



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2016



CITY OF EL CAMPO, TEXAS

CITY OF EL CAMPO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Courtney Sladek
Director of Finance

Mindi R. Snyder
City Manager

Issued by:
Finance Department

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CITY OF EL CAMPO, TEXAS

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INTRODUCTORY SECTION

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April 27, 2017

The Honorable Mayor, Members of
the City Council, and Citizens of
the City of El Campo, Texas

The Comprehensive Annual Financial Report of the City of El Campo, Texas, hereinafter referred to as the "City", for the fiscal year ended September 30, 2016, is hereby submitted. It is published to provide to the City Council, to representatives of financial institutions, and to our citizens and other interested persons, detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

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

CITY PROFILE

The City has a home-rule Council-Manager form of government. The elected body is made up of a mayor and six City Council members. The Mayor and City Council members are all elected for staggered two-year terms. The City Manager is appointed by the City Council and is responsible for implementation of City Council policy and all day-to-day operations of the City.

The City Council appoints many residents, who have volunteered their expertise, experience, and time to serve on various boards and commissions. These standing boards and commissions make recommendations relative to special projects.

A full range of municipal services is provided by the City including public safety (police, fire protection, and emergency medical services); water and wastewater services; public improvements; repair and maintenance of infrastructure; recreational and community activities; planning and zoning; and general administrative services. This report includes all funds of the City government. The financial statements of the City Development Corporation of El Campo, Inc. and the El Campo Volunteer Fire Department are also reported herein as discretely presented component units of the City based upon standards established by the Governmental Accounting Standards Board (see Note 1 to the financial statements).

The Honorable Mayor, Members of
the City Council, and Citizens of
the City of El Campo, Texas

ECONOMIC CONDITION AND OUTLOOK

The City is located in the gulf coast region of southeast Texas and is the largest City in Wharton County with an estimated population of 11,602. It is located on U.S. Highway 59 and State Highway 71, approximately 72 miles southwest of Houston. U.S. Highway 59 is one of the major transportation arteries that ties the United States to Mexico and it is currently being studied for conversion to an interstate highway that would link Canada to Mexico.

One of the economy's mainstays is agriculture. Wharton County has consistently ranked as one of the largest rice producing counties in the state and nation. Several major regional agricultural facilities are located in the City, including operations for product storage, milling, transportation, and marketing as well as two farm cooperatives that provide direct sales, service and marketing assistance to area farmers. Oil and gas production is also an important contributor to the local economy and in recent years the aquaculture industry has become an important factor as well.

El Campo population and economy remains fairly stable. This has a direct impact on the resources available to the City to provide services to the community. Indicators of growth include population increases, building activity, unemployment rate, ad valorem tax revenues, and sales tax revenues.

Revenue growth appears equal to the costs of maintaining the current service levels throughout the City; however, the margin is much smaller than in prior years. Staff continues to monitor various indicators of economic and fiscal health of the community. Monitoring is also done in order to better respond to economic conditions that may indicate a weakening in the local economy. Any such weakening could adversely affect the fiscal health of the City. If the economy does have an adverse effect on the City's fiscal health, choices on revenues and expenditures will have to be made to address the impact. This approach is important to ensure that any slow down in growth, or change in economic conditions does not adversely affect the financial position of the City.

The City must continue to work with its partners, notably the City Development Corporation, Wharton County, the School District and EC Chamber and Non-Profit Organizations to move the community forward and make the Mission Statement a reality for El Campo. We need to collaborate to ensure that we are providing the best services that we can for the entire community and not duplicating efforts but rather assisting each other where we can make a difference for the greater good of the community.

The City still maintains fund balance reserves at levels that allow for capital projects to be addressed. The City Council has continued the policy that excess Fund Balance above 3 months of operations should be designated for capital.

MAJOR INITIATIVES

In developing the FY16-17 budget, we focused on the goals and objectives for the City of El Campo. Department heads were asked to assess the needs, goals and achievements of each Department.

For the past several years, the City has initiated and completed many public improvements and maintained adequate resources to provide a wide variety of services for the citizens. The challenge of maintaining the quality of life in the City continues to be a top priority as well as focusing on our infrastructure needs now and for the future such as planning for the I-69 Corridor improvements.

The City has made a significant investment in the employees and continues to try to motivate them to provide excellent customer service. As our main expenditure, personnel is what drives our service level and the more that we can do to create a unified team, the more that we can do to provide service at the level that our citizens deserve.

The Honorable Mayor, Members of
the City Council, and Citizens of
the City of El Campo, Texas

As we have reached the later years in the Comprehensive Plan that was prepared as the 2020 Vision, we will begin to look at updating that for the future course that this community should take. The major concern over the next 3-5 years will be our ability or inability to properly fund upkeep and maintenance of our infrastructure and City facilities at a time when limited funds are available, while trying to fund our basic services.

The progress in the community can be seen with the projects that have been taken on such as the West Loop Park and the West Norris Street rebuild. Extreme conservatism has allowed the City to build reserves to be utilized for one-time purchases and that practice is continued. The economy has continued to be in a slow growth mode and that is reflected. Additionally, we are avoiding short-term thinking.

Achievements in FY15-16:

The following were goals of the FY15-16 Adopted Budget: comprehensive approach to City's infrastructure, focus on economic development, quality of life and internal capacity defined as increasing the capacity of staff and facilities to serve the public.

1. Comprehensive Approach to City's Infrastructure

Utilities

Systematic replacement of sewer lines through CDBG funding, applied for TWDB planning funds to replace original 1905 Water Line on Mechanic Street as well as improvements to the Wastewater Treatment Plant to allow us to utilize reuse, employed remote monitoring flow meters

Roads

I69/US loop frontage road projects in planning stages, completed inventory and assessment of existing roads, continued rehabilitation of high traffic roadways with Norris St. and Divide St., continued strip paving of existing gravel roads within City limits and seal coat program

Drainage

Continued Tres Palacios Drainage Project, completed plan for Blue Creek Water Shed, completed plan for Town and Country Area, implemented new development standards regarding retention/detention

2. Economic Development

Downtown Revitalization

Focused on downtown as a destination that will attract residents and tourists and began formation of Downtown Association

Involve all stakeholders in developing an Economic Development Strategy

Conducted a Planning Retreat with Council/CDC/Chamber/ECISD to ensure all are on the same page

Housing Stock

Marketed land availability to developers

3. Quality of Life

Parks and Recreation

Develop/Implement Parks Plan that address; maintenance, overall upgrade and specific attention on how to increase public participation, completed master plan and applied for grant funding for connectivity of parks-hike/bike trails

Housing Stock

The Honorable Mayor, Members of
the City Council, and Citizens of
the City of El Campo, Texas

The Council acknowledges that housing is a quality of life concern as well as economic development

Safe Community

Continued effective public safety initiatives such as National Night Out and Community Service Officer presentations.

4. Internal Capacity defined as increasing the capacity of staff and facilities to serve the public

Staffing

Develop/Implement total compensation system that attracts and retains talented/skilled personnel, invested in training and development of the workforce, invested specifically in Leadership Development for staff in supervisory/management roles

El Campo, the next five years, goals for FY16-17 and beyond:

In 2016, the City hosted its annual Strategic Planning retreat with Council and the management staff. Several priorities were identified in the retreat. Listed below are goals and short and long term objectives. Also included are budget action items that address these goals and objectives.

Infrastructure

The Council, with input from staff, discussed how the aging infrastructure of the City is a priority. They also discussed the need for additional revenue to keep up with infrastructure needs.

Citywide Revitalization

The Council, with staff input, discussed how to enforce liens and other fines for code enforcement violations. They identified several properties to focus their efforts: 1. Theater, 2. Finkelstein, 3. Foremost, and as an alternative, the Old School. They also determined the need to understand options for mowing private property, including the potential necessity of working with the Legislature.

Public Safety

The Council, with staff input, discussed how all the public safety departments – Fire, EMS, and Police – were above standard and exceeding expectations. They also recognized the new public safety building as a great asset to the workforce and community. Additionally, they discussed how an increase in transfers to the local hospital has affected revenue. Their recommendations, for this topic, included: 1. Creating a Council Committee to aide staff in speaking with the Hospital, 2. Meeting with the Hospital's Operating Board, 3. Researching a Formal Cadet Program while working with the 100 Club.

Inter-local Communication

The Council expressed that relationships with other taxing entities were good. However, they would like to improve their partnership with the El Campo School District. It was expressed that they desired to build upon current efforts to strengthen that relationship for more effective communication between their entities and to the public.

FINANCIAL INFORMATION

The financial statements have been prepared in accordance with GAAP as prescribed by the Governmental Accounting Standards Board.

Internal accounting controls are established by management to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. As well, they are designed to provide reasonable assurance as to the reliability of financial records for

The Honorable Mayor, Members of
the City Council, and Citizens of
the City of El Campo, Texas

preparing financial statements and are employed to help maintain accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived and the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, Debt Service Fund, Utility Fund, and EMS Fund are included in this document in their annual appropriated amounts.

INDEPENDENT AUDIT

This report is prepared in compliance with the legal requirements set forth by Article 3.10 of the Charter of the City of El Campo, Texas, as amended. In addition to fulfilling this legal requirement, this report serves to fully disclose financial data on an annual basis to management, the elected City Council and Mayor, the public, investors, and other interested persons. The firm of Patillo, Brown and Hill L.L.P., Certified Public Accountants, was engaged by the City to satisfy this requirement.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of El Campo, Texas, for its comprehensive annual financial report for the year ended September 30, 2015. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

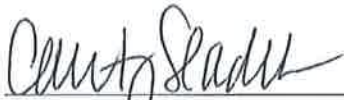
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

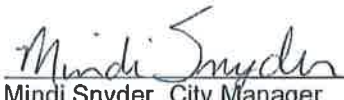
ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated services of the staff of the Finance Department of the City. We would also like to thank the Mayor and Members of City Council for their interest and support in planning and conducting the financial operations of the City in a progressive and responsible manner.

Respectfully,



Courtney Sladek, Director of Finance



Mindi Snyder, City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

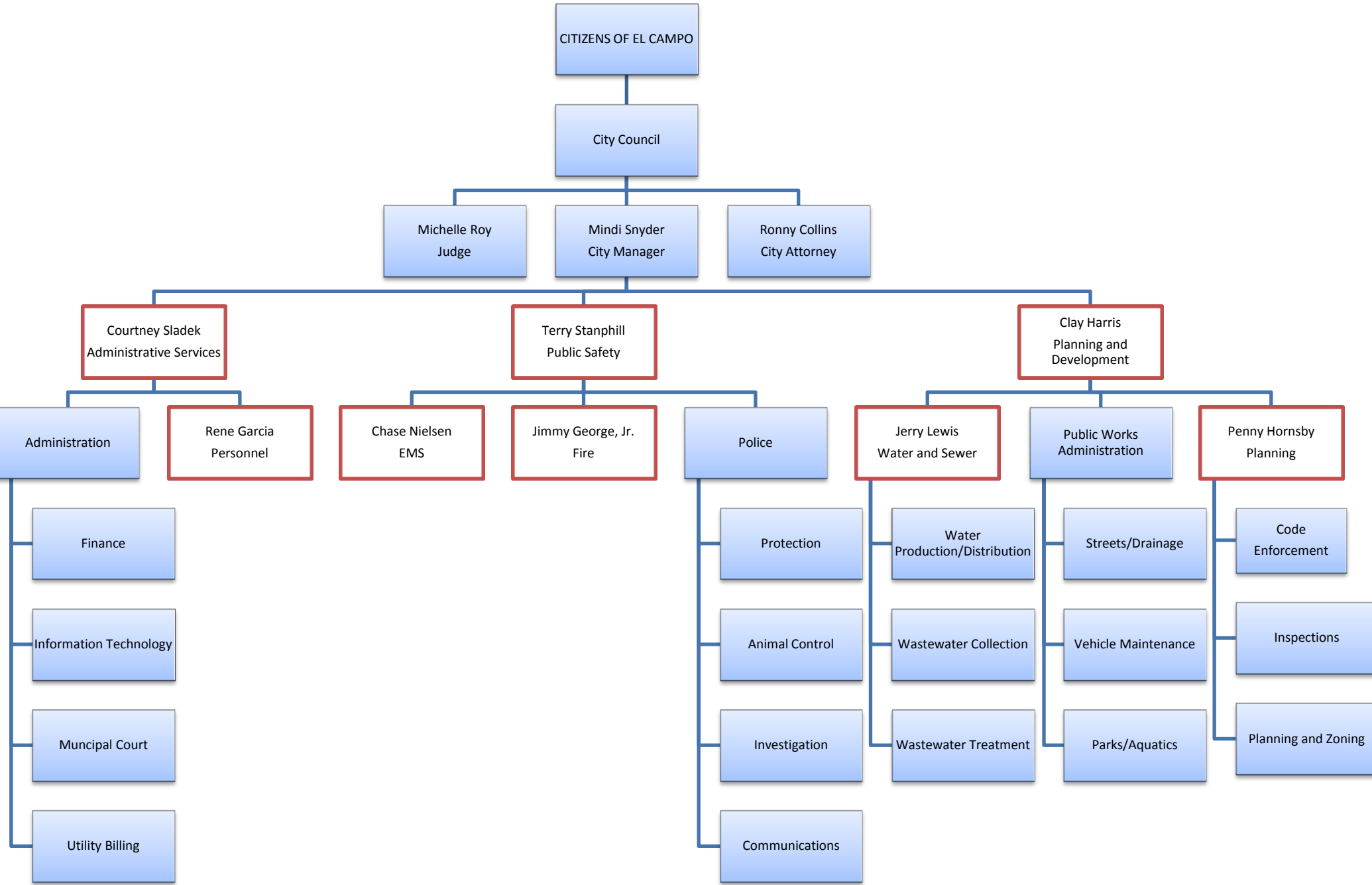
Presented to

**City of El Campo
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



CITY OF EL CAMPO, TEXAS
DIRECTORY OF PRINCIPAL OFFICIALS

September 30, 2016

City Officials

Elective Position

Randy Collins

Mayor

Richard Young

Mayor Pro-Tem

Steve Ward

Council Member

Gloria Harris

Council Member

Edgar Erwin

Council Member

Tommy Hitzfeld

Council Member

Anisa Vasquez

Council Member

Key Staff

Appointive Positions

Mindi R. Snyder

City Manager

Ronald B. Collins

City Attorney

Courtney Sladek

Director of Finance

FINANCIAL SECTION

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Council
City of El Campo, Texas

Report on the Financial Statements

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 El Campo, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Campo, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund, Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Employer Contributions 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 24, 2017

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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CITY OF EL CAMPO, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2016

As management of the City of El Campo, Texas (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, 2016.

FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2016, by \$23,940,977. Of this amount, \$2,223,917 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was \$16,290,408 for the fiscal year. The net expense was (\$6,577,106).
- The City's net expenses exceeded general revenues of the governmental activities by \$1,866,328. This represents a 13% decrease in net position from the previous fiscal year as a result of operations.
- The City's change in net position for business-type activities increased net position by \$2,721,496.
- At September 30, 2016, the City's governmental funds reported combined ending fund balances of \$6,331,610, a net decrease of \$4,199,545 in comparison with the prior year.
- At September 30, 2016, unassigned fund balance for the General Fund was \$2,477,112 or 29% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 4) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 (i.e. uncollected taxes and earned but unused vacation leave).

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 general government, public safety, public works, parks and recreation, and interest on long-term debt. The business-type activities of the City include utilities and emergency medical services.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of the City (City Development Corporation of El Campo, Inc.). This component unit is not included as part of the primary government.

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, 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 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.

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 are conciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintained eleven individual governmental funds during the 2016 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, Transportation Reinvestment Zone Fund, Debt Service Fund and Capital Projects Fund, which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. Schedules of revenues, expenditures, and changes in fund balances - budget and actual (GAAP basis) have been provided for each of these funds to demonstrate compliance with the appropriated budgets.

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/wastewater utility service, solid waste operation, and emergency medical services. The City uses an internal service fund to account for its information technology services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The proprietary fund financial statements provide information for the water/wastewater utility service, solid waste operation, and emergency medical service, which are considered to be major funds of the City.

Notes to 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.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund and pension benefits information.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's total net position was \$23,940,977 at the close of fiscal year 2016.

By far, the largest portion of the City's net position (89%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and machinery and equipment). The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of El Campo's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 8,220,858	\$ 11,778,502	\$ 3,578,219	\$ 3,636,551	\$ 11,799,077	\$ 15,415,053
Capital assets	<u>30,410,895</u>	<u>20,411,948</u>	<u>17,342,030</u>	<u>18,086,655</u>	<u>47,752,925</u>	<u>38,498,603</u>
Total assets	<u>38,631,753</u>	<u>32,190,450</u>	<u>20,920,249</u>	<u>21,723,206</u>	<u>59,552,002</u>	<u>53,913,656</u>
Total deferred outflows of resources	<u>1,414,027</u>	<u>507,000</u>	<u>463,814</u>	<u>165,413</u>	<u>1,877,841</u>	<u>672,413</u>
Current liabilities	1,380,343	935,554	9,489,366	391,012	10,869,709	1,326,566
Long-term liabilities	<u>34,679,272</u>	<u>17,749,336</u>	<u>9,020,553</u>	<u>12,014,119</u>	<u>43,699,825</u>	<u>29,763,455</u>
Total liabilities	<u>36,059,615</u>	<u>18,684,890</u>	<u>18,509,919</u>	<u>12,405,131</u>	<u>54,569,534</u>	<u>31,090,021</u>
Total deferred inflows of resources	<u>94,171</u>	<u>69,229</u>	<u>30,723</u>	<u>22,586</u>	<u>124,894</u>	<u>91,815</u>
Net position:						
Net investment in capital assets	11,596,010	5,094,853	9,791,150	7,003,324	21,387,160	12,098,177
Restricted	329,900	7,642,486	-	-	329,900	7,642,486
Unrestricted	<u>151,093</u>	<u>1,205,992</u>	<u>2,072,824</u>	<u>2,457,578</u>	<u>2,223,917</u>	<u>3,663,570</u>
Total net position	<u>\$ 12,077,003</u>	<u>\$ 13,943,331</u>	<u>\$ 11,863,974</u>	<u>\$ 9,460,902</u>	<u>\$ 23,940,977</u>	<u>\$ 23,404,233</u>

An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,223,917 may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the primary government as a whole.

Governmental activities. Governmental activities decreased the City's net position by \$1,866,328. Key elements of this decrease are as follows:

- Total revenues for governmental activities increased by \$561,593 or 6%. The largest increase was a \$911,211 increase in capital grants, as the City earned revenue from a Severe Repetitive Loss Grant passed through from the Texas Water Development Board. The City also experienced an increase in property tax revenue of approximately \$520,000, due in part to an increase in the debt service tax rate.
- Total expenses decreased 3%. The largest decrease was a 24% decrease in public works, which was partially offset by an increase of approximately \$470,000 in interest expense due to new debt issuances.
- The largest factor of the overall decrease in net position was a net transfer from the governmental activities to the business-type activities of approximately \$1.1 million. The primary component of this net transfer involved the partial refunding of business-type debt with governmental debt, as discussed in the notes to the financial statements.

Business-type activities. Business-type activities increased the City's net position by \$2,721,496 . Key elements of this increase are as follows:

- As discussed above, there was an approximately \$1.1 million transfer from governmental activities.
- Revenues increased approximately \$620,000. The largest increase was the result of a \$429,677 capital grant, a Community Development Block Grant. There was also a 4% increase in charges for services.
- Expenses decreased 8%, mostly in utilities. The largest component of this decrease was an approximately \$287,000 decrease in repairs and maintenance.

City of El Campo's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,016,415	\$ 1,139,380	\$ 7,217,562	\$ 6,949,822	\$ 8,233,977	\$ 8,089,202
Operating grants	63,437	137,267	75,000	-	138,437	137,267
Capital grants	911,211	-	429,677	-	1,340,888	-
General revenues:						
Property taxes	3,640,047	3,118,814	-	-	3,640,047	3,118,814
Sales taxes	2,769,036	3,008,617	-	-	2,769,036	3,008,617
Franchise taxes	673,722	827,649	-	-	673,722	827,649
Other taxes	162,880	17,369	-	-	162,880	17,369
Investment earnings	50,050	26,974	24,336	9,776	74,386	36,750
Miscellaneous	86,483	535,618	25,720	194,381	112,203	729,999
Total revenues	<u>9,373,281</u>	<u>8,811,688</u>	<u>7,772,295</u>	<u>7,153,979</u>	<u>17,145,576</u>	<u>15,965,667</u>
Expenses:						
General government	2,326,025	2,566,367	-	-	2,326,025	2,566,367
Public safety	3,933,302	3,781,285	-	-	3,933,302	3,781,285
Public works	2,135,403	2,228,376	-	-	2,135,403	2,228,376
Parks and recreation	1,031,769	1,152,451	-	-	1,031,769	1,152,451
Interest on long-term debt	706,151	236,628	-	-	706,151	236,628
Utilities	-	-	4,570,795	5,045,412	4,570,795	5,045,412
Emergency medical service	-	-	1,586,963	1,618,966	1,586,963	1,618,966
Total expenses	<u>10,132,650</u>	<u>9,965,107</u>	<u>6,157,758</u>	<u>6,664,378</u>	<u>16,290,408</u>	<u>16,629,485</u>
Change in net position before transfers	(759,369)	(1,153,419)	1,614,537	489,601	855,168	(663,818)
Transfers	(1,106,959)	83,288	1,106,959	(83,288)	-	-
Change in net position	(1,866,328)	(1,070,131)	2,721,496	406,313	855,168	(663,818)
Net position, beginning	13,943,331	15,013,462	9,460,902	9,054,589	23,404,233	24,068,051
Prior period adjustment	-	-	(318,424)	-	(318,424)	-
Net position, beginning, rest:	<u>13,943,331</u>	<u>15,013,462</u>	<u>9,142,478</u>	<u>9,054,589</u>	<u>23,085,809</u>	<u>24,068,051</u>
Net position, ending	<u>\$ 12,077,003</u>	<u>\$ 13,943,331</u>	<u>\$ 11,863,974</u>	<u>\$ 9,460,902</u>	<u>\$ 23,940,977</u>	<u>\$ 23,404,233</u>

FINANCIAL ANALYSIS OF THE CITY'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, unassigned 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 \$6,331,610, a decrease of \$4,199,545 from the prior year. The decrease primarily occurred in the Capital Projects Fund, which had \$9.6 million of capital outlays during the year. These outlays were mostly funded by bond issuances both in the current year and in previous years.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$2,477,112. Unassigned fund balance represents 29% of total General Fund expenditures. The fund balance of the City's General Fund decreased by \$535,572 during fiscal year 2016. This decrease was less than the budgeted decrease by \$294,457.

In the Transportation Reinvestment Zone (TRZ) Fund, the City borrowed \$8,000,000 from the State Infrastructure Bank (SIB). Under the loan agreement, the City borrowed \$8,000,000 from the SIB to finance its portion of the cost of a project to upgrade US Highway 59 to interstate standards by adding frontage roads and improving mainland alignment or grades when necessary. The City also entered into an Advance Funding Agreement with the Texas Department of Transportation (TXDOT), under which the City contributed the \$8,000,000 to TXDOT for its share of the cost of the construction project. The City expects to make payments on the loan from the TRZ revenues.

In the Debt Service Fund, the City advance refunded \$2,425,000 of outstanding Tax and Revenue Certificates of Obligation, Series 2008. \$2,625,426 of the net proceeds of the bond issuance were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. Although the refunding bonds are payable from ad valorem taxes, the refunded bonds (Tax and Revenue Certificates of Obligation, Series 2008) were reported in the Utility Fund.

Proprietary Funds

The City's proprietary funds, the Utility Fund and the Emergency Medical Services Fund, provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility Fund and the Emergency Medical Services Fund at the end of the current fiscal year amounted to \$1,706,950 and \$365,874, respectively. The increase in net position for the funds was \$2,721,496.

Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Actual fiscal year expenditures in the General Fund were \$153,019 less than final budgeted amounts.
- Actual revenues were \$259,892 less than budgeted amounts.
- Budgeted appropriations were increased by \$872,935 during the year with budget amendments.
- Budgeted revenues were increased by \$51,846 during the year with budget amendments.
- The net change in fund balance was \$294,457 more than the budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$47,752,925 (net of accumulated depreciation) at the end of the current fiscal year. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, service delivery system, infrastructure, and construction in progress. The additions to capital assets for governmental activities were \$11,081,166. Additions for construction in progress were \$9,755,658. Major capital projects during the current fiscal year included the following:

- West Norris Phase II upgrades the two-lane hot mix roadway to a three-lane concrete thoroughfare with a continuous turn lane, sidewalks and a curb and gutter system from Meadow Lane to the West Loop. Water and sewer line improvements were made in conjunction along with drainage upgrades. This project is funded by the 2015 Certificates of Obligation, Series A.
- A new public safety building on the West Loop — this facility will house police, EMS, fire and emergency management. Funding also includes the demolition of the existing police station, fire and EMS station. This project is funded with the 2015 General Obligation Bonds.

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

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$28,445,000. Significant debt issuances during the fiscal year included the following:

- The City issued \$7,640,000 in General Obligation and Refunding Bonds with interest rates ranging from 3% to 5%. The proceeds were used for the following:
 - To advance refund \$2,425,000 of outstanding Tax and Revenue Certificates of Obligation, Series 2008, which had interest rates ranging from 4.25% to 4.75%,
 - Constructing, equipping and furnishing a public safety facility,
 - Acquisition of any necessary sites and other related costs,
 - Restructuring, expanding, improving, renovating and demolition of the existing facility.

- The City borrowed \$8,000,000 from the State Infrastructure Bank (SIB). Under the loan agreement, the City borrowed \$8,000,000 from the SIB to finance its portion of the cost of a project to upgrade US Highway 59 to interstate standards by adding frontage roads and improving mainland alignment or grades when necessary. The City also entered into an Advance Funding Agreement with the Texas Department of Transportation (TXDOT), under which the City contributed the \$8,000,000 to TXDOT for its share of the cost of the construction project. The City expects to make payments on the loan from the TRZ revenues.

The City maintains a bond rating of “AA-” from Standard & Poor's. As a Home Rule City, the City is not limited by law in the amount of debt it may issue; however, all new local bond issues must be approved by the State Attorney General.

During fiscal year 2016, the City made principal payments on the outstanding capital leases in the amount of \$267,068. The balance on all capital leases at September 30, 2016 was \$918,571.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following highlights some of the key factors used in the preparation of next year's adopted budget. These include a summary of the City's key economic indicators and the financial forecast.

- Building permits and development — Single-family residential construction increased. Commercial construction also picked up in the City.
- Unemployment Rate — Wharton County has maintained an unemployment rate of 4.6%, which is 0.4% below the national average of 5.0%.
- Sales tax revenues — The sales tax is the largest revenue source for the City's General Fund, accounting for approximately 42% of General Fund revenues. This is one reason why a fiscally conservative approach is taken to estimate future sales tax revenues. Sales tax revenues are projected to remain stable from the FY16 year-end estimate.
- Total utility revenues — Utility revenues continue to increase from year to year. Changes in revenues have been affected by rate changes, and weather conditions. Economic and fiscal indicators demonstrate that the local economy has shown moderate and sustained growth.

Revenue growth appears equal to the costs of maintaining the current service levels throughout the City; however the margin is much smaller than in prior years. Staff continues to monitor various indicators of economic and fiscal health of the community. Monitoring is also done in order to better respond to economic conditions that may indicate a weakening in the local economy. Any such weakening could adversely affect the fiscal health of the City. If the economy does have an adverse effect on the City's fiscal health, choices on revenues and expenditures will have to be made to address the impact. This approach is important to ensure that any slowdown in growth, or change in economic conditions, does not adversely affect the financial position of the City.

The fiscal year 2017 budget will raise more revenue from property taxes than last year's budget by \$420,240, which is a 12% increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$58,212. The tax rate for the 2016 tax roll increased to \$0.63 per \$100 valuation. \$0.43089 was allocated for maintenance and operations and \$0.19911 was allocated for interest and sinking (debt service).

As a service providing organization, salaries and benefits account for the largest percentage of operating expenses. El Campo is similar to other cities in this respect. Personnel expenditures account for approximately 41% of total City operating and maintenance expenditures. The FY17 budget includes 112 full time equivalent positions. Highlights of the personnel section of the budget:

- Targeted market adjustments to employees that fall below market. In an effort to remain competitive, five positions (a total of 16 employees) were identified to adjust to meet market, totaling \$63,270
- 1.75% cost of living adjustment, effective January 1, 2017, totaling \$73,555
- The Community Services Director position will be phased out, with the pending retirement of the existing Director scheduled for March 31, 2017
- A Maintenance Worker position was eliminated in Streets
- Maintain health insurance premiums at FY16 budget levels.

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 City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 315 E. Jackson, El Campo, Texas 77437.

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BASIC FINANCIAL STATEMENTS

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CITY OF EL CAMPO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	CDC of El Campo, Inc.
ASSETS				
Cash	\$ 4,585,571	\$ 395,623	\$ 4,981,194	\$ 326,270
Investments	2,638,924	1,138,774	3,777,698	1,291,154
Accounts receivable (net)	1,072,687	907,928	1,980,615	102,442
Internal balances	(1,114,610)	1,114,610	-	-
Due from other governments	911,211	-	911,211	-
Prepaid items	22,906	21,284	44,190	-
Inventory	104,169	-	104,169	-
Advances to other governments	8,000,000	-	8,000,000	-
Capital assets:				
Land and other assets not being depreciated	12,173,358	367,018	12,540,376	429,487
Buildings, infrastructure and equipment (net)	18,237,537	16,975,012	35,212,549	715,812
Total assets	46,631,753	20,920,249	67,552,002	2,865,165
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	1,414,027	463,814	1,877,841	-
Deferred charge on refunding	185,009	-	185,009	-
Total deferred outflows of resources	1,599,036	463,814	2,062,850	-
LIABILITIES				
Accounts payable and accrued liabilities	1,060,130	226,883	1,287,013	3,471
Deposits	30,126	191,455	221,581	-
Accrued interest payable	245,151	50,475	295,626	-
Due to other governments	44,936	-	44,936	-
Long-term liabilities due within one year	630,850	860,178	1,491,028	-
Long-term liabilities due in more than one year	34,048,422	8,160,375	42,208,797	-
Total liabilities	36,059,615	9,489,366	45,548,981	3,471
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	94,171	30,723	124,894	-
Total deferred inflows of resources	94,171	30,723	124,894	-
NET POSITION				
Net investment in capital assets	11,596,010	9,791,150	21,387,160	1,145,299
Restricted for:				
Debt service	129,771	-	129,771	-
Police	97,359	-	97,359	-
Tourism	85,034	-	85,034	-
Municipal court security	17,736	-	17,736	-
Unrestricted	151,093	2,072,824	2,223,917	1,716,395
Total net position	\$ 12,077,003	\$ 11,863,974	\$ 23,940,977	\$ 2,861,694

The accompanying notes are an integral part of these financial statements.

CITY OF EL CAMPO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 2,326,025	\$ 133,356	\$ -	\$ -
Public safety	3,933,302	540,493	63,437	-
Public works	2,135,403	20,573	-	911,211
Parks and recreation	1,031,769	321,993	-	-
Interest on long-term debt	706,151	-	-	-
Total governmental activities	<u>10,132,650</u>	<u>1,016,415</u>	<u>63,437</u>	<u>911,211</u>
Business-type activities:				
Utilities	4,570,795	5,588,319	-	429,677
Emergency medical services	<u>1,586,963</u>	<u>1,629,243</u>	<u>75,000</u>	<u>-</u>
Total business-type activities	<u>6,157,758</u>	<u>7,217,562</u>	<u>75,000</u>	<u>429,677</u>
Total primary government	<u>16,290,408</u>	<u>8,233,977</u>	<u>138,437</u>	<u>1,340,888</u>
Component Unit:				
City Development Corporation of El Campo, Inc.	\$ <u>527,384</u>	\$ <u>61,627</u>	\$ <u>-</u>	\$ <u>-</u>

General revenues:

- Property taxes
- Sales taxes
- Franchise taxes
- Other taxes
- Investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Prior period adjustment

Net position, beginning, restated

Net position, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$(2,192,669)		\$(2,192,669)	\$ -
(3,329,372)		(3,329,372)	-
(1,203,619)		(1,203,619)	-
(709,776)		(709,776)	-
(706,151)		(706,151)	-
(8,141,587)		(8,141,587)	-
	1,447,201	1,447,201	-
	117,280	117,280	-
	1,564,481	1,564,481	-
	1,564,481	(6,577,106)	-
			(465,757)
3,640,047	-	3,640,047	-
2,769,036	-	2,769,036	552,666
673,722	-	673,722	-
162,880	-	162,880	-
50,050	24,336	74,386	7,681
86,483	25,720	112,203	286
(1,106,959)	1,106,959	-	-
6,275,259	1,157,015	7,432,274	560,633
(1,866,328)	2,721,496	855,168	94,876
13,943,331	9,460,902	23,404,233	2,766,818
-	(318,424)	(318,424)	-
13,943,331	9,142,478	23,085,809	2,766,818
\$ 12,077,003	\$ 11,863,974	\$ 23,940,977	\$ 2,861,694

CITY OF EL CAMPO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Transportation Reinvestment Zone	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 143,006	\$ -	\$ 38,139	\$ 4,211,171	\$ 193,255	\$ 4,585,571
Investments	2,554,684	-	58,415	-	25,825	2,638,924
Receivables (net):						
Taxes	759,028	-	40,337	-	39,974	839,339
Accounts	187,394	-	-	-	-	187,394
Special assessments	-	-	-	-	45,954	45,954
Due from other funds	67,272	43,715	-	-	-	110,987
Due from other governments	-	-	-	-	911,211	911,211
Prepaid items	99,508	-	-	-	-	99,508
Inventory	22,906	-	-	-	-	22,906
Total assets	<u>\$ 3,833,798</u>	<u>\$ 43,715</u>	<u>\$ 136,891</u>	<u>\$ 4,211,171</u>	<u>\$ 1,216,219</u>	<u>\$ 9,441,794</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Accounts payable	\$ 502,964	\$ -	\$ 7,120	\$ 382,840	\$ 13,469	\$ 906,393
Accrued liabilities	151,512	-	-	-	-	151,512
Deposits	30,126	-	-	-	-	30,126
Due to other governments	44,936	-	-	-	-	44,936
Due to other funds	167,763	216,560	-	-	676,031	1,060,354
Total liabilities	<u>897,301</u>	<u>216,560</u>	<u>7,120</u>	<u>382,840</u>	<u>689,500</u>	<u>2,193,321</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	232,834	-	36,845	-	-	269,679
Unavailable revenue - fines	104,137	-	-	-	-	104,137
Unavailable revenue - assessments	-	-	-	-	45,954	45,954
Unavailable revenue - grants	-	-	-	-	497,093	497,093
Total deferred inflows of resources	<u>336,971</u>	<u>-</u>	<u>36,845</u>	<u>-</u>	<u>543,047</u>	<u>916,863</u>
FUND BALANCES						
Fund balances:						
Nonspendable	122,414	-	-	-	-	122,414
Restricted	-	-	92,926	3,828,331	243,216	4,164,473
Unassigned	2,477,112	(172,845)	-	-	(259,544)	2,044,723
Total fund balances	<u>2,599,526</u>	<u>(172,845)</u>	<u>92,926</u>	<u>3,828,331</u>	<u>(16,328)</u>	<u>6,331,610</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,833,798</u>	<u>\$ 43,715</u>	<u>\$ 136,891</u>	<u>\$ 4,211,171</u>	<u>\$ 1,216,219</u>	<u>\$ 9,441,794</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF EL CAMPO, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Total fund balances - governmental funds	\$ 6,331,610
Internal service funds are used by management to charge the cost of information technology services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	(162,807)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,410,895
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(21,547,014)
Capital leases	(190,860)
Premiums on bonds payable	(1,090,351)
Net pension liability	(3,515,933)
Accrued interest payable	(245,151)
Accrued compensated absences	(335,114)
Deferred outflows and inflows related to pensions are not reported in the funds.	1,319,856
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	916,863
Deferred outflows related to bond refundings are not reported in the funds.	<u>185,009</u>
Net position of governmental activities	<u>\$ 12,077,003</u>

CITY OF EL CAMPO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Transportation Reinvestment Zone	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 5,976,374	\$ 43,715	\$ 1,073,901	\$ -	\$ 140,410	\$ 7,234,400
Licenses and permits	104,804	-	-	-	-	104,804
Intergovernmental	170,789	-	-	-	414,118	584,907
Charges for services	331,724	-	-	-	33,234	364,958
Fines and forfeitures	442,739	-	-	-	10,000	452,739
Investment earnings	36,433	-	423	12,734	460	50,050
Miscellaneous	56,901	-	-	-	52,205	109,106
Total revenues	<u>7,119,764</u>	<u>43,715</u>	<u>1,074,324</u>	<u>12,734</u>	<u>650,427</u>	<u>8,900,964</u>
EXPENDITURES						
Current:						
General government	1,894,301	17,554	-	-	46,403	1,958,258
Public safety	3,741,776	-	-	-	49,703	3,791,479
Public works	2,040,282	-	-	-	-	2,040,282
Parks and recreation	881,027	-	-	-	-	881,027
Intergovernmental	-	8,000,000	-	-	-	8,000,000
Debt service:						
Principal	-	-	488,685	-	-	488,685
Interest and fiscal charges	-	-	475,018	-	-	475,018
Bond issuance costs	-	-	206,643	54,000	-	260,643
Capital outlay	-	-	-	9,624,174	624,079	10,248,253
Total expenditures	<u>8,557,386</u>	<u>8,017,554</u>	<u>1,170,346</u>	<u>9,678,174</u>	<u>720,185</u>	<u>28,143,645</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,437,622)</u>	<u>(7,973,839)</u>	<u>(96,022)</u>	<u>(9,665,440)</u>	<u>(69,758)</u>	<u>(19,242,681)</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	10,700	-	-	-	-	10,700
Issuance of debt	-	8,000,000	2,140,000	5,500,000	-	15,640,000
Premium on bonds	-	-	699,821	-	-	699,821
Payment to refunded bond escrow agent	-	-	(200,426)	-	-	(200,426)
Transfers in	1,038,840	-	-	1,099,844	-	2,138,684
Transfers out	<u>(147,490)</u>	<u>-</u>	<u>(2,510,452)</u>	<u>(460,106)</u>	<u>(127,595)</u>	<u>(3,245,643)</u>
Total other financing sources (uses)	<u>902,050</u>	<u>8,000,000</u>	<u>128,943</u>	<u>6,139,738</u>	<u>(127,595)</u>	<u>15,043,136</u>
Net change in fund balances	<u>(535,572)</u>	<u>26,161</u>	<u>32,921</u>	<u>(3,525,702)</u>	<u>(197,353)</u>	<u>(4,199,545)</u>
Fund balances - beginning	<u>3,135,098</u>	<u>(199,006)</u>	<u>60,005</u>	<u>7,354,033</u>	<u>181,025</u>	<u>10,531,155</u>
Fund balances - ending	<u>\$ 2,599,526</u>	<u>\$ (172,845)</u>	<u>\$ 92,926</u>	<u>\$ 3,828,331</u>	<u>\$ (16,328)</u>	<u>\$ 6,331,610</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF EL CAMPO, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Net change in fund balances - total governmental funds	\$(4,199,545)
The internal service funds are used by the City to charge the costs of information technology services to the individual funds. The net activity of the internal service fund is reported with governmental activities.	(31,773)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciated expense.	
Capital outlays	19,081,166
Depreciation expense	(1,078,681)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of bonds	(7,640,000)
Issuance of SIB loan	(8,000,000)
Deferred loss on refunding	200,426
Premium	(699,821)
Principal repayments	488,684
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.	
Compensated absences	(16,983)
Amortization of bond premiums and deferred loss on refunding	5,137
Changes in accrued interest payable	(236,270)
Increase in net pension liability	(1,071,273)
Changes in deferred outflows and inflows related to pensions	882,085
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	11,285
Court fines	(33,363)
Grants	497,093
Assessments	(24,495)
Change in Net Position of Governmental Activities	<u><u>\$(1,866,328)</u></u>

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CITY OF EL CAMPO, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2016

	Business-Type Activities Enterprise funds			Governmental Activities -
	Utility	Emergency Medical Services	Totals	Internal Service Fund
ASSETS				
Current assets:				
Cash	\$ 144,321	\$ 251,302	\$ 395,623	\$ -
Investments	1,138,372	402	1,138,774	-
Accounts receivable (net)	702,340	205,588	907,928	-
Due from other funds	754,001	410,293	1,164,294	-
Prepaid items	12,067	9,217	21,284	4,661
Total current assets	2,751,101	876,802	3,627,903	4,661
Noncurrent assets:				
Capital assets:				
Land	30,498	-	30,498	-
Construction in progress	336,520	-	336,520	-
Machinery and equipment	3,372,311	305,695	3,678,006	5,307
Buildings	2,137,274	-	2,137,274	-
Water works system	16,188,716	-	16,188,716	-
Sewer system	11,240,459	-	11,240,459	-
Accumulated depreciation	(16,189,087)	(80,356)	(16,269,443)	(5,307)
Total noncurrent assets	17,116,691	225,339	17,342,030	-
Total assets	19,867,792	1,102,141	20,969,933	4,661
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	209,292	254,522	463,814	-
Total deferred outflows of resources	209,292	254,522	463,814	-
LIABILITIES				
Current liabilities:				
Accounts payable	149,301	7,320	156,621	2,225
Accrued liabilities	40,359	29,903	70,262	-
Deposits	191,455	-	191,455	-
Accrued interest payable	50,475	-	50,475	-
Due to other funds	49,684	-	49,684	165,243
Noncurrent liabilities due within one year	851,989	8,189	860,178	-
Total current liabilities	1,333,263	45,412	1,378,675	167,468
Noncurrent liabilities:				
Accrued compensated absences	51,937	73,698	125,635	-
Net pension liability	517,593	629,480	1,147,073	-
Capital leases	503,857	-	503,857	-
Bonds payable	6,383,810	-	6,383,810	-
Total noncurrent liabilities	7,457,197	703,178	8,160,375	-
Total liabilities	8,790,460	748,590	9,539,050	167,468
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	13,863	16,860	30,723	-
Total deferred inflows of resources	13,863	16,860	30,723	-
NET POSITION				
Net investment in capital assets	9,565,811	225,339	9,791,150	-
Unrestricted	1,706,950	365,874	2,072,824	(162,807)
Total net position	\$ 11,272,761	\$ 591,213	\$ 11,863,974	\$ (162,807)

The accompanying notes are an integral part of these financial statements.

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CITY OF EL CAMPO, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Utility	Emergency Medical Services	Totals	Internal Service Fund
Operating revenues:				
Charges for services	\$ 5,588,319	\$ 1,629,243	\$ 7,217,562	\$ 223,940
Miscellaneous	23,674	77,046	100,720	-
Total operating revenues	<u>5,611,993</u>	<u>1,706,289</u>	<u>7,318,282</u>	<u>223,940</u>
Operating expenses:				
Personnel	772,117	1,170,033	1,942,150	2,152
Materials and supplies	60,961	118,810	179,771	-
Repairs and maintenance	195,548	65,859	261,407	110,823
Other services and charges	2,427,461	151,905	2,579,366	139,200
Depreciation	927,068	80,356	1,007,424	3,538
Total operating expenses	<u>4,383,155</u>	<u>1,586,963</u>	<u>5,970,118</u>	<u>255,713</u>
Operating income (loss)	1,228,838	119,326	1,348,164	(31,773)
Nonoperating revenues (expenses):				
Investment earnings	23,892	444	24,336	-
Interest and fiscal charges	(187,640)	-	(187,640)	-
Total non-operating revenues (expenses)	<u>(163,748)</u>	<u>444</u>	<u>(163,304)</u>	<u>-</u>
Income (loss) before capital contributions and transfers	1,065,090	119,770	1,184,860	(31,773)
Capital contributions	429,677	-	429,677	-
Transfers in	2,510,452	68,559	2,579,011	-
Transfers out	<u>(1,404,052)</u>	<u>(68,000)</u>	<u>(1,472,052)</u>	<u>-</u>
Change in net position	2,601,167	120,329	2,721,496	(31,773)
Net position (deficit), beginning	8,990,018	470,884	9,460,902	(131,034)
Prior period adjustment	<u>(318,424)</u>	<u>-</u>	<u>(318,424)</u>	<u>-</u>
Net position (deficit), beginning, restated	<u>8,671,594</u>	<u>470,884</u>	<u>9,142,478</u>	<u>(131,034)</u>
Net position (deficit), ending	<u>\$ 11,272,761</u>	<u>\$ 591,213</u>	<u>\$ 11,863,974</u>	<u>\$ (162,807)</u>

The accompanying notes are an integral part
of these financial statements.

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CITY OF EL CAMPO, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR END SEPTEMBER 30, 2016

	Business-Type Activities			Governmental Activities -
	Utility	Emergency Medical Services	Total Proprietary Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 5,564,173	\$ 1,882,226	\$ 7,446,399	\$ 223,940
Cash paid for goods and services	(2,638,543)	(341,109)	(2,979,652)	(248,332)
Cash paid to employees for services	(707,011)	(1,139,896)	(1,846,907)	(2,152)
Net cash provided by operating activities	<u>2,218,619</u>	<u>401,221</u>	<u>2,619,840</u>	<u>(26,544)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash paid to other funds	(2,062,495)	(478,293)	(2,540,788)	-
Cash received from other funds	<u>2,510,452</u>	<u>68,559</u>	<u>2,579,011</u>	<u>26,544</u>
Net cash provided (used) by noncapital financing activities	<u>447,957</u>	<u>(409,734)</u>	<u>38,223</u>	<u>26,544</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition & construction of capital assets	(178,439)	(84,360)	(262,799)	-
Capital grants	429,677	-	429,677	-
Principal paid on debt	(3,354,922)	-	(3,354,922)	-
Interest paid on debt	<u>(187,640)</u>	<u>-</u>	<u>(187,640)</u>	<u>-</u>
Net cash (used) by capital and related financing activities	<u>(3,291,324)</u>	<u>(84,360)</u>	<u>(3,375,684)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	646,240	-	646,240	-
Investment income	<u>23,892</u>	<u>442</u>	<u>24,334</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>670,132</u>	<u>442</u>	<u>670,574</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>45,384</u>	<u>(92,431)</u>	<u>(47,047)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>98,937</u>	<u>343,733</u>	<u>442,670</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 144,321</u>	<u>\$ 251,302</u>	<u>\$ 395,623</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	1,228,838	119,326	1,348,164	(31,773)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	927,068	80,356	1,007,424	3,538
(Increase) decrease in accounts rec.	(43,076)	175,937	132,861	-
(Increase) decrease in prepaid items	(8,285)	(9,217)	(17,502)	41
Increase (decrease) in accounts payable	53,712	4,682	58,394	1,650
Increase (decrease) in accrued liabilities	27,844	(3,458)	24,386	-
Increase (decrease) in customer deposits	(4,744)	-	(4,744)	-
Increase (decrease) in NPL	157,703	191,775	349,478	-
Increase (decrease) in deferred inflows	3,672	4,465	8,137	-
(Increase) decrease in deferred outflows	(134,654)	(163,747)	(298,401)	-
Increase (decrease) in compensated absences	<u>10,541</u>	<u>1,102</u>	<u>11,643</u>	<u>-</u>
Total adjustments	<u>989,781</u>	<u>281,895</u>	<u>1,271,676</u>	<u>5,229</u>
Net cash provided by operating activities	<u>\$ 2,218,619</u>	<u>\$ 401,221</u>	<u>\$ 2,619,840</u>	<u>\$(26,544)</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF EL CAMPO, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position 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 of El Campo, Texas (the "City") was incorporated in 1905 and has adopted a Home Rule Charter. The City now operates under a council-manager form of government. The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all the affairs of the City. The City Manager is responsible for law enforcement, appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget. The Mayor presides at meetings of the City Council and is allowed to vote on all matters. The City provides the following services: public safety to include police, fire, and emergency medical services, highways and streets, water and wastewater, sanitation, recreation, public improvements, planning and zoning, and general administration.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each 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 City.

Discretely Presented Component Unit. The City Development Corporation of El Campo, Inc. (the "CDC") was created for the purpose of benefiting and accomplishing public purposes of the City by promoting, encouraging, and enhancing the creation of jobs in the City. This is to be achieved through assistance in the retention of existing businesses and industries and the attraction of new businesses and industries and aid in their development and growth. The CDC was incorporated under the Texas Development Corporation Act of 1979, as amended, and qualifies as a tax-exempt organization under Code Section 501(c)(4) of the Internal Revenue Code. All powers of the CDC are vested in the Board of Directors appointed by the City Council. The City is also able to impose its will on the CDC, including approving its operating budget. A separately issued financial report is available for the CDC. This report may be obtained by contacting the CDC.

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, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has one discretely presented component unit that is shown in a separate column in 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 eliminations of charges that would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. 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:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation Reinvestment Zone Fund accounts for the City's potential tax benefit from the transportation projects in the designated zone along U.S. Highway 59.

The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The Capital Projects Fund accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The Utility Fund accounts for the activities of the City related to its sewage treatment plant, water distribution system, and garbage collection.

The Emergency Medical Services Fund accounts for activities of the City related to providing emergency medical services to the residents and visitors of the City. This fund utilizes ambulance revenues, interest and contributions from the Wharton County Emergency Services District #4 to fund this service.

Additionally, the City reports the following fund types:

Special revenue funds account and report specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets, excluding those types of capital-related outflows financed by proprietary funds.

The internal service fund accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

During the course of operations the City 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 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 the 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 recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 end 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, sales taxes, franchise taxes, hotel occupancy taxes, mixed beverage taxes, 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. 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 City.

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

F. Budgetary Information

1. The annual budget must specify appropriations for capital expenditures and for expenditures directed by the City Council for services and for the operation of the City. It must comply with funding requirements of bond covenants. City department directors and officers shall submit budget requests for the next fiscal year to, and as directed by, the City Manager for review and consolidation. The City Manager shall submit a proposed annual budget to the City Council at least 45 days prior to the end of each fiscal year. Before taxes are levied, but after a public hearing or hearings, the City Council shall adopt an annual budget. The budget shall be adopted by a majority of all members of the City Council not later than 15 days prior to the beginning of the fiscal year.
2. At any time during the fiscal year, the City Manager is authorized to transfer unencumbered budgeted amounts between line items within a department; however, any revisions that alter the total budgeted expenditures of any department must be approved by the City Council.
3. Formal budgetary integration is employed as a management control device by expenditure category during the year for the City's General Fund, Debt Service Fund and proprietary funds.

4. Legally adopted annual budgets for the General Fund and Debt Service Fund are prepared on a basis consistent with generally accepted accounting principles (GAAP) at the departmental level (i.e., administration, municipal court, etc.), the legal level of budgetary control. An annual budget is also adopted for the enterprise funds on a non-GAAP budgetary basis. The legal level of budgetary control for the enterprise funds is at the fund level.
5. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Amounts encumbered for a specific purpose for which amounts have not been previously restricted, committed, or assigned, are reported as committed or assigned fund balance at year-end. There are no outstanding encumbrances at September 30, 2016.

H. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or otherwise secured; and certain repurchase agreements.

The City Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the City Council's investment policies.

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in certain investment pools. The City's investment pools are 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. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is 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 items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than building	5 - 40
Water works	5 - 40
Sewer system	5 - 40
Infrastructure	20 - 40
Machinery and equipment	5 - 15

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources consist of differences between projected and actual investment earnings related to pensions, changes in actuarial assumptions related to pensions, pension contributions made subsequent to the actuarial measurement date and a deferred charge on debt refundings.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unavailable revenues under the modified accrual basis of accounting and differences between expected and actual economic experiences related to pensions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (“TMRS”) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Obligations

In the government-wide financial statements, and in 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 statement of net position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to be reported as restricted net position in the government-wide and proprietary financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the City 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 City'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.

Fund Balance Policies

Fund balances of governmental funds classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Once the resolution is passed, the commitment remains in place until another resolution is passed to remove or revise the commitment.

Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. The City Council has by resolution authorized the City Manager or his/her designee to assign fund balance. The assignments can be made by the City Council of any amount and by the City Manager or his/her designee in an amount not to exceed \$500,000. Unlike commitments, assignments generally only exist temporarily and a formal action by the City Council does not have to occur in order to remove the assignment.

I. Revenues and Expenditures/Expenses

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.

Property Taxes

The City's property taxes are levied annually on October 1st on the basis of the Appraisal District's assessed values as of January 1st of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Wharton County Tax Assessor-Collector and are due and payable on January 31st. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on the property on February 1st of the subsequent calendar year.

The City provides an exemption from property taxes of \$10,000 of the assessed value of residential homesteads for persons 65 years of age or older. An exemption from \$1,500 to \$3,000 is allowed to disabled veterans on any piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

The City, under Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population and by City Home Rule Charter, is limited to levy ad valorem tax at a rate up to \$2.50 per \$100 assessed valuation for general government services. Within the \$2.50 maximum levy, there is no legal limit on the amount of property taxes that can be levied for debt service.

Property taxes are prorated between operations and debt service based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.5918 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.4145 and \$0.1773, respectively. The resulting adjusted total tax levy was \$3,607,600 on the total adjusted taxable valuation of \$631,644,691 for the 2015 tax year.

Compensated Absences

All full-time employees accumulate personal benefits in varying annual amounts up to a maximum allowable accumulation based on years of service. In the event of termination, an employee is reimbursed for all accumulated personal days up to the maximum accrued time. Sick leave benefits are earned by all full-time employees at a rate of 12 days per year and may be accumulated to a maximum of 960 hours. City personnel policies state that unused sick leave benefits will be paid to employees upon termination at a rate of \$5 per hour up to a maximum of 960 hours.

All compensated absences pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Compliance

For the year ended September 30, 2016, expenditures exceeded appropriations in the following funds:

- General Fund – Public Works by \$181,239
- Debt Service Fund by \$359,356
- Emergency Medical Services Fund by \$37,817.

These excess expenditures (expenses) were funded by greater than anticipated revenues and/or available fund balance.

B. Deficit Fund Equity

As of September 30, 2016, the following funds had deficit equity balances:

<u>Fund</u>	<u>Deficit Fund Balance/ Net Position</u>
Transportation Reinvestment Zone	\$ 172,845
Nonmajor Governmental Funds:	
Special Revenue Fund - Municipal Court Technology	12,195
Capital Projects Fund - 2004 Bonds	247,349
Internal Service Fund:	
Information Technology	162,807

These deficits will be eliminated as resources are obtained (e.g., from future revenues, long-term debt issuances, and transfers in).

III. DETAILED NOTES ON ALL ACTIVITIES AND 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 to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

B. Investments

In fiscal year 2016, the City adopted GASB Statement No. 72 (“GASB 72”), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of September 30, 2016, the City had the following fair value measurements:

		<u>Fair Value Measurement Using</u>			Weighted	
					Average	
	9/30/2016	(Level 1)	(Level 2)	(Level 3)	Maturity	
					(Days)	
<u>Primary government</u>						
Investments measured at net asset value per share:						
Investment pools:						
TexasCLASS	\$	366,774			72	
LOGIC	\$	505,102			56	
Investments by fair value level:						
Debt securities:						
Federal Farm Credit Bonds	\$	<u>349,907</u>	\$ <u>-</u>	\$ <u>349,907</u>	\$ <u>-</u>	710
Total investments	\$	<u><u>1,221,783</u></u>	<u><u>-</u></u>	<u><u>349,907</u></u>	<u><u>-</u></u>	
Portfolio weighted average maturity (days)						248

Investment pools are not categorized as to investment risk since specific securities relating to the City cannot be identified. Investments in 2a7-like pools are valued based upon the value of pool shares. The City currently invests in two 2a7-like pools, the Texas Cooperative Liquid Assets Securities System (TexasCLASS) and Local Government Investment Cooperative (LOGIC).

Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments in non-operating funds to less than five years from the time of purchase. The weighted average maturity of investments of the City's operating funds cannot exceed one year from the time of purchase.

Credit Risk

It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent. The City's investments in the public funds investment pools include those with the LOGIC and TexasCLASS investment pools. These pools operate in full compliance with the Public Funds Investment Act. The LOGIC and TexasCLASS investment pools are rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from concentration of assets in a specific class of investments, specific maturity, or specific user.

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 requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for major funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

	Governmental Activities			Business-Type Activities		
	General	Debt Service	Nonmajor Funds	Utility	Emergency Medical Services	Totals
Receivables:						
Accounts	\$ 83,257	\$ -	\$ -	\$ 717,333	\$ 351,637	\$ 1,152,227
Taxes	826,274	51,253	39,974	-	-	866,248
Fines	1,041,366	-	-	-	-	1,041,366
Special assessments	-	-	459,543	-	-	459,543
Allowance for uncollectibles	(1,004,475)	(10,916)	(413,589)	(14,993)	(146,049)	(1,590,022)
Totals	<u>\$ 946,422</u>	<u>\$ 40,337</u>	<u>\$ 85,928</u>	<u>\$ 702,340</u>	<u>\$ 205,588</u>	<u>\$ 1,929,362</u>

Capital Assets

The City's capital asset activity for the year ended, September 30, 2016, was as follows:

	Balances Oct. 1, 2015	Increases	(Decreases)	Balances Sept. 30, 2016
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 574,785	\$ 542,833	\$ -	\$ 1,117,618
Construction in progress	<u>1,300,082</u>	<u>9,755,658</u>	<u>-</u>	<u>11,055,740</u>
Total capital assets not being depreciated	<u>1,874,867</u>	<u>10,298,491</u>	<u>-</u>	<u>12,173,358</u>
Capital assets being depreciated:				
Machinery and equipment	5,321,849	176,744	490,716	5,007,877
Buildings	10,519,515	605,931	-	11,125,446
Infrastructure	<u>26,501,286</u>	<u>-</u>	<u>-</u>	<u>26,501,286</u>
Total capital assets being depreciated	<u>42,342,650</u>	<u>782,675</u>	<u>490,716</u>	<u>42,634,609</u>
Less accumulated depreciation for:				
Machinery and equipment	3,667,170	297,178	490,716	3,473,632
Buildings	3,715,724	158,310	-	3,874,034
Infrastructure	<u>16,422,675</u>	<u>626,731</u>	<u>-</u>	<u>17,049,406</u>
Total accumulated depreciation	<u>23,805,569</u>	<u>1,082,219</u>	<u>490,716</u>	<u>24,397,072</u>
Total capital assets being depreciated,	<u>18,537,081</u>	<u>(299,544)</u>	<u>-</u>	<u>18,237,537</u>
Governmental activities capital asse \$	<u>20,411,948</u>	<u>\$ 9,998,947</u>	<u>\$ -</u>	<u>\$ 30,410,895</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 30,498	\$ -	\$ -	\$ 30,498
Construction in progress	<u>287,067</u>	<u>49,453</u>	<u>-</u>	<u>336,520</u>
Total capital assets not being depreciated	<u>317,565</u>	<u>49,453</u>	<u>-</u>	<u>367,018</u>
Capital assets not being depreciated	<u>317,565</u>	<u>49,453</u>	<u>-</u>	<u>367,018</u>
Capital assets being depreciated:				
Machinery and equipment	3,593,646	84,360	-	3,678,006
Buildings	2,123,074	14,200	-	2,137,274
Water works system	16,130,499	58,217	-	16,188,716
Sewer system	<u>11,183,890</u>	<u>56,569</u>	<u>-</u>	<u>11,240,459</u>
Total capital assets being depreciated	<u>33,031,109</u>	<u>213,346</u>	<u>-</u>	<u>33,244,454</u>
Less accumulated depreciation for:				
Machinery and equipment	2,660,526	292,212	-	2,952,738
Buildings	1,601,524	42,693	-	1,644,217
Water works system	6,090,573	408,237	-	6,498,810
Sewer system	<u>4,909,396</u>	<u>264,282</u>	<u>-</u>	<u>5,173,678</u>
Total accumulated depreciation	<u>15,262,019</u>	<u>1,007,424</u>	<u>-</u>	<u>16,269,443</u>
Total capital assets being depreciated,	<u>17,769,090</u>	<u>(794,078)</u>	<u>-</u>	<u>16,975,011</u>
Business-type activities capital asse \$	<u>18,086,655</u>	<u>\$ (744,626)</u>	<u>\$ -</u>	<u>\$ 17,342,029</u>

Depreciation was charged to governmental activities as follows:

General government	\$	24,566
Public safety		214,929
Public works		714,481
Parks and recreation		128,243
Total governmental activities depreciation expense	\$	<u>1,082,219</u>

Depreciation was charged to business-type activities as follows:

Utilities	\$	924,412
Emergency medical services		83,012
Total business-type activities depreciation expense	\$	<u>1,007,424</u>

D. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivable and payable balances as of September 30, 2016, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Utility	\$ 49,684
General	Nonmajor Governmental Funds	17,588
Transportation Reinvestment Zone	General	43,715
Utility	Nonmajor Governmental Funds	658,443
Utility	General	95,558
Emergency Medical Services	Transportation Reinvestment Zone	216,560
Emergency Medical Services	Information Technology	165,243
Emergency Medical Services	General	28,490
	Total	<u>\$ 1,275,281</u>

Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2016, is as follows:

Transfers Out	Transfers In				Totals
	General Fund	Capital Projects	Utility	Emergency Medical Services	
Nonmajor Governmental	\$ 59,036	\$ -		\$ 68,559	\$ 127,595
General	-	147,490	-	-	147,490
Debt Service	-	-	2,510,452	-	2,510,452
Utility	451,698	952,354	-	-	1,404,052
Emergency Medical Service	68,000	-	-	-	68,000
Capital Projects	460,106	-	-	-	460,106
Totals	\$ 1,038,840	\$ 1,099,844	\$ 2,510,452	\$ 68,559	\$ 4,717,695

During the year, transfers were used to 1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, 2) move the proceeds from a refunding debt issue from the Debt Service Fund to the Utility Fund and 3) move unrestricted resources previously reported in the Capital Projects Fund to the General Fund.

E. Defined Benefit Pension Plan

Plan Description

The City of El Campo participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

Employee deposit rate	6%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits	58
Active employees	<u>104</u>
Total	<u>228</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.97% and 11.48% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$627,714, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rate multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/14	\$ 25,275,946	\$ 22,033,691	\$ 3,242,255
Changes for the year:			
Service cost	639,319	-	639,319
Interest	1,754,661	-	1,754,661
Difference between expected and actual experience	(74,642)	-	(74,642)
Changes of assumptions	50,996	-	50,996
Contributions - employer	-	621,185	(621,185)
Contributions - employee	-	316,668	(316,668)
Net investment income	-	32,511	(32,511)
Benefit payments, including refunds of employee contributions	(1,058,047)	(1,058,047)	-
Administrative expense	-	(19,803)	19,803
Other changes	-	(978)	978
Net changes	1,312,287	(108,464)	1,420,751
Balance at 12/31/15	\$ 26,588,233	\$ 21,925,227	\$ 4,663,006

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability \$	<u>8,304,808</u>	<u>4,663,006</u>	<u>1,666,934</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at www.tmr.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$880,516. At September 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 124,894
Changes in actuarial assumptions	39,886	-
Difference between projected and actual investment earnings	1,367,674	-
Contributions subsequent to the measurement date	470,281	-
Totals	<u>\$ 1,877,841</u>	<u>\$ 124,894</u>

\$470,281 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ending September 30,</u>	
2017	\$ 324,782
2018	324,782
2019	334,171
2020	298,930

F. Supplemental Death Benefit Plan

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retired term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2016, 2015 and 2014 were \$10,585, \$10,734, and \$9,834, respectively, which equaled the required contributions each year.

G. Risk Management

The City is exposed to various risks of loss encompassed in the areas of general liabilities and workers compensation claims. The City has purchased commercial insurance to cover potential losses in those areas. The City has entered into interlocal agreements with the Texas Municipal League Intergovernmental Risk Pool. Through the payment of contributions to the Texas Municipal League Intergovernmental Risk Pool, the City has transferred these risks to the pool. The City has not retained any risks other than the deductibles and is covered up to the limits of coverage after the deductible. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Long-term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Balances			Amounts	
	Oct. 1, 2015	Additions	Reductions	Balances Sept. 30, 2016	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 7,063,630	\$ 7,640,000	\$ 171,202	\$ 14,532,428	\$ 273,048
Certificates of obligation	7,280,842	-	266,256	7,014,586	271,590
State Infrastructure Bank Loan	-	8,000,000	-	8,000,000	-
Premiums	411,084	699,821	20,554	1,090,351	-
Net pension liability	2,444,660	1,071,273	-	3,515,933	-
Capital leases	242,087	-	51,227	190,860	52,701
Compensated absences	318,131	33,966	16,983	335,114	33,511
Total governmental activities	<u>\$ 17,760,434</u>	<u>\$ 17,445,060</u>	<u>\$ 526,222</u>	<u>\$ 34,679,272</u>	<u>\$ 630,850</u>
Business-type Activities					
General obligation bonds	\$ 1,416,371	\$ -	\$ 138,798	\$ 1,277,573	\$ 141,953
Certificates of obligation	8,511,157	-	2,890,744	5,620,413	480,411
Premiums	158,903	-	50,715	108,188	-
Net pension liability	797,595	349,478	-	1,147,073	-
Capital leases	943,552	-	215,841	727,711	223,854
Compensated absences	133,193	12,804	6,402	139,595	13,960
Total business-type activities	<u>\$ 11,960,771</u>	<u>\$ 362,282</u>	<u>\$ 3,302,500</u>	<u>\$ 9,020,553</u>	<u>\$ 860,178</u>

Compensated absences are generally liquidated by the General Fund for governmental activities and by both the Utility Fund and EMS Fund for business-type activities.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bonds have been issued for both governmental and business-type activities.

General obligation bonds outstanding as of September 30, 2016, are as follows:

Series	Term	Interest Rate (%)	Original Amount	Debt Outstanding
Refunding 2012A	2/13-2/21	2.00-3.00	\$ 2,540,000	\$ 1,926,995
Refunding 2012B	2/13-2/15	2.00	350,000	98,005
Refunding 2013	2/13-2/27	2.00-2.25	1,345,000	1,145,000
Series 2015	2/16-2/45	3.00-4.00	5,000,000	5,000,000
Series 2016	2/17-2/46	3.00-5.00	7,640,000	7,640,000

Annual debt service requirements to maturity for the general obligation bonds, including interest, are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Totals
	Principal	Interest	Principal	Interest	
2017	\$ 273,048	\$ 278,561	\$ 141,953	\$ 34,021	\$ 727,583
2018	379,893	272,875	145,107	30,788	828,663
2019	556,739	263,500	148,262	27,121	995,622
2020	580,430	249,625	154,571	22,949	1,007,575
2021	599,121	235,125	160,880	10,315	1,005,441
2022-2026	3,213,197	948,501	526,799	24,274	4,712,771
2027-2031	2,445,000	602,925	-	-	3,047,925
2032-thereafter	6,485,000	814,650	-	-	7,299,650
Totals	<u>\$ 14,532,428</u>	<u>\$ 3,665,762</u>	<u>\$ 1,277,572</u>	<u>\$ 149,468</u>	<u>\$ 19,625,230</u>

Combination Tax and Revenue Certificates of Obligation

The City also issues combination tax and revenue certificates of obligation (“C.O.’s”) to provide funds for the acquisition and construction of major capital facilities payable from the proceeds of an annual ad valorem tax and further payable from a junior and subordinate pledge of the net revenues of the City’s water and sewer system. The C.O.’s have been issued for both governmental and business-type activities.

Certificates of obligation outstanding as of September 30, 2016, are as follows:

Series	Term	Interest Rate (%)	Outstanding Amount
Series 2008	8/08-2/29	4.25-6.22	\$ 315,000
Series 2010	3/10-2/30	3.25-4.50	1,345,000
Series 2013	2/13-2/32	2.00-2.75	2,535,000
Series 2013A	10/13-10/33	2.907-4.00	2,330,000
Series 2014A	9/14-9/24	0.25-1.07	300,000
2014 Tax Note	2/15-2/21	0.60-2.25	360,000
Series 2014	9/14-9/39	2.00-4.00	2,710,000
Series 2015A	9/15-9/35	2.00-4.00	2,605,000
Series 2015	2/16-2/25	0.13-1.21	135,000

Annual debt service requirements to maturity for the certificates of obligation, including interest, are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Totals
	Principal	Interest	Principal	Interest	
2017	\$ 271,590	\$ 233,777	\$ 465,744	\$ 266,828	\$ 1,237,939
2018	275,480	225,532	480,411	252,327	1,233,750
2019	220,848	217,740	316,522	132,161	887,271
2020	294,566	210,518	321,153	125,447	951,684
2021	298,456	203,055	337,435	118,127	957,073
2022-2026	1,657,999	872,317	1,466,928	566,949	4,564,193
2027-2031	1,972,092	553,002	1,575,406	310,851	4,411,351
2032-thereafter	<u>2,023,555</u>	<u>222,730</u>	<u>656,815</u>	<u>48,805</u>	<u>2,951,905</u>
Totals	<u>\$ 7,014,586</u>	<u>\$ 2,738,671</u>	<u>\$ 5,620,414</u>	<u>\$ 1,821,495</u>	<u>\$ 17,195,166</u>

Capital Leases

Capital leases outstanding as of September 30, 2016, are as follows:

Lease purchase agreement on a motorgrader. The original amount of the lease, entered into in 2012, was \$167,470. The lease is payable in monthly installments of \$1,637 and bears interest at 3.25%.

\$ 96,044

Lease purchase agreement on a street sweeper. The original amount of the lease, entered into in 2013, was \$210,662. The lease is payable in monthly installments of \$3,168 and bears interest at 2.65%.

94,816

Lease purchase agreement on generators. The original amount of the lease, entered into in 2013, was \$399,753. The lease is payable in monthly installments of \$7,121 and bears interest at 2.65%.

166,276

Lease purchase agreement on a water meter. The original amount of the lease, entered into in 2004, was \$1,784,239. The lease is payable in quarterly installments of \$40,859 and bears interest at 4.25%.

561,435
\$ 918,571

Annual debt service requirements to maturity for the capital leases, including interest, are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Totals
	Principal	Interest	Principal	Interest	
2017	\$ 52,701	\$ 4,951	\$ 223,754	\$ 25,137	\$ 306,543
2018	54,218	3,434	232,073	16,817	306,542
2019	39,870	1,943	271,884	11,778	325,475
2020	18,479	1,159	-	-	19,638
2021-2022	<u>25,592</u>	<u>593</u>	<u>-</u>	<u>-</u>	<u>26,185</u>
Totals	<u>\$ 190,860</u>	<u>\$ 12,080</u>	<u>\$ 727,711</u>	<u>\$ 53,732</u>	<u>\$ 984,383</u>

General Obligation and Refunding Bonds, Series 2016

During the fiscal year, the City issued \$7,640,000 in General Obligation and Refunding Bonds with interest rates ranging from 3% to 5%. The proceeds were used for the following:

- To advance refund \$2,425,000 of outstanding Tax and Revenue Certificates of Obligation, Series 2008, which had interest rates ranging from 4.25% to 4.75%,
- Constructing, equipping and furnishing a public safety facility,
- Acquisition of any necessary sites and other related costs,
- Restructuring, expanding, improving, renovating and demolition of the existing facility.

\$2,625,426 of the net proceeds of \$8,075,571 (including a \$699,821 premium and after payment of \$264,250 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. Although the refunding bonds are payable from ad valorem taxes, the refunded bonds (Tax and Revenue Certificates of Obligation, Series 2008) were reported in the Utility Fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$200,426. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunded debt. The City advance refunded a portion of the Tax and Revenue Certificates of Obligation, Series 2008 to reduce its total annual debt service payments by \$305,356.

State Infrastructure Bank Loan

During the fiscal year, the City borrowed \$8,000,000 from the State Infrastructure Bank. State Infrastructure Banks (SIB) were authorized in 1995 as a part of the National Highway Designation Act to help accelerate needed mobility improvements through a variety of financial assistance options made to local entities through state transportation departments. The Texas legislature authorized the Texas Department of Transportation to administer its SIB program in 1997.

Under the loan agreement, the City borrowed \$8,000,000 from the SIB to finance its portion of the cost of a project to upgrade US Highway 59 to interstate standards by adding frontage roads and improving mainland alignment or grades when necessary. The City also entered into an Advance Funding Agreement with the Texas Department of Transportation (TXDOT), under which the City contributed the \$8,000,000 to TXDOT for its share of the cost of the construction project.

The SIB Loan is payable over a period of no more than 24 years, with a final maturity date of October 26, 2039. The loan bears interest at a rate of 2.08% and is secured by Transportation Reinvestment Zone (TRZ) revenues and, if necessary, ad valorem taxes. The City expects to make payments on the loan from the TRZ revenues. In addition, the City has entered into a contract with the City Development Corporation of El Campo, Inc. (a discretely presented component unit), under which the CDC has pledged \$500,000 to be available to pay debt service on the SIB loan.

Annual debt service requirements to maturity for the SIB Loan, including interest, are as follows:

Year Ending September 30,	Governmental Activities		Totals
	Principal	Interest	
2017	\$ -	\$ 52,281	\$ 52,281
2018	-	71,361	71,361
2019	-	93,895	93,895
2020	-	120,289	120,289
2021	-	155,112	155,112
2022-2026	-	#####	1,358,118
2027-2031	#####	845,674	2,332,814
2032-2036	#####	571,194	3,436,154
2037-2041	#####	198,587	3,846,487
Totals	# #####	# #####	# #####

I. Commitments and Contingencies

Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2016, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Construction Commitments

As of September 30, 2016, the City had entered into contractual commitments with contractors for various City projects. The commitments with contractors were as follows:

Project	Budget	Spent	Remaining Commitment
W. Norris Ph II	\$ 2,922,250	\$ 2,749,654	\$ 172,596
Public Safety Building	11,637,662	6,672,630	4,965,032

The commitments are being funded by various federal grants, bond proceeds, and service revenues.

J. Fund Balances

The composition of governmental fund balances as of September 30, 2016 was as follows:

		Transportatio n			Nonmajor	
	General	Reinvestment Zone	Debt Service	Capital Projects	Governmenta l	Totals
Nonspendable:						
Prepaid items	\$ 99,508	\$ -	\$ -	\$ -	\$ -	\$ 99,508
Inventory	22,906	-	-	-	-	22,906
Subtotal	122,414	-	-	-	-	122,414
Restricted for:						
Public safety	-	-	-	-	115,095	115,095
Debt service	-	-	92,926	-	-	92,926
Tourism	-	-	-	-	85,034	85,034
Capital projects	-	-	-	3,828,331	43,087	#####
Subtotal	-	-	92,926	3,828,331	243,216	#####
Unassigned	2,477,112	(172,845)	-	-	(259,544)	#####
Totals	\$ 2,599,526	\$(172,845)	\$ 92,926	\$ 3,828,331	\$(16,328)	# #####

K. Restatement of Net Position

During the fiscal year, the beginning net position of the Utility Fund and the business-type activities were each reduced by \$318,424 as a result of eliminating a receivable that had been erroneously reported in the previous fiscal year.

L. Discretely Presented Component Unit

As described in Note 1, the City Development Corporation of El Campo, Inc. is a discretely presented component unit of the City. It is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Organization

The City Development Corporation of El Campo, Inc. ("CDC") was formed as a non-profit corporation governed by the Texas Development Corporation Act of 1979, as amended. The purpose of the CDC was to promote, assist, and enhance economic development in the City. CDC directors are appointed and can be removed by the City Council.

Investments

As of September 30, 2016, the CDC had the following fair value measurements:

		Fair Value Measurement Using			Weighted
					Average
	9/30/2016	(Level 1)	(Level 2)	(Level 3)	Maturity
					(Days)
<u>Discretely Presented Component Unit</u>					
Investments by fair value level:					
Certificates of deposit	\$ 965,339	\$ -	\$ -	\$ 965,339	578
Total investments	\$ 965,339	\$ -	\$ -	\$ 965,339	

Interest Rate Risk

In accordance with the CDC's investment policy, the CDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 60 months or less. The CDC has obtained a waiver from its depository for any early withdrawal penalty, therefore the CDC's certificates of deposits are not exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The CDC was not exposed to credit risk.

Concentration of Credit Risk

The CDC's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the CDC was not exposed to concentration of credit risk.

Custodial Credit Risk – Deposits

The CDC's custodial credit risk refers to the risk that in the event of a bank failure, the CDC's deposits may not be returned to it. The CDC's investment policies require that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the CDC by the depository in an amount equal to at least 102% of the carrying value of deposits held.

As of September 30, 2016, the CDC had deposits in financial institutions and the deposits were FDIC insured at each institution up to \$250,000. As of September 30, 2016, all of the CDC's bank balance of \$353,128 was entirely insured by the FDIC or covered by pledged collateral held in the CDC's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the CDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The CDC was not exposed to custodial credit risk.

Sales Taxes

The CDC, by law, is to receive one-sixth of the sales tax earned by the City and paid monthly to the City by the State of Texas. The CDC's outstanding receivable for sales taxes as of September 30, 2016, was \$102,442.

Capital Assets

The CDC's capital asset activity for the year ended September 30, 2016, was as follows:

	Balance Oct. 1, 2015	Increases	(Decreases)	Balance Sept. 30, 2016
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 366,884	\$ 62,603	\$ -	\$ 429,487
Construction in progress	131,086	-	(131,086)	-
Total Non-depreciable Assets	497,970	62,603	(131,086)	429,487
Depreciable Assets:				
Buildings	809,995	131,086	-	941,081
Office equipment	16,840	-	-	16,840
Total Depreciable Assets	826,835	131,086	-	957,921
Less Accumulated Depreciation:				
Buildings	(203,217)	(22,052)	-	(225,269)
Office equipment	(16,840)	-	-	(16,840)
Total Accumulated Depreciation	(220,057)	(22,052)	-	(242,109)
Total Depreciable Assets, Net	606,778	109,034	-	715,812
Totals	\$ 1,104,748	\$ 171,637	\$ (131,086)	\$ 1,145,299

Lessor Agreements

The CDC leases a commercial building to an unrelated third party. The following is a schedule of minimum future rentals due to the CDC under non-cancelable lease agreements as of September 30, 2016:

Year Ending September 30		
<u>2017</u>	\$	15,116

**REQUIRED SUPPLEMENTARY
INFORMATION**

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CITY OF EL CAMPO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,152,890	\$ 6,152,890	\$ 5,976,374	\$ (176,516)
Licenses and permits	113,060	113,060	104,804	(8,256)
Intergovernmental	120,530	120,530	170,789	50,259
Charges for services	269,520	321,366	331,724	10,358
Fines and forfeitures	504,610	504,610	442,739	(61,871)
Investment earnings	15,000	15,000	36,433	21,433
Miscellaneous	152,200	152,200	56,901	(95,299)
Total revenues	<u>7,327,810</u>	<u>7,379,656</u>	<u>7,119,764</u>	<u>(259,892)</u>
EXPENDITURES				
Current:				
General government	1,764,750	1,908,480	1,894,301	14,179
Public safety	3,736,290	3,750,482	3,741,776	8,706
Public works	1,375,600	1,859,043	2,040,282	(181,239)
Parks and recreation	958,830	958,830	881,027	77,803
Capital outlay	2,000	233,570	-	233,570
Total expenditures	<u>7,837,470</u>	<u>8,710,405</u>	<u>8,557,386</u>	<u>153,019</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(509,660)</u>	<u>(1,330,749)</u>	<u>(1,437,622)</u>	<u>(106,873)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	10,000	10,000	10,700	700
Transfers in	638,210	638,210	1,038,840	400,630
Transfers out	<u>(147,490)</u>	<u>(147,490)</u>	<u>(147,490)</u>	<u>-</u>
Total other financing sources (uses)	<u>500,720</u>	<u>500,720</u>	<u>902,050</u>	<u>401,330</u>
Net change in fund balance	<u>(8,940)</u>	<u>(830,029)</u>	<u>(535,572)</u>	<u>294,457</u>
Fund balance- beginning	<u>3,135,098</u>	<u>3,135,098</u>	<u>3,135,098</u>	<u>-</u>
Fund balance- ending	<u>\$ 3,126,158</u>	<u>\$ 2,305,069</u>	<u>\$ 2,599,526</u>	<u>\$ 294,457</u>

CITY OF EL CAMPO, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – GENERAL FUND BUDGETARY SCHEDULE

SEPTEMBER 30, 2016

Budgetary Basis of Accounting

Legally adopted annual budgets for the General Fund and Debt Service Fund are prepared on a basis consistent with generally accepted accounting principles (GAAP) at the departmental level (i.e., administration, municipal court, etc.), the legal level of budgetary control. An annual budget is also adopted for the enterprise funds on a non-GAAP budgetary basis. The legal level of budgetary control for the enterprise funds is at the fund level.

Budgetary Information

The annual budget must specify appropriations for capital expenditures and for expenditures directed by the City Council for services and for the operation of the City. City department directors and officers shall submit budget requests for the next fiscal year to, and as directed by, the City Manager for review and consolidation. The City Manager shall submit a proposed annual budget to the City Council at least 45 days prior to the end of each fiscal year. Before taxes are levied, but after a public hearing or hearings, the City Council shall adopt an annual budget. The budget shall be adopted by a majority of all members of the City Council not later than 15 days prior to the beginning of the fiscal year.

At any time during the fiscal year, the City Manager is authorized to transfer unencumbered budgeted amounts between line items within a department; however, any revisions that alter the total budgeted expenditures of any department must be approved by the City Council.

Formal budgetary integration is employed as a management control device by expenditure category during the year for the City's General Fund, Debt Service Fund and proprietary funds.

Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods.

CITY OF EL CAMPO, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST TWO PLAN YEARS

Plan Year Ended December 31	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 639,319	\$ 574,183
Interest (on the total pension liability)	1,754,661	1,671,854
Difference between expected and actual experience	(74,642)	(117,116)
Change of assumptions	50,996	-
Benefit payments, including refunds of employee contributions	(1,058,047)	(899,035)
Net change in total pension liability	1,312,287	1,229,886
Total pension liability - beginning	<u>25,275,946</u>	<u>24,046,060</u>
Total pension liability - ending (a)	<u>\$ 26,588,233</u>	<u>\$ 25,275,946</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 621,185	\$ 642,038
Contributions - employee	316,668	308,429
Net investment income	32,511	1,190,068
Benefit payments, including refunds of employee contributions	(1,058,047)	(899,035)
Administrative expense	(19,803)	(12,426)
Other	(978)	(1,022)
Net change in plan fiduciary net position	(108,464)	1,228,052
Plan fiduciary net position - beginning	<u>22,033,691</u>	<u>20,805,639</u>
Plan fiduciary net position - ending (b)	<u>\$ 21,925,227</u>	<u>\$ 22,033,691</u>
Net pension liability - ending (a) - (b)	<u>\$ 4,663,006</u>	<u>\$ 3,242,255</u>
Plan fiduciary net position as a percentage of total pension liability	82%	87%
Covered employee payroll	\$ 5,279,268	\$ 5,140,488
Net pension liability as a percentage of covered employee payroll	88%	63%

*GASB 68 requires ten years of data to be provided in this schedule. However, only two years is currently available.

CITY OF EL CAMPO, TEXAS

**TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF
EMPLOYER CONTRIBUTIONS**

LAST TWO FISCAL YEARS

	2016	2015
Actuarially Determined Contributions	\$ 627,714	\$ 632,469
Contributions in Relation to the Actuarially Determined Contributions	627,714	632,469
Contribution Deficiency (Excess)	-	-
Covered Employee Payroll	5,495,377	5,294,364
Contributions as a Percentage of Covered Employee Payroll	11%	12%

*GASB 68 requires ten years of data to be provided in this schedule, however, only two years is currently available.

CITY OF EL CAMPO, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM - NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

30 Years

Asset Valuation Method

10 Year smoothed market; 15% soft corridor

Inflation

2.5%

Salary Increases

3.5% to 10.5% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2010-2014.

Mortality

RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes

There were no benefit changes during the year.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Municipal Court Technology and Building Security Funds – Account for funds received in conjunction with municipal court fines to enhance these specific areas.

Hotel/Motel Tax Fund – Accounts for the collection of hotel and motel taxes collected by the City.

Police Seizure Fund – Accounts for items seized by the City through the police department as a result of criminal investigations. The funds are used for one time equipment purchases and other purchases to assist in police activities.

EMS Grant Fund – Accounts for donations from local foundations and hospitals for ambulances and other emergency equipment.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

2004 Bonds Fund – Accounts for the use of the proceeds from the City's 2004 Certificates of Obligation.

Street Paving Fund – Accounts for paving the City's remaining unpaved streets through assessments to adjacent landowners and transfers from the General Fund.

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CITY OF EL CAMPO, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Totals Nonmajor Governmental Funds
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash	\$ 150,168	\$ 43,087	\$ 193,255
Investments	25,825	-	25,825
Receivables (net):			
Taxes	39,974	-	39,974
Special assessments	-	45,954	45,954
Due from other governments	-	911,211	911,211
Total assets	<u>\$ 215,967</u>	<u>\$ 1,000,252</u>	<u>\$ 1,216,219</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 10,445	\$ 3,024	\$ 13,469
Due to other funds	<u>17,588</u>	<u>658,443</u>	<u>676,031</u>
Total liabilities	<u>28,033</u>	<u>661,467</u>	<u>689,500</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - grants	-	497,093	497,093
Unavailable revenues - assessments	<u>-</u>	<u>45,954</u>	<u>45,954</u>
Total deferred inflows of resources	<u>-</u>	<u>543,047</u>	<u>543,047</u>
FUND BALANCES			
Restricted	200,129	43,087	243,216
Unassigned	<u>(12,195)</u>	<u>(247,349)</u>	<u>(259,544)</u>
Total fund balances	<u>187,934</u>	<u>(204,262)</u>	<u>(16,328)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 215,967</u>	<u>\$ 1,000,252</u>	<u>\$ 1,216,219</u>

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CITY OF EL CAMPO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Totals Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 140,410	\$ -	\$ 140,410
Intergovernmental	-	414,118	414,118
Charges for services	14,592	18,642	33,234
Fines and forfeitures	10,000	-	10,000
Investment earnings	342	118	460
Miscellaneous	<u>52,205</u>	<u>-</u>	<u>52,205</u>
Total revenues	<u>217,549</u>	<u>432,878</u>	<u>650,427</u>
EXPENDITURES			
Current:			
General government	46,403	-	46,403
Public safety	49,703	-	49,703
Capital outlay	<u>-</u>	<u>624,079</u>	<u>624,079</u>
Total expenditures	<u>96,106</u>	<u>624,079</u>	<u>720,185</u>
Excess (deficiency) of revenues over (under) expenditures	<u>121,443</u>	<u>(191,201)</u>	<u>(69,758)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(127,595)</u>	<u>-</u>	<u>(127,595)</u>
Total other financing sources (uses)	<u>(127,595)</u>	<u>-</u>	<u>(127,595)</u>
Net change in fund balances	(6,152)	(191,201)	(197,353)
Fund balances, beginning of year	<u>194,086</u>	<u>(13,061)</u>	<u>181,025</u>
Fund balances, end of year	<u>\$ 187,934</u>	<u>\$(204,262)</u>	<u>\$(16,328)</u>

CITY OF EL CAMPO, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2016

	Municipal Court Technology	Municipal Court Building Security	Hotel/Motel Tax
ASSETS			
Cash	\$ -	\$ 17,736	\$ 55,505
Investments	-	-	-
Taxes receivable (net)	-	-	39,974
Total assets	<u>\$ -</u>	<u>\$ 17,736</u>	<u>\$ 95,479</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 10,445
Due to other funds	12,195	-	-
Total liabilities	<u>12,195</u>	<u>-</u>	<u>10,445</u>
Fund balances:			
Restricted	-	17,736	85,034
Unassigned	(12,195)	-	-
Total fund balances	<u>(12,195)</u>	<u>17,736</u>	<u>85,034</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 17,736</u>	<u>\$ 95,479</u>

Police Seizure	EMS Grant	Totals Nonmajor Special Revenue Funds
\$ 76,927	\$ -	\$ 150,168
25,825	-	25,825
-	-	39,974
<u>\$ 102,752</u>	<u>\$ -</u>	<u>\$ 215,967</u>
\$ -	\$ -	\$ 10,445
<u>5,393</u>	<u>-</u>	<u>17,588</u>
<u>5,393</u>	<u>-</u>	<u>28,033</u>
97,359	-	200,129
<u>-</u>	<u>-</u>	<u>(12,195)</u>
<u>97,359</u>	<u>-</u>	<u>187,934</u>
<u>\$ 102,752</u>	<u>\$ -</u>	<u>\$ 215,967</u>

CITY OF EL CAMPO, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED SEPTEMBER 30, 2016

	Municipal Court Technology	Municipal Court Building Security	Hotel/Motel Tax
REVENUES			
Taxes	\$ -	\$ -	\$ 140,410
Charges for services	8,171	6,421	-
Fines and forfeitures	-	-	-
Investment earnings	-	19	64
Miscellaneous	-	-	36,321
Total revenues	<u>8,171</u>	<u>6,440</u>	<u>176,795</u>
EXPENDITURES			
Current:			
General government	10,400	-	36,003
Public safety	-	-	-
Total expenditures	<u>10,400</u>	<u>-</u>	<u>36,003</u>
Excess (deficiency) of revenues over (under) expenditures	(2,229)	6,440	140,792
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	(59,036)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(59,036)</u>
Net change in fund balances	(2,229)	6,440	81,756
Fund balances, beginning of year	<u>(9,966)</u>	<u>11,296</u>	<u>3,278</u>
Fund balances, end of year	<u><u>\$(12,195)</u></u>	<u><u>\$ 17,736</u></u>	<u><u>\$ 85,034</u></u>

Police Seizure	EMS Grant	Totals Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 140,410
-	-	14,592
10,000	-	10,000
215	44	342
15,884	-	52,205
<u>26,099</u>	<u>44</u>	<u>217,549</u>
-	-	46,403
<u>49,703</u>	<u>-</u>	<u>49,703</u>
<u>49,703</u>	<u>-</u>	<u>96,106</u>
(23,604)	44	121,443
<u>-</u>	<u>(68,559)</u>	<u>(127,595)</u>
<u>-</u>	<u>(68,559)</u>	<u>(127,595)</u>
(23,604)	(68,515)	(6,152)
<u>120,963</u>	<u>68,515</u>	<u>194,086</u>
\$ <u>97,359</u>	\$ <u>-</u>	\$ <u>187,934</u>

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CITY OF EL CAMPO, TEXAS

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2016

	2004 Bonds	Street Paving	Totals Nonmajor Capital Projects Funds
ASSETS			
Cash	\$ -	\$ 43,087	\$ 43,087
Special assessments receivable (net)	-	45,954	45,954
Due from other governments	911,211	-	911,211
Total assets	<u>\$ 911,211</u>	<u>\$ 89,041</u>	<u>\$ 1,000,252</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,024	\$ -	\$ 3,024
Due to other funds	658,443	-	658,443
Total liabilities	<u>661,467</u>	<u>-</u>	<u>661,467</u>
Deferred inflows of resources:			
Unavailable revenues - grants	497,093	-	497,093
Unavailable revenues - assessments	-	45,954	45,954
Total deferred inflows of resources	<u>497,093</u>	<u>45,954</u>	<u>543,047</u>
Fund balances:			
Restricted	-	43,087	43,087
Unassigned	(247,349)	-	(247,349)
Total fund balances	<u>(247,349)</u>	<u>43,087</u>	<u>(204,262)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 911,211</u>	<u>\$ 89,041</u>	<u>\$ 1,000,252</u>

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CITY OF EL CAMPO, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECTS FUNDS

YEAR ENDED SEPTEMBER 30, 2016

	2004 Bonds	Street Paving	Totals Nonmajor Capital Projects Funds
REVENUES			
Intergovernmental	\$ 414,118	\$ -	\$ 414,118
Charges for services - street assessments	-	18,642	18,642
Investment earnings	69	49	118
Total revenues	<u>414,187</u>	<u>18,691</u>	<u>432,878</u>
EXPENDITURES			
Capital outlay	<u>624,079</u>	-	<u>624,079</u>
Total expenditures	<u>624,079</u>	-	<u>624,079</u>
Excess (deficiency) of revenues over (under) expenditures	(209,892)	18,691	(191,201)
Net change in fund balances	(209,892)	18,691	(191,201)
Fund balances, beginning of year	(37,457)	24,396	(13,061)
Fund balances, end of year	<u>\$(247,349)</u>	<u>\$ 43,087</u>	<u>\$(204,262)</u>

CITY OF EL CAMPO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2016

	Final Budget	Actual	Variance
REVENUES			
Taxes:			
Ad valorem	\$ 2,588,700	\$ 2,511,146	\$(77,554)
Sales	2,833,560	2,769,036	(64,524)
Franchise	712,630	673,722	(38,908)
Alcoholic beverage	18,000	22,470	4,470
Licenses and permits	113,060	104,804	(8,256)
Intergovernmental	120,530	170,789	50,259
Charges for services	321,366	331,724	10,358
Fines and forfeitures	504,610	442,739	(61,871)
Investment earnings	15,000	36,433	21,433
Miscellaneous	152,200	56,901	(95,299)
Total revenues	<u>7,379,656</u>	<u>7,119,764</u>	<u>(259,892)</u>
EXPENDITURES			
General government:			
Multi-departmental	1,375,368	1,367,465	7,903
Finance	218,752	219,676	(924)
Personnel	139,480	136,287	3,193
Municipal court	174,880	170,873	4,007
Total general government	<u>1,908,480</u>	<u>1,894,301</u>	<u>14,179</u>
Public safety:			
Police	2,794,760	2,815,392	(20,632)
Fire	224,250	224,740	(490)
Fire marshal	14,770	12,507	2,263
Inspection	247,612	251,028	(3,416)
Communications	451,070	414,739	36,331
Emergency management	18,020	23,370	(5,350)
Total public safety	<u>3,750,482</u>	<u>3,741,776</u>	<u>8,706</u>
Public works:			
Streets	1,429,113	1,614,339	(185,226)
Administration/engineering	315,890	307,672	8,218
Vehicle and facility maintenance	114,040	118,271	(4,231)
Total public works	<u>1,859,043</u>	<u>2,040,282</u>	<u>(181,239)</u>

CITY OF EL CAMPO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2016

	Final Budget	Actual	Variance from Final
EXPENDITURES (continued)			
Parks and recreation:			
Parks and recreation	\$ 538,450	\$ 483,837	\$ 54,613
Civic center	112,580	106,431	6,149
Aquatic center	307,800	290,759	17,041
Total parks and recreation	<u>958,830</u>	<u>881,027</u>	<u>77,803</u>
Capital outlay	<u>233,570</u>	<u>-</u>	<u>233,570</u>
Total expenditures	<u>8,710,405</u>	<u>8,557,386</u>	<u>153,019</u>
Excess (deficiency) of revenues over (under) expenditures	(1,330,749)	(1,437,622)	(106,873)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	10,000	10,700	700
Transfers in	638,210	1,038,840	400,630
Transfers out	(147,490)	(147,490)	-
Total other financing sources (uses)	<u>500,720</u>	<u>902,050</u>	<u>401,330</u>
Net change in fund balance	(830,029)	(535,572)	294,457
Fund balance - beginning	<u>3,135,098</u>	<u>3,135,098</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,305,069</u>	<u>\$ 2,599,526</u>	<u>\$ 294,457</u>

CITY OF EL CAMPO, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$ 953,930	\$ 1,073,901	\$ 119,971
Investment earnings	<u>160</u>	<u>423</u>	<u>263</u>
Total revenues	<u>954,090</u>	<u>1,074,324</u>	<u>120,234</u>
EXPENDITURES			
Debt service:			
Principal	520,271	520,271	-
Interest and fiscal fees	433,819	443,432	(9,613)
Bond issuance costs	<u>-</u>	<u>206,643</u>	<u>(206,643)</u>
Total expenditures	<u>954,090</u>	<u>1,170,346</u>	<u>(216,256)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(96,022)</u>	<u>(96,022)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of bonds	-	2,140,000	2,140,000
Premium on refunding bonds issued	-	699,821	699,821
Payment to refunded bond escrow agent	-	(200,426)	(200,426)
Transfers out	<u>-</u>	<u>(2,510,452)</u>	<u>(2,510,452)</u>
Total other financing sources (uses)	<u>-</u>	<u>128,943</u>	<u>128,943</u>
Change in fund balance	-	32,921	32,921
Fund balance- beginning	<u>60,005</u>	<u>60,005</u>	<u>-</u>
Fund balance- ending	<u>\$ 60,005</u>	<u>\$ 92,926</u>	<u>\$ 32,921</u>

CITY OF EL CAMPO, TEXAS

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET (NON-GAAP BASIS) AND ACTUAL ENTERPRISE FUND - UTILITY FUND

YEAR ENDED SEPTEMBER 30, 2016

	Final Budget	Actual	Variance from Final
OPERATING REVENUES			
Water	\$ 1,668,340	\$ 1,679,509	\$ 11,169
Sewer	1,868,450	1,883,396	14,946
Sanitation	1,727,000	1,877,815	150,815
Penalties	88,000	92,397	4,397
Connection and installation fees	55,000	55,202	202
Miscellaneous	22,000	-	(22,000)
Total revenues	<u>5,428,790</u>	<u>5,611,993</u>	<u>183,203</u>
OPERATING EXPENSES			
Utility operations:			
Personnel	752,380	772,117	(19,737)
Material and supplies	72,500	60,961	11,539
Repairs and maintenance	214,050	195,548	18,502
Other services and charges	3,053,050	2,427,461	625,589
Capital outlay	148,500	178,438	(29,938)
Total operating expenses	<u>4,240,480</u>	<u>3,634,525</u>	<u>605,955</u>
Operating income before nonoperating revenues (expenses) and transfers	<u>1,188,310</u>	<u>1,977,468</u>	<u>789,158</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	6,500	23,892	17,392
Principal retirement	(820,383)	(820,383)	-
Interest and fiscal charges	(350,577)	(187,640)	162,937
Capital contributions	-	429,677	429,677
Transfers in	-	2,510,452	2,510,452
Transfers out	(52,010)	(1,404,052)	(1,352,042)
Total nonoperating revenues (expenses)	<u>(1,216,470)</u>	<u>551,946</u>	<u>1,768,416</u>
Change in net position - (Non-GAAP Basis)	<u><u>\$ (28,160)</u></u>	<u>2,529,414</u>	<u><u>\$ 2,557,574</u></u>
ADJUSTMENTS			
Principal portion of debt payments		820,383	
Depreciation		(927,068)	
Capital outlay		<u>178,438</u>	
Change in net position - GAAP basis		2,601,167	
Net position, beginning of year		<u>8,990,018</u>	
Prior period adjustment		(318,424)	
Net position (deficit), beginning, restated		<u>8,671,594</u>	
Net position, end of year		<u><u>\$ 11,272,761</u></u>	

CITY OF EL CAMPO, TEXAS

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET (NON-GAAP BASIS) AND ACTUAL ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES FUND

YEAR ENDED SEPTEMBER 30, 2016

	Final Budget	Actual	Variance
OPERATING REVENUES			
Ambulance services	\$ 1,628,580	\$ 1,629,243	\$ 663
Miscellaneous	<u>-</u>	<u>77,046</u>	<u>77,046</u>
Total revenues	<u>1,628,580</u>	<u>1,706,289</u>	<u>77,709</u>
OPERATING EXPENSES			
Utility operations:			
Personnel	1,098,960	1,170,033	(71,073)
Materials and supplies	116,220	118,810	(2,590)
Repairs and maintenance	42,990	65,859	(22,869)
Other services and charges	143,980	151,905	(7,925)
Capital outlay	<u>151,000</u>	<u>84,360</u>	<u>66,640</u>
Total operating expenses	<u>1,553,150</u>	<u>1,590,967</u>	<u>(37,817)</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	<u>75,430</u>	<u>115,322</u>	<u>115,526</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	-	444	444
Transfers in	-	68,559	68,559
Transfers out	<u>-</u>	<u>(68,000)</u>	<u>(68,000)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>1,003</u>	<u>1,003</u>
Change in net position - (Non-GAAP Basis)	<u>\$ 75,430</u>	<u>116,325</u>	<u>\$ 40,895</u>
ADJUSTMENTS			
Depreciation		(80,356)	
Capital outlay		<u>84,360</u>	
Change in net position - GAAP basis		120,329	
Net position, beginning of year		<u>470,884</u>	
Net position, end of year		<u>\$ 591,213</u>	

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends	69-78
These schedules contain trend information to help the reader understand how performance and the City's financial well-being have changed over time.	
Revenue Capacity	79-86
These schedules contain information to help the reader assess the City's most significant local revenue sources.	
Debt Capacity	87-90
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	91-92
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities takes place.	
Operating Information	93-98
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources - Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

CITY OF EL CAMPO, TEXAS
NET POSITION BY COMPONENT (1)
LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$ 11,783,741	\$ 11,802,324	\$ 13,175,250	\$ 12,651,611
Restricted	284,411	239,496	293,532	596,548
Unrestricted	<u>7,491,671</u>	<u>6,823,104</u>	<u>4,355,197</u>	<u>3,556,474</u>
Total governmental activities net position	<u>\$ 19,559,823</u>	<u>\$ 18,864,924</u>	<u>\$ 17,823,979</u>	<u>\$ 16,804,633</u>
Business-type activities:				
Net investment in capital assets	\$ 7,094,356	\$ 7,239,131	\$ 6,040,671	\$ 8,185,040
Unrestricted	<u>2,353,223</u>	<u>2,910,875</u>	<u>4,287,504</u>	<u>2,381,014</u>
Total business-type activities net position	<u>\$ 9,447,579</u>	<u>\$ 10,150,006</u>	<u>\$ 10,328,175</u>	<u>\$ 10,566,054</u>
Primary government:				
Net investment in capital assets	\$ 18,878,097	\$ 19,041,455	\$ 19,215,921	\$ 20,836,651
Restricted	284,411	239,496	293,532	596,584
Unrestricted	<u>9,844,894</u>	<u>9,733,979</u>	<u>8,642,701</u>	<u>5,937,488</u>
Total primary government net position	<u>\$ 29,007,402</u>	<u>\$ 29,014,930</u>	<u>\$ 28,152,154</u>	<u>\$ 27,370,723</u>

(1) Accrual basis of accounting

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 12,096,688	\$ 11,780,074	\$ 12,448,707	\$ 9,777,017	\$ 5,094,853	\$ 11,596,010
394,422	250,288	341,963	214,477	7,642,486	329,900
<u>4,253,875</u>	<u>4,648,129</u>	<u>4,126,213</u>	<u>4,828,765</u>	<u>1,205,992</u>	<u>151,093</u>
\$ <u>16,744,985</u>	\$ <u>16,678,491</u>	\$ <u>16,916,883</u>	\$ <u>14,820,259</u>	\$ <u>13,943,331</u>	\$ <u>12,077,003</u>
\$ 8,171,231	\$ 8,668,743	\$ 8,115,580	\$ 6,461,102	\$ 7,003,324	\$ 9,791,150
<u>2,801,092</u>	<u>2,410,643</u>	<u>3,020,028</u>	<u>5,738,526</u>	<u>2,457,578</u>	<u>2,072,824</u>
\$ <u>10,972,323</u>	\$ <u>11,079,386</u>	\$ <u>11,135,608</u>	\$ <u>12,199,628</u>	\$ <u>9,460,902</u>	\$ <u>11,863,974</u>
\$ 20,267,919	\$ 20,448,817	\$ 20,564,287	\$ 16,238,119	\$ 12,098,177	\$ 21,387,160
394,422	250,288	341,963	214,477	7,642,486	329,900
<u>7,054,967</u>	<u>7,058,772</u>	<u>7,146,241</u>	<u>10,567,291</u>	<u>3,663,570</u>	<u>2,223,917</u>
\$ <u>27,717,308</u>	\$ <u>27,757,877</u>	\$ <u>28,052,491</u>	\$ <u>27,019,887</u>	\$ <u>23,404,233</u>	\$ <u>23,940,977</u>

CITY OF EL CAMPO, TEXAS

CHANGES IN NET POSITION (1)

LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities				
Expenses				
General government	\$ 1,847,968	\$ 1,735,303	\$ 1,730,446	\$ 1,700,404
Public safety	3,299,795	4,036,711	4,197,726	3,331,347
Public works	1,991,662	1,853,152	2,258,781	1,933,738
Parks and recreation	662,876	705,118	754,293	745,235
Interest on long-term debt	99,957	146,150	152,972	144,355
Total expenses	<u>7,902,258</u>	<u>8,476,434</u>	<u>9,094,218</u>	<u>7,855,079</u>
Program revenues				
Charges for services				
General government	166,974	148,938	130,103	134,468
Public safety	1,071,589	1,267,229	843,653	670,620
Public works	39,240	32,206	20,308	29,651
Parks and recreation	171,566	186,210	172,042	187,309
Operating grants and contributions	640,257	115,606	200,212	148,542
Capital grants and contributions	<u>25,000</u>	<u>160,359</u>	<u>179,786</u>	<u>-</u>
Total program revenues	<u>2,114,626</u>	<u>1,910,548</u>	<u>1,546,104</u>	<u>1,170,590</u>
Total governmental activities net program (expense) revenue	<u>\$(5,787,632)</u>	<u>\$(6,565,886)</u>	<u>\$(7,548,114)</u>	<u>\$(6,684,489)</u>
General revenues and other changes in net position				
Taxes:				
Property taxes	\$ 2,185,347	\$ 2,350,642	\$ 2,627,352	\$ 2,641,886
Sales taxes	2,154,527	2,422,347	2,291,988	2,161,373
Franchise taxes	604,425	604,010	612,731	603,132
Other taxes	120,776	136,673	127,396	102,424
Investment earnings	407,748	285,267	154,964	57,935
Miscellaneous	140,150	167,151	178,636	295,309
Transfers	<u>301,720</u>	<u>345,100</u>	<u>514,102</u>	<u>(196,916)</u>
Total general revenues and other changes in net position	<u>5,914,693</u>	<u>6,311,190</u>	<u>6,507,169</u>	<u>5,665,143</u>
Total governmental activities change in net position	<u>\$ 127,061</u>	<u>\$(254,696)</u>	<u>\$(1,040,945)</u>	<u>\$(1,019,346)</u>

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 1,748,982	\$ 1,598,194	\$ 1,409,439	\$ 2,832,544	\$ 3,126,552	\$ 2,326,025
3,181,009	3,486,798	3,555,073	3,781,836	3,781,285	3,933,302
2,205,043	2,220,393	2,340,330	2,352,547	2,228,376	2,135,403
682,760	860,990	880,902	1,218,866	1,152,451	1,031,769
136,246	133,211	109,774	123,993	236,628	706,151
<u>7,954,040</u>	<u>8,299,586</u>	<u>8,295,518</u>	<u>10,309,786</u>	<u>10,525,292</u>	<u>10,132,650</u>
131,517	134,253	162,534	149,723	209,755	133,356
580,613	599,335	505,909	475,974	419,142	540,493
55,955	33,332	31,466	113,905	223,309	20,573
231,917	251,355	269,205	429,494	287,174	321,993
162,233	181,085	145,583	-	137,267	63,437
71,424	-	24,969	-	-	911,211
<u>1,233,659</u>	<u>1,199,360</u>	<u>1,139,666</u>	<u>1,169,096</u>	<u>1,276,647</u>	<u>1,991,063</u>
<u>\$ (6,720,381)</u>	<u>\$ (7,100,226)</u>	<u>\$ (7,155,852)</u>	<u>\$ (9,140,690)</u>	<u>\$ (9,248,645)</u>	<u>\$ (8,141,587)</u>
\$ 2,811,094	\$ 2,834,559	\$ 2,832,186	\$ 2,833,021	\$ 3,118,814	\$ 3,640,047
2,405,245	2,840,198	2,908,788	3,533,651	3,568,802	2,769,036
650,585	622,421	602,873	929,726	827,649	673,722
104,512	145,210	159,487	19,840	17,369	162,880
38,222	33,478	10,307	9,620	26,974	50,050
173,116	243,932	250,569	374,195	290,316	86,483
477,959	375,176	630,034	(962,266)	83,288	(1,106,959)
<u>6,660,733</u>	<u>7,094,974</u>	<u>7,394,244</u>	<u>6,737,787</u>	<u>7,933,212</u>	<u>6,275,259</u>
<u>\$ (59,648)</u>	<u>\$ (5,252)</u>	<u>\$ 238,392</u>	<u>\$ (2,402,903)</u>	<u>\$ (1,315,433)</u>	<u>\$ (1,866,328)</u>

CITY OF EL CAMPO, TEXAS

CHANGES IN NET POSITION (1)

LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
Business-type activities				
Expenses				
Utilities	\$ 3,528,587	\$ 3,862,890	\$ 4,065,879	\$ 4,219,111
Emergency medical services	-	-	-	1,050,632
Total expenses	<u>3,528,587</u>	<u>3,862,890</u>	<u>4,065,879</u>	<u>5,269,743</u>
Program revenues				
Charges for services				
Utilities	3,918,547	4,312,032	4,350,603	4,337,210
Emergency medical services	-	-	-	294,344
Operating grants and contributions	-	-	-	655,472
Capital grants and contributions	<u>104,804</u>	<u>101,676</u>	<u>336,738</u>	<u>-</u>
Total program revenues	<u>4,023,351</u>	<u>4,413,708</u>	<u>4,687,341</u>	<u>5,287,026</u>
Total business-type activities net program (expense) revenue	<u>494,764</u>	<u>550,818</u>	<u>621,462</u>	<u>17,283</u>
General revenues and other changes in net position				
Investment earnings	46,868	99,331	70,809	23,680
Miscellaneous	-	-	-	-
Transfers	<u>(301,720)</u>	<u>(345,100)</u>	<u>(514,102)</u>	<u>196,916</u>
Total general revenues and other changes in net position	<u>(254,852)</u>	<u>(245,769)</u>	<u>(443,293)</u>	<u>220,596</u>
Total business-type activities change in net position	<u>239,912</u>	<u>305,049</u>	<u>178,169</u>	<u>237,879</u>
Total primary government change in net position	<u>\$ 366,973</u>	<u>\$ 50,353</u>	<u>\$ (862,776)</u>	<u>\$ (781,467)</u>

(1) Accrual basis of accounting

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 4,269,546	\$ 4,529,419	\$ 4,586,250	\$ 5,000,348	\$ 5,045,412	\$ 4,570,795
<u>1,037,263</u>	<u>1,083,813</u>	<u>1,195,259</u>	<u>1,352,446</u>	<u>1,618,966</u>	<u>1,586,963</u>
<u>5,306,809</u>	<u>5,613,232</u>	<u>5,781,509</u>	<u>6,352,794</u>	<u>6,664,378</u>	<u>6,157,758</u>
4,996,082	4,850,584	4,939,016	4,992,362	5,336,727	5,588,319
389,720	327,559	565,054	1,367,954	1,613,095	1,629,243
796,510	817,196	851,622	-	-	75,000
<u>-</u>	<u>245,868</u>	<u>104,132</u>	<u>-</u>	<u>-</u>	<u>429,677</u>
<u>6,182,312</u>	<u>6,241,207</u>	<u>6,459,824</u>	<u>6,360,316</u>	<u>6,949,822</u>	<u>7,722,239</u>
<u>875,503</u>	<u>627,975</u>	<u>678,315</u>	<u>7,522</u>	<u>285,444</u>	<u>1,564,481</u>
8,725	7,489	7,941	14,327	9,776	24,336
-	-	-	79,905	194,381	25,720
<u>(477,959)</u>	<u>(375,176)</u>	<u>(630,034)</u>	<u>962,266</u>	<u>(83,288)</u>	<u>1,106,959</u>
<u>(469,234)</u>	<u>(367,687)</u>	<u>(622,093)</u>	<u>1,056,498</u>	<u>120,869</u>	<u>1,157,015</u>
<u>406,269</u>	<u>260,288</u>	<u>56,222</u>	<u>1,064,020</u>	<u>406,313</u>	<u>2,721,496</u>
\$ <u>346,621</u>	\$ <u>255,036</u>	\$ <u>294,614</u>	\$ <u>(1,338,883)</u>	\$ <u>(909,120)</u>	\$ <u>855,168</u>

CITY OF EL CAMPO, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-
Unassigned	-	-	-	-
Reserved	-	-	-	-
Prepaid items	60,250	9,626	10,554	10,177
Inventory	18,179	10,787	16,820	27,831
Unreserved	<u>5,624,841</u>	<u>6,033,298</u>	<u>3,810,126</u>	<u>3,309,065</u>
Total general fund	<u>\$ 5,703,270</u>	<u>\$ 6,053,711</u>	<u>\$ 3,837,500</u>	<u>\$ 3,347,073</u>
All Other Governmental Funds				
Nonspendable				
Noncurrent notes receivable	\$ -	\$ -	\$ -	\$ -
Restricted				
Debt service	-	-	-	-
Municipal court	-	-	-	-
State and federal grant programs	-	-	-	-
Public safety	-	-	-	-
Capital projects	-	-	-	-
Tourism	-	-	-	-
Committed				
Street paving	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Noncurrent receivables	100,225	94,254	81,393	67,103
Unreserved, reported in				
Special revenue funds	71,576	26,573	48,449	81,471
Debt service fund	251,958	216,811	266,302	254,258
Capital projects funds	<u>746,838</u>	<u>716,994</u>	<u>677,196</u>	<u>628,268</u>
Total all other governmental funds	<u>\$ 1,170,597</u>	<u>\$ 1,054,632</u>	<u>\$ 1,073,340</u>	<u>\$ 1,031,100</u>

TABLE 3

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 65,249	\$ 63,852	\$ 119,970	\$ 465	\$ 9,554	\$ 99,508
21,928	65,449	37,566	29,422	21,616	22,906
3,774,325	4,366,855	3,957,930	4,589,898	3,103,928	2,477,112
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,861,502</u>	<u>\$ 4,496,156</u>	<u>\$ 4,115,466</u>	<u>\$ 4,619,785</u>	<u>\$ (8,215,359)</u>	<u>\$ 2,599,526</u>
\$ 52,098	\$ 35,664	\$ 18,517	\$ -	\$ -	\$ -
259,416	82,853	143,746	-	60,005	92,926
21,203	7,062	-	-	-	17,736
457	-	-	-	-	-
99,564	142,796	176,884	173,284	204,052	97,359
430,584	312,006	310,848	12,216	7,378,429	3,871,418
-	-	-	-	-	85,034
9,670	6,751	19,991	-	(246,429)	-
-	(89,318)	(227,496)	(163,053)	-	(432,389)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 872,992</u>	<u>\$ 497,814</u>	<u>\$ 442,490</u>	<u>\$ 22,447</u>	<u>\$ 7,396,057</u>	<u>\$ 3,732,084</u>

CITY OF EL CAMPO, TEXAS

CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Taxes	\$ 5,129,477	\$ 5,553,867	\$ 5,742,713	\$ 5,530,398
Licenses and permits	125,546	110,520	82,013	98,729
Intergovernmental	580,162	497,283	503,073	218,104
Charges for services	505,985	557,310	494,131	217,408
Fines and forfeitures	632,966	627,661	581,037	655,274
Investment earnings	407,748	285,267	154,370	57,772
Miscellaneous	180,636	159,023	199,637	214,896
Total revenues	<u>7,562,520</u>	<u>7,790,931</u>	<u>7,756,974</u>	<u>6,992,581</u>
EXPENDITURES				
Current:				
General government	1,906,962	1,641,061	1,672,339	1,611,531
Public safety	3,352,675	3,818,081	4,048,711	3,260,752
Public works	1,948,665	1,443,436	1,461,833	1,540,477
Parks and recreation	617,806	652,629	689,063	692,676
Capital outlay	131,070	1,002,344	2,935,358	401,725
Intergovernmental				
Debt service				
Principal retirement	193,453	169,842	239,702	163,536
Interest and fiscal charges	101,097	133,531	151,847	141,654
Bond issuance costs	-	57,765	-	-
Total expenditures	<u>8,251,728</u>	<u>8,918,689</u>	<u>11,198,853</u>	<u>7,812,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(689,208)</u>	<u>(1,127,758)</u>	<u>(3,441,879)</u>	<u>(819,770)</u>
OTHER FINANCING SOURCES (USES)				
Payment to refunded bond escrow agent	-	-	-	-
Debt issuances	-	1,650,000	-	-
Premiums on bonds	-	-	-	-
Sale of capital assets	16,546	45,959	49,664	12,729
Capital leases	476,050	65,426	-	-
Transfers in	434,260	412,212	2,114,539	959,725
Transfers (out)	(132,540)	(67,112)	(1,600,437)	(467,713)
Total other financing sources (uses)	<u>794,316</u>	<u>2,106,485</u>	<u>563,766</u>	<u>504,741</u>
Changes in fund balances	<u>\$ 105,108</u>	<u>\$ 978,727</u>	<u>\$ (2,878,113)</u>	<u>\$ (315,029)</u>
Debt service as a percentage of noncapital expenditures	4%	4%	5%	4%

TABLE 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 6,069,161	\$ 6,517,911	\$ 6,546,395	\$ 7,303,676	\$ 7,565,305	\$ 7,234,400
86,460	100,726	125,333	113,905	185,889	104,804
207,131	108,291	121,368	149,723	137,267	584,907
284,405	264,130	291,202	273,494	333,350	364,958
571,100	599,285	505,909	475,974	419,142	452,739
37,794	33,247	10,010	9,620	26,974	50,050
186,522	244,901	269,148	374,195	290,316	109,106
<u>7,442,573</u>	<u>7,868,491</u>	<u>7,869,365</u>	<u>8,700,587</u>	<u>8,958,243</u>	<u>8,900,964</u>
1,648,537	1,504,136	1,357,424	2,645,161	2,638,897	1,958,258
3,173,120	3,241,872	3,338,576	3,666,552	3,604,982	3,791,479
1,729,891	1,860,922	1,726,136	1,753,565	1,513,478	2,040,282
669,346	980,005	805,236	937,459	1,027,723	881,027
65,980	159,875	1,647,627	12,506,721	4,409,510	10,248,253
					8,000,000
172,872	185,659	175,597	197,263	371,126	488,685
133,641	109,404	45,350	123,993	250,752	475,018
-	33,980	72,713	3,182,728	214,299	260,643
<u>7,593,387</u>	<u>8,075,853</u>	<u>9,168,659</u>	<u>25,013,442</u>	<u>14,030,767</u>	<u>28,143,645</u>
(150,814)	(207,362)	(1,299,294)	(16,312,855)	(5,072,524)	(19,242,681)
-	(32,526)	-	-	-	(200,426)
-	-	42,189	5,078,533	7,436,290	15,640,000
-	-	-	-	245,084	699,821
15,845	80,551	32,932	-	245,302	10,700
-	167,470	210,662	-	-	-
544,392	616,050	741,219	-	5,729,718	2,138,684
(53,102)	(364,250)	(163,722)	(1,494,402)	(5,646,430)	(3,245,643)
<u>507,135</u>	<u>467,295</u>	<u>863,280</u>	<u>3,584,131</u>	<u>8,009,964</u>	<u>15,043,136</u>
\$ <u>356,321</u>	\$ <u>259,933</u>	\$ <u>(436,014)</u>	\$ <u>(12,728,724)</u>	\$ <u>2,937,440</u>	\$ <u>(4,199,545)</u>
4%	4%	3%	3%	6%	7%

CITY OF EL CAMPO, TEXAS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll	Real Property			Personal Property		
		Residential Property	Commercial and Industrial Property	Rural-Underdeveloped Property	Business	Other	
2007	2006	\$ 338,101,034	\$ 90,486,538	\$ 24,481,270	\$ 65,885,619	\$ 2,864,917	
2008	2007	368,505,594	86,210,538	23,884,110	63,901,790	2,314,400	
2009	2008	323,722,131	94,366,875	15,724,130	80,504,423	2,372,776	
2010	2009	313,579,986	107,166,897	19,811,993	82,931,557	4,694,823	
2011	2010	332,985,664	131,323,057	17,581,159	86,173,058	4,950,072	
2012	2011	339,317,982	133,722,061	16,361,555	83,283,843	6,733,351	
2013	2012	339,656,351	142,088,841	16,542,764	87,609,386	4,778,486	
2014	2013	348,994,091	151,116,990	18,417,381	99,641,390	4,586,692	
2015	2014	360,142,155	158,635,328	20,120,885	104,453,000	4,086,324	
2016	2015	366,600,277	156,410,775	26,528,737	104,176,198	3,424,410	

(1) Includes tax-exempt property

NOTE: Property in the City is reassessed annually. The City assesses property at 100% of actual taxable value for all types of real and personal property. Tax rates are per \$100 of assessed value.

SOURCE Wharton County Appraisal District

TABLE 5

Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value (1) as a Percentage of Actual Value
\$ 126,633,708	\$ 395,185,670	\$ 0.5598	\$ 395,185,670	100%
124,259,716	420,556,716	0.5598	420,556,716	100%
109,735,389	406,954,946	0.5598	406,954,946	100%
108,563,844	419,621,412	0.5444	419,621,412	100%
112,395,082	460,617,928	0.5280	460,617,928	100%
107,524,105	471,894,687	0.5254	471,894,687	100%
114,047,196	476,628,632	0.5073	476,628,632	100%
100,904,970	521,851,574	0.4806	521,851,574	100%
104,321,253	543,116,439	0.5158	543,116,439	100%
99,455,425	557,684,972	0.5918	557,684,972	100%

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TABLE 6

CITY OF EL CAMPO, TEXAS
WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED
LAST TEN FISCAL YEARS

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate		
						Base Rate	Water Usage Rate	Sewer Usage Rate
2007	\$ 566,452,000	\$ 494,834,000	\$ 71,618,000	12.6%	\$ 466,698,000	\$ 22.30	\$ 2.20	\$ 2.68
2008	635,048,000	551,382,000	83,666,000	13.2%	451,881,000	22.30	2.20	2.68
2009	685,027,000	609,054,500	75,972,500	11.1%	350,015,000	22.30	1.49	3.27
2010	556,683,000	488,754,900	67,928,100	12.2%	441,316,000	22.30	1.91	3.80
2011	749,552,000	671,189,100	78,362,900	10.5%	332,235,000	22.30	2.01	4.13
2012	642,247,000	574,495,400	67,751,600	10.5%	378,650,000	22.30	2.01	4.13
2013	647,102,000	586,673,800	60,428,200	9.3%	352,993,000	22.30	2.01	4.13
2014	581,607,000	519,861,910	61,745,090	10.6%	365,139,000	22.30	2.01	4.13
2015	566,310,000	505,776,800	60,533,200	10.7%	399,294,000	24.07	2.16	4.13
2016	558,306,050	506,306,050	52,000,000	9.3%	397,794,000	26.65	2.55	4.13

CITY OF EL CAMPO, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUE
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates		
	Debt Service	General Fund	Total	School District	Junior College	Wharton County/ FMLR
2007	\$ 0.0607	\$ 0.4991	\$ 0.5598	\$ 1.4302	\$ 0.1358	\$ 0.5736
2008	0.0577	0.5020	0.5598	1.1580	0.1349	0.5634
2009	0.0883	0.4715	0.5598	1.1922	0.1380	0.5458
2010	0.0553	0.4891	0.5444	1.1949	0.1445	0.5318
2011	0.0526	0.4753	0.5280	1.1949	0.1445	0.5318
2012	0.0548	0.4706	0.5254	1.1962	0.1382	0.5022
2013	0.0449	0.4624	0.5073	1.1962	0.1382	0.5022
2014	0.0331	0.4475	0.4806	1.1957	0.1342	0.4881
2015	0.0960	0.4146	0.5106	1.1780	0.1266	0.4600
2016	0.1773	0.4145	0.5918	1.1981	0.1303	0.4900

SOURCE: Tax department records of the various taxing authorities

TABLE 7

Overlapping Rates					
Emergency Services District #1	Coastal Bend Groundwater Conservation District	Emergency Services District #4	West Wharton County Hospital District	Total	
\$ 0.0300	\$ 0.0112	\$ -	\$ 0.0999	\$	2.8405
0.0300	0.0085	-	0.1300		2.5844
0.0300	0.0071	-	0.1399		2.6127
0.0300	0.0073	0.0680	0.1828		2.7036
0.0300	0.0073	0.0680	0.1828		2.6873
0.0300	0.0073	0.0643	0.1833		2.6467
0.0300	0.0073	0.0643	0.1833		2.6286
0.0300	0.0076	0.0618	0.1760		2.5740
0.0300	0.0077	0.0598	0.1613		2.5339
0.0300	0.0085	0.0634	0.1875		2.6995

TABLE 8

**CITY OF EL CAMPO, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

2016		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Wal-Mart Stores	\$ 11,570,187	2.93%
Four Jones LLC	7,434,316	1.88%
H.E.B.	6,339,164	1.60%
Kansas City Southern Railway	5,460,320	1.38%
American Electric Power	5,252,970	1.33%
Winfield Solutions LLC	4,751,591	1.20%
Express Energy Services	4,187,000	1.06%
Davis Don Motor Co Inc.	3,871,970	0.98%
Pinnacle Agriculture	3,700,340	0.94%
Shoppas Farm Supply	3,583,406	0.91%
	<u>\$ 44,581,077</u>	<u>11.28%</u>
2007		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Wal-Mart Stores	\$ 12,183,421	3.08%
H.E.B.	4,511,010	1.14%
Key Energy-Gulf Coast	4,270,930	1.08%
Sutherland Lumber Southwest	4,197,397	1.06%
Farmers Coop of El Campo	3,943,760	1.00%
AEP Texas Central Co.	3,802,680	0.96%
Cardell Cabinetry	2,931,938	0.74%
Southwestern Bell Telephone Co.	2,726,356	0.69%
Wincup	2,445,850	0.62%
Sage First Financial Development II	2,034,007	0.51%
	<u>\$ 43,047,349</u>	<u>10.89%</u>

SOURCE: Wharton County Tax Assessor/Collector

TABLE 9

**CITY OF EL CAMPO, TEXAS
TEN LARGEST WATER CUSTOMERS
CURRENT AND NINE YEARS AGO**

2016			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
Isaacson Municipal Utility District	Municipal District	131,700	2.14%
National Church Residences	Housing	97,386	1.58%
El Campo Housing Authority	Housing	83,363	1.36%
Roane and Roane Properties	Housing	58,590	0.95%
Jones-Co Properties	Housing	54,181	0.88%
Country Aire Mobile Home Park	Housing	49,357	0.80%
Oakcrest Apartments	Housing	39,593	0.64%
Vallejo Properties	Apartments	35,689	0.58%
Zoya Enterprises, LTD	Retail	26,819	0.44%
PHPM Mission Care Centers	Housing	26,814	0.44%
2007			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
WinCup Holdings, Inc.	Manufacturer	243,800	4.99%
Isaacson Municipal Utility District	Municipal District	121,500	2.49%
El Campo Housing Authority	Housing	84,023	1.72%
Country Aire Mobile Home Park	Housing	53,205	1.09%
Speedy Stop Food Stores Ltd.	Retail	47,375	0.97%
Jones-Co Properties	Housing	37,310	0.76%
El Campo Inn	Motel	32,625	0.67%
Oakcrest Apartments	Housing	31,730	0.65%
El Campo Memorial Hospital	Hospital	29,903	0.61%
PHPM Mission Care Centers	Housing	28,115	0.58%

SOURCE: City of El Campo Utility Billing Office

TABLE 10

**CITY OF EL CAMPO, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$	2,243,450	\$ 2,139,050	95.3%	\$ 41,778	\$ 2,180,828	97.2%
2008		2,354,108	2,275,266	96.7%	78,842	2,354,108	100.0%
2009		2,664,871	2,565,253	96.3%	60,352	2,565,253	96.3%
2010		2,676,392	2,547,219	95.2%	97,723	2,644,941	98.8%
2011		2,799,518	2,745,509	98.1%	54,009	2,799,518	100.0%
2012		2,826,754	2,777,421	98.3%	47,997	2,825,418	100.0%
2013		2,841,656	2,776,467	97.7%	36,766	2,813,233	99.0%
2014		2,849,544	2,752,813	96.6%	29,473	2,782,286	97.6%
2015		3,054,937	3,050,108	99.8%	24,527	3,054,937	100.0%
2016		3,607,600	3,517,476	97.5%	-	3,517,476	97.5%

SOURCE City of El Campo
Wharton County Tax Assessor/Collector

TABLE 11

CITY OF EL CAMPO, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Obligation	General Obligation Bonds	Capital Leases	State Infrastructure Bank Loan	Revenue Bonds	General Obligation Bonds	Capital Leases			
2007	\$ 1,742,272	\$ 104,742	\$ 447,460	\$ -	\$ 2,402,728	\$ 1,160,258	\$ 1,602,369	\$ 7,459,829	N/A	\$ 628
2008	3,241,060	86,112	442,592	-	5,763,940	953,888	1,505,502	11,993,094	N/A	1,010
2009	3,021,644	65,826	282,470	-	5,673,356	729,174	1,404,453	11,176,923	N/A	894
2010	2,878,808	45,126	153,406	-	7,226,192	499,874	1,299,040	12,102,446	N/A	968
2011	2,727,878	23,184	47,463	-	8,772,122	256,816	1,189,075	13,016,538	N/A	1,041
2012	1,410,000	1,071,597	157,917	-	4,915,000	1,818,403	1,074,361	10,447,278	N/A	836
2013	70,000	2,311,000	340,282	-	7,635,000	1,714,000	1,354,447	13,424,729	N/A	1,074
2014	5,030,364	1,926,633	298,554	-	8,559,636	1,028,367	284,840	17,128,394	N/A	1,370
2015	7,320,841	7,012,534	242,086	-	8,511,158	1,467,465	945,805	25,499,889	N/A	2,040
2016	7,014,586	15,622,779	190,860	8,000,000	5,728,601	1,277,573	727,711	38,562,110	N/A	3,085

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

N/A denotes information not available

TABLE 12

CITY OF EL CAMPO, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Debt Service Monies Available	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	Certificates of Obligation	General Obligation Bonds	Total				
2007	\$ 1,742,272	\$ 104,742	\$ 1,847,014	\$ 352,183	\$ 1,494,831	100%	\$ 134
2008	3,241,060	86,112	3,327,172	311,065	3,016,107	100%	270
2009	3,021,644	65,826	3,087,470	347,995	2,739,475	100%	245
2010	2,878,808	45,126	2,923,934	321,661	2,602,273	100%	224
2011	2,727,878	23,184	2,751,062	311,514	2,439,548	100%	210
2012	1,410,000	1,071,597	2,481,597	118,517	2,363,080	100%	204
2013	70,000	2,311,000	2,381,000	162,243	2,218,757	100%	191
2014	5,030,364	1,926,633	6,956,997	53,639	6,903,358	100%	595
2015	15,831,999	8,479,999	24,311,998	60,005	24,251,993	100%	2,090
2016	12,743,187	16,900,352	29,643,539	129,771	29,513,768	100%	2,544

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

TABLE 13

CITY OF EL CAMPO, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2016

	<u>Gross Debt Outstanding</u>		Percentage Applicable To City	Amount Applicable To City
	<u>Date</u>	<u>Amount</u>		
Direct Debt:				
City of El Campo	9/30/2016	\$ 30,828,225	100%	\$ 30,828,225
Overlapping Debt:				
Wharton County	12/31/2015	-	26%	-
El Campo Independent School District	8/31/2016	<u>22,019,996</u>	42%	<u>9,316,660</u>
Total		\$ <u>52,848,221</u>		\$ <u>40,144,885</u>

NOTE: There is no legal debt limit for the City. Texas municipalities are not bound by any direct constitutional or statutory maximums as to the amount of obligation bonds which may be issued; however, all local bonds must be submitted to and approved by the State Attorney General. It is the established practice of the Attorney General not to approve a prospective bond issue if it will result in a tax levy for general bonded debt of over \$1.00 for cities under 5,000, or \$1.50 for cities over 5,000 population.

SOURCES: Victoria County, Victoria County Junior College District, Victoria County
City of El Campo, El Campo Independent School District, Wharton County

TABLE 14

CITY OF EL CAMPO, TEXAS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Water and Sewer Revenue Bonds				
	Gross Revenue	Direct Operating Expenses	Net Revenue Available for Debt Service	Average Annual Debt Service Requirements	Times Debt Coverage
2006	\$ 4,204,057	\$ 2,629,017	\$ 1,575,040	\$ 310,775	\$ 5.07
2007	3,965,415	2,729,534	1,235,881	286,964	4.31
2008	4,411,363	3,002,612	1,408,751	411,167	3.43
2009	4,421,412	3,107,355	1,314,057	410,894	3.20
2010	4,360,539	3,196,292	1,164,247	410,894	2.83
2011	5,014,682	3,228,255	1,786,427	390,349	4.58
2012	4,878,603	3,357,623	1,520,980	310,575	4.90
2013	4,957,658	3,591,719	1,365,939	467,450	2.92
2014	5,028,200	3,590,114	1,438,086	507,493	2.83
2015	5,231,870	4,143,637	1,088,233	600,706	1.81
2016	5,611,993	3,456,087	2,155,906	908,546	2.37

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

"Gross Revenue" as used herein refers to all operating revenues and all interest income of the Utility Fund. "Direct Operating Expenses" is defined as all operating expenses of the Utility Fund (which does not include capital outlay or interest expense) less depreciation.

TABLE 15

CITY OF EL CAMPO, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	Personal Income (000's)	Per Capita Personal Income	(2) School Enrollment	(3) Unemployment Rate
2007	11,187	N/A	\$ 30,694	3,404	4.3%
2008	11,187	N/A	28,152	3,590	4.8%
2009	12,500	N/A	29,861	3,481	8.1%
2010	12,500	N/A	32,249	3,460	8.2%
2011	11,602	N/A	28,152	3,508	8.6%
2012	11,602	N/A	35,556	3,545	5.7%
2013	11,602	N/A	37,750	3,631	5.3%
2014	11,602	N/A	37,750	3,652	4.3%
2015	11,602	N/A	40,869	3,600	4.7%
2016	11,602	N/A	41,460	(4)	4.6%

SOURCE: (1) Population figures for the years are estimates provided by the City.

(2) El Campo Independent School District

(3) Texas Labor Market

(4) Unavailable

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TABLE 16

**CITY OF EL CAMPO, TEXAS
PRINCIPAL EMPLOYERS
PRIOR YEAR AND THREE YEARS AGO**

2015		
Employer	Employees	Percentage of Total Area Employment
El Campo Independent School District	505	11%
Greenleaf Nursery	326	7%
El Campo Memorial Hospital	209	4%
Wal-Mart	178	4%
HEB	180	4%
Prasek's Hillje Smokehouse	200	4%
Fesco	84	2%
City of El Campo	106	2%
Mark's Machine	80	2%
New ICM	75	2%
	<u>1,943</u>	<u>41%</u>
2013		
Employer	Employees	Percentage of Total Area Employment
El Campo Independent School District	497	11%
Greenleaf Nursery	376	8%
El Campo Memorial Hospital	212	4%
Wal-Mart	192	4%
HEB	180	4%
Prasek's Hillje Smokehouse	160	3%
City of El Campo	110	2%
Mark's Machine	99	2%
New ICM	91	2%
Key Energy	70	1%
	<u>1,987</u>	<u>42%</u>

NOTES: The requirement for this schedule is for the current year and nine years ago.
However, that information was unavailable. Information that was available is presented.
Information is based on the City of El Campo, Texas area, which includes Hillje, Texas.

CITY OF EL CAMPO, TEXAS
FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal year			
	2006	2007	2008	2009
Function/Program				
General government				
Administration	6	5	5	2
Finance	-	-	-	4
Personnel	-	-	-	-
Municipal court	4	4	4	4
Inspections	4	4	5	5
Public Safety				
Police	29	29	33	33
Communications	8	8	8	8
EMS	10	10	10	10
Public Works				
Administration	3	3	3	3
Streets and drainage	2	2	2	2
Vehicle Maintenance	14	14	14	14
Community and recreational services	-	1	1	1
Parks maintenance	5	5	5	5
Aquatic center	-	2	2	2
Water and Sewer				
Administration	2	2	1	1
Water production and distribution	6	6	6	6
Wastewater collection	5	5	5	5
Wastewater treatment	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u>100</u>	<u>102</u>	<u>106</u>	<u>107</u>

NOTE: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).
Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

TABLE 17

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
2	2	2	2	2	2	2
4	4	4	4	4	2	2
-	-	-	-	-	1	1
4	4	4	4	4	4	5
4	4	4	4	4	4	5
33	33	34	35	35	35	35
7	8	8	8	8	8	8
10	10	10	11	11	11	14
3	3	3	4	4	4	3
2	2	13	13	13	13	12
14	14	3	2	2	2	2
1	1	1	1	1	1	1
5	5	5	5	5	5	5
2	2	2	2	1	1	1
1	1	3	3	3	3	4
6	6	5	5	5	5	5
5	5	5	5	5	5	5
2	2	2	2	2	2	2
<u>105</u>	<u>106</u>	<u>108</u>	<u>110</u>	<u>109</u>	<u>108</u>	<u>112</u>

CITY OF EL CAMPO, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
Function/Program				
General government				
Building permits issued	586	641	545	508
Building inspections conducted	652	708	588	489
Fire inspections conducted	17	10	26	9
Public safety				
Police				
Physical arrests	1,802	2,035	N/A	N/A
Traffic violations (includes warnings)	12,675	10,588	9,674	N/A
Fire				
Total Incidents	175	331	252	193
Streets and highways				
Street resurfacing (miles)	6.59	3.20	4.00	6.50
Water and wastewater				
Water				
Active water connections	4,314	4,351	4,013	3,655
Average daily consumption (in 000's)	1,468	1,707	1,876	1,496
Peak daily consumption (in 000's)	3,575	3,303	3,839	2,642
Wastewater				
Active sewer connections	3,932	3,931	3,919	3,573
Average daily flow	1,234	1,232	958	1,208

NOTE: N/A denotes information not available

SOURCE: Various City departments

TABLE 18

Fiscal Year					
2011	2012	2013	2014	2015	2016
503	498	545	539	553	588
453	523	468	485	450	434
22	15	8	13	14	14
1,756	1,613	1,332	1,322	1,231	1,260
10,517	8,065	6,483	9,555	9,396	9,539
343	261	256	201	224	189
10.89	12.28	7.34	7.34	12.70	13.70
4,093	4,583	4,636	4,739	4,760	4,227
2,053	1,759	1,740	1,594	1,547	1,532
2,837	3,376	3,599	3,266	3,680	2,835
3,869	4,369	4,320	4,288	4,612	N/A
885	1,037	996	1,000	1,092	1,092

CITY OF EL CAMPO, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2007	2008	2009	2010
Public safety				
Police				
Stations	1	1	1	1
Patrol units	5	5	5	5
Fire				
Fire stations	1	1	1	1
Public Works				
Streets				
Streets paved (miles)	75	75	77	77
Streets unpaved (miles)	6	6	6	6
Parks				
Acreage	56	56	56	56
Swimming Pools	1	1	1	1
Tennis Courts	8	8	8	8
Community Centers	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	81	81	81	81
Wastewater				
Sanitary sewers (miles)	75	75	75	75
Storm sewers (miles)	15	15	15	15

SOURCE: Various City departments

** Does not include roads maintained by TxDOT or privately owned roads

TABLE 19

Fiscal Year					
2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
5	5	5	5	5	5
1	1	1	1	1	1
78	79	80	80	80	80
5	4	3	3	4	4
56	56	64	64	64	64
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
87	87	87	110	110	113
88	88	88	86	88	88
15	15	15	40	15	15

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