>Hotel/Motel Tax</u>	<u>Donations</u>	<u>Court Technology/ Security</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable, net	19,994	-	-
Due from other funds	136,800	-	81,044
Restricted:			
Cash and cash equivalents	-	3,073	-
Total assets	<u>\$ 156,795</u>	<u>\$ 3,073</u>	<u>\$ 81,044</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and other current liabilities	\$ 1,839	\$ 438	\$ 426
Accrued liabilities	-	-	504
Compensated absences	-	-	387
Total liabilities	<u>1,839</u>	<u>438</u>	<u>1,317</u>
Fund balances:			
Unreserved, reported in:			
Special revenue fund	<u>154,955</u>	<u>2,634</u>	<u>79,727</u>
Total fund balances	<u>154,955</u>	<u>2,634</u>	<u>79,727</u>
Total liabilities and fund balances	<u>\$ 156,795</u>	<u>\$ 3,073</u>	<u>\$ 81,044</u>

Revenue Funds

Bridgeport Stage	Cemetery	Recreation	Main Street	TIRZ#1	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 600	\$ 5,098	\$ -	\$ 5,698
-	-	-	-	-	19,994
13,764	26,261	39,567	-	43,098	340,534
-	-	-	-	-	3,073
<u>\$ 13,764</u>	<u>\$ 26,261</u>	<u>\$ 40,167</u>	<u>\$ 5,098</u>	<u>\$ 43,098</u>	<u>\$ 369,300</u>
\$ 198	\$ -	\$ 850	\$ -	\$ -	3,751
-	-	3,553	-	-	4,057
-	-	-	-	-	388
<u>198</u>	<u>-</u>	<u>4,403</u>	<u>-</u>	<u>-</u>	<u>8,197</u>
13,566	26,261	35,764	5,098	43,098	361,103
13,566	26,261	35,764	5,098	43,098	361,103
<u>\$ 13,764</u>	<u>\$ 26,261</u>	<u>\$ 40,167</u>	<u>\$ 5,098</u>	<u>\$ 43,098</u>	<u>\$ 369,300</u>

City of Bridgeport, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended September 30, 2010

	Special		
	<u>Hotel/Motel Tax</u>	<u>Donations</u>	<u>Court Technology/ Security</u>
REVENUES			
Taxes-hotel/motel	\$ 125,938	\$ -	\$ -
Charges for services	-	-	-
Court fines	-	-	25,193
Donations	3,000	6,099	-
Total revenues	<u>128,938</u>	<u>6,099</u>	<u>25,193</u>
EXPENDITURES			
Current:			
General government	33,063	89	-
Public safety	-	15,968	17,237
Development services	-	4,137	-
Culture and recreation	-	(35)	-
Total expenditures	<u>33,063</u>	<u>20,159</u>	<u>17,237</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,875</u>	<u>(14,060)</u>	<u>7,956</u>
OTHER FINANCING SOURCES (USES)			
Interest revenue	-	57	-
Transfers in (out)	(12,878)	1,115	-
Total other financing sources and uses	<u>(12,878)</u>	<u>1,172</u>	<u>-</u>
Net change in fund balances	82,997	(12,888)	7,956
Fund balances - beginning	71,958	15,522	71,770
Fund balances - ending	<u>\$ 154,955</u>	<u>\$ 2,634</u>	<u>\$ 79,727</u>

Revenue Funds

Bridgeport Stage	Cemetery	Recreation	Main Street	TIRZ#1	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,938
5,299	7,050	207,848	-	-	220,197
-	-	-	-	-	25,193
-	25	-	1,420	-	10,544
<u>5,299</u>	<u>7,075</u>	<u>207,848</u>	<u>1,420</u>	<u>-</u>	<u>381,872</u>
-	12,720	-	-	-	45,872
-	-	-	-	-	33,205
-	-	-	-	-	4,137
<u>9,136</u>	<u>-</u>	<u>174,703</u>	<u>1,279</u>	<u>-</u>	<u>185,083</u>
<u>9,136</u>	<u>12,720</u>	<u>174,703</u>	<u>1,279</u>	<u>-</u>	<u>268,297</u>
<u>(3,837)</u>	<u>(5,645)</u>	<u>33,145</u>	<u>141</u>	<u>-</u>	<u>113,575</u>
-	-	-	-	-	57
<u>6,832</u>	<u>-</u>	<u>(4,778)</u>	<u>-</u>	<u>-</u>	<u>(9,709)</u>
<u>6,832</u>	<u>-</u>	<u>(4,778)</u>	<u>-</u>	<u>-</u>	<u>(9,652)</u>
2,995	(5,645)	28,367	141	-	103,923
10,571	31,906	7,397	4,956	43,098	257,180
<u>\$ 13,566</u>	<u>\$ 26,261</u>	<u>\$ 35,764</u>	<u>\$ 5,098</u>	<u>\$ 43,098</u>	<u>\$ 361,103</u>

City of Bridgeport, Texas
General Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest revenue	\$ 18,000	\$ 18,000	\$ 1,138	\$ (16,862)
Miscellaneous	-	-	43,171	43,171
Total revenues	<u>18,000</u>	<u>18,000</u>	<u>44,309</u>	<u>26,309</u>
EXPENDITURES				
Current:				
General government	-	-	81,188	(81,188)
Highways and streets	-	-	730,965	(730,965)
Culture and recreation	-	-	2,690	(2,690)
Total current:	-	-	<u>814,843</u>	<u>(814,843)</u>
Capital outlay -				
general government	-	-	-	-
Total expenditures	-	-	<u>814,843</u>	<u>(814,843)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,000</u>	<u>18,000</u>	<u>(770,535)</u>	<u>(788,534)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	-	-	218,431	218,431
Total other financing sources and uses	-	-	<u>218,431</u>	<u>218,431</u>
Net change in fund balances	<u>18,000</u>	<u>18,000</u>	<u>(552,103)</u>	<u>(570,103)</u>
Fund balances - beginning	<u>1,223,451</u>	<u>1,223,451</u>	<u>1,223,451</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,241,451</u>	<u>\$ 1,241,451</u>	<u>\$ 671,347</u>	<u>\$ (570,103)</u>

City of Bridgeport, Texas
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes -				
property	\$ 1,081,898	\$ 1,081,898	\$ 1,068,575	\$ (13,323)
Interest revenue	5,000	5,000	4,139	(861)
Total revenues	<u>1,086,898</u>	<u>1,086,898</u>	<u>1,072,715</u>	<u>(14,184)</u>
EXPENDITURES				
Debt service:				
Principal	546,080	546,080	546,080	-
Interest	460,498	460,498	459,041	1,457
Administrative charges	-	-	83	(83)
Total expenditures	<u>1,006,578</u>	<u>1,006,578</u>	<u>1,005,204</u>	<u>1,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>80,320</u>	<u>80,320</u>	<u>67,510</u>	<u>(12,810)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	<u>14,059</u>	<u>14,059</u>	<u>32,977</u>	<u>18,918</u>
Total other financing sources and uses	<u>14,059</u>	<u>14,059</u>	<u>32,977</u>	<u>18,918</u>
Net change in fund balances	<u>94,379</u>	<u>94,379</u>	<u>100,487</u>	<u>6,108</u>
Fund balances - beginning	<u>148,301</u>	<u>148,301</u>	<u>148,301</u>	<u>-</u>
Fund balances - ending	<u>\$ 242,680</u>	<u>\$ 242,680</u>	<u>\$ 248,788</u>	<u>\$ 6,108</u>

City of Bridgeport, Texas
Special Revenue Hotel Motel Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes -				
Hotel/motel taxes	\$ 120,000	\$ 120,000	\$ 125,938	\$ 5,938
Donations	-	-	3,000	3,000
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>128,938</u>	<u>8,938</u>
EXPENDITURES				
Current-general government	53,710	53,710	33,063	20,647
Total expenditures	<u>53,710</u>	<u>53,710</u>	<u>33,063</u>	<u>20,647</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,290</u>	<u>66,290</u>	<u>95,875</u>	<u>29,585</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,000)	(12,000)	(12,878)	(878)
Total other financing sources and uses	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,878)</u>	<u>(878)</u>
Net change in fund balances	54,290	54,290	82,997	28,707
Fund balances - beginning	71,958	71,958	71,958	-
Fund balances - ending	<u>\$ 126,248</u>	<u>\$ 126,248</u>	<u>\$ 154,955</u>	<u>\$ 28,707</u>

City of Bridgeport, Texas
Special Revenue Donations Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Donations	\$ -	\$ -	\$ 6,099	\$ 6,099
Interest revenue	-	-	57	57
Total revenues	-	-	6,099	6,099
EXPENDITURES				
Current:				
General government	-	-	89	(89)
Public safety	-	-	15,968	(3,453)
Development services	-	-	4,137	(212)
Culture and recreation	-	-	(35)	(212)
Total expenditures	-	-	20,158	(3,876)
Excess (deficiency) of revenues over (under) expenditures	-	-	(14,060)	9,975
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	1,115	1,115
Total other financing sources and uses	-	-	33,528	9,404
Net change in fund balances	-	-	19,468	19,379
Fund balances - beginning	15,522	15,522	15,522	-
Fund balances - ending	\$ 15,522	\$ 15,522	\$ 34,990	\$ 19,379

City of Bridgeport, Texas
Special Revenue Court Technology & Security Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Court fines	\$ 27,200	\$ 27,200	\$ 25,193	\$ (2,007)
Total revenues	<u>27,200</u>	<u>27,200</u>	<u>25,193</u>	<u>(2,007)</u>
EXPENDITURES				
Current-public safety	16,014	16,014	17,237	(1,223)
Total expenditures	<u>16,014</u>	<u>16,014</u>	<u>17,237</u>	<u>(1,223)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,186</u>	<u>11,186</u>	<u>7,956</u>	<u>(3,230)</u>
Fund balances - beginning	71,770	71,770	71,770	-
Fund balances - ending	<u>\$ 82,956</u>	<u>\$ 82,956</u>	<u>\$ 79,727</u>	<u>\$ (3,230)</u>

City of Bridgeport, Texas
Special Revenue Bridgeport Stage Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges and services	\$ 8,000	\$ 8,000	\$ 5,299	\$ (2,701)
Total revenues	8,000	8,000	5,299	(2,701)
EXPENDITURES				
Current-culture and recreation	13,720	13,720	9,136	4,584
Total expenditures	13,720	13,720	9,136	4,584
Excess (deficiency) of revenues over (under) expenditures	(5,720)	(5,720)	(3,837)	1,883
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	12,000	11,610	(390)
Transfers out	(5,314)	(5,127)	(4,778)	349
Total other financing sources and uses	6,686	6,873	6,832	(41)
Net change in fund balances	966	1,153	2,996	1,843
Fund balances - beginning	10,571	10,571	10,571	-
Fund balances - ending	\$ 11,537	\$ 11,724	\$ 13,566	\$ 1,843

City of Bridgeport, Texas
Special Revenue Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges and services	\$ 18,000	\$ 18,000	\$ 7,050	\$ (10,950)
Donations	-	-	25	25
Total revenues	<u>18,000</u>	<u>18,000</u>	<u>7,075</u>	<u>(10,925)</u>
EXPENDITURES				
Current-general government	13,720	13,720	12,720	1,000
Capital outlay -				
Total expenditures	<u>13,720</u>	<u>13,720</u>	<u>12,720</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,280</u>	<u>4,280</u>	<u>(5,645)</u>	<u>(9,925)</u>
Net change in fund balances	4,280	4,280	(5,645)	(9,925)
Fund balances - beginning	31,906	31,906	31,906	-
Fund balances - ending	<u>\$ 36,186</u>	<u>\$ 36,186</u>	<u>\$ 26,261</u>	<u>\$ (9,925)</u>

City of Bridgeport, Texas
Special Revenue Recreation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges and services	\$ 153,034	\$ 201,809	\$ 207,848	\$ 6,039
Total revenues	153,034	201,809	207,848	6,039
EXPENDITURES				
Current-culture and recreation	170,658	177,658	174,703	2,954
Total expenditures	170,658	177,658	174,703	2,954
Excess (deficiency) of revenues over (under) expenditures	(17,624)	24,151	33,145	8,993
OTHER FINANCING SOURCES (USES)				
Transfer in	22,937	-	-	-
Transfer out	(5,314)	(5,127)	(4,778)	349
Total other financing sources and uses	17,623	(5,127)	(4,778)	349
Net change in fund balances	(1)	19,024	28,367	9,342
Fund balances - beginning	7,397	7,397	7,397	-
Fund balances - ending	\$ 7,396	\$ 26,421	\$ 35,764	\$ 9,342

City of Bridgeport, Texas
Special Revenue Main Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Donations	\$ 2,500	\$ 2,500	\$ 1,420	\$ (1,080)
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>1,420</u>	<u>(1,080)</u>
EXPENDITURES				
Current -				
Culture and recreation	2,500	2,500	1,279	1,221
Total expenditures	<u>-</u>	<u>-</u>	<u>1,279</u>	<u>1,221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,500</u>	<u>2,500</u>	<u>141</u>	<u>141</u>
Fund balances - beginning	4,956	4,956	4,956	-
Fund balances - ending	<u>\$ 7,456</u>	<u>\$ 7,456</u>	<u>\$ 5,098</u>	<u>\$ 141</u>

City of Bridgeport, Texas
 Special Revenue TIRZ#1
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 31,601	\$ 31,601	\$ -	\$ (31,601)
Total other financing sources and uses	<u>31,601</u>	<u>31,601</u>	<u>-</u>	<u>(31,601)</u>
Net change in fund balances	31,601	31,601	-	(31,601)
Fund balances - beginning	43,098	43,098	43,098	-
Fund balances - ending	<u>\$ 74,699</u>	<u>\$ 74,699</u>	<u>\$ 43,098</u>	<u>\$ (31,601)</u>

Bridgeport Economic Development Corporation
Balance Sheet
Governmental Funds
September 30, 2010

	<u>EDC General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,401,180
Sales tax receivable	146,686
Total assets	<u>1,547,866</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	1,526
Accrued liabilities	9,103
Advance from primary government	500,000
Total liabilities	<u>510,628</u>
Fund balances - unreserved	<u>1,037,237</u>
Total liabilities and fund balance	<u><u>\$ 1,547,866</u></u>

Bridgeport Economic Development Corporation
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2010

Net change in fund balance	\$ 1,037,237
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,743,853
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,658,274)
Net assets of governmental activities	<u>\$ 3,122,816</u>

Bridgeport Economic Development Corporation
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Governmental Funds
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>EDC Fund</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 1,000,000	\$ 1,000,000	\$ 820,683	\$ 179,317
Other revenue	15,000	15,000	79,493	(64,493)
Interest	15,000	15,000	12,214	2,786
Total revenues	<u>1,030,000</u>	<u>1,030,000</u>	<u>912,390</u>	<u>117,610</u>
EXPENDITURES				
Current:				
Salaries and benefits	121,355	121,355	125,563	(4,208)
Supplies	30,950	30,950	20,517	10,433
Maintenance of buildings and equipment	18,100	18,100	29,030	(10,930)
Contractual services	177,700	177,700	193,244	(15,544)
Economic incentive grants	1,052,698	1,052,698	500,000	552,698
Debt service:				
Principal	-	-	164,504	(164,504)
Interest	77,000	77,000	7,871	69,129
Capital outlay	4,351,100	4,351,100	259,674	4,091,426
Total expenditures	<u>5,828,903</u>	<u>5,828,903</u>	<u>1,300,402</u>	<u>4,528,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,798,903)</u>	<u>(4,798,903)</u>	<u>(388,012)</u>	<u>(4,410,891)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	4,051,100	4,051,100	-	4,051,100
Transfers out	(64,209)	(66,926)	(58,874)	(8,052)
Total other financing sources and uses	<u>3,986,891</u>	<u>3,984,174</u>	<u>(58,874)</u>	<u>4,043,048</u>
Net change in fund balances	<u>(812,012)</u>	<u>(814,729)</u>	<u>(446,886)</u>	<u>(367,843)</u>
Fund balances - beginning	1,484,123	1,484,123	1,484,123	-
Fund balances - ending	<u>\$ 672,111</u>	<u>\$ 669,394</u>	<u>\$ 1,037,237</u>	<u>\$ (367,844)</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, 2010

Net increase (decrease) in fund balances - total governmental funds	\$ (446,886)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. This is the amount by which capital outlay exceeded depreciation in the current period.	259,674
Debt principal repayments.	164,504
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.	(3,358)
Net increase in net assets of governmental activities	<u>\$ (26,066)</u>

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Other Supplementary Information

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

To the City Council
City of Bridgeport, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bridgeport, Texas (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (findings 2010-1).

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

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

Compliance and Other Matters

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

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

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



Fort Worth, Texas
May 3, 2011



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

To the City Council
City of Bridgeport, Texas

Compliance

We have audited the compliance of the City of Bridgeport, Texas (City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Bridgeport, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

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

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be significant deficiencies (findings 2010-1).

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

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

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



Fort Worth, Texas
May 3, 2011

**CITY OF BRIDGEPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2010**

Part I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes X No

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

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 Circular A-133 - Section .510(a)? X Yes No

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? Yes X No

**CITY OF BRIDGEPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Part II – FINANCIAL STATEMENT FINDINGS

2010-1

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

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

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

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

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

Recommendations:

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

Views of responsible officials:

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

Part III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings.

**CITY OF BRIDGEPORT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Part IV – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2009-2

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

Recommendations:

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

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

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

Current status:

The City's Director of Financial Services has implemented a review of all fixed assets on a quarterly and annual basis.

2009-3

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

Recommendations:

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

Views of responsible officials:

The City's Director of Financial Services has implemented a monthly review of all outstanding checks to determine their status and ultimate disposition.

Current status:

The City's Director of Financial Services has implemented a review of all outstanding checks on a quarterly and annual basis.

CITY OF BRIDGEPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor	CFDA Number	Total Expenditures
<u>Environmental Protection Agency</u>		
Passed Through Texas Water Development Board:		
➤ Clean Water State Revolving Fund – Project No. 71503	66.458	\$ 1,079,642
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through Texas Department of Agriculture		
➤ Texas Capital Fund – Project No. TCF-729062	14.228	9,563
<u>U.S. Department of Justice</u>		
➤ Bullet Proof Vest Partnership (BPV)	16.710	2,540
<u>Texas State-Funded Grant Programs</u>		
➤ Texas State Library and Archives Commission – Bridgeport Public Library	N/A	8,378
➤ North Central Texas Council of Governments – Regional Solid Waste Program		6,603
		<hr/>
Total Federal and State Grant Awards		<u>\$ 1,106,726</u>

**CITY OF BRIDGEPORT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE 1 – PURPOSE OF SCHEDULE

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

NOTE 2 – BASIS OF ACCOUNTING

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

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