

City of Bridgeport
Texas



Fiscal Year
October 1, 2011 – September 30, 2012

CITY OF BRIDGEPORT

**Comprehensive Annual Financial Report
For year ended September 30, 2012**

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900 Thompson Street · Bridgeport, TX · 940.683.3400

May 21, 2013

Honorable Mayor,
Members of the City Council
and Citizens
City of Bridgeport, Texas

The City Administrator and the Finance Division of the City of Bridgeport are pleased to submit the Audited Annual Financial Report of the City of Bridgeport for the fiscal year ended September 30, 2012. The purpose of this report is to provide the council, staff, the citizens of Bridgeport and other interested parties with detailed information reflecting the City's financial condition.

This report satisfies §103.001 of the Texas Local Government Code. The audited annual financial report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of 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 Generally Accepted Accounting Principles (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 misstatement. 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 report is organized into two sections: *Introductory* and *Financial*. The *Introductory* section includes this transmittal letter, the City's organization chart, and a list of principal officials. The *Financial* section includes the auditors' report, Management's Discussion and Analysis (MD&A), basic financial statements, required supplementary information, combining and individual fund financial statements and other supplemental information.

Management's discussion and analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Bridgeport's MD&A can be found immediately following the report of the independent auditors.

INDEPENDENT AUDIT

The City of Bridgeport's financial statements have been audited by Rutledge Crain & Company, PC, a firm of licensed certified public accountants. The goal of the independent auditor is to provide reasonable assurance that the financial statements of the City of Bridgeport, for the fiscal year ended September 30, 2012, are free from material misstatement. 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 of Bridgeport's financial statements for the fiscal year ending September 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this annual report.

PROFILE OF THE GOVERNMENT

The City of Bridgeport, which incorporated in 1913, is located in the north central portion of Texas. This area of the state has proven to be one of the top growth areas in Texas and the United States. The City currently occupies a land area of 5 square miles and serves a growing population of approximately 6,000. The City is empowered to levy a property tax on real property and certain personal property located within its boundaries. Bridgeport is also empowered, by state statute, to extend its corporate limits by annexation, which has occurred periodically when deemed appropriate by the governing council of the City.

Bridgeport has operated under the mayor-council form of government. Policy-making and legislative authority are vested in the City Council consisting of the mayor and five other members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing boards and 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, overseeing the day-to-day operations of the government, and for appointing the heads of the various City departments. The City Council is elected on a non-partisan, at-large basis. Council members serve two-year staggered terms, with three members elected on one of the two-year rotations, and the Mayor and two remaining members elected on the other two-year rotation.

The City of Bridgeport provides a full range of municipal services including general government, public safety (police, fire, and animal control), streets, parks and recreation, planning and zoning, code enforcement, and water/wastewater, electric utilities, and a municipal airport. Water/wastewater, electric utilities and the municipal airport are provided through the public works department, which functions, in essence, as a department of the City and therefore has been included as an integral part of the City's financial statements.

LOCAL ECONOMY

The City of Bridgeport, as well as the State of Texas, experienced a continued weakening economy in 2012. The overall Texas economy is still considered healthier than most of the country. Figures from the Texas Workforce Commission indicate a local unemployment rate (Wise County) of 5.7 percent. For the same period the Denton County's unemployment rate was 6.3 percent, the overall state of Texas rate was 6.1 percent and the nation as a whole was 7.8 percent.

Sales Tax Revenue, the largest revenue source for the City's General Fund, increased by 26% over the prior year's receipts in FY 2011-12. For fiscal year 2012-13, sales tax revenue is projected to hold firm at \$2.6 million. Primarily an oil and gas community, Bridgeport relies heavily on sales tax from taxes paid by the oil field businesses as well as other merchants. All sales tax collections are as reported by the Texas Comptroller of Public Accounts. The City is continuing to work to increase its sales tax base with the Bridgeport Economic Development Corporation which receives the proceeds from a ½ cent sales tax. Bridgeport is currently focused on encouraging commercial development and providing the infrastructure required to support it.

Property tax revenue, the city's second largest revenue source in the General Fund, continues to help operations, with the City being approximately 85 percent residential. Certified property values increased for the 2011 tax year by \$2.6 million, a 0.7 percent increase over the 2010 certified value, which had seen an increase of 21.1 percent from the previous year.

MAJOR INITIATIVES

Because of the hard work, tough decisions, and structural reductions made by city officials and staff in previous years to deal with budget shortfalls, the city was able to propose a balanced budget that maintained the City's fiscal integrity, addressed Council priorities, and maintained service levels while still providing the same tax rate of \$.5875 per \$100 of assessed valuation.

The Water/wastewater Fund includes the implementation of the FY 2011-2012 utility rate study that was adopted by the City Council in September 2011. The new rate schedule did include an increase in the base rate to the Water and Wastewater customers. The Electric Fund rate structure was not changed.

LONG TERM FINANCIAL PLAN

The City of Bridgeport continues its focus on maintaining or increasing reserve balances for emergencies to provide stability and flexibility for the organization. The reserve requirement was established at a level of 15% of budgeted expenditures for the General Fund and 90 days of budgeted expenditures for the Utility Funds. The unassigned fund balance is \$2,756,872, or 76% of expenditures for the General Fund.

As a result of the recent national economic recession, bond rating agencies have increased their scrutiny on the financial stability of local governments. In September 2012, Standard & Poor's Rating Services rated the City for the first time with a rating of 'BBB+' rating, with a stable outlook, on Bridgeport's general obligation debt. The rating agency attributed their opinion on the City's strong wealth and income and very strong finances, coupled with good management practices.

BUDGETARY CONTROLS

The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by the City Administrator and Finance Director and adopted by the City Council in accordance with policies and procedures established by State law and Council Ordinances. All departments of the City of Bridgeport are required to submit requests for appropriation to the City Administrator and Finance Director based on an issued annually budget calendar. The City Administrator uses these requests as the starting point for developing the proposed budget. The proposed budget is then presented to the City Council for review prior to approval and adoption. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, in advance of the City's new fiscal year. The appropriated budget is prepared by fund, function (i.e., Community Services), department (i.e., Community Services) and division (i.e., Recreation). Department Directors may make transfers of appropriations between divisions within a department. Transfers of appropriations between departments require the approval of the City Administrator. Any changes to appropriations or transfers between funds require City Council approval. Budgetary comparison schedules are provided in this report in the required supplemental information subsection for the general fund, and in the supplemental information subsection for other funds with legally adopted annual budgets.

CASH MANAGEMENT POLICIES AND PRACTICES

Funds of the City are invested in accordance with all applicable Texas statutes, the City's Investment Policy and any other approved, written administrative procedures. The five objectives of the City's investment activities, in order of priority, are as follows: Safety – Preservation and Safety of Principal, Liquidity, Diversification, Market Rate-of-Return (Yield), and Public Trust.

Annually, the City reviews and updates the Investment policy. The purpose of the investment policy is to set forth specific investment policy and strategy guidelines for the City in order to safeguard assets with a minimal amount of risk, while maintaining the necessary level of liquidity and maximizing the yield on investments. Accordingly, all of the City's deposits are either insured by the Federal Deposit Insurance Corporation or are collateralized by governmental securities. The maturities of the investments range from 30 days to 36 months, with an average maturity of approximately 234 days. On September 30, 2012, the annualized yield on investments was .30 percent.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City of Bridgeport participates in the Texas Municipal Retirement Service (TMRS) pension plan for its employee's retirement. These benefits are provided through a statewide plan managed by the State. The City of Bridgeport has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment. See Note IV.A for further information on changes in the actuarial assumptions and other changes within the Texas Municipal Retirement System.

AWARDS AND ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration services department. We would like to express our appreciation for the assistance provided by our auditors, Rutledge Crain & Company, PC. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Bridgeport and its finances.

Respectfully Submitted,



Keith McComis
Mayor

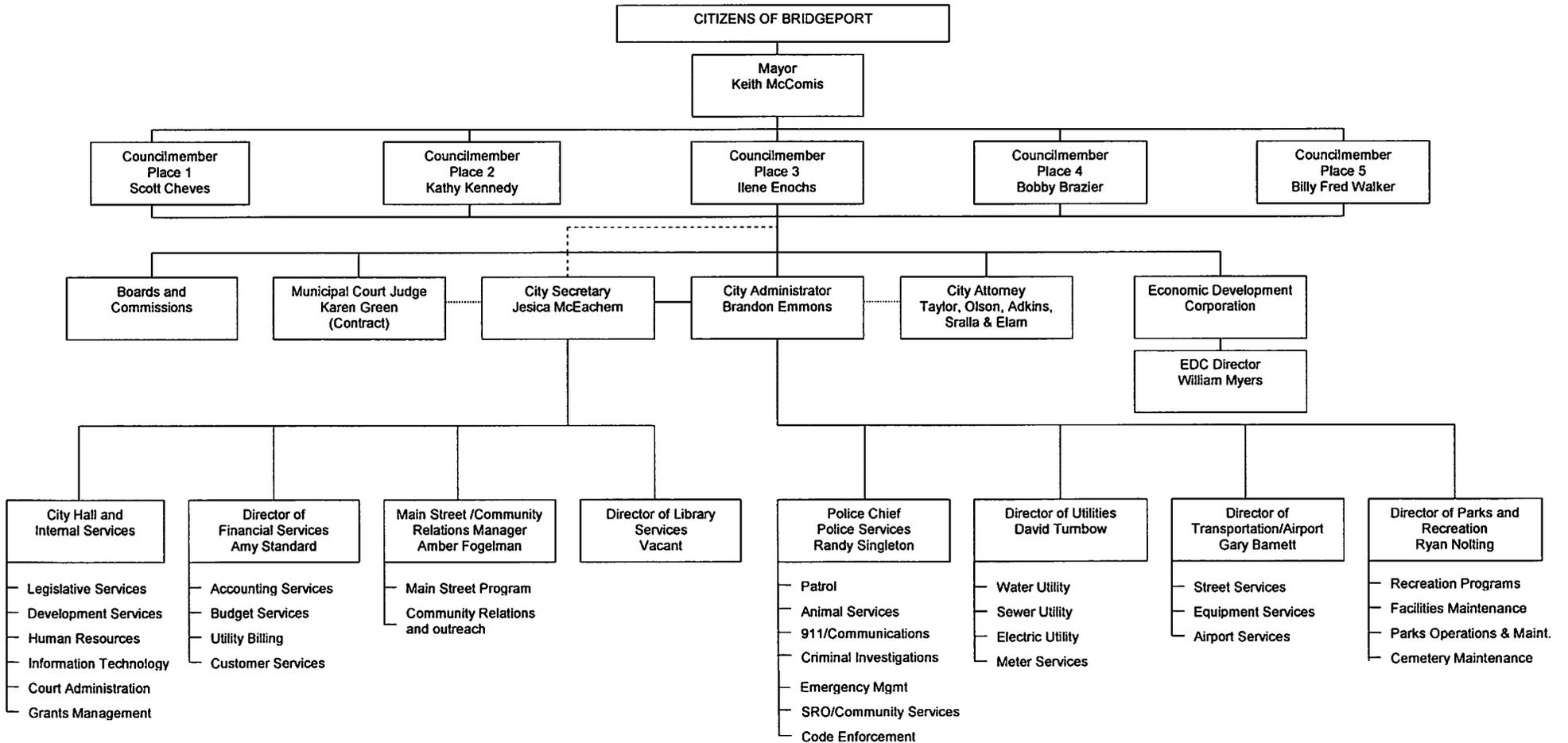


Brandon Emmons
City Administrator



Amy Standard
Director of Finance

City of Bridgeport Organizational Chart



CITY OF BRIDGEPORT

LIST OF ELECTED AND APPOINTED OFFICIALS

YEAR ENDED SEPTEMBER 30, 2012

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

Bobby Brazier, Council Member
1745 Boston Avenue
Bridgeport, Texas 76426

Kathy Kennedy, Council Member
35 Robinhood Lane
Bridgeport, Texas 76426

Ilene R. Enochs, Council Member
21 Robinhood 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

Ryan Nolting, Dir. of Parks & Recreation

David Turnbow, Director of Infrastructure

Karen Green, Municipal Judge

Amber Fogelman, Executive Assistant/Main St Manager

Gary Barnett, Director of Transportation

FINANCIAL SECTION

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RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

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, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bridgeport, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the the City of Bridgeport, Texas, as of September 30, 2012. and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 15 and 59 through 60 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, Texas' financial statements as a whole. The introductory section, and the combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules 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 section has 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.

Butledge Crain & Company, PC

May 10, 2013

Management's Discussion & Analysis (MD&A)

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**CITY OF BRIDGEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

As management of the City of Bridgeport, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. The Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, to provide an overview of the City's financial activity, to identify changes in the City's financial position and to identify any material deviations from the financial plan. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is included in this report.

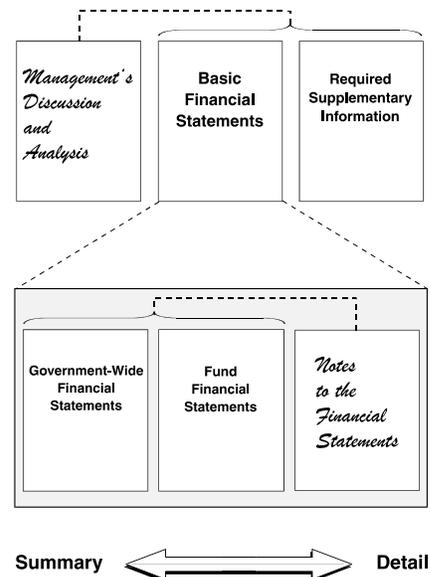
FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,515,447 (*net assets*).
- The government's total net assets, increased \$2,287,558 from the prior year. The increase in net assets reflects the degree to which revenues exceeded expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,594,773, an increase of \$4,142,946 in comparison with the prior year. Of the combined ending balances, \$2,756,872 or 60 percent is available for spending within the City's guidelines (*unassigned fund balance*).
- The City's unassigned fund balance for the general fund was \$2,756,872, or 69 percent of total general fund expenditures.
- The City's long term liabilities of \$19,202,374 decreased \$1,068,088 during fiscal year 2012. The change reflects the principal portion of debt payments and new sources of principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Bridgeport's basic financial statements. The City's financial statements are comprised 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. The basic financial statements include two kinds of statements that present different views of the City:

Required Components of the City's Annual Financial Report



- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others to whom the resources in question belong.

**CITY OF BRIDGEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Figure 1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

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.

Figure 1, Major Feature of the City's Government-wide and Fund Financial Statements

The *statement of activities* presents information showing how the government's net assets changed during the most recent 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 vacation leave).

Type of Statements	Government-wide	Fund Statements		
		Governmental	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses or self insurance funds	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balance 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenditures & changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; may contain capital assets
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenue and expenses during year, regardless of when cash is received or paid	All revenue and expenses during year, regardless of when cash is received or paid

Both of the government-wide financial statements distinguish functions of the City 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 public safety, fire services, community services, planning and community development, public works, city administration, finance and administrative services and debt service. The business-type activities are the water and wastewater utility fund, which includes contracted garbage collection services, and the storm water utility fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Corporation as a component unit for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 19-21 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 two categories: governmental funds and proprietary funds.

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 spendable resources*, as well as on *balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**CITY OF BRIDGEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Bridgeport reports eleven 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 fund, capital projects fund, and debt service fund, which are considered to be major funds. Data from the non-major governmental funds are combined into a single aggregated presentation. Fund data for the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Bridgeport adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-29 of this report.

Proprietary funds. The City of Bridgeport maintains two types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Bridgeport uses three separate enterprise funds to account for its water and wastewater operations, electric operations and for its municipal airport fund which are considered major funds of the City.

Proprietary funds, found on pages 30-35 of this report, provide the same type of information as the government-wide financial statements, only in more detail.

The Internal Service Fund is used to report on technology support services, facility maintenance, and fleet maintenance provided to the various funds and departments. Resources are recorded as charges for services to the beneficial funds.

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 starting on page 36 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. In the case of the City, assets exceeded liabilities by \$10,515,447 at the close of the most recent fiscal year.

By far the largest portion of the City of Bridgeport's net assets (\$7,222,909 or 69%) reflects its investment in capital assets (i.e., land, buildings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Bridgeport uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Bridgeport's investment in 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.

A portion of the City's net assets (\$2,813,605 or 26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$478,934 or 5%) may be used to meet the City's ongoing obligations to citizens and creditors. The City currently has \$4,213,149 available in cash and cash equivalents that may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year the City of Bridgeport is able to report positive balances in the government-wide as a whole and the business-type activities.

**CITY OF BRIDGEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 5,301,572	\$ 4,066,113	\$ 3,141,306	\$ 2,198,241	\$ 8,442,878	\$ 6,264,354
Capital assets	11,224,665	11,760,122	11,440,313	11,890,088	22,664,978	23,650,210
Total assets	16,526,237	15,826,235	14,581,619	14,088,329	31,107,855	29,914,564
Long-term liabilities outstanding	10,326,347	13,986,910	8,876,028	6,283,552	19,202,375	20,270,462
Other liabilities	355,215	406,327	1,034,819	1,032,904	1,390,034	1,439,231
Total liabilities	10,681,562	14,393,237	9,910,847	7,316,456	20,592,409	21,709,693
Net assets:						
Invested in capital assets, net of related deb	908,016	1,001,988	6,314,893	7,919,418	7,222,909	8,921,406
Restricted	1,826,165	1,440,960	987,440	761,681	2,813,605	2,202,641
Unrestricted	3,110,494	(1,009,950)	(2,631,561)	(1,909,226)	478,933	(2,919,176)
Total net assets	\$ 5,844,675	\$ 1,432,998	\$ 4,670,772	\$ 6,771,873	\$ 10,515,447	\$ 8,204,871

Government-wide activities. As shown above, governmental activities increased net assets by \$4,411,677 (FY11 restatement \$18,113 and FY12 increase \$4,393,564) business-type activities decreased net assets by \$2,101,101 (FY11 restatement \$4,906 and FY12 decrease \$2,106,007). A detailed examination of all the elements effecting net assets can be found in Table II.

TABLE II

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 1,151,235	\$ 1,224,759	\$ 11,188,782	\$ 11,419,188	\$ 12,340,017	\$ 12,643,947
Operating grants and contributions	103,578	115,670	26,685	218,308	130,264	333,978
Capital grants and contributions	-	-	171,948	-	171,948	-
General revenues						
Property taxes	2,247,324	2,390,701	-	-	2,247,324	2,390,701
Sales taxes	2,228,127	1,785,997	-	-	2,228,127	1,785,997
Liquor taxes	3,235	4,988	-	-	3,235	4,988
Hotel motel taxes	122,538	88,595	-	-	122,538	88,595
Franchise taxes	769,320	805,584	137,861	-	907,181	805,584
Investment interest	11,574	6,379	12,598	13,559	24,172	19,938
Miscellaneous	92,161	83,567	5,296	437,455	97,458	521,022
Total Revenues	6,729,092	6,506,240	11,543,171	12,088,510	18,272,263	18,594,749
Expenses:						
General government	1,033,991	1,111,234	-	-	1,033,991	1,111,234
Public safety	2,227,620	2,218,979	-	-	2,227,620	2,218,979
Development services	83,295	126,605	-	-	83,295	126,605
Culture and recreation	877,684	914,630	-	-	877,684	914,630
Highways and streets	395,722	843,392	-	-	395,722	843,392
City maintenance	464,162	495,639	-	-	464,162	495,639
Interest on long-term debt	590,676	645,060	-	-	590,676	645,060
Water and wastewater	-	-	2,894,616	2,739,288	2,894,616	2,739,288
Electric	-	-	7,043,477	7,856,153	7,043,477	7,856,153
Municipal airport	-	-	373,464	415,700	373,464	415,700
Total Expenses	5,673,149	6,355,539	10,311,556	11,011,141	15,984,705	17,366,680
Increase (decrease) in net assets before transfers and special items	1,055,943	150,701	1,231,614	1,077,369	2,287,558	1,228,069
Special item inflow (outflow)	3,000,000	-	(3,000,000)	-	-	-
Net transfers	337,621	837,603	(337,621)	(837,603)	-	-
Increase (decrease) in net assets	4,393,564	988,304	(2,106,007)	239,766	2,287,558	1,228,069
Net assets - beginning	1,432,998	444,694	6,771,873	6,532,108	8,204,871	6,976,802
Prior period adjustment	18,113	-	4,906	-	23,019	-
Net assets - ending	\$ 5,844,675	\$ 1,432,998	\$ 4,670,772	\$ 6,771,873	\$ 10,515,447	\$ 8,204,871

**CITY OF BRIDGEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

City of Bridgeport's Changes in Net Assets. The City's governmental funds increased fund balance by \$4,393,564. The increase can be attributed to the restructure and refinance of the Hospital Line of Credit with Compass Bank (\$3,000,000 special item inflow) and revenues exceeding expenditures during the fiscal year. Net assets, as part of the government-wide reports, are reported on a full-accrual basis. The reconciliation between the overall increase to governmental fund balances and the \$4,393,564 net increase to governmental activities net assets illustrates the differences in reporting between the modified accrual basis used in the funds and full-accrual used at the government-wide level.

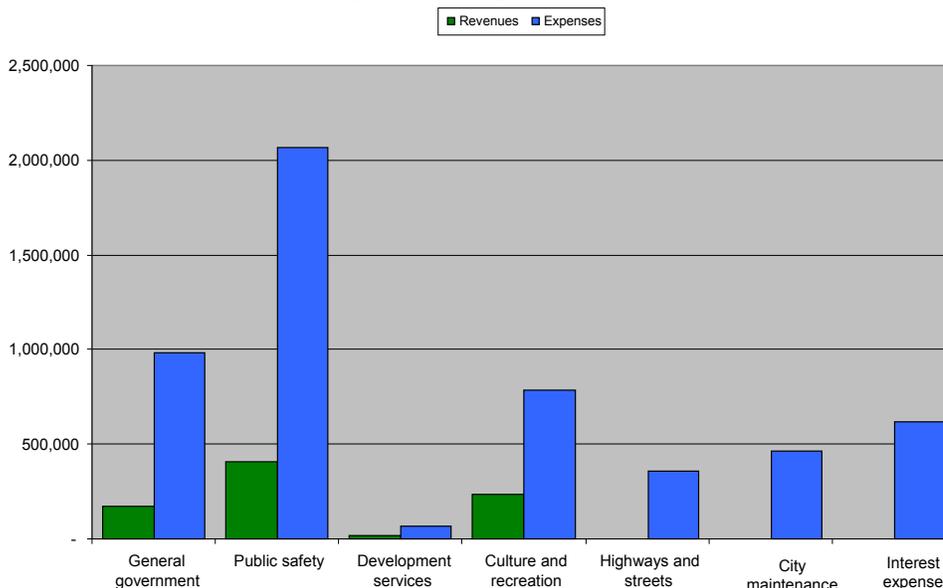
The following are the most significant factors in the reconciliation:

- Depreciation of capital assets is not reported in the funds.
- Donations/developer contributions do not constitute revenue in the funds, but are reported as an increase to net assets.
- Repayment of bond principal is an expenditure in the funds but not an expense in the statement of activities.
- Bond proceeds are reported as current resources in the funds but are not reported as revenue in the statement of activities.

Exhibit A-6 on page 29 provides a detailed reconciliation between the statement of activities and the statement of revenues, expenditures and changes in fund balances of governmental funds.

Governmental Activities. General government, public safety, development services, and culture and recreation account for 74.4% of the expenditures for the governmental activities. Highways and streets, city maintenance, and interest on long-term debt account for the remaining 25.6% of total expenses. These expenses were funded by revenues collected from a variety of sources. Property taxes produced \$2,247,324 or 33.4%, sales tax accounted for \$2,231,362 or 33.2%, miscellaneous income was \$92,161 or 1.4%, charges for service was \$1,151,235 or 17.1%, franchise taxes provided \$769,320 or 11.4%, hotel motel taxes accounted for \$122,538 or 1.8%, and operating grants and contributions provided \$103,578 or 1.5% of the revenues for the governmental activities. The remaining 0.2% of revenue is made up of investment interest. Figure 2 provides a graphic representation of the City's expenditures and any directly related revenues by source.

Figure 2: Program Revenues v. Expenses

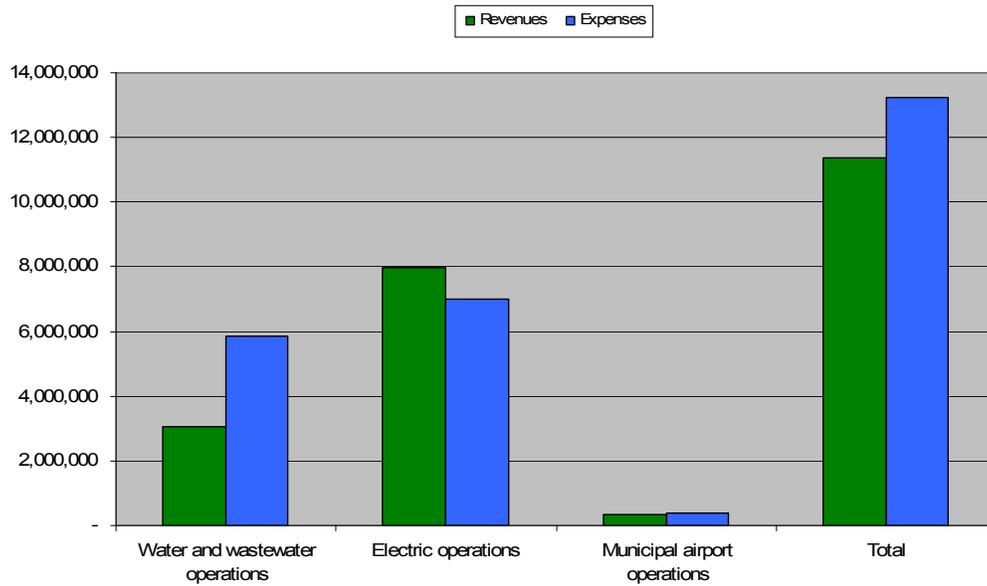


**CITY OF BRIDGEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Business-type Activities. Business-type activities decreased the City's net assets by \$2,106,007. A key element of this decrease is the change in net assets net of related debt. Charges for services account for 96.9% of the revenue. Contributions of assets arising from new property development within the City, totaled \$198,634 in revenue. The remaining 1.3% of revenue is made up of franchise taxes, investment interest and other miscellaneous revenue.

Total revenue from water and wastewater sales and services was \$3,049,586; associated costs of water, wastewater treatment, and operations and maintenance accounted for \$2,894,616 of the total business-type expenses of \$10,311,556. The Electric fund contributed \$7,986,928 in revenue with \$7,043,477 in expenses. The remaining \$373,463 in expenses for business-type activities is associated with the municipal airport fund. Municipal airport fees brought in \$335,946 in revenue. The following chart (Figure 3) provides a graphic representation of the City's business-type expenses and any directly related revenues by source.

Figure 3: Program Revenues v. Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,594,773, an increase of \$4,142,946 (FY11 restatement \$9,057) in comparison with the prior year. The net increase in combined ending fund balance is due to the following: a net increase in the general fund balance of \$3,847,777, a net increase in the debt service fund of \$242,137, a net increase of \$78 in capital projects fund, and a net increase of \$52,954 in other governmental funds.

**CITY OF BRIDGEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Of the combined total governmental fund balances of \$4,594,773, \$2,756,872 (60 percent) reflects the general fund *unassigned* fund balance which is available for spending at the government's discretion. The fund balance that is designated as *restricted* is not available for new spending due to debt service, \$747,187, restrictions for special revenues, \$487,978. The fund balance that is designated as *committed*, \$591,000 represents those amounts committed to capital projects. The fund balance amount designated as *nonspendable* is for inventories, \$11,717 and prepaid items, \$19.

General Fund. The general fund is the chief operating fund of the City of Bridgeport. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$2,756,872 while total fund balance reached \$2,768,608. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures for the fiscal year. Unassigned fund balance represents 76 percent of total general fund expenditures, while total fund balance represents 76.4 percent of that same amount.

Debt Service Fund. As part of the budgetary process, the government enacts a dedicated property tax for debt service each fiscal year. The debt service fund has a total fund balance of \$747,187, all of which is restricted for the payment of debt service.

Other Governmental Funds. The non-major governmental funds are the Hotel-Motel Tax fund, Donation fund, Municipal Court/Technology fund, Bridgeport Stage fund, Cemetery fund, Recreation fund, Main Street fund, Tax Increment Zone #1 fund. Each of these funds is used to account for revenues and expenditures related to specific purposes.

Proprietary funds. The City of Bridgeport's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The City maintains three enterprise funds, the water and wastewater fund, electric fund and the municipal airport fund.

Water and wastewater fund assets of \$10,968,200 exceeded liabilities of \$7,964,629, reporting net assets of \$3,003,571. The net non-operating revenues and expenses were (\$262,628), which included investment interest, debt service interest and grant monies. The largest portion of the non-operating expenses was \$290,841 of interest expenses. Unrestricted net assets for the water and wastewater fund decreased from (\$613,495) in fiscal year 2011 to (\$3,402,919) for fiscal year 2012. This decrease is from the issuance of the 2011 revenue bonds which did not have an asset to account for the major liability.

Electric fund assets of \$3,823,265 exceeded liabilities of \$2,290,540, leaving total net assets of \$1,532,725. Total net assets increased \$834,365, unrestricted net assets increased from (\$101,742) to \$855,163. The electric utility reported operating revenues of \$8,008,808 in fiscal year 2012. Net non-operating revenues and expenses were (\$26,253) which includes \$34,555 interest expense, \$9,108 in interest income, and \$805 for amortization of bond issuance costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

This year, in the general fund, revenues were more than expected by a total of \$470,165. Sales tax, franchise tax, charges for services, interest on investments, and miscellaneous revenue collected were more than budget by \$468,832, \$27,017, \$11,631, \$5,719 and \$26,981, respectively. Property tax, liquor tax, fees and permits, grants, and court fines were below budget by \$20,372, \$2,765, \$10,856, \$747, and \$35,275, respectively. The City budgeted for no growth in fiscal year 2012. While revenues were over budget; expenditures were under budget by \$190,179. The net effect, however, at year end was an excess of \$3,847,777 of revenues over expenditures in the general fund. The \$3 million increase is primarily due to the restructure of the hospital line of credit. Revenue bonds were issued by the Water and Wastewater fund to pay the General Fund current note payable.

For fiscal year 2011-12, General Fund actual expenditures were \$3,979,730 compared to the final budget of \$4,169,909. The \$190,179 variance was primarily due to reduced costs of \$92,098 for the general government, reduced costs of \$155,146 for highways and streets, reduced costs of \$1,243 for debt principal, increased costs of \$8,899 for public safety, increased costs for development services, culture and recreation and interest expense of \$1,172, \$5,918, and \$42,318, respectively. Actual revenue was \$4,468,287 million compared to the final budget of

**CITY OF BRIDGEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

\$3,998,122. Of the \$470,165 revenue variance, \$468,832 was collected in excess of budget for sales tax, \$27,017 for increased franchise fees, \$11,631 for increased charges for services, and \$5,719 for increased interest on investments. Like many cities in the area and around the nation, the city experienced an upturn in the current economic conditions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Bridgeport's investment in capital assets for its governmental and business type activities as of September 30, 2012, amounts to \$22,546,358 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, buildings and system improvements, machinery and equipment, office equipment and transportation equipment. The total change in the City's investment in capital assets for the current fiscal year represents purchases, retirements, construction in progress for infrastructure and transfers and adjustments as of September 30, 2012.

**TABLE III
CAPITAL ASSETS AT YEAR-END**

	Governmental Activities		Business-Type Activities		TOTAL	
	2012	2011	2012	2011	2012	2011
CIP	\$ 329,533	\$ 329,533	\$ 207,456	\$ 207,456	\$ 536,989	\$ 536,989
Land	960,570	960,570	678,463	678,463	1,639,033	1,639,033
Land improvements	170,811	180,518	-	-	170,811	180,518
Intangible assets	-	27,260	559,843	536,758	559,843	564,018
Buildings	5,600,592	5,821,994	185,158	213,242	5,785,750	6,035,236
System improvements	3,263,345	3,321,961	9,339,732	9,675,421	12,603,077	12,997,382
Machinery and equipment	153,213	191,899	181,341	229,802	334,554	421,701
Office furniture and equipment	72,682	88,505	-	-	72,682	88,505
Transportation equipment	673,919	837,883	288,320	348,941	962,239	1,186,824
Total capital assets	<u>\$ 11,224,665</u>	<u>\$ 11,760,122</u>	<u>\$ 11,440,313</u>	<u>\$ 11,890,086</u>	<u>\$ 22,664,978</u>	<u>\$ 23,650,209</u>

Readers desiring more detailed information on capital asset activity should see note III.E. in the Notes to Basic Financial Statements on page 45.

Long-term debt. At the end of the current fiscal year, The City had total debt outstanding of \$19,202,375 consisting of General Obligation Bonds, Notes Payable, Leases Payable and Compensated Absences. Debt was reallocated among the Governmental and Business-Type Activities to reflect the amount of outstanding debt related to capital projects. All debt payments were made when due. Outstanding debt decreased in fiscal year 2012 by \$1,187,663 (see Note III.G.).

**TABLE IV
OUTSTANDING DEBT AT YEAR-END**

	Governmental Activities		Business-Type Activities		TOTAL	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 9,875,120	\$ 10,409,109	\$ 7,802,146	\$ 5,305,891	\$ 17,677,266	\$ 15,715,000
Notes payable	288,212	3,355,353	907,196	702,208	1,195,408	4,057,561
Capital leases payable	37,835	84,947	144,482	250,529	182,317	335,476
Compensated absences	125,180	138,501	22,204	24,924	147,384	163,425
Total outstanding debt	<u>\$ 10,326,347</u>	<u>\$ 13,987,910</u>	<u>\$ 8,876,028</u>	<u>\$ 6,283,552</u>	<u>\$ 19,202,375</u>	<u>\$ 20,271,462</u>

Additional information on the City's long-term debt can be found in this report in the notes to the financial statements on page 49.

Moody's Investor's Service, Inc. has given the city's General Obligation Bond and the Certificates of Obligation a rating of "Baa2". Standard and Poor's Corporation has given both the City's General Obligation and Certificates of Obligation an 'BBB+' rating. 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 on general obligation long-term debt.

**CITY OF BRIDGEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget demonstrated signs that a recovery may be starting to occur. The city experienced significant increases in sales tax during FY 2011-12. Additionally, all other revenues held firm. Departments limited their requests for funds and absorbed increased demands for service with current staffing and support. The budget reflected the commitment to deliver quality service through carefully planned resource allocations.

The City Council approved a tax rate of \$.5875 for fiscal year 2013. General operations and maintenance will receive \$.3711 of the total and the remaining \$.2164 and a budgeted use of debt service fund balance will fund long-term debt of the City. Additionally, the City Council approved a one year rate plan for water, wastewater, and electric in conjunction with the budget process. The plan included a rate increase for water and wastewater minimum charge for commercial customers, the electric rates remained the same.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, City of Bridgeport, 900 Thompson Street, Bridgeport, Texas, 76426.

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Basic Financial Statements

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**City of Bridgeport, Texas
Statement of Net Assets
September 30, 2012**

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bridgeport EDC
ASSETS				
Cash and cash equivalents	\$ 2,941,901	\$ 1,271,248	\$ 4,213,149	\$ 1,045,576
Receivables (net of allowances for uncollectibles):	673,993	1,922,604	2,596,597	189,611
Advance to component unit	500,000	-	500,000	-
Internal balances	1,025,391	(1,025,391)	-	-
Inventories	19,305	246,967	266,272	-
Prepaid items	19	-	19	-
Restricted assets:				
Cash and cash equivalents	10,789	502,072	512,861	-
Deferred charges	130,174	223,806	353,980	37,156
Capital assets (net of accumulated depreciation):				
Land	960,570	678,463	1,639,033	2,271,854
Construction in progress	329,533	207,456	536,989	1,557,860
Land improvements	170,811	-	170,811	424,561
Intangible assets	-	559,843	559,843	38,300
Buildings	5,600,592	185,158	5,785,750	377,686
System improvements	3,263,345	9,339,732	12,603,077	75,437
Machinery and equipment	153,213	181,341	334,554	-
Office furniture and equipment	72,682	-	72,682	5,067
Transportation equipment	673,919	288,320	962,239	-
Total assets	<u>16,526,237</u>	<u>14,581,619</u>	<u>31,107,856</u>	<u>6,023,108</u>
LIABILITIES				
Accounts payable	79,485	517,875	597,360	331
Accrued liabilities	127,973	107,475	235,448	1,504
Other payables	9,235	319,610	328,845	-
Accrued wages payable	87,480	21,010	108,490	3,869
Accrued interest payable	51,041	66,185	117,226	4,305
Unearned revenue	-	2,664	2,664	-
Advance from primary government	-	-	-	500,000
Noncurrent liabilities:				
Due within one year	780,097	818,006	1,598,103	254,368
Due in more than one year	9,546,250	8,058,022	17,604,272	2,219,088
Total liabilities	<u>10,681,562</u>	<u>9,910,847</u>	<u>20,592,408</u>	<u>2,983,465</u>
NET ASSETS				
Invested in capital assets, net of related debt	908,016	6,314,893	7,222,909	2,270,343
Restricted for:				
Capital projects	591,000	223,595	814,595	-
Debt retirement	747,187	763,845	1,511,032	282,187
Special purposes	487,978	-	487,978	-
Unrestricted	3,110,494	(2,631,561)	478,933	487,113
Total net assets	<u>\$ 5,844,675</u>	<u>\$ 4,670,772</u>	<u>\$ 10,515,447</u>	<u>\$ 3,039,643</u>

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

City of Bridgeport, Texas
Statement of Activities
Year Ended September 30, 2012

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,033,991	\$ 174,296	\$ -	\$ -
Public safety	2,227,620	312,862	57,806	-
Development services	83,295	17,394	-	-
Culture and recreation	877,684	186,879	45,772	-
Highways and streets	395,722	-	-	-
City maintenance	464,162	459,804	-	-
Interest expense	590,676	-	-	-
Total governmental activities	<u>5,673,149</u>	<u>1,151,235</u>	<u>103,578</u>	<u>-</u>
Business-type activities:				
Water and sewer utilities	2,894,616	2,927,973	24,760	111,809
Electric utilities	7,043,477	7,926,789	-	60,139
Municipal airport	373,463	334,020	1,926	-
Total business-type activities	<u>10,311,556</u>	<u>11,188,782</u>	<u>26,685</u>	<u>171,948</u>
Total primary government	<u>\$ 15,984,705</u>	<u>\$ 12,340,017</u>	<u>\$ 130,264</u>	<u>\$ 171,948</u>
Component unit -				
Economic development corporation	<u>\$ 861,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
Sales taxes
Hotel/motel taxes
Franchise taxes
Liquor taxes
Investment interest
Miscellaneous
Special item inflow
Special item outflow
Transfers
Total general revenues, special items, and transfers
Change in net assets
Net assets - beginning
Prior period adjustment
Net assets - ending

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

EXHIBIT A-2

Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Bridgeport EDC
\$ (859,695)	\$ -	\$ (859,695)	\$ -
(1,856,952)	-	(1,856,952)	-
(65,901)	-	(65,901)	-
(645,033)	-	(645,033)	-
(395,722)	-	(395,722)	-
(4,358)	-	(4,358)	-
(590,676)	-	(590,676)	-
<u>(4,418,335)</u>	<u>-</u>	<u>(4,418,335)</u>	<u>-</u>
-	169,926	169,926	-
-	943,451	943,451	-
-	<u>(37,517)</u>	<u>(37,517)</u>	-
-	1,075,859	1,075,860	-
<u>(4,418,335)</u>	<u>1,075,859</u>	<u>(3,342,476)</u>	<u>-</u>
			<u>\$ (861,717)</u>
\$ 2,247,324	\$ -	\$ 2,247,324	\$ -
2,228,127	-	2,228,127	1,138,531
122,538	-	122,538	-
769,320	137,861	907,181	-
3,235	-	3,235	-
11,574	12,598	24,172	3,804
92,161	5,296	97,458	17,441
3,000,000	-	3,000,000	-
-	(3,000,000)	(3,000,000)	-
337,621	<u>(337,621)</u>	-	-
<u>8,811,900</u>	<u>(3,181,866)</u>	<u>5,630,034</u>	<u>1,159,776</u>
4,393,564	(2,106,007)	2,287,558	298,059
1,432,998	6,771,873	8,204,871	3,143,800
18,113	4,906	23,019	(402,216)
<u>\$ 5,844,675</u>	<u>\$ 4,670,772</u>	<u>\$ 10,515,447</u>	<u>\$ 3,039,643</u>

City of Bridgeport, Texas
Balance Sheet
Governmental Funds
September 30, 2012

	<u>General Fund</u>	<u>General Capital Projects Fund</u>
ASSETS		
Cash	\$ 1,548,604	\$ 90,115
Receivables (net of allowances for uncollectibles):		
Property taxes	56,957	-
Sales taxes	379,712	-
Other	141,456	885
Due from other funds	1,025,391	-
Restricted asstes:		
Cash and cash equivalents	498	-
Advance to other funds	-	500,000
Inventories	11,717	-
Prepaid items	19	-
Total assets	<u>\$ 3,164,353</u>	<u>\$ 591,000</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and other current liabilities	\$ 73,412	\$ -
Accrued liabilities	211,249	-
Deposits	573	-
Deferred revenue	70,005	-
Deferred revenue - court	40,505	-
Total liabilities	<u>395,744</u>	<u>-</u>
Fund balances:		
Nonspendable	11,736	-
Restricted for:		
Debt service	-	-
Other purposes	-	-
Committed to:		
Capital projects	-	591,000
Unassigned	2,756,872	-
Total fund balances	<u>2,768,608</u>	<u>591,000</u>
Total liabilities and fund balances	<u>\$ 3,164,352</u>	<u>\$ 591,000</u>

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

EXHIBIT A-3

General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 760,002	\$ 458,184	\$ 2,856,905
68,436	-	125,393
-	-	379,712
-	26,549	168,890
-	-	1,025,391
-	10,291	10,789
-	-	500,000
-	-	11,717
-	-	19
<u>\$ 828,438</u>	<u>\$ 495,024</u>	<u>\$ 5,078,815</u>
\$ -	\$ 2,891	\$ 76,303
-	4,155	215,404
-	-	573
81,251	-	151,256
-	-	40,505
<u>81,251</u>	<u>7,046</u>	<u>484,041</u>
-	-	11,736
747,187	-	747,187
-	487,978	487,978
-	-	591,000
-	-	2,756,872
<u>747,187</u>	<u>487,978</u>	<u>4,594,773</u>
<u>\$ 828,438</u>	<u>\$ 495,024</u>	<u>\$ 5,078,814</u>

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City of Bridgeport, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2012

EXHIBIT A-4

Fund balances - total governmental funds	\$ 4,594,773
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	10,453,038
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,299,366)
Long-term liabilities, including compensated absences, and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	(82,645)
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	107,086
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.	71,790
Net assets of governmental activities	<u>\$ 5,844,675</u>

City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>
REVENUES		
Taxes:		
Hotel/motel	\$ -	\$ -
Property	889,979	-
Sales	2,228,127	-
Franchise	769,320	-
Liquor	3,235	-
Charges for services	137,981	-
Licenses, permits and fees	17,394	-
Court fines	247,975	-
Grants	46,530	-
Donations	-	-
Rents	75,996	-
Interest revenue	7,719	78
Miscellaneous	44,031	-
Total revenues	<u>4,468,287</u>	<u>78</u>
EXPENDITURES		
Current:		
General government	867,988	-
Public safety	1,991,340	-
Development services	78,317	-
Culture and recreation	573,094	-
Highways and streets	297,152	-
Debt service:		
Principal retirement	113,012	-
Interest expense	58,826	-
Administrative charges	-	-
Capital outlay:		
General government	-	-
Highways and streets	-	-
Total expenditures	<u>3,979,730</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>488,557</u>	<u>78</u>
SPECIAL ITEMS AND TRANSFERS		
Special item inflow	3,000,000	-
Transfers in	487,050	-
Transfers out	<u>(127,830)</u>	<u>-</u>
Total other financing sources and uses	<u>3,359,220</u>	<u>-</u>
Net change in fund balances	3,847,777	78
Fund balances - beginning	(1,088,225)	590,922
Prior period adjustment	9,057	-
Fund balances - ending	<u>\$ 2,768,608</u>	<u>\$ 591,000</u>

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

EXHIBIT A-5

General Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 122,538	\$ 122,538
1,267,386	-	2,157,365
-	-	2,228,127
-	-	769,320
-	-	3,235
-	179,243	317,224
-	-	17,394
-	19,336	267,311
-	-	46,530
-	11,059	11,059
-	18,990	94,986
3,770	7	11,574
33,483	14,857	92,371
<u>1,304,639</u>	<u>366,030</u>	<u>6,139,033</u>
-	93,834	961,822
-	9,478	2,000,818
-	-	78,317
-	188,165	761,260
-	-	297,152
625,383	-	738,395
437,074	-	495,899
45	-	45
-	-	-
-	-	-
<u>1,062,502</u>	<u>291,477</u>	<u>5,333,709</u>
<u>242,137</u>	<u>74,553</u>	<u>805,324</u>
-	-	3,000,000
-	11,204	498,254
-	(32,803)	(160,633)
-	(21,599)	3,337,621
<u>242,137</u>	<u>52,954</u>	<u>4,142,945</u>
505,050	435,024	442,771
-	-	9,057
<u>\$ 747,187</u>	<u>\$ 487,978</u>	<u>\$ 4,594,773</u>

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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, 2012

EXHIBIT A-6

Net change in fund balances - total governmental funds	\$ 4,142,945
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This represents is the amount by which depreciation exceeded capital outlays in the current period.	(535,457)
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 items.	638,839
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	147,759
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.	(522)
Change in net assets of governmental activities	<u>\$ 4,393,564</u>

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

City of Bridgeport, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2012

	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Municipal Airport Fund</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 821,475	\$ 394,683	\$ 55,091
Receivables (net of allowance for uncollectibles)	460,172	1,432,978	29,455
Inventories	53,712	193,256	-
Restricted assets:			
Cash and cash equivalents	199,065	-	-
Investments	-	303,008	-
Total current assets	<u>1,534,424</u>	<u>2,323,924</u>	<u>84,546</u>
Noncurrent assets:			
Deferred charges	209,934	13,872	-
Capital assets not being depreciated:			
Construction in progress	131,950	-	75,506
Land	54,586	56,997	566,880
Capital assets:			
Intangible assets	622,779	9,116	-
Buildings	251,412	83,888	-
System improvements	18,039,877	3,111,829	134,945
Machinery and equipment	632,438	119,893	17,883
Office furniture and equipment	165,992	61,155	-
Transportation equipment	315,859	582,141	21,158
Less accumulated depreciation	<u>(10,991,051)</u>	<u>(2,539,551)</u>	<u>(85,371)</u>
Total capital assets (net of accumulated depreciation)	<u>9,223,842</u>	<u>1,485,469</u>	<u>731,002</u>
Total non-current assets	<u>9,433,776</u>	<u>1,499,341</u>	<u>731,002</u>
Total assets	<u>10,968,200</u>	<u>3,823,265</u>	<u>815,548</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	13,651	480,434	23,790
Accrued liabilities	73,530	54,867	86
Due to other funds	552,521	472,870	-
Unearned revenue	-	2,664	-
Accrued interest payable	62,139	4,046	-
Current note payable	250,000	-	-
Current capital leases	-	34,519	-
Current portion of bonds payable	438,997	40,329	-
Current portion of note payable	-	-	51,934
Total current liabilities	<u>1,390,838</u>	<u>1,089,731</u>	<u>75,811</u>
Current liabilities payable from restricted assets -			
Utility customer deposits	16,905	302,708	-
Total current liabilities payable from restricted assets	<u>16,905</u>	<u>302,708</u>	<u>-</u>
Noncurrent liabilities:			
Compensated absences	8,524	13,681	-
Capital leases	-	109,962	-
Bonds payable	6,548,362	774,459	-
Note Payable	-	-	605,260
Total noncurrent liabilities	<u>6,556,886</u>	<u>898,101</u>	<u>605,260</u>
Total liabilities	<u>7,964,629</u>	<u>2,290,540</u>	<u>681,071</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,717,493	523,593	73,807
Restricted for capital projects	-	79,121	144,474
Restricted for debt retirement	688,997	74,848	-
Unrestricted	<u>(3,402,919)</u>	<u>855,163</u>	<u>(83,804)</u>
Total net assets	<u>\$ 3,003,571</u>	<u>\$ 1,532,725</u>	<u>\$ 134,477</u>

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

EXHIBIT A-7

Total Proprietary Funds	Governmental Activities Internal Service Fund
\$ 1,271,249	\$ 84,996
1,922,604	-
246,968	7,588
199,065	-
303,008	-
<u>3,942,894</u>	<u>92,584</u>
223,806	-
207,456	-
678,463	-
631,895	-
335,300	-
21,286,651	-
770,213	-
227,148	-
919,158	-
(13,615,972)	-
<u>11,440,313</u>	<u>-</u>
<u>11,664,119</u>	<u>-</u>
<u>15,607,013</u>	<u>92,584</u>
517,876	5,799
128,484	6,095
1,025,391	-
2,664	-
66,185	-
250,000	-
34,519	-
479,326	-
51,934	-
<u>2,556,379</u>	<u>11,894</u>
319,613	-
<u>319,613</u>	<u>-</u>
22,205	8,900
109,962	-
7,322,821	-
605,260	-
<u>8,060,248</u>	<u>8,900</u>
<u>10,936,239</u>	<u>20,794</u>
6,314,893	-
223,595	-
763,845	-
(2,631,561)	71,790
<u>\$ 4,670,772</u>	<u>\$ 71,790</u>

City of Bridgeport, Texas
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2012

	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Municipal Airport Fund</u>
OPERATING REVENUES			
Charges for sales and services:			
Water sales	\$ 1,949,657	\$ -	\$ -
Sewer charges	978,315	-	-
Electric	-	7,926,789	-
Municipal airport	-	-	334,020
Internal services	-	-	-
Franchise Fees	58,740	79,121	-
Miscellaneous	-	2,898	2,398
Total operating revenues	<u>\$ 2,986,713</u>	<u>\$ 8,008,808</u>	<u>\$ 336,418</u>
OPERATING EXPENSES			
City maintenance	-	-	-
Costs of sales and services:			
Salaries and wages	229,570	302,039	-
Employee benefits	110,303	133,615	-
Purchased water	412,908	-	-
Purchased electricity	-	5,628,996	-
Other purchased services	759,845	613,324	68,134
Supplies and maintenance	336,600	135,798	269,178
Bad debt expense	(2,749)	(11,587)	-
Depreciation	757,299	205,931	8,536
Total operating expenses	<u>2,603,775</u>	<u>7,008,116</u>	<u>345,848</u>
Operating income (loss)	382,938	1,000,692	(9,430)
NONOPERATING REVENUES (EXPENSES)			
Donations	-	-	-
Grants	24,760	-	1,926
Bond issuance costs	-	(805)	-
Interest revenue	3,454	9,108	36
Bond Proceeds	-	-	-
Interest expense	(290,841)	(34,555)	(27,615)
Total nonoperating revenue (expenses)	<u>(262,628)</u>	<u>(26,253)</u>	<u>(25,653)</u>
Income (loss) before contributions and transfers	120,310	974,439	(35,083)
SPECIAL ITEMS, CONTRIBUTIONS AND TRANSFERS			
Special item outflow	(3,000,000)	-	-
Contributions	111,809	60,139	-
Transfers in	95,524	77,938	32,306
Transfers out	(257,303)	(278,867)	(7,220)
Total special items, contributions and transfers	<u>(3,049,969)</u>	<u>(140,790)</u>	<u>25,086</u>
Change in net assets	(2,929,659)	833,650	(9,997)
Total net assets - beginning	5,938,095	698,360	135,418
Prior period adjustment	(4,865)	715	9,056
Total net assets - ending	<u>\$ 3,003,571</u>	<u>\$ 1,532,725</u>	<u>\$ 134,477</u>

EXHIBIT A-8

<u>Total Proprietary Funds</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 1,949,657	-
978,315	-
7,926,789	-
334,020	-
-	459,804
137,861	-
5,296	-
<u>\$ 11,331,939</u>	<u>\$ 459,804</u>
-	460,326
531,608	-
243,918	-
412,908	-
5,628,996	-
1,441,303	-
741,576	-
(14,336)	-
971,766	-
<u>9,957,739</u>	<u>460,326</u>
1,374,200	(522)
-	-
26,685	-
(805)	-
12,598	-
-	-
<u>(353,012)</u>	<u>-</u>
<u>(314,534)</u>	<u>-</u>
1,059,666	(522)
(3,000,000)	-
171,948	-
205,768	-
<u>(543,390)</u>	<u>-</u>
<u>(3,165,673)</u>	<u>-</u>
(2,106,007)	(522)
6,771,873	63,256
4,906	9,056
<u>\$ 4,670,772</u>	<u>\$ 71,790</u>

City of Bridgeport, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2012

Business-type Activities - Enterprise Funds

	Water and Sewer Fund	Electric Fund	Municipal Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,052,455	\$ 8,106,878	\$ 326,001
Payments to suppliers	(1,489,696)	(6,452,594)	(316,629)
Payments to employees and professional contractors for services	(338,907)	(434,303)	-
Net cash provided from operating activities	<u>1,223,852</u>	<u>1,219,981</u>	<u>9,372</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments from(to) other funds	(3,171,737)	(981,785)	86,728
Net cash provided (used) by noncapital and related financing activities	<u>(3,171,737)</u>	<u>(981,785)</u>	<u>86,728</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(264,264)	(85,777)	-
Capital grants received	-	-	-
Proceeds from and principal and interest paid on bonds and lease obligations, net	(894,736)	(152,119)	(72,629)
Proceeds from issuance of long-term debt	3,325,000	-	-
Net cash provided (used) by capital and related financing activities	<u>2,166,000</u>	<u>(237,896)</u>	<u>(72,629)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	3,454	9,108	36
Net cash provided by investing activities	<u>3,454</u>	<u>9,108</u>	<u>36</u>
Net change in cash and cash equivalents	221,570	9,408	23,507
Cash and cash equivalents - beginning of year	798,970	688,282	31,585
Cash and cash equivalents end of year	<u>\$ 1,020,540</u>	<u>\$ 697,690</u>	<u>\$ 55,092</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 382,938	\$ 1,000,692	\$ (9,430)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	757,299	205,931	8,536
Grants	24,760	-	1,926
Change in assets and liabilities:			
Accounts receivable	39,327	86,483	(12,342)
Inventory	24,319	(26,128)	-
Deferred charges	-	-	-
Accounts payable and other current liabilities	(7,412)	444,630	20,646
Accrued liabilities	3,846	(488,272)	35
Customer deposits	1,655	(3,515)	-
Compensated absences	(2,880)	160	-
Net cash provided (used) by operating activities	<u>\$ 1,223,852</u>	<u>\$ 1,219,981</u>	<u>\$ 9,372</u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Developer contributions to infrastructure	<u>\$ 111,809</u>	<u>\$ 60,139</u>	<u>\$ -</u>

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

EXHIBIT A-9

<u>Total Proprietary Funds</u>	<u>Governmental Activities Internal Services Fund</u>
\$ 11,485,334	\$ 459,804
(8,258,919)	(308,505)
<u>(773,210)</u>	<u>(156,401)</u>
<u>2,453,205</u>	<u>(5,102)</u>
<u>(4,066,794)</u>	<u>90,098</u>
<u>(4,066,794)</u>	<u>90,098</u>
(350,041)	-
-	-
(1,119,484)	-
<u>3,325,000</u>	<u>-</u>
<u>1,855,475</u>	<u>-</u>
<u>12,598</u>	<u>-</u>
<u>12,598</u>	<u>-</u>
254,485	84,996
<u>1,518,837</u>	<u>-</u>
<u>\$ 1,773,322</u>	<u>\$ 84,996</u>
\$ 1,374,200	\$ (522)
971,766	-
26,686	-
113,468	-
(1,809)	592
-	-
457,864	(6,108)
(484,391)	1,497
(1,860)	-
<u>(2,720)</u>	<u>(561)</u>
<u>\$ 2,453,205</u>	<u>\$ (5,102)</u>
<u>\$ 171,948</u>	<u>\$ -</u>

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the government-wide 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 nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely presented component unit. The *Bridgeport Economic Development Corporation* (BEDC), was organized under state law for the purpose of promoting economic development. State statutes define projects that the corporation may fund. Some examples of permitted projects are in Note IV.E. Other Information-Component Unit Information. The BEDC is governed by a board of directors that are appointed by and serve at the discretion of the City Council. Additionally, the City Council approves BEDC's annual budget and annual economic development plan, and changes bylaws. The City retains an interest in the net assets of BEDC in the event of dissolution. The BEDC is reported as a governmental entity and its accounts are maintained on the modified accrual basis of accounting. BEDC does not issue separate financial statements.

C. Basis of Presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 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 or other items not properly included among program revenues are reported as general revenues.

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

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is used to account for the resources used to finance the fundamental operations of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

General Capital Projects Fund - The General Capital Projects Fund is used 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.

Debt Service Fund - The Debt Service Fund is used to account for the payment of principal and interest on general long-term bonded debt of the City. Payments of principal and interest on equipment, financing used in general activities of the City and other financing are serviced by the General Fund.

The City reports the following major enterprise funds:

Water and Wastewater Fund — The Water and Wastewater Fund provides water and wastewater services to the residents and businesses of Bridgeport. The activities supporting the delivery of services are accounted for in this fund, including operations and maintenance, administration, billing, financing and debt service. The Water and Wastewater Fund is financed and operated in a manner similar to private business enterprises, where the determination of net income is necessary or useful to sound financial administration.

Electric Fund – The Electric Utility Fund is used 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.

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

Additionally, the City reports the following fund type:

Internal Service 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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, sales taxes, municipal court fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Budgetary information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General fund; Hotel/Motel Tax, Municipal Court Security and Technology, Bridgeport Stage, Cemetery, Recreation, and Main Street; and the General Debt Service fund. The Capital Projects fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (i.e. grant awards and city council resolutions) and sometimes span a period of more than one fiscal year.

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The appropriated budget is prepared by fund, functional department and division. Transfers of appropriations between divisions within a department may be initiated by staff and approved by the director. Transfers between functional departments require the approval of the finance director. Transfers between funds may require council approval. All transfers of appropriations require the approval of the city administrator. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The City Council is required to approve all budget amendments that alter department or operating appropriations.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

G. Assets, liabilities, and net assets/fund balance

1. Cash and cash equivalents

For purposes of the statement of cash flows, cash includes amounts in demand deposits, restricted cash and short-term investments with maturity dates within three months of the date acquired by the City. All City funds participate in a pooling of cash to maximize interest earnings.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and TexStar. In accordance with state law, TexPool and TexStar operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool and TexStar qualify as a 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Comptroller, although it is not registered with the SEC while TexStar is subject to regulatory oversight by JP Morgan Chase, Inc. and First Southwest Asset Management, Inc.

3. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Balances between the City and its discrete component unit are referred to as "due from discrete component unit" and "due to primary government." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts for utility billing is estimated on a percentage of aged accounts receivable.

4. Inventories and prepaid items

Inventories are valued at cost using the first-in first-out (FIFO) method. Inventories consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid

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items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction are not depreciated. The other property, plant, equipment, and infrastructure of the City, as well as the component unit, are depreciated using the straight-line method over the following useful lives:

Building and building improvements	20-50 years
Water and Wastewater system infrastructure	30 years
Storm drainage system infrastructure	30 years
Public domain infrastructure	50 years
Vehicles and equipment	5-10 years
Office equipment	5-10 years

6. Net asset flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net assets and unrestricted – net assets in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied before unrestricted – net position is applied.

7. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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8. Fund balance policies

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
 - City Special Revenue Funds that fall in this category shall maintain a positive restricted fund balance.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or City Administrator.
- **Unassigned:** This classification includes the residual fund balance for the General Fund.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance division to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as program revenues include 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Ad valorem (property) taxes are levied based on the January 1 property values as assessed by the Wise County Appraisal District. Property taxes are recognized as revenue when they become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Current taxes are levied on October 1, and become delinquent if unpaid on February 1.

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3. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Eligible employees are reimbursed upon separation from service for accumulated vacation. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

4. Proprietary funds operating and non-operating revenues and expenses

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer, electric, and municipal airport funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. Long-term obligations

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit fund equity

At September 30, 2012, an unrestricted net asset deficit of \$3,402,919 was reported for the Water and Sewer Fund as well as \$83,804 in the Airport Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Cash deposits with financial institutions

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City of Bridgeport and the Bridgeport Economic Development Corporation have depository policies that specify collateralization agreements with the depository bank to protect the government from this risk. The contract with the City's depository bank states the following:

"The Depository shall pledge to the City and deposit in safekeeping and trust with another bank acceptable to the City approved security as defined or referred to in Tex. Loc. Gov't Code §105.031, *et seq.* and the Collateral for Public Funds Act, Chapter Act, Chapter 2257 of the Texas Government Code, in an amount of fair value sufficiently adequate to protect all funds of the City on deposit with Depository during the term of this Contract, but not less than that required by Tex. Loc. Gov't Code Ch. 105, Tex Gov't Code §2257.022, the City's Investment Policy, and all other applicable laws. All deposits, including accrued interest, are to be fully collateralized in accordance with the above terms. Pledged securities will be held by a custodian approved by the City and meeting the requirements of Section 2257.041 of the Collateral for Public Funds Act."

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At September 30, 2012, the City's carrying amount of demand deposits was \$5,215,491 (including EDC, \$1,045,576) while the bank balance was \$5,247,719. The City's depository had pledged an FHLB letter of credit with a fair value of \$4,500,000 and securities with a face amount of \$2,161,869 and fair value of \$2,336,254.

B. Investments

The investment policy of the City is governed by State statutes and the adopted City Investment Policy. City policy governing bank deposits require depositors to be FDIC-insured institutions; depositories must fully collateralize all deposits in excess of FDIC insurance limits. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the states with a rating of not less than AA, fully insured certificates of deposit. The City's investments in the bonds of the US agencies was rated AAm by Standard & Poor's, AAA and Fitch Ratings and Aaa by Moody's Investors Service.

State statutes authorize the City to invest in obligations of the U. S. Treasury, agencies and instrumentalities, in obligations of the State of Texas and other political subdivisions of any state rated "A" or above by Standard & Poor's or Moody's Investors Service, and repurchase agreements. Investments maturing within one year of date of purchase are stated at cost or amortized cost; all other investments are stated at fair value which is based on quoted market prices. The City did not engage in repurchase or reverse repurchase agreement transactions during the year. The City's investments were as follows on September 30, 2012:

City of Bridgeport Investments

	Carrying Amount	Fair Value	WAM	Rating (S&P)
TexStar	\$ 252,308	\$ 252,308	<60 days	AAAm
TexPool	303,787	303,787	<60 days	AAAm
Certificates of deposit	-	-		
	<u>556,095</u>	<u>556,095</u>		
Total	<u><u>\$ 556,095</u></u>	<u><u>\$ 556,095</u></u>		

Interest rate risk. In accordance with its investment policy, the City manages its exposure to decline in fair value of securities by limiting the City to securities with maturities not to exceed 36 months from date of purchase. The City also manages the weighted average days to maturity for the operating funds portfolio to less than 270 days, and the reserve, special project and capital project funds to less than 365 days.

The BEDC component unit limits weighted average days to maturity for the operating funds portfolio to less than 270 days.

The City and its component unit invest in the public funds investment pools listed above, which have specified maximum weighted average maturities for their investment portfolios. The maximum weighted average maturity (WAM) of TexPool investment portfolios cannot exceed 60 days. TexSTAR also maintains a portfolio maximum WAM of 60 days calculated according to SEC rule 2a-7.

The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Inter-local Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poor's, as well as the Office of the State 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 fair 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) has been organized in conformity with the Interlocal

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Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities to invest their public funds through the investment pools. TexSTAR is administered by JP Morgan Chase and First Southwest Asset Management, Inc., and is rated AAAM by Standard and Poor's.

Concentration of 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 nationally recognized credit rating agency.

Custodial credit risk – investments. For an investment, this is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that investments of City funds shall be secured by pledged collateral with a fair value equal to or exceeding 101% of the principal plus accrued interest of deposits at financial institutions.

C. Receivables, Interfund Receivables and Transfers

Amounts are aggregated into a single accounts receivable (net of uncollectible) line on the statement of net assets. Following is the detail of receivables of the government's individual major and non-major funds, including the applicable allowances for uncollectible accounts:

	General Fund	General Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Water & Wastewater Fund	Electric Fund	Municipal Airport Fund	Total
Taxes								
Property	\$ 76,643	\$ -	\$ 92,262	\$ -	\$ -	\$ -	\$ -	\$ 168,905
Sales	379,712	-	-	-	-	-	-	379,712
Accounts	184,898	885	-	26,549	486,832	1,534,451	29,455	2,263,069
Gross Receivables	641,253	885	92,262	26,549	486,832	1,534,451	29,455	2,811,686
LESS: Allowance for uncollectibles	(63,128)	-	(23,826)	-	(26,659)	(101,473)	-	(215,086)
Net total receivables	\$ 578,125	\$ 885	\$ 68,436	\$ 26,549	\$ 460,172	\$ 1,432,978	\$ 29,455	\$ 2,596,599

	Due from other funds	Due to other funds		Advance to component unit	Advance from primary government
Governmental activities	\$ 1,025,391	\$ -	General Fund	\$ 500,000	\$ -
Business-type activities	-	1,025,391	Discrete Component Unit	-	500,000
	\$ 1,025,391	\$ 1,025,391		\$ 500,000	\$ 500,000

	Transfers from other funds	Transfers to other funds
Governmental activities:		
General Fund	\$ 487,050	\$ (127,830)
Nonmajor governmental funds	11,204	(32,803)
Business-type activities:		
Water and Wastewater Fund	95,524	(257,303)
Electric Fund	77,938	(278,867)
Municipal Airport Fund	32,306	(7,220)
	\$ 704,022	\$ (704,022)

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D. Deferred/Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are 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. Governmental activities report unearned revenue. At the end of the current fiscal year, the various components of deferred revenue reported in governmental funds and unearned revenue reported in government-wide activities were as follows:

	Deferred
Delinquent property taxes receivable (General Fund)	\$ 66,484
Municipal court fines receivable (General Fund)	40,505
Other receivables (General Fund)	3,521
Delinquent property taxes receivable (Debt Service Fund)	81,251
Total deferred/unearned revenue for governmental funds	\$ 191,761

E. Capital assets

Capital assets activity for the year ended September 30, 2012 was as follows:

	Governmental Activities:				
	Balance 09/30/2011	Additions	Deletions	Transfers and Adjustments	
Capital assets, not being depreciated:					
Land	\$ 960,570	\$ -	\$ -	\$ -	\$ 960,570
Construction in progress	329,533	-	-	-	329,533
Totals, capital assets not being depreciated	1,290,103	-	-	-	1,290,103
Capital assets, being depreciated:					
Land improvements	221,761	-	-	-	221,761
Intangible assets	81,751	-	-	-	81,751
Buildings	7,232,370	38,445	(10,184)	-	7,260,631
System improvements	12,353,991	296,991	-	-	12,650,982
Machinery and equipment	550,833	-	-	-	550,833
Office furniture and equipment	466,096	-	-	-	466,096
Transportation equipment	2,504,507	-	-	-	2,504,507
Totals, capital assets being depreciated	23,411,309	335,436	(10,184)	-	23,736,561
Less: accumulated depreciation for:					
Land and improvements	(41,244)	(9,706)	-	-	(50,950)
Intangible assets	(54,491)	(27,260)	-	-	(81,751)
Buildings	(1,410,379)	(259,844)	10,184	-	(1,660,039)
System Improvements	(9,032,028)	(355,609)	-	-	(9,387,637)
Machinery and equipment	(358,934)	(38,686)	-	-	(397,620)
Office furniture and equipment	(377,590)	(15,824)	-	-	(393,414)
Transportation equipment	(1,666,624)	(163,964)	-	-	(1,830,588)
Total accumulated depreciation	(12,941,290)	(870,893)	10,184	-	(13,801,999)
Total capital assets, being depreciated, net	10,470,019	(535,457)	-	-	9,934,562
Capital assets, net	\$ 11,760,122	\$ (535,457)	\$ -	\$ -	\$ 11,224,665

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Depreciation expense was charged to functions/programs of governmental activities of the primary government as follows:

Governmental Activities	
Public safety	\$ 226,801
Community services	116,635
Public works	395,561
Planning & community development	4,978
General Government	123,081
City maintenance	3,836
Total depreciation expense - governmental activities	<u>\$ 870,893</u>

Business-type activities:

	Balance 09/30/2011	Additions	Deletions	Transfers and Adjustments	Balance 09/30/2012
Capital assets, not being depreciated:					
Land	\$ 678,463	\$ -	\$ -	\$ -	\$ 678,463
Construction in progress	207,456	-	-	-	207,456
Totals, capital assets not being depreciated	<u>885,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>885,919</u>
Capital assets, being depreciated:					
Intangible assets	582,472	49,425	-	-	631,896
Buildings	482,951	-	(12,706)	(134,945)	335,299
System improvements	20,679,140	472,566	-	134,945	21,286,651
Machinery and equipment	770,214	-	-	-	770,214
Office furniture and equipment	227,148	-	-	-	227,148
Transportation equipment	906,452	12,709	-	-	919,161
Totals, capital assets being depreciated	<u>23,648,377</u>	<u>534,700</u>	<u>(12,706)</u>	<u>-</u>	<u>24,170,369</u>
Less: accumulated depreciation for:					
Intangible assets	(45,713)	(26,340)	-	-	(72,053)
Buildings	(134,757)	(15,385)	-	-	(150,142)
System improvements	(11,138,664)	(808,255)	-	-	(11,946,919)
Machinery and equipment	(540,413)	(48,459)	-	-	(588,872)
Office furniture and equipment	(227,148)	-	-	-	(227,148)
Transportation equipment	(557,512)	(73,329)	-	-	(630,841)
Total accumulated depreciation	<u>(12,644,208)</u>	<u>(971,767)</u>	<u>-</u>	<u>-</u>	<u>(13,615,975)</u>
Total capital assets, being depreciated, net	<u>11,004,169</u>	<u>(437,067)</u>	<u>(12,706)</u>	<u>-</u>	<u>10,554,394</u>
Capital assets, net	<u>\$11,890,088</u>	<u>\$ (437,067)</u>	<u>\$ (12,706)</u>	<u>\$ -</u>	<u>\$11,440,313</u>

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Depreciation expense was charged to functions/ programs of business-type activities of the primary government as follows:

Business-type Activities	
Water and sewer	\$ 757,299
Electric	205,931
Municipal airport	8,536
Total depreciation expense - business-type activities	<u>\$ 971,767</u>

	Discrete Component Unit				Balance 09/30/2012
	Balance 09/30/2011	Additions	Deletions	Transfers and Adjustments	
Capital assets, not being depreciated:					
Land	\$ 2,662,736	\$ -	\$ (390,882)	\$ -	\$ 2,271,854
Construction in progress	1,647,420	-	(89,560)	-	1,557,860
Totals, capital assets not being depreciated	<u>4,310,156</u>	-	<u>(480,442)</u>	-	<u>3,829,714</u>
Capital assets, being depreciated:					
Land improvements	442,223	32,510	-	-	474,733
Intangible assets	66,920	-	-	-	66,920
Buildings	385,080	30,695	-	-	415,775
System improvements	108,413	-	-	-	108,413
Office furniture and equipment	16,000	-	-	-	16,000
Totals, capital assets being depreciated	<u>1,018,636</u>	<u>63,205</u>	-	-	<u>1,081,841</u>
Less: accumulated depreciation for:					
Land improvements	(33,827)	(16,345)	-	-	(50,172)
Intangible assets	(20,620)	(8,000)	-	-	(28,620)
Buildings	(25,425)	(12,665)	-	-	(38,090)
System improvements	(27,555)	(5,421)	-	-	(32,976)
Office furniture and equipment	(7,733)	(3,200)	-	-	(10,934)
Total accumulated depreciation	<u>(115,160)</u>	<u>(45,630)</u>	-	-	<u>(160,791)</u>
Total capital assets, being depreciated, net	<u>903,476</u>	<u>17,575</u>	-	-	<u>921,051</u>
Capital assets, net	<u>\$ 5,213,632</u>	<u>\$ 17,575</u>	<u>\$ (480,442)</u>	<u>\$ -</u>	<u>\$ 4,750,765</u>

Depreciation expense was charged to functions/ programs of business-type activities of the primary government as follows:

Discrete Component Unit	
Economic Development	\$ 45,630
Total depreciation expense - discrete component unit	<u>\$ 45,630</u>

F. Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for the purpose of providing coverage against risks that are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide through commercial companies reinsurance contracts. The Pool agrees to handle all liability, property and workers' compensation claims and provide any defense as is necessary. The Pool makes available to the City loss control services to assist the City

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in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The City also carries commercial insurance on other risks of loss. The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the past three years.

G. Long-term liabilities

Long-term debt of the City governmental activities consists of general obligation bonds, certificates of obligation, and accrued compensated absences. Sources of retirement of general obligation bond and certificates of obligation are provided from ad valorem tax. Governmental activities long-term debt is paid by the debt service fund.

Long-term debt of the City business-type activities consists of general obligation bonds, certificates of obligation, and accrued compensated absences. Business-type activities long-term debt is serviced by revenue from the water wastewater, and electric utility systems.

The following is a summary of long-term debt as of September 30, 2012:

Description	September 30, 2011	Additions	Retirements	September 30, 2012	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 10,409,109	\$ -	\$ (625,383)	\$ 9,783,726	\$ 657,065
	10,409,109	-	(625,383)	9,783,726	657,065
Bond premiums/discounts (net)	97,513	-	(6,118)	91,394	6,119
Total bonds payable	10,506,622	-	(631,501)	9,875,120	663,185
Notes payable	3,355,354	-	(3,067,142)	288,212	66,559
Leases payable	83,706	-	(45,871)	37,835	37,835
Compensated absences	138,501	13,321	(26,642)	125,180	12,518
	<u>\$ 14,084,183</u>	<u>\$ 13,321</u>	<u>\$ (3,771,157)</u>	<u>\$ 10,326,347</u>	<u>\$ 780,097</u>

Description	September 30, 2011	Additions	Retirements	September 30, 2012	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 3,455,892	\$ -	\$ (179,617)	\$ 3,276,275	\$ 182,935
Revenue bonds	345,000	3,075,000	(165,000)	3,255,000	180,000
State revolving funds	1,505,000	-	(255,000)	1,250,000	115,000
	5,305,892	3,075,000	(599,617)	7,781,275	477,935
Bond premiums/discounts (net)	22,263	-	(1,391)	20,871	1,391
Total bonds payable	5,328,155	3,075,000	(601,008)	7,802,146	479,326
Notes payable	702,248	250,000	(45,052)	907,196	301,934
Leases payable	250,529	-	(106,047)	144,482	34,519
Compensated absences	24,925	8,326	(11,047)	22,204	2,227
	<u>\$ 6,305,856</u>	<u>\$ 3,333,326</u>	<u>\$ (763,154)</u>	<u>\$ 8,876,028</u>	<u>\$ 818,006</u>

Description	September 30, 2011	Additions	Retirements	September 30, 2012	Due Within One Year
Discrete component unit:					
General obligation bonds	\$ 1,475,455	\$ -	\$ (74,113)	\$ 1,401,341	\$ 77,325
Total bonds payable	1,475,455	-	(74,113)	1,401,341	77,325
Notes payable	1,224,430	-	(160,096)	1,064,334	177,043
	<u>\$ 2,699,885</u>	<u>\$ -</u>	<u>\$ (234,209)</u>	<u>\$ 2,465,675</u>	<u>\$ 254,368</u>

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Compensated absences are paid from the fund out of which an employee is regularly paid – primarily the General Fund, Water and Wastewater Fund, and Electric Fund.

Long-term debt of the City is comprised of the following individual issues at September 30, 2012:

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Governmental Activities	Business-type Activities
GENERAL OBLIGATION BONDS							
Infrastructure	\$ 2,535,000	1999	2019	\$ 219,000	4.00% - 5.50%	\$ 1,210,000	\$ -
Infrastructure	1,200,000	2001	2021	83,000	1.40% - 3.75%	-	630,000
Law Enforcement & infrastructure	3,040,000	2005	2025	216,000	3.00% - 4.75%	2,300,000	-
Parks & street infrastructure	1,525,000	2006	2021	149,000	4.53%	1,085,000	-
Parks & infrastructure	4,800,000	2008	2032	234,000	4.00% - 4.10%	2,583,622	1,696,378
Refunding	4,085,000	2008	2028	315,800	2.625% - 4.00%	2,605,104	949,897
Infrastructure	2,200,000	1993	2013	24,000	3.90% - 4.85%	-	180,000
Infrastructure	2,365,000	2003	2023	139,000	0.30% - 2.35%	-	1,250,000
Refunding	3,075,000	2011	2032	26,000	5.50%	-	3,075,000
						<u>9,783,726</u>	<u>7,781,275</u>
NOTES PAYABLE							
Equipment	673,229	2008	2016	85,200	5.50%	288,212	-
Infrastructure	250,000	2012	2013	250,000	3.50%	-	250,000
Land	796,100	2009	2027	72,600	4.00%	-	657,196
						<u>288,212</u>	<u>907,196</u>
LEASES PAYABLE							
Equipment	148,970	2009	2012	39,680	4.39%	37,835	-
Equipment	179,000	2011	2016	34,520	4.00%	-	144,482
						<u>37,835</u>	<u>144,482</u>

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

The annual debt service requirements to maturity for the general obligation bonds, and certificates of obligation are as follows:

General Obligation Bonds:

Year Ended September 30	<i>Governmental Activities</i>		<i>Business-type Activities</i>	
	Principal	Interest	Principal	Interest
2013	\$ 657,065	\$ 408,329	\$ 477,935	\$ 329,791
2014	686,076	379,867	403,925	312,641
2015	716,422	351,527	418,578	298,413
2016	745,432	321,912	429,568	283,408
2017	778,797	290,620	456,204	267,703
2018 - 2022	3,452,017	1,042,291	2,377,983	1,068,414
2023 - 2027	1,841,166	388,463	1,503,835	655,689
2028 - 2032	906,752	108,904	1,713,248	264,421
Total	\$ 9,783,726	\$ 3,291,912	\$ 7,781,275	\$ 3,480,479

Notes Payable:

Year Ended September 30	<i>Governmental Activities</i>		<i>Business-type Activities</i>	
	Principal	Interest	Principal	Interest
2013	\$ 66,559	\$ 10,123	\$ 301,934	\$ 34,001
2014	75,069	7,184	47,634	23,386
2015	78,127	4,126	49,575	21,445
2016	68,457	1,016	51,540	19,480
2017	-	-	53,694	17,326
2018 - 2022	-	-	303,091	52,009
2023- 2027	-	-	99,727	3,151
Total	\$ 288,212	\$ 22,449	\$ 907,196	\$ 170,797

Leases Payable:

Year Ended September 30	<i>Governmental Activities</i>		<i>Business-type Activities</i>	
	Principal	Interest	Principal	Interest
2013	\$ 37,835	\$ 1,845	\$ 34,519	\$ 25,251
2014	-	-	34,519	-
2015	-	-	34,519	-
2016	-	-	40,924	-
Total	\$ 37,835	\$ 1,845	\$ 144,481	\$ 25,251

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

H. Fund balance

Minimum fund balance policy. The City Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund. The target level is set at 20% of expenditures. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a “revenue” source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level.

The table below shows the purposes for which fund balance has been categorized as nonspendable, restricted, committed, with the remainder unassigned:

	General Fund	Capital Projects Fund	Debt Service Funds	Other Governmental Funds	Total
Fund Balances (Deficit):					
Nonspendable:					
Inventory	\$ 11,717	\$ -	\$ -	\$ -	\$ 11,717
Prepaid items	19	-	-	-	19
Restricted for:					
Debt service	-	-	747,187	-	747,187
Capital Projects	-	-	-	76,368	76,368
Hotel Tax	-	-	-	204,533	204,533
Municipal Court Security	-	-	-	49,905	49,905
Municipal Court Technology	-	-	-	33,905	33,905
Donations	-	-	-	10,181	10,181
Recreation	-	-	-	106,823	106,823
Main Street	-	-	-	6,263	6,263
Committed to:					
Capital Projects	-	591,000	-	-	591,000
Unassigned:	<u>2,756,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,756,872</u>
	<u>\$ 2,768,608</u>	<u>\$ 591,000</u>	<u>\$ 747,187</u>	<u>\$ 487,978</u>	<u>\$ 4,594,773</u>

IV. OTHER INFORMATION

A. Employee retirement systems and pension plans

The City participates in the Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide 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 the TMRS website at www.tmr.com.

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate:	7%	7%	7%
Matching ratio (employer to employee):	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100%, Repeating, Transfers	100%, Repeating, Transfers	100%, Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating	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 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 repeated 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 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 is the basis for the rate and the calendar year when the rate goes into effect.

Annual pension cost (APC) and Net pension asset (NPA)

The City's APC and NPA are as follows:

Applicable payroll by month for fiscal year	\$ 2,842,932
PY% ARC (Full retirement rate)	11.31%
Annual Required Contribution (ARC)	321,536
Interest on Net Pension Obligation	14,132
Adjustment to the ARC	-
Annual Pension Cost:	<u>335,668</u>
Contributions Made	<u>(287,597)</u>
Increase (Decrease) in Net Pension Obligation	48,071
Net Pension Obligation (Asset) , Beginning of Year	<u>188,429</u>
Net Pension Obligation (Asset) , End of Year	<u><u>\$ 236,500</u></u>

The City's APC, percentage of APC contributed, and NPA for the plan for the current year and each of the two preceding years were as follows:

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost/(APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2012	\$ 335,668	\$ 287,597	86%	\$ 236,500
2011	\$ 340,493	\$ 263,480	77%	\$ 188,430
2010	\$ 370,024	\$ 303,667	82%	\$ 111,417

Funded status and funding progress

As of December 31, 2011, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded ALL (UALL)	Covered Payroll	UALL as a Percentage of Covered Payroll
12/31/2011	\$ 6,186,172	\$ 8,622,323	71.7%	\$ 2,436,151	\$ 2,918,756	83.5%

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

The ARC for fiscal year 2012 was determined as part of the December 31, 2009 and 2010 actuarial valuations.

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit Level Percent of Payroll	Projected Unit Credit Level Percent of Payroll	Projected Unit Credit Level Percent of Payroll
Amortization Method	28.1 years; closed period	27.5 years; closed period	26.5 years; closed period
Remaining Amortization Period	10-year Smoothed	10-year Smoothed	10-year Smoothed
Asset Valuation Method	Market	Market	Market
Amortization Period for New Gains/Losses	30 Years	30 Years	30 Years
Actuarial Assumptions:			
Investment Rate of Return	7.5%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Actuarial Assumptions:			
Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Assumptions	2.1%	2.1%	2.1%

B. Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

As a debt issuer, the City is subject to Federal arbitrage regulations and periodically determines its compliance and returns excess interest earned on bond proceeds, if necessary.

C. Reclassification/Restatement

Prior year financial statements have been restated to reflect corrections to the accounts for the following:

1. Governmental Activities:
 - a. Operating expenses were over accrued in both the General Fund and Internal Service Fund due to an invoice erroneously dated in fiscal year 2011.
2. Business-Type Activities:
 - a. Operating expenses were over accrued in the following funds, Water and Wastewater Fund, Electric Fund and Airport Fund, due to an invoice erroneously dated in fiscal year 2011.
 - b. Interest expense was overstated in the Water and Wastewater Fund and Electric Fund due to bond premium and discounts not being recorded at time of issuance of debt.
3. Component Unit:
 - a. Notes payable was restated for the imputed interest on all notes payable.
 - b. Operating expenses were over accrued in the Economic Development Fund due to an invoice erroneously dated in fiscal year 2011.

The effect on the financial statements for the year ended September 2011 follows:

	Governmental Activities	Business - Type Activities	Component Unit
Net assets at September 30, 2011, as previously report	\$ 1,432,998	\$ 6,771,873	\$ 3,143,800
Restatement	18,113	4,906	(402,216)
Net assets at September 30, 2011, restated	\$ 1,451,111	\$ 6,776,779	\$ 2,741,584

D. Special Item inflows and outflows

On December 28, 2011, the City of Bridgeport issued Revenue Bonds in the amount of \$3,075,000 to restructure the debt associated with the Doctor's Hospital (Hospital) Line of Credit held at Compass Bank. Since fiscal year 2010 the City had been paying the interest payments to Compass Bank on behalf of the Hospital at 5% interest monthly. In fiscal year 2011 the City added a \$3 million note payable to the General Fund's balance sheet as this was due in full in January 2012. After working with the Texas Attorney General's Office, it was determined that the City would be issuing water and sewer revenue bonds rather than certificates of obligation backed by property taxes.

CITY OF BRIDGEPORT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
Special item inflow	\$ 3,000,000	-
Special item outflow	-	(3,000,000)
Net special item inflow (outflow)	<u>\$ 3,000,000</u>	<u>\$ (3,000,000)</u>

E. Subsequent events

On October 15, 2012, the City of Bridgeport received \$2,670,000 certificates of obligation bonds to fund the new automated metering infrastructure for both water and electric utility services. The interest rate on the bonds is a scale of 1.0 percent up to 3.5 percent and the maturity date is August 15, 2031.

On October 15, 2012, the City of Bridgeport refunded \$2,955,000 general obligation bonds to refund existing obligations Series 1999, Series 2001, and Series 2006 which originally funded infrastructure for our water and sewer utilities and street infrastructure. The interest rate on the bonds is a scale of 2.0 percent up to 2.5 percent and the maturity date is August 15, 2021. The net present value savings from the refunding was \$260,026.

Required Supplementary Information

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City of Bridgeport, Texas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 910,351	\$ 910,351	\$ 889,979	\$ (20,372)
Sales	1,577,400	1,759,295	2,228,127	468,832
Franchise	767,235	742,303	769,320	27,017
Liquor	6,000	6,000	3,235	(2,765)
Charges for services	126,350	126,350	137,981	11,631
Licenses, permits and fees	28,250	28,250	17,394	(10,856)
Grants	47,277	47,277	46,530	(747)
Court fines	283,250	283,250	247,975	(35,275)
Rentals	75,996	75,996	75,996	-
Interest revenue	2,000	2,000	7,719	5,719
Miscellaneous	17,050	17,050	44,031	26,981
Total revenues	<u>3,841,159</u>	<u>3,998,122</u>	<u>4,468,287</u>	<u>470,165</u>
EXPENDITURES				
Current:				
General government	953,866	960,086	867,988	92,098
Public safety	1,930,983	1,982,441	1,991,340	(8,899)
Highways and streets	449,873	452,298	297,152	155,146
Development services	76,234	77,145	78,317	(1,172)
Culture and recreation	604,960	567,176	573,094	(5,918)
Debt Service:				
Principal	114,255	114,255	113,012	1,243
Interest expense	16,508	16,508	58,826	(42,318)
Total expenditures	<u>4,146,679</u>	<u>4,169,909</u>	<u>3,979,730</u>	<u>190,179</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(305,520)</u>	<u>(171,787)</u>	<u>488,557</u>	<u>660,344</u>
SPECIAL ITEMS AND TRANSFERS				
Special item inflow	-	-	3,000,000	3,000,000
Transfers in	468,714	468,714	487,050	18,336
Transfers out	<u>(44,989)</u>	<u>(130,961)</u>	<u>(127,830)</u>	<u>3,131</u>
Total other financing sources and uses	<u>423,725</u>	<u>337,753</u>	<u>3,359,220</u>	<u>3,021,467</u>
Net change in fund balances	118,205	165,966	3,847,777	3,681,811
Fund balances - beginning	(1,088,225)	(1,088,225)	(1,088,225)	-
Prior period adjustment	9,056	9,056	9,056	
Fund balances - ending	<u>\$ (960,964)</u>	<u>\$ (913,203)</u>	<u>\$ 2,768,608</u>	<u>\$ 3,681,811</u>

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

Stewardship, Compliance, and Accountability

I. Budgetary Information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the legal level of control is at the fund level.
4. Budgeted amounts are as originally adopted or as amended by the City Council or management. During the year the additional appropriations were submitted as budget amendments and approved by the City Council.
5. Capital Project funds were not budgeted. Since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.
6. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain Special Revenue Funds, and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the following funds:

General Fund

Special Revenue Funds:

- Hotel-Motel Tax Fund
- Municipal Court Security Fund
- Municipal Court Technology Fund
- Cemetery Fund
- Recreation Fund

Debt Service Fund

II. Employee Retirement Plan - three year schedule of funding progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded ALL (UALL)</u>	<u>Covered Payroll</u>	<u>UALL as a Percentage of Covered Payroll</u>
12/31/2011	\$ 6,186,172	\$ 8,622,323	71.7%	\$ 2,436,151	\$ 2,918,756	83.5%
12/31/2010	\$ 5,598,362	\$ 7,973,428	70.2%	\$ 2,375,066	\$ 3,306,292	71.8%
12/31/2009	\$ 4,081,096	\$ 6,006,384	67.9%	\$ 1,925,288	\$ 4,012,306	48.0%

City of Bridgeport, Texas
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2012

	Special		
	<u>Hotel/Motel Tax</u>	<u>Donations</u>	<u>Court Technology/ Security</u>
ASSETS			
Cash and cash equivalents	\$ 180,597	\$ -	\$ 84,325
Accounts receivable, net	26,549	-	-
Due from other funds	-	-	-
Restricted:			
Cash and cash equivalents	-	10,291	-
Total assets	<u>\$ 207,146</u>	<u>\$ 10,291</u>	<u>\$ 84,325</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and other current liabilities	\$ 2,613	\$ -	\$ -
Accrued liabilities	-	109	514
Compensated absences	-	-	-
Total liabilities	<u>2,613</u>	<u>109</u>	<u>514</u>
Fund balances:			
Committed to:			
Other purposes	<u>204,533</u>	<u>10,182</u>	<u>83,811</u>
Total fund balances	<u>204,533</u>	<u>10,182</u>	<u>83,811</u>
Total liabilities and fund balances	<u>\$ 207,146</u>	<u>\$ 10,290</u>	<u>\$ 84,325</u>

Revenue Funds

Bridgeport Stage	Cemetery	Recreation	Main Street	TIRZ#1	Total Non-Major Governmental Funds
\$ 26,751	\$ 29,321	\$ 54,560	\$ 6,261	\$ 76,368	\$ 458,184
-	-	-	-	-	26,549
-	-	-	-	-	-
-	-	-	-	-	10,291
<u>\$ 26,751</u>	<u>\$ 29,321</u>	<u>\$ 54,560</u>	<u>\$ 6,261</u>	<u>\$ 76,368</u>	<u>\$ 495,024</u>
\$ 19	\$ -	\$ 258	\$ -	\$ -	2,891
934	-	2,598	-	-	4,155
-	-	-	-	-	-
<u>953</u>	<u>-</u>	<u>2,856</u>	<u>-</u>	<u>-</u>	<u>7,046</u>
25,798	29,321	51,704	6,261	76,368	487,978
25,798	29,321	51,704	6,261	76,368	487,978
<u>\$ 26,751</u>	<u>\$ 29,321</u>	<u>\$ 54,560</u>	<u>\$ 6,261</u>	<u>\$ 76,368</u>	<u>\$ 495,024</u>

City of Bridgeport, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended September 30, 2012

	Special		
	<u>Hotel/Motel Tax</u>	<u>Donations</u>	<u>Court Technology/ Security</u>
REVENUES			
Taxes-hotel/motel	\$ 122,538	\$ -	\$ -
Charges for services	-	-	-
Court fines	-	-	19,336
Donations	-	10,654	-
Rents	-	-	-
Interest revenue	-	7	-
Miscellaneous	-	-	-
Total revenues	<u>122,538</u>	<u>10,661</u>	<u>19,336</u>
EXPENDITURES			
Current:			
General government	81,114	-	-
Public safety	-	1,479	7,999
Development services	-	-	-
Culture and recreation	-	13,134	-
Total expenditures	<u>81,114</u>	<u>14,613</u>	<u>7,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41,424</u>	<u>(3,952)</u>	<u>11,337</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(11,204)</u>	-	<u>(6,599)</u>
Total other financing sources and uses	<u>(11,204)</u>	-	<u>(6,599)</u>
Net change in fund balances	30,220	(3,952)	4,738
Fund balances - beginning	174,313	14,134	79,072
Fund balances - ending	<u>\$ 204,533</u>	<u>\$ 10,182</u>	<u>\$ 83,810</u>

Revenue Funds

<u>Bridgeport Stage</u>	<u>Cemetery</u>	<u>Recreation</u>	<u>Main Street</u>	<u>TIRZ#1</u>	<u>Total Non-Major Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,538
-	18,300	160,943	-	-	179,243
-	-	-	-	-	19,336
-	-	-	405	-	11,059
1,340	-	17,650	-	-	18,990
-	-	-	-	-	7
-	-	-	-	14,857	14,857
<u>1,340</u>	<u>18,300</u>	<u>178,593</u>	<u>405</u>	<u>14,857</u>	<u>366,030</u>
-	12,720	-	-	-	93,834
-	-	-	-	-	9,478
-	-	-	-	-	-
8,025	-	167,007	-	-	188,165
<u>8,025</u>	<u>12,720</u>	<u>167,007</u>	<u>-</u>	<u>-</u>	<u>291,477</u>
<u>(6,685)</u>	<u>5,580</u>	<u>11,586</u>	<u>405</u>	<u>14,857</u>	<u>74,553</u>
<u>11,204</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(21,599)</u>
<u>11,204</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(21,599)</u>
4,519	5,580	(3,414)	405	14,857	52,954
21,279	23,741	55,118	5,856	61,511	435,024
<u>\$ 25,798</u>	<u>\$ 29,321</u>	<u>\$ 51,704</u>	<u>\$ 6,261</u>	<u>\$ 76,368</u>	<u>\$ 487,978</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes -				
Hotel/motel taxes	\$ 80,000	\$ 80,000	\$ 122,538	\$ 42,538
Donations	-	-	-	-
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>122,538</u>	<u>42,538</u>
EXPENDITURES				
Current-general government	82,000	82,000	81,114	886
Total expenditures	<u>82,000</u>	<u>82,000</u>	<u>81,114</u>	<u>886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,000)</u>	<u>(2,000)</u>	<u>41,424</u>	<u>43,424</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(11,204)	(11,204)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(11,204)</u>	<u>(11,204)</u>
Net change in fund balances	<u>(2,000)</u>	<u>(2,000)</u>	<u>30,220</u>	<u>32,220</u>
Fund balances - beginning	174,313	174,313	174,313	(0)
Fund balances - ending	<u>\$ 172,313</u>	<u>\$ 172,313</u>	<u>\$ 204,533</u>	<u>\$ 32,220</u>

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Court fines	\$ 27,000	\$ 27,000	\$ 19,336	\$ (7,664)
Total revenues	<u>27,000</u>	<u>27,000</u>	<u>19,336</u>	<u>(7,664)</u>
EXPENDITURES				
Current-public safety	13,807	15,257	7,999	7,258
Total expenditures	<u>13,807</u>	<u>15,257</u>	<u>7,999</u>	<u>7,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,193</u>	<u>11,743</u>	<u>11,337</u>	<u>(406)</u>
OTHER FINANCING SOURCES (USES)				
Interest revenue	-	-	-	-
Transfers	-	-	(6,599)	(6,599)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(6,599)</u>	<u>(6,599)</u>
Net change in fund balances	13,193	11,743	4,738	(7,005)
Fund balances - beginning	79,072	79,072	79,072	-
Fund balances - ending	<u>\$ 92,265</u>	<u>\$ 90,815</u>	<u>\$ 83,810</u>	<u>\$ (7,005)</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges and services	\$ 400	\$ 400	\$ -	\$ (400)
Donations	4,500	4,500	1,340	(3,160)
Total revenues	<u>4,900</u>	<u>4,900</u>	<u>1,340</u>	<u>(3,560)</u>
EXPENDITURES				
Current-culture and recreation	8,200	8,200	8,025	175
Total expenditures	<u>8,200</u>	<u>8,200</u>	<u>8,025</u>	<u>175</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,795)</u>	<u>(3,300)</u>	<u>(6,685)</u>	<u>(3,385)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,204	11,204
Transfers out	<u>(2,459)</u>	<u>(2,476)</u>	<u>-</u>	<u>2,476</u>
Total other financing sources and uses	<u>(2,459)</u>	<u>(2,476)</u>	<u>11,204</u>	<u>13,680</u>
Net change in fund balances	<u>(12,254)</u>	<u>(5,776)</u>	<u>4,519</u>	<u>10,295</u>
Fund balances - beginning	21,279	21,279	21,279	-
Fund balances - ending	<u>\$ 9,025</u>	<u>\$ 15,503</u>	<u>\$ 25,798</u>	<u>\$ 10,295</u>

City of Bridgeport, Texas
Special Revenue Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges and services	\$ 10,000	\$ 10,000	\$ 18,300	\$ 8,300
Donations	-	-	-	-
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>18,300</u>	<u>8,300</u>
EXPENDITURES				
Current-general government	13,500	13,500	12,720	780
Capital outlay -				
Total expenditures	<u>13,500</u>	<u>13,500</u>	<u>12,720</u>	<u>780</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,500)</u>	<u>(3,500)</u>	<u>5,580</u>	<u>9,080</u>
Net change in fund balances	(3,500)	(3,500)	5,580	9,080
Fund balances - beginning	23,741	23,741	23,741	-
Fund balances - ending	<u>\$ 20,241</u>	<u>\$ 20,241</u>	<u>\$ 29,321</u>	<u>\$ 9,080</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges and services	\$ 218,015	\$ 218,015	\$ 160,943	\$ (57,072)
Rents	-	-	17,650	17,650
Total revenues	<u>218,015</u>	<u>218,015</u>	<u>178,593</u>	<u>(39,422)</u>
EXPENDITURES				
Current-culture and recreation	196,583	199,583	167,007	32,575
Total expenditures	<u>196,583</u>	<u>199,583</u>	<u>167,007</u>	<u>32,575</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,432</u>	<u>18,432</u>	<u>11,586</u>	<u>(6,846)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Transfer out	<u>(17,459)</u>	<u>(17,476)</u>	<u>(15,000)</u>	<u>2,476</u>
Total other financing sources and uses	<u>(17,459)</u>	<u>(17,476)</u>	<u>(15,000)</u>	<u>2,476</u>
Net change in fund balances	3,973	956	(3,414)	(4,370)
Fund balances - beginning	55,118	55,118	55,118	-
Fund balances - ending	<u>\$ 59,091</u>	<u>\$ 56,074</u>	<u>\$ 51,704</u>	<u>\$ (4,370)</u>

City of Bridgeport, Texas
Special Revenue Main Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Donations	\$ 1,000	\$ 1,000	\$ 405	\$ (595)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>405</u>	<u>(595)</u>
EXPENDITURES				
Current -				
Culture and recreation	2,500	2,500	-	2,500
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,500)</u>	<u>(1,500)</u>	<u>405</u>	<u>1,905</u>
Net change in fund balances	1,000	1,000	405	4,405
Fund balances - beginning	5,856	5,856	5,856	-
Fund balances - ending	<u>\$ 4,356</u>	<u>\$ 4,356</u>	<u>\$ 6,261</u>	<u>\$ 1,905</u>

City of Bridgeport, Texas
 Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes -				
property	\$ 1,278,922	\$ 1,278,922	\$ 1,267,386	\$ (11,536)
Interest revenue	3,400	3,400	3,770	370
Total revenues	<u>1,282,322</u>	<u>1,282,322</u>	<u>1,271,156</u>	<u>(11,166)</u>
EXPENDITURES				
Debt service:				
Principal	700,383	700,383	625,383	75,000
Interest	589,243	589,243	437,074	152,169
Administrative charges	1,000	1,000	46	954
Total expenditures	<u>1,290,626</u>	<u>1,290,626</u>	<u>1,062,503</u>	<u>228,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,304)</u>	<u>(8,304)</u>	<u>208,653</u>	<u>216,957</u>
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	8,483	8,483	33,483	25,000
Total other financing sources and uses	<u>8,483</u>	<u>8,483</u>	<u>33,483</u>	<u>25,000</u>
Net change in fund balances	179	179	242,136	241,957
Fund balances - beginning	505,051	505,051	505,051	-
Fund balances - ending	<u>\$ 505,230</u>	<u>\$ 505,230</u>	<u>\$ 747,187</u>	<u>\$ 241,957</u>

Bridgeport Economic Development Corporation
Balance Sheet
Governmental Funds
September 30, 2012

	<u>EDC General Fund</u>
ASSETS	
Cash	\$ 1,045,576
Sales tax receivable	189,611
Total assets	<u>\$ 1,235,186</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 331
Accrued liabilities	5,373
Advance from primary government	500,000
Total liabilities	<u>505,703</u>
Fund balances:	
Unreserved	<u>729,483</u>
Total fund balance	<u>729,483</u>
Total liabilities and fund balance	<u>\$ 1,235,186</u>

Bridgeport Economic Development Corporation
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2012

Net change in fund balance	\$	729,483
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.		4,750,765
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(2,477,761)
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.		37,156
Net assets of governmental activities	<u>\$</u>	<u>3,039,643</u>

Bridgeport Economic Development Corporation
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Governmental Funds
Year Ended September 30, 2012

	<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	\$ 751,966	\$ 751,966	\$ 1,138,531	\$ (386,565)
Other revenue	11,400	11,400	17,441	(6,041)
Other financing sources	1,000	1,000	3,804	(2,804)
Total revenues	<u>764,366</u>	<u>764,366</u>	<u>1,159,776</u>	<u>(395,410)</u>
EXPENDITURES				
Current:				
Salaries and benefits	130,139	130,139	134,288	(4,149)
Supplies	17,550	17,550	15,824	1,726
Maintenance of buildings and equipment	17,598	17,598	46,471	(28,873)
Contractual services	186,098	186,098	220,028	(33,930)
Economic incentive grants	12,000	12,000	12,894	(894)
Debt service:				
Principal	236,685	236,685	295,068	(58,383)
Interest	72,200	72,200	109,099	(36,899)
Capital outlay	355,725	355,725	218,584	137,141
Total expenditures	<u>1,027,995</u>	<u>1,027,995</u>	<u>1,052,257</u>	<u>(24,263)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(263,629)</u>	<u>(263,629)</u>	<u>107,519</u>	<u>(371,146)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,000	-	300,000
Total other financing sources and uses	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Net change in fund balances	36,371	36,371	107,519	(71,145)
Fund balances - beginning	621,964	621,964	621,964	-
Fund balances - ending	<u>\$ 658,335</u>	<u>\$ 658,335</u>	<u>\$ 729,483</u>	<u>\$ (71,145)</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, 2012

Net increase (decrease) in fund balances - total governmental funds	\$ 107,519
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.	(54,494)
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 items.	245,068
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.	(34)
Net increase in net assets of governmental activities	<u>\$ 298,059</u>