

**CITY OF EL CAMPO, TEXAS**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*For the fiscal year ended September 30, 2012*

Courtney Sladek  
*Director of Finance*

Mindi R. Snyder  
*City Manager*

Issued By:  
Finance Department

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## **INTRODUCTORY SECTION**



## *City Of El Campo, Texas*

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Incorporated 1905

February 25, 2013

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, 2012, 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 with a slight growth trend. 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 area that we are now exploring is cooperative efforts with our neighboring communities. 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 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 above 3 months of operations should be designated for capital and that has assisted in maintaining a lower ad valorem tax rate and reducing the scope of the debt issuances.

## **MAJOR INITIATIVES**

The following were goals of the FY11-12 Adopted Budget: focus on economic development, increase housing diversity, continue to work on personnel development and to work towards development of a Park on the West Side of town.

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

#### *Economic Development*

The City partnered with the City Development Corporation to bring Leedo Cabinets into the existing Cardell building. Through the Texas Capital Fund grant program and Section 380 agreements, the City strengthened its economic development opportunities. Additionally, the City held a joint workshop with the City Development Corporation to discuss moving from 4A to 4B sales tax.

The City will continue to advance an economic development program that partners with the City Development Corporation while upholding community values, building on investments made by the community and supporting expectations of the City's level of service.

#### *Housing Diversification*

The City approved the plat for El Campo Village, a low to moderate income housing development in June. The City has seen 13 housing starts in the last fiscal year, with values ranging from \$60,000 to \$500,000. The median value of a new house was \$139,345.

The City will continue to focus on housing diversification in the upcoming fiscal year through programs such as residential developer's rebates and infrastructure improvements (strip paving).

#### *Personnel Development*

The FY12 Adopted budget included merit based increases for all positions or any additional personnel at 3.0%, as the City implemented its performance review system that is consistent for employees, rewards achievements and recognizes longevity, education and other factors. Additionally, the City completed the wage study and adopted new scales in May. Several positions experienced a market adjustment of 5%, all EMS personnel received a market adjustment of 10% in an effort to focus on recruitment and retention.

Also in FY12, the City completed a public safety study which consolidated a public safety management structure and reviewed the delivery of EMS services in cooperation with the hospital, the medical community and the community in general.

#### *West Loop Park*

A park on the west side of town still remains a priority. El Campo Little League will develop acreage identified on the west side of town for fields.

The City will be involved through the planning process for the Master Plan of the West Loop Park. In June, the contract with Burditt for park design was approved.

#### *Additional Infrastructure Projects*

The City focused on aging infrastructure in the FY12 Adopted Budget and included funding for the following replacement program(s)/equipment:

- seal coating program,
- main replacements,
- technology (computers) replacements,
- vehicles (3 units for Patrol and One-ton crew truck for Water/Sewer) replacements,
- portable radios replacement,
- defibrillator/cardiac monitors replacement
- motor grader replacement,
- asphalt distributor replacement,
- mower replacement,
- new handhelds for meter reading,
- chip spreader replacement and
- replacement of digital car video systems in Patrol units.

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

The City also developed new programs to improve service delivery, including:

- paperless billing,
- power stretchers,
- generators for the Monseratte Water Plant and Wastewater Treatment Plant,
- ozone system for the Aquatic Center, and
- energy conservation for water and sewer.

While focusing on the goals listed above, the City utilized existing resources and in some instances, shifted resources to meet the needs.

### **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 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, EMS Fund, and Health Insurance 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 Harrison, Waldrop & Uherek, 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, 2011. 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.

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

#### ACKNOWLEDGMENTS

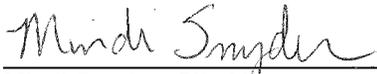
The preparation of this report could not be accomplished without the efficient and dedicated services of the staff of the Finance Department of the City. We would also like to thank the Mayor and Members of City Council for their interest and support in planning and conducting the financial operations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

Respectfully,



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Courtney Sladek, Director of Finance



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Mindi Snyder, City Manager

# 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, 2011

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



*Christopher P. Mouill*

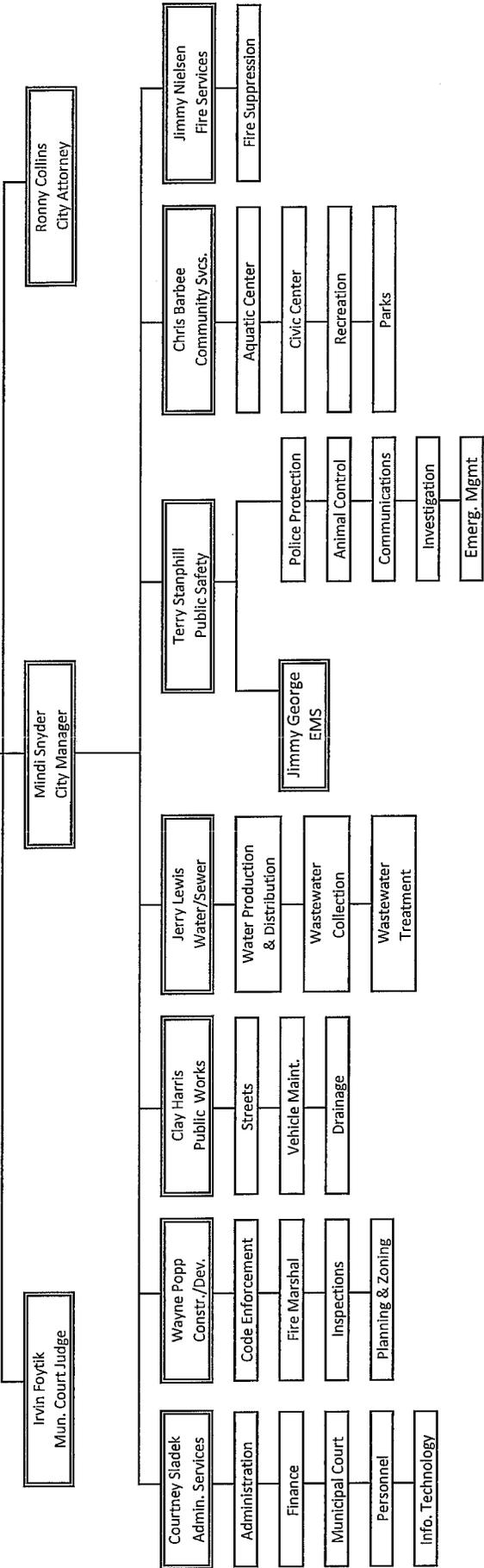
President

*Jeffrey R. Enos*

Executive Director

CITIZENS OF EL CAMPO

CITY COUNCIL



**City Officials**

Richard Young  
Anthony Collins  
Steve Ward  
Charlotte Brown  
Edgar Erwin  
Randy Collins  
Chase Nielsen

**Elective Position**

Mayor  
Mayor Pro-Tem  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member

**Key Staff**

Mindi R. Snyder  
Ronald B. Collins  
Courtney Sladek

**Appointive Position**

City Manager  
City Attorney  
Director of Finance

## **FINANCIAL SECTION**



CERTIFIED PUBLIC ACCOUNTANTS  
101 S. MAIN, SUITE 400  
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255  
FAX: (361) 573-9531

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the El Campo Volunteer Fire Department, which statements reflect total assets of \$1,505,992 as of December 31, 2011, and total revenues of \$342,313 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included in the component units column, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards and standards generally accepted in the United States of America 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 basic financial statements are free of material misstatement. The financial statements of the City Development Corporation of El Campo, Inc. and the El Campo Volunteer Fire Department were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Honorable Mayor and Members  
of the City Council

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

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

*Harrison, Waldrop & Ullrich, LLP*

February 11, 2013

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, 2012.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2012, by \$28,094,069. Of this amount, \$7,411,399 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was \$13,791,093 for the fiscal year. The net expense was \$6,350,526.
- During the year, the City's general revenues exceeded net expenses of the governmental activities by \$26,180. This represents a 0.16% increase in net assets from the previous fiscal year as a result of operations.
- At September 30, 2012, the City's governmental funds reported combined ending fund balances of \$4,993,970, a net increase of \$259,933 in comparison with prior year. The net increase in fund balance was primarily made up of an increase of \$634,654 in the General Fund.
- At September 30, 2012, unassigned fund balance for the General Fund was \$4,366,855 or 59.04% 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 four components: 1) government-wide financial statements, 2) fund financial statements, 3) component unit financial statements, and 4) notes to financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**Organization and Flow of Financial Section Information**

**Independent Auditors' Report**

*Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.*

**Management's Discussion and Analysis**

*This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.*

Pages 3 to 11

**Government-wide Financial Statements**

*Provides information on governmental and business-type activities of the primary government.*

Pages 12 to 15

**Fund Financial Statements**

*Provides information on the financial position of specific funds of the primary government.*

Pages 16 to 26

**Component Unit Financial Statements**

*Provides information on the City's component units.*

Pages 27 to 29

**Notes to Financial Statements**

*Provides a summary of significant accounting policies and related disclosures.*

Pages 30 to 63

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## **OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)**

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (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 water/wastewater, solid waste, and emergency medical services.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component units of City Development Corporation of El Campo, Inc., and El Campo Volunteer Fire Department. These component units are 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 or 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 a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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## **OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)**

### **Fund Financial Statements - (Continued)**

The City maintained ten individual governmental funds during the 2012 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, which is considered a major fund. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor 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 the 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, for its solid waste operations, and for its emergency medical services. The City uses the internal service fund to account for its health plan services. Because these services predominantly benefit governmental rather than business-type functions, it has 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, for the solid waste operation, and for the 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 historical pension and other post employment benefits information. Required supplementary information can be found on pages 64-68 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 69-97 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, net assets exceeded liabilities by \$28,094,069 at the close of the fiscal year 2012.

By far, the largest portion of the City's net assets (72.73%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and machinery and equipment), less a related debt used to acquire those assets that is still outstanding. 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 net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

**City of El Campo, Texas**

**Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Current assets	\$ 5,996,988	\$ 5,690,984	\$ 3,522,485	\$ 3,634,785	\$ 9,519,473	\$ 9,325,769
Capital assets (net)	14,154,570	14,464,629	16,462,058	16,384,982	30,616,628	30,849,611
Other noncurrent assets	127,881	112,883	243,975	153,682	371,856	266,565
<b>Total assets</b>	<b>20,279,439</b>	<b>20,268,496</b>	<b>20,228,518</b>	<b>20,173,449</b>	<b>40,507,957</b>	<b>40,441,945</b>
<b>LIABILITIES</b>						
Current liabilities	892,535	846,845	1,354,794	1,192,765	2,247,329	2,039,610
Noncurrent liabilities	2,616,196	2,677,123	7,550,360	8,007,904	10,166,556	10,685,027
<b>Total liabilities</b>	<b>3,508,731</b>	<b>3,523,968</b>	<b>8,905,154</b>	<b>9,200,669</b>	<b>12,413,885</b>	<b>12,724,637</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	11,780,074	12,096,688	8,652,308	8,171,231	20,432,382	20,267,919
Restricted	250,288	394,422	-	-	250,288	394,422
Unrestricted	4,740,346	4,253,418	2,671,053	2,801,549	7,411,399	7,054,967
<b>Total net assets</b>	<b>\$ 16,770,708</b>	<b>\$ 16,744,528</b>	<b>\$ 11,323,361</b>	<b>\$ 10,972,780</b>	<b>\$ 28,094,069</b>	<b>\$ 27,717,308</b>

An additional portion of the City's net assets (0.89%) represents resources that are subject to external restrictions on how they may be used (i.e., debt service). The remaining balance of unrestricted net assets (\$7,411,399) may be used to meet the government'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 assets for the primary government as a whole.

**Governmental activities.** Governmental activities increased the City's net assets by \$26,180. Key elements of this increase are as follows:

- Sales tax revenues increased \$434,953 (18.08%) due to the strengthening economy.
- Public safety expenses increased \$305,789 (9.61%) primarily due to an increase in personnel costs and depreciation expense in fiscal year 2012.
- Parks and recreation expenses increased \$178,230 (26.10%) primarily due to maintenance costs that were incurred in fiscal year 2012 in excess of fiscal year 2011.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

**Business-type activities.** Business-type activities increased the City's net assets by \$350,581. The key element of this increase relates to the capital grant received in fiscal year 2012 in the amount of \$245,868. Also, the amounts transferred to governmental activities in fiscal year 2012 was \$102,783 less than in fiscal year 2011.

City of El Campo, Texas						
Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,018,275	\$ 1,000,002	\$ 5,178,143	\$ 5,385,802	\$ 6,196,418	\$ 6,385,804
Operating grants and contributions	181,085	162,233	817,196	796,510	998,281	958,743
Capital grants and contributions	-	71,424	245,868	-	245,868	71,424
General revenues:						
Property taxes	2,834,559	2,811,094	-	-	2,834,559	2,811,094
Sales taxes	2,840,198	2,405,245	-	-	2,840,198	2,405,245
Franchise taxes	622,421	650,585	-	-	622,421	650,585
Other taxes	145,210	104,512	-	-	145,210	104,512
Unrestricted investment earnings	33,478	37,765	7,489	9,182	40,967	46,947
Miscellaneous	243,932	173,116	-	-	243,932	173,116
<b>Total revenues</b>	<u>7,919,158</u>	<u>7,415,976</u>	<u>6,248,696</u>	<u>6,191,494</u>	<u>14,167,854</u>	<u>13,607,470</u>
<b>EXPENSES</b>						
General government	1,598,194	1,748,982	-	-	1,598,194	1,748,982
Public safety	3,486,798	3,181,009	-	-	3,486,798	3,181,009
Public works	2,220,393	2,205,043	-	-	2,220,393	2,205,043
Parks and recreation	860,990	682,760	-	-	860,990	682,760
Interest on long-term debt	101,779	136,246	-	-	101,779	136,246
Utilities	-	-	4,439,126	4,269,546	4,439,126	4,269,546
Emergency medical services	-	-	1,083,813	1,037,263	1,083,813	1,037,263
<b>Total expenses</b>	<u>8,268,154</u>	<u>7,954,040</u>	<u>5,522,939</u>	<u>5,306,809</u>	<u>13,791,093</u>	<u>13,260,849</u>
Change in net assets before transfers	(348,996)	(538,064)	725,757	884,685	376,761	346,621
Transfers	375,176	477,959	(375,176)	(477,959)	-	-
Change in net assets	26,180	(60,105)	350,581	406,726	376,761	346,621
Net assets - beginning, as restated	16,744,528	16,804,633	10,972,780	10,566,054	27,717,308	27,370,687
Net assets - ending	<u>\$ 16,770,708</u>	<u>\$ 16,744,528</u>	<u>\$ 11,323,361</u>	<u>\$ 10,972,780</u>	<u>\$ 28,094,069</u>	<u>\$ 27,717,308</u>

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## **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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,993,970, an increase of \$259,933 from the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$4,366,855. Unassigned fund balance represents 59.04% of total General Fund expenditures. The fund balance of the City's General Fund increased by \$634,654 during fiscal year 2012. This was primarily due to the increase in sales tax revenues (\$434,953) during fiscal year 2012 over 2011.

### **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 assets of the Utility Fund and the Emergency Medical Services Fund at the end of the current fiscal year amounted to \$2,302,292 and \$368,761, respectively. The net growth for the funds was \$350,581.

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 \$172,505 less than the final budgeted amounts or appropriations. The major differences in expenditures were:

- \$106,231 for the Police department (\$47,864) due to personnel cost savings;
- \$39,503 for the Fire department due to various cost savings;
- \$51,588 for the Aquatic Center department (\$36,770) due to personnel cost savings;
- (\$138,259) for the Streets department (\$188,383) due to increase in capital outlay expenditures.

The fiscal year 2012 budget was amended from the original budget adopted by Council. The following were included in the amendment:

- \$295,165 increase in sales tax collection;
- \$39,785 increase in aquatic revenues;
- \$68,551 increase in sale of capital assets due to the sale of the old Chamber of Commerce building and other assets;
- \$249,657 in an authorized draw on fund balance, approved for capital improvements;
- \$8,600 increase in unemployment;
- \$17,200 increase in miscellaneous services in multi-departmental for several items including: bond transcript for refunding, costs associated with bringing the circus, hotel/motel audit, redistricting and EMS study;
- \$110,000 increase City Development Corporation in appropriation of sales tax payments to CDC as a result of an increase in collections;
- \$406,417 appropriation increase in the transfer to the Capital Improvements Fund ("CIP" transfer) for additional seal coating, and aquatics projects;
- \$32,685 change in transfer from the Capital Improvements Fund to the Information Technology Fund, an internal service fund;

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## **GENERAL FUND BUDGETARY HIGHLIGHTS - (Continued)**

- 9,000 appropriation to the Building and Land line-item for the purchase of land near the wastewater treatment plant;
- \$672 increase in property tax to account for tax associated with the purchase of the land near the wastewater treatment plant;
- \$744 increase in advertising and legal notices for required publications;
- \$19,045 increase in regular earnings for the market adjustments approved by Council in May;
- \$1,910 increase in Fire Marshal's vehicle and machinery maintenance for the transfer of a vehicle from the Police department to the Fire Marshal;
- \$6,000 increase in Street's vehicle maintenance related to repair;
- \$1,070 increase in appropriations to vehicle maintenance for fuel;
- \$260 appropriation for cell phone service in vehicle maintenance
- \$10,555 increase in building and grounds maintenance at the Aquatic Center

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$30,616,625 (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 net increase in the City's investment in capital assets was 0.76% (a 2.14% decrease for governmental activities and a 0.47% increase in business-type activities). Major capital asset events during the current fiscal year included the following:

- The net additions to equipment for governmental activities were \$255,167. Additions for fiscal year 2012 included the purchase of vehicles and various other equipment.
- The additions to infrastructure for governmental activities include costs incurred for drainage projects and the amounts in progress at September 30, 2012 include services paid for on the West Loop Park and the Seimen's project.
- As of September 30, 2012, the projects in progress include the CDBG project (\$311,399) and the Seimen's project (\$118,625) for the business-type activities.
- The additions to sewer system (\$288,731) includes the costs related to the Olivia Street lift station
- Additions (\$101,587) to equipment for the Emergency Medical Services Fund included the purchase of various equipment.

**CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)**

Capital Assets - (Continued)

**City of El Campo, Texas**

**Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 498,445	\$ 491,945	\$ 30,498	\$ 30,498	\$ 528,943	\$ 522,443
Machinery and equipment	1,649,219	1,541,582	569,895	538,915	2,219,114	2,080,497
Bldgs. and improvements	4,829,345	4,976,417	659,879	705,171	5,489,224	5,681,588
Water works system	-	-	8,440,694	8,809,469	8,440,694	8,809,469
Sewer system	-	-	6,331,065	6,283,981	6,331,065	6,283,981
Infrastructure	7,054,382	7,454,685	-	-	7,054,382	7,454,685
Construction in progress	123,179	-	430,024	16,948	553,203	16,948
<b>Total</b>	<b>\$ 14,154,570</b>	<b>\$ 14,464,629</b>	<b>\$ 16,462,055</b>	<b>\$ 16,384,982</b>	<b>\$ 30,616,625</b>	<b>\$ 30,849,611</b>

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,215,000. Of this amount, \$2,890,000 represents General Obligation Refunding Bonds, Series 2012. The remainder of the City's bonded debt represents \$6,325,000 Combination Tax and Revenue Certificates of Obligation, Series 2007, 2008 and 2010. The City's bonded debt had a net decrease of \$855,000 or 7.99% during the fiscal year ended September 30, 2012. The decrease included current year payments of principal and the refunding of the 1995 and 2004 Certificates of Obligations with the issuance of the 2012 General Obligation Refunding Bonds.

The City maintains a bond rating of "A+" 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 2012, the City made payments on the outstanding capital leases in the amount of \$171,730. The City also entered into a new capital lease during the fiscal year for a Caterpillar motor grader. The original amount of the lease is \$167,470. The balance on all capital leases at September 30, 2012 was \$1,232,278.

Additional information on the City's long-term debt can be found in Note 12 of this report.

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## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The total sales payments received by the City from the State Comptroller and retained by the City for its own utility billing for the current fiscal year totaled \$3,404,077 (including funds dispersed to the City Development Corporation of El Campo, Inc.) This amount is an increase of \$521,695 (18.10%) from the previous year; indicating strengthening of the local economy.
- The City maintained the water, sewer and garbage rates for 2013.
- Also included in the fiscal year 2013 budget is a Capital Improvement Program that has allowed us to budget for operations only in the fund budgets and transfer the surplus funds to address capital needs.
- On a fund by fund basis, the needs were assessed and the only items that were allowed to increase the base budget involved areas of emphasis on the employees such as training and travel where amounts had been reduced to unrealistic levels. Department heads were encouraged to shift funds within their respective budgets as deemed necessary.

All of these factors were considered in preparing the City's budget for the 2012-2013 fiscal year.

The certified assessed taxable property valuations for the 2012 tax roll total \$481,720,936 and \$397,982 for the senior tax freeze, with a tax rate of \$0.50728 per \$100 valuation. The decrease in the tax rate from the prior year was a direct result of the increase in the taxable value and the continually increasing operating costs. \$0.46235 was allocated for maintenance and operations, and \$0.04493 was allocated for interest and sinking (debt service). The projected total property tax due is \$2,727,990 for the 2012 tax year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, 315 E. Jackson, El Campo, Texas 77437.

## **Basic Financial Statements**

**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF NET ASSETS**  
September 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,899,611	\$ 2,102,101	\$ 6,001,712	\$ 437,773
Investments	804,872	100,665	905,537	1,461,897
Receivables (net)	623,868	881,856	1,505,724	-
Internal balances	(45,874)	45,874	-	-
Due from other governments	568,776	252,408	821,184	-
Due from primary government	-	-	-	94,641
Notes receivable	16,434	-	16,434	11,514
Deferred expenditures/expenses	63,852	25,437	89,289	-
Inventory	65,449	-	65,449	-
Restricted assets				
Cash and cash equivalents	-	114,141	114,141	-
Total current assets	<u>5,996,988</u>	<u>3,522,482</u>	<u>9,519,470</u>	<u>2,005,825</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	621,624	460,522	1,082,146	173,378
Buildings, infrastructure, and equipment (net)	13,532,946	16,001,536	29,534,482	2,200,604
Bond issue costs (net)	92,217	243,975	336,192	-
Notes receivable (net)	<u>35,664</u>	<u>-</u>	<u>35,664</u>	<u>254</u>
Total noncurrent assets	<u>14,282,451</u>	<u>16,706,033</u>	<u>30,988,484</u>	<u>2,374,236</u>
<b>Total assets</b>	<u>20,279,439</u>	<u>20,228,515</u>	<u>40,507,954</u>	<u>4,380,061</u>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 181,025	\$ 584,535	\$ 765,560	\$ 46,584
Accrued expenses/expenditures	137,240	45,292	182,532	-
Deposits	14,886	174,927	189,813	-
Accrued interest payable	14,552	51,402	65,954	-
Due to component unit	94,641	-	94,641	-
Due to other governments	39,243	2,917	42,160	-
Claims payable	41,098	-	41,098	-
Accrued compensated absences	179,529	71,651	251,180	-
Current portion of long-term obligations	190,321	424,070	614,391	116,433
Total current liabilities	<u>892,535</u>	<u>1,354,794</u>	<u>2,247,329</u>	<u>163,017</u>
Noncurrent liabilities				
Accrued compensated absences	120,015	50,539	170,554	-
Noncurrent portion of long-term obligations	2,496,181	7,499,821	9,996,002	202,976
Total noncurrent liabilities	<u>2,616,196</u>	<u>7,550,360</u>	<u>10,166,556</u>	<u>202,976</u>
<b>Total liabilities</b>	<u>3,508,731</u>	<u>8,905,154</u>	<u>12,413,885</u>	<u>365,993</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,780,074	8,652,308	20,432,382	2,054,573
Restricted for:				
Debt service	100,430	-	100,430	-
Special projects - municipal court	7,062	-	7,062	-
Other purposes	142,796	-	142,796	-
Unrestricted net assets	4,740,346	2,671,053	7,411,399	1,959,495
<b>Total net assets</b>	<u>\$ 16,770,708</u>	<u>\$ 11,323,361</u>	<u>\$ 28,094,069</u>	<u>\$ 4,014,068</u>

The accompanying notes are an integral part of this statement.

**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2012

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 1,598,194	\$ 134,253	\$ 181,085	\$ -
Public safety	3,486,798	599,335	-	-
Public works	2,220,393	33,332	-	-
Parks and recreation	860,990	251,355	-	-
Interest on long-term debt	101,779	-	-	-
Total governmental activities	<u>8,268,154</u>	<u>1,018,275</u>	<u>181,085</u>	<u>-</u>
Business-type activities				
Utilities	4,439,126	4,850,584	20,686	245,868
Emergency medical services	1,083,813	327,559	796,510	-
Total business-type activities	<u>5,522,939</u>	<u>5,178,143</u>	<u>817,196</u>	<u>245,868</u>
Total primary government	<u>\$ 13,791,093</u>	<u>\$ 6,196,418</u>	<u>\$ 998,281</u>	<u>\$ 245,868</u>
<b>Component Units</b>	<u>\$ 761,524</u>	<u>\$ 189,398</u>	<u>\$ 213,058</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning, as restated

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (1,282,856)	\$ -	\$ (1,282,856)	\$ -
(2,887,463)	-	(2,887,463)	-
(2,187,061)	-	(2,187,061)	-
(609,635)	-	(609,635)	-
(101,779)	-	(101,779)	-
<u>(7,068,794)</u>	<u>-</u>	<u>(7,068,794)</u>	<u>-</u>
-	678,012	678,012	-
-	40,256	40,256	-
-	718,268	718,268	-
<u>(7,068,794)</u>	<u>718,268</u>	<u>(6,350,526)</u>	<u>-</u>
-	-	-	<u>(359,068)</u>
2,539,030	-	2,539,030	-
295,529	-	295,529	-
2,840,198	-	2,840,198	567,667
622,421	-	622,421	-
145,210	-	145,210	-
33,478	7,489	40,967	28,268
-	-	-	24,262
243,932	-	243,932	11,856
375,176	(375,176)	-	-
<u>7,094,974</u>	<u>(367,687)</u>	<u>6,727,287</u>	<u>632,053</u>
26,180	350,581	376,761	272,985
<u>16,744,528</u>	<u>10,972,780</u>	<u>27,717,308</u>	<u>3,741,083</u>
<u>\$ 16,770,708</u>	<u>\$ 11,323,361</u>	<u>\$ 28,094,069</u>	<u>\$ 4,014,068</u>

**CITY OF EL CAMPO, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 3,254,499	\$ 548,634	\$ 3,803,133
Investments	804,872	-	804,872
Receivables (net)	476,693	121,036	597,729
Due from other funds	92,690	-	92,690
Due from other governments	568,776	-	568,776
Note receivable from component unit	-	16,434	16,434
Deferred expenditures	63,852	-	63,852
Inventory	65,449	-	65,449
Noncurrent assets			
Note receivable from component unit (net)	-	35,664	35,664
<b>Total assets</b>	<u>\$ 5,326,831</u>	<u>\$ 721,768</u>	<u>\$ 6,048,599</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 64,214	\$ 107,286	\$ 171,500
Accrued expenditures	137,240	-	137,240
Deposits	14,886	-	14,886
Due to component unit	94,641	-	94,641
Due to other governments	39,243	-	39,243
Due to other funds	95,558	33,593	129,151
Deferred revenue	384,893	83,075	467,968
<b>Total liabilities</b>	<u>830,675</u>	<u>223,954</u>	<u>1,054,629</u>
<b>Fund balances</b>			
Nonspendable	129,301	35,664	164,965
Restricted	-	544,717	544,717
Committed	-	6,751	6,751
Unassigned	4,366,855	(89,318)	4,277,537
<b>Total fund balances</b>	<u>4,496,156</u>	<u>497,814</u>	<u>4,993,970</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,326,831</u>	<u>\$ 721,768</u>	<u>\$ 6,048,599</u>

The accompanying notes are an integral part of this statement.

**CITY OF EL CAMPO, TEXAS****RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS****OF GOVERNMENTAL ACTIVITIES**

September 30, 2012

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<b>Total governmental fund balances</b>		<b>\$ 4,993,970</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
The internal service funds are used by the City to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		67,181
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		281,198
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.		186,770
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	\$ 35,122,226	
Accumulated depreciation of governmental capital assets	<u>(20,972,256)</u>	14,149,970
Issuance cost related to debt is not a financial resource and, therefore, is not reported in the funds. Issuance cost is amortized over the life of the debt.		92,217
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and certificates payable	(2,481,597)	
Premium on bonds payable	(46,988)	
Capital leases payable	(157,917)	
Accrued interest payable	(14,552)	
Compensated absences	<u>(299,544)</u>	<u>(3,000,598)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 16,770,708</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF EL CAMPO, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the year ended September 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 6,081,409	\$ 436,502	\$ 6,517,911
Licenses and permits	100,726	-	100,726
Intergovernmental	108,291	-	108,291
Charges for services	259,540	4,590	264,130
Fines and forfeitures	581,093	18,192	599,285
Investment income	28,001	5,246	33,247
Industrial agreement	14,710	-	14,710
Miscellaneous	99,226	130,965	230,191
<b>Total revenues</b>	<u>7,272,996</u>	<u>595,495</u>	<u>7,868,491</u>
<b>EXPENDITURES</b>			
Current			
General government	1,459,534	44,602	1,504,136
Public safety	3,193,064	48,808	3,241,872
Public works	1,764,025	96,897	1,860,922
Parks and recreation	980,005	-	980,005
Capital outlay	-	159,875	159,875
Debt service			
Principal retirement	-	185,659	185,659
Interest and fiscal charges	-	109,404	109,404
Issuance costs	-	33,980	33,980
<b>Total expenditures</b>	<u>7,396,628</u>	<u>679,225</u>	<u>8,075,853</u>
Excess (deficiency) of revenues over expenditures	(123,632)	(83,730)	(207,362)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	80,551	-	80,551
Capital lease	167,470	-	167,470
Refunding bonds issued	-	1,071,597	1,071,597
Premium on refunding bonds issued	-	50,798	50,798
Payment to escrow	-	(1,154,921)	(1,154,921)
Transfers in	612,670	3,380	616,050
Transfers out	(102,405)	(261,845)	(364,250)
<b>Total other financing sources (uses)</b>	<u>758,286</u>	<u>(290,991)</u>	<u>467,295</u>
Net change in fund balances	634,654	(374,721)	259,933
Fund balances at beginning of year, as restated	<u>3,861,502</u>	<u>872,535</u>	<u>4,734,037</u>
<b>Fund balances at end of year</b>	<u>\$ 4,496,156</u>	<u>\$ 497,814</u>	<u>\$ 4,993,970</u>

The accompanying notes are an integral part of this statement.

**CITY OF EL CAMPO, TEXAS****RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
*For the year ended September 30, 2012*

<b>Total net change in fund balances - governmental funds</b>		<b>\$ 259,933</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
The internal service fund are used by the City to charge the costs of insurance and information technology services to individual funds. The net activity of the internal service funds are reported with governmental activities.		(8,660)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.		(2,500)
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 depreciation expense.		
Increase in capital assets	\$ 703,589	
Depreciation expense	<u>(1,015,747)</u>	(312,158)
Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		
Bonds at par value	(1,071,597)	
(Premium) discount	(50,798)	
Capital lease	<u>(167,470)</u>	(1,289,865)
Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities.		1,154,921
Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:		
Bond principal retirement	185,659	
Capital lease principal retirement	<u>57,016</u>	242,675
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.		
Property taxes	(23,192)	
Other revenues	<u>(3,939)</u>	(27,131)
Some items 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. These activities consist of:		
Increase in compensated absences	(32,158)	
Decrease in accrued interest	5,881	
Net increase in bond premium	3,810	
Net increase in bond issue costs	<u>31,432</u>	<u>8,965</u>
<b>Change in net assets of governmental activities</b>		<b>\$ 26,180</b>

The accompanying notes are an integral part of this statement.

**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2012

	Business-type Activities		
	Utility	Emergency Medical Services	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,998,116	\$ 103,985	\$ 2,102,101
Investments	100,665	-	100,665
Receivables (net)	531,200	350,656	881,856
Due from other funds	95,558	-	95,558
Due from other governments	252,408	-	252,408
Prepaid expenses	17,069	8,368	25,437
Restricted assets - cash and cash equivalents	114,141	-	114,141
Total current assets	<u>3,109,157</u>	<u>463,009</u>	<u>3,572,166</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	460,522	-	460,522
Buildings, improvements, and equipment (net)	15,683,871	317,665	16,001,536
Bond issue costs (net)	243,975	-	243,975
Total noncurrent assets	<u>16,388,368</u>	<u>317,665</u>	<u>16,706,033</u>
<b>Total assets</b>	<u>19,497,525</u>	<u>780,674</u>	<u>20,278,199</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	579,138	5,397	584,535
Accrued expenses	21,611	23,681	45,292
Deposits	174,927	-	174,927
Accrued interest payable	51,402	-	51,402
Due to other funds	49,684	-	49,684
Due to other governments	2,917	-	2,917
Claims payable	-	-	-
Compensated absences	34,654	36,997	71,651
Current portion of capital leases	119,667	-	119,667
Current portion of general obligation bonds	104,403	-	104,403
Current portion of certificates of obligation	200,000	-	200,000
Total current liabilities	<u>1,338,403</u>	<u>66,075</u>	<u>1,404,478</u>
Noncurrent liabilities			
Compensated absences	22,366	28,173	50,539
Capital leases, net of current portion	954,694	-	954,694
General obligation bonds, net of current portion	1,830,127	-	1,830,127
Certificates of obligation, net of current portion	4,715,000	-	4,715,000
Total noncurrent liabilities	<u>7,522,187</u>	<u>28,173</u>	<u>7,550,360</u>
<b>Total liabilities</b>	<u>8,860,590</u>	<u>94,248</u>	<u>8,954,838</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,334,643	317,665	8,652,308
Unrestricted net assets	2,302,292	368,761	2,671,053
<b>Total net assets</b>	<u>\$ 10,636,935</u>	<u>\$ 686,426</u>	<u>\$ 11,323,361</u>

The accompanying notes are an integral part of this statement.

---

Governmental  
Activities  
Internal Service  
Funds

\$ 96,478  
-  
26,139  
-  
-  
-  
122,617

-  
4,600  
-  
4,600  
127,217

9,525  
-  
-  
9,413  
-  
41,098  
-  
-  
-  
60,036

-  
-  
-  
-  
60,036

4,600  
62,581  
\$ 67,181

**CITY OF EL CAMPO, TEXAS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****PROPRIETARY FUNDS**

For the year ended September 30, 2012

	Business-type Activities			Governmental
	Utility	Emergency Medical Services	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,830,473	\$ 319,446	\$ 5,149,919	\$ 1,199,887
Miscellaneous	20,111	8,113	28,224	-
<b>Total operating revenues</b>	<u>4,850,584</u>	<u>327,559</u>	<u>5,178,143</u>	<u>1,199,887</u>
<b>OPERATING EXPENSES</b>				
Personnel	840,633	854,970	1,695,603	-
Materials and supplies	78,980	60,811	139,791	27,071
Repairs and maintenance	237,218	15,877	253,095	87,230
Other services and charges	2,200,792	68,663	2,269,455	1,160
Claims expense	-	-	-	1,202,805
Depreciation and amortization	761,755	83,492	845,247	707
<b>Total operating expenses</b>	<u>4,119,378</u>	<u>1,083,813</u>	<u>5,203,191</u>	<u>1,318,973</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	731,206	(756,254)	(25,048)	(119,086)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	7,333	156	7,489	231
Noncapital grants and contributions	20,686	796,510	817,196	-
Interest and fiscal charges	(332,929)	-	(332,929)	-
Net nonoperating revenues (expenses)	<u>(304,910)</u>	<u>796,666</u>	<u>491,756</u>	<u>231</u>
Income before contributions and transfers	426,296	40,412	466,708	(118,855)
Contributions and transfers				
Capital contributions	245,868	-	245,868	-
Transfers in	138,425	-	138,425	110,195
Transfers out	(493,150)	(7,270)	(500,420)	-
Total contributions and transfers	<u>(108,857)</u>	<u>(7,270)</u>	<u>(116,127)</u>	<u>110,195</u>
Change in net assets	317,439	33,142	350,581	(8,660)
Total net assets at beginning of year, as restated	<u>10,319,496</u>	<u>653,284</u>	<u>10,972,780</u>	<u>75,841</u>
<b>Total net assets at end of year</b>	<u>\$ 10,636,935</u>	<u>\$ 686,426</u>	<u>\$ 11,323,361</u>	<u>\$ 67,181</u>

The accompanying notes are an integral part of this statement.

**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2012

	Business-type Activities		
	Utility	Emergency Medical Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 4,932,072	\$ 350,607	\$ 5,282,679
Cash received from other funds	-	-	-
Cash paid to suppliers for goods and services	(2,504,357)	(149,747)	(2,654,104)
Cash paid to employees for services	(823,416)	(847,220)	(1,670,636)
<b>Net cash provided (used) by operating activities</b>	<u>1,604,299</u>	<u>(646,360)</u>	<u>957,939</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Noncapital contributions	14,146	796,510	810,656
Borrowing (repayments) to other funds	(55,232)	-	(55,232)
Transfers (out) to other funds	(493,150)	(7,270)	(500,420)
Transfers in from other funds	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(534,236)</u>	<u>789,240</u>	<u>255,004</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(523,988)	(101,587)	(625,575)
Principal paid on debt	(544,055)	-	(544,055)
Interest paid	(354,309)	-	(354,309)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,422,352)</u>	<u>(101,587)</u>	<u>(1,523,939)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(100,000)	-	(100,000)
Proceeds from maturity of investments	699,701	-	699,701
Investment income	9,834	156	9,990
<b>Net cash provided (used) by investing activities</b>	<u>609,535</u>	<u>156</u>	<u>609,691</u>
Net increase (decrease) in cash and cash equivalents	257,246	41,449	298,695
Cash and cash equivalents at beginning of year, as restated	<u>1,855,011</u>	<u>62,536</u>	<u>1,917,547</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,112,257</u>	<u>\$ 103,985</u>	<u>\$ 2,216,242</u>

---

Governmental  
Activities  
Internal Service  
Funds

\$ -  
1,173,748  
(1,330,498)  
-  
(156,750)

-  
9,413  
-  
110,195  
119,608

(5,307)  
-  
-  
(5,307)

-  
-  
231  
231

(42,218)  
138,696

\$ 96,478

**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2012

	Business-type Activities		
	Utility	Emergency Medical Services	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 731,206	\$ (756,254)	\$ (25,048)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	761,755	83,492	845,247
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	86,268	23,048	109,316
(Increase) decrease in prepaid expenses	11,458	(4,338)	7,120
Increase (decrease) in accounts payable	(1,742)	(58)	(1,800)
Increase (decrease) in accrued expenses	2,099	957	3,056
Increase (decrease) in deposits	(4,780)	-	(4,780)
Increase (decrease) in due to other governments	2,917	-	2,917
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in compensated absences	15,118	6,793	21,911
Total adjustments	<u>873,093</u>	<u>109,894</u>	<u>982,987</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,604,299</u>	<u>\$ (646,360)</u>	<u>\$ 957,939</u>
<b>Reconciliation of cash and cash equivalents</b>			
Unrestricted			
Cash and cash equivalents	\$ 1,998,116	\$ -	\$ 1,998,116
Restricted			
Cash and cash equivalents	<u>114,141</u>	<u>-</u>	<u>114,141</u>
<b>Total</b>	<u>\$ 2,112,257</u>	<u>\$ -</u>	<u>\$ 2,112,257</u>

**Noncash investing activities**

The Utility Fund had an increase in fair value of investments of \$300 in fiscal year 2012.

The accompanying notes are an integral part of this statement.

---

Governmental  
Activities  
Internal Service  
Funds

\$ (119,086)

707

(26,139)

-

9,525

-

-

-

(21,757)

-

(37,664)

\$ (156,750)

\$ -

-

\$ -

**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
September 30, 2012

	City Development Corporation of El Campo, Inc.	El Campo Volunteer Fire Department	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 235,661	\$ 202,112	\$ 437,773
Investments	1,461,897	-	1,461,897
Due from primary government	94,641	-	94,641
Notes receivable	11,514	-	11,514
Total current assets	<u>1,803,713</u>	<u>202,112</u>	<u>2,005,825</u>
Noncurrent assets			
Capital assets			
Land and improvements	164,378	9,000	173,378
Other capital assets (net)	905,724	1,294,880	2,200,604
Net capital assets	<u>1,070,102</u>	<u>1,303,880</u>	<u>2,373,982</u>
Notes receivable (net of current portion)	254	-	254
Total noncurrent assets	<u>1,070,356</u>	<u>1,303,880</u>	<u>2,374,236</u>
<b>Total assets</b>	<u>2,874,069</u>	<u>1,505,992</u>	<u>4,380,061</u>
<b>LIABILITIES</b>			
Accounts payable	40,636	5,948	46,584
Long-term liabilities			
Due within one year	16,433	100,000	116,433
Due in more than one year	35,665	167,311	202,976
<b>Total liabilities</b>	<u>92,734</u>	<u>273,259</u>	<u>365,993</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,018,004	1,036,569	2,054,573
Restricted for:			
Other purposes	-	10,786	10,786
Unrestricted net assets	<u>1,763,331</u>	<u>185,378</u>	<u>1,948,709</u>
<b>Total net assets</b>	<u>\$ 2,781,335</u>	<u>\$ 1,232,733</u>	<u>\$ 4,014,068</u>

The accompanying notes are an integral part of this statement.

**CITY OF EL CAMPO, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
*For the year ended September 30, 2012*

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Component Units</b>				
City Development Corporation of El Campo, Inc.	\$ 523,490	\$ 73,911	\$ -	\$ -
El Campo Volunteer Fire Department	<u>238,034</u>	<u>115,487</u>	<u>213,058</u>	<u>-</u>
Total component units	<u>\$ 761,524</u>	<u>\$ 189,398</u>	<u>\$ 213,058</u>	<u>\$ -</u>

General revenues:  
 Taxes:  
     Sales taxes  
     Unrestricted investment earnings  
     Gain on sale of capital assets  
     Miscellaneous  
 Total general revenues  
 Change in net assets  
 Net assets - beginning  
 Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Component Units		
City Development Corporation of El Campo, Inc.	El Campo Volunteer Fire Department	Total
\$ (449,579)	\$ -	\$ (449,579)
-	90,511	90,511
<u>(449,579)</u>	<u>90,511</u>	<u>(359,068)</u>
567,667	-	567,667
26,356	1,912	28,268
24,262	-	24,262
-	11,856	11,856
<u>618,285</u>	<u>13,768</u>	<u>632,053</u>
168,706	104,279	272,985
<u>2,612,629</u>	<u>1,128,454</u>	<u>3,741,083</u>
<u>\$ 2,781,335</u>	<u>\$ 1,232,733</u>	<u>\$ 4,014,068</u>

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units. The component units discussed in this note are included in the City's financial statements because of the significance of their financial relationships with the City.

The component unit column in the financial statements includes the financial data from two component units. These component units are reported in a separate column to emphasize that they are legally separate from the City.

The component unit column is made of the following:

The City Development Corporation of El Campo, Inc. (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. CDC was incorporated under the Texas Development Corporation Act of 1979, as amended, Article 5190.6 Vernon's Ann.CIV.ST. Section 4A, as amended, and qualifies as a tax-exempt organization under Code Section 501(c)(4) of the Internal Revenue Code. All powers of CDC are vested in the Board of Directors appointed by the City Council. The City is also able to impose its will on CDC, including approving its operating budget. The amounts reported for CDC are as of September 30, 2012.

The El Campo Volunteer Fire Department (the "ECVFD") - was formed as a tax-exempt organization under Code Section 501(c)(3) of the Internal Revenue Code. The purpose of the ECVFD is the preservation and protection of property and lives from and during such fires as may occur in the City and vicinity and any other disaster or situation wherein the ECVFD may be of assistance in protecting or promoting the safety and welfare of the public. The ECVFD raise and hold economic resources for the direct benefit of the City. These resources have been received by the City and are deemed significant to the City's financial statements. The amounts reported for the ECVFD in the financial statements are as of December 31, 2011, which is the most recent information available.

These component units are discretely presented in the financial statements. Complete financial statements of the individual component units can be obtained from El Campo City Hall, 315 E. Jackson, El Campo, Texas 77437.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Government-wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and discretely presented component units. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

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.

Property taxes, franchise 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

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 and reported in another fund.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

The City reports the following major proprietary funds:

Enterprise Funds are used to account for operations: 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

The Emergency Medical Services Fund, an enterprise fund, accounts for activities of the City related to providing emergency medical services to the residents and visitors of the City. The 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:

The Special Revenue Funds account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for general government debt principal and interest.

The 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. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The City has two Capital Project Funds. The 2004 Bond Fund accounts for the use of the proceeds from the City's 2004 Certificates of Obligation; and the Street Paving Fund accounts for paving the City's remaining unpaved streets through assessments to adjacent landowners and transfers from General Fund.

The Internal Service Funds 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. The City maintains two Internal Service Funds: Employee Health Insurance Fund and the Information Technology Fund.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and the 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 non-operating revenues and expenses.

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

D. Budgets and Budgetary Accounting

Procedures in establishing budgetary data reflected in the financial statements are as follows:

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 fund 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 Governmental Funds.
4. Legally adopted annual budgets for the General and Debt Service Funds 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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

E. 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, 2012.

F. Deposits and Investments

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.

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 are recorded at fair value as of September 30, 2012. Fair value is defined by GASB as the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Quoted market prices were used to determine fair value at the end of the current fiscal period. See Note 3 for further discussion.

G. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles.

H. Inventories and Prepaid Items

Inventories of materials and supplies held by the General Fund are valued at cost (first-in, first-out). Estimated cost is used when actual cost figures are not available. Inventories are not maintained in the Utility Fund since materials and supplies are charged to related expenditure accounts when purchased. As these amounts are not material to the financial statements, the exclusion of inventories does not materially affect the financial position or result of operations of the Utility Fund.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

H. Inventories and Prepaid Items - (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are reported as deferred expenditures (governmental funds) or prepaid expenses (proprietary funds) in the fund financial statements and as deferred expenditures/expenses in the government-wide statements.

I. Restricted Assets

Certain proceeds of the City's Utility Fund debt are classified as restricted assets on the balance sheet because they are restricted for use in construction.

J. 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 assets. 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	5-40
Water works	5-40
Sewer system	5-40
Infrastructure	20-50
Machinery and equipment	5-15

K. 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 absence 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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

L. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

M. Fund Equity

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 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 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 Council does not have to occur in order to remove the assignment.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

N. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

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**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Compliance

There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2011-2012.

<u>Fund Name - Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Municipal court	\$ 159,560	\$ 160,064	\$ (504)
Streets	1,282,910	1,421,169	(138,259)
Vehicle and facility maintenance	141,990	142,407	(417)
Transfers out	99,025	102,405	(3,380)
Debt Service Fund			
Issuance costs	-	33,980	(33,980)
Payment to escrow	-	1,154,921	(1,154,921)
Transfers out	-	138,425	(138,425)

These over expenditures were funded by available fund balance in the General Fund and the Debt Service Fund.

B. Deficit Fund Equity

As of September 30, 2012 the following funds had deficit equity balances:

<u>Fund</u>	<u>Fund Balance/ Net Assets</u>
Nonmajor Governmental Funds	
Special Revenue Funds	
Transportation Reinvestment Zone	\$ 89,318
Internal Service Funds	
Information Technology	4,813

Steps will be taken to eliminate these deficits in the upcoming fiscal year.

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**NOTE 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
MBIA Investment Pool	\$ 4,967,265	46.00
L.O.G.I.C. Pool	500,940	50.00
U.S. Government Securities	911,537	167.52
Total	<u>\$ 6,379,742</u>	

The investment pool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. The pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool.

As previously discussed in Note 1, the investments are reported in the accompanying statements at fair value.

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. The L.O.G.I.C. and MBIA Investment Pool's weighted average maturity cannot exceed 60 days.

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 L.O.G.I.C. and MBIA Investment Pools. These pools operate in full compliance with the Public Funds Investment Act. The L.O.G.I.C. and MBIA Investment Pools (which represent approximately 86% of the portfolio) are rated AAAM by Standard & Poor's. The remaining 14% of the City's portfolio has a AA+ rating issued by Standard & Poor's.

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**NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**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 over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

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.

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. As of September 30, 2012, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Notes 20 and 21 for discussions relative to the investments of the City's component units.

**NOTE 4: RECEIVABLES**

Receivables at September 30, 2012, consist of the following:

	<u>General</u>	<u>Utility</u>	<u>Emergency Medical Services</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Gross receivables:					
Accounts	\$ 6,191	\$ 531,075	\$ 1,168,853	\$ 573,561	\$ 2,279,680
Ad valorem taxes	295,743	-	-	38,275	334,018
Franchise taxes	83,822	-	-	-	83,822
Fines	1,358,236	-	-	-	1,358,236
Interest	<u>1,788</u>	<u>175</u>	<u>-</u>	<u>-</u>	<u>1,963</u>
Total gross receivables	1,745,780	531,250	1,168,853	611,836	4,057,719
Less: Allowances	<u>1,269,087</u>	<u>-</u>	<u>818,197</u>	<u>464,661</u>	<u>2,551,945</u>
Total net receivables	<u>\$ 476,693</u>	<u>\$ 531,250</u>	<u>\$ 350,656</u>	<u>\$ 147,175</u>	<u>\$ 1,505,774</u>

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**NOTE 4: RECEIVABLES - (Continued)**

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 249,069	\$ -	\$ 249,069
Fines	135,824	-	135,824
Nonmajor Funds			
Ad valorem taxes	32,129	-	32,129
Other	<u>50,946</u>	<u>-</u>	<u>50,946</u>
	<u>\$ 467,968</u>	<u>\$ -</u>	<u>\$ 467,968</u>

The City's property taxes are levied annually on October 1<sup>st</sup> on the basis of the Appraisal District's assessed values as of January 1<sup>st</sup> 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 31<sup>st</sup>. 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 1<sup>st</sup> 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 one 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 \$0.52538 per \$100 of assessed valuation, which were prorated between operations and debt service in the amounts of \$0.47063 and \$0.05475, respectively. The resulting adjusted total tax levy was \$2,826,754 on the total adjusted taxable valuation of \$471,894,687 for the 2011 tax year.

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**NOTE 5: CAPITAL ASSETS**

The City's capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 491,945	\$ 9,000	\$ 2,500	\$ 498,445
Construction in progress	-	123,179	-	123,179
Total capital assets not being depreciated	491,945	132,179	2,500	621,624
Capital assets, being depreciated				
Machinery and equipment	4,232,934	448,905	193,738	4,488,101
Buildings	8,341,955	8,430	150,000	8,200,385
Infrastructure	21,698,041	119,382	-	21,817,423
Total capital assets being depreciated	34,272,930	576,717	343,738	34,505,909
Less accumulated depreciation for				
Machinery and equipment	2,691,352	341,268	193,738	2,838,882
Buildings	3,365,538	155,502	150,000	3,371,040
Infrastructure	14,243,356	519,685	-	14,763,041
Total accumulated depreciation	20,300,246	1,016,455	343,738	20,972,963
Total capital assets being depreciated, net	13,972,684	(439,738)	-	13,532,946
Governmental activities capital assets, net	\$ 14,464,629	\$ (307,559)	\$ 2,500	\$ 14,154,570
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 30,498	\$ -	\$ -	\$ 30,498
Construction in progress	16,948	430,024	16,948	430,024
Total capital assets not being depreciated	47,446	430,024	16,948	460,522
Capital assets, being depreciated				
Machinery and equipment	2,486,730	163,864	-	2,650,594
Buildings and improvements	2,115,709	7,365	-	2,123,074
Water works system	13,279,833	31,802	-	13,311,635
Sewer system	10,185,381	288,731	-	10,474,112
Total capital assets being depreciated	28,067,653	491,762	-	28,559,415
Less accumulated depreciation for				
Machinery and equipment	1,947,815	132,884	-	2,080,699
Buildings and improvements	1,410,538	52,657	-	1,463,195
Water works system	4,470,364	400,577	-	4,870,941
Sewer system	3,901,400	241,647	-	4,143,047
Total accumulated depreciation	11,730,117	827,765	-	12,557,882
Total capital assets being depreciated, net	16,337,536	(336,003)	-	16,001,533
Business-type activities capital assets, net	\$ 16,384,982	\$ 94,021	\$ 16,948	\$ 16,462,055

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**NOTE 5: CAPITAL ASSETS - (Continued)**

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

**Governmental activities**

General government	\$ 72,079
Public safety	254,053
Public works	624,639
Parks and recreation	<u>65,684</u>

Total depreciation expense - governmental activities \$ 1,016,455

**Business-type activities**

Utilities	\$ 744,273
Emergency medical services	<u>83,492</u>

Total depreciation expense - business-type activities \$ 827,765

**NOTE 6: EMPLOYEES' RETIREMENT PLAN**Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

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

**NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)**

Contributions - (Continued)

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

The annual pension cost and net pension obligation (asset) are as follows:

Contributions Required and Contributions Made			
Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 504,085	100%	\$ -
2011	518,229	100%	-
2010	538,716	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	Actuarial Valuation Information		
	12/31/11	12/31/10	12/31/09
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	26.0 years; closed period	27.1 years; closed period	28.1 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment rate of return *	7.0%	7.0%	7.5%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

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**NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)**Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 17,321,560	\$ 19,636,079	\$ 2,314,519	88.21%	\$ 4,388,526	52.76%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**NOTE 7: 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 1<sup>st</sup> of any year to be effective the following January 1<sup>st</sup>.

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 pre-fund retired term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$3,509, \$3,098, and \$3,071, respectively, which equaled the required contributions each year.

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**NOTE 8: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**Plan Description

The Fire Fighters' Pension Commissioner (FFPC) is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. The Office of the FFPC issues a publicly available annual financial report that includes financial statements and required supplementary information (RSI). This report may be obtained by writing to FFPC, 920 Colorado Street, 11<sup>th</sup> Floor, Austin, Texas 78701 in addition, the report is available on FFPC's website at [www.ffpc.state.tx.us](http://www.ffpc.state.tx.us). At August 31, 2010, there were 199 members of fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2010, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,167
Terminated participants entitled to benefits but not yet receiving them	2,106
Active participants (vested and nonvested)	<u>4,371</u>
	<u>8,644</u>

Senate Bill 411, 65<sup>th</sup> Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79<sup>th</sup> Legislature, Regular Session (2005) recodified the provision and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off duty death benefits and on duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contribution provisions were originally established by Senate Bill 411, 65<sup>th</sup> Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

**NOTE 8: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010, total contributions (dues and prior services) of \$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State did not appropriate any maximum state contribution for the fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2008, actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2010, revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2010, (\$502,941 to help pay for the TESRS's administrative expenses) and with the assumed continuation of legislative appropriations of 1) the maximum state contribution amount in future years for up to 30 years as is necessary for the TESRS to have a 30-year amortization period, and 2) approximately \$500,000 each year to help pay for the TESRS's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011 are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process.

Without the expected future annual contributions from the state, TESRS would have an inadequate contribution arrangement.

Three-Year Trend Information - State-wide			
<u>Fiscal Year Ending August 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2010	\$ 2,875,103 <sup>3</sup>	\$ 2,875,103	100%
2009	2,698,271 <sup>3</sup>	2,698,271	100%
2008	3,160,764 <sup>2</sup>	11,239,339 <sup>1</sup>	356%

<sup>1</sup> Includes a state contribution of \$8,800,000.

<sup>2</sup> Based on the August 31, 2006, actuarial valuation.

<sup>3</sup> Based on the August 31, 2008, actuarial valuation.

State contributions to the City's plan for the fiscal year 2012 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of El Campo, Texas			
<u>Year Ended September 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage Contributed</u>	<u>Net Obligation</u>
2012	\$ 36,593	100%	\$ -
2011	39,584	100%	-
2010	32,892	100%	-

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description

In addition to providing pension benefits, the City provides its retirees with postemployment health care benefits through a single-employer postemployment healthcare plan (the "plan") administered by Meritain, Inc.. A separate audited financial report is not issued on the plan. The plan provides medical benefits to eligible retired City employees and their beneficiaries. A City employee whom retires under a disability retirement are immediately eligible for retiree health care benefits. In order for a City employee to be eligible for this benefit, he or she needs 20 or more years of service. The benefit ceases when the retired employee becomes eligible for Medicare and the retired employee's spouse may continue coverage until he/she becomes Medicare eligible. Spousal benefit ceases upon the death of the retiree.

Funding Policy

Retirees pay 100% of the monthly premium for health coverage. As of October 1, 2011, the retiree premiums are as follows: "Employee Only" - \$466.37, "Employee and Spouse" - \$1,095.56, "Employee and Child" - \$919.92 and "Employee and Family" - \$1,497.91.

The City is under no obligation, statutory or otherwise, to pay any portion of the cost of postemployment benefits to any retirees. Allocation of City funds to pay other postemployment benefits is determined on an annual basis by the City Council as part of the budget process.

Annual OPEB Expense

For 2012, the City's annual OPEB expense of \$15,214 was equal to the annual required contribution (ARC). The City's annual OPEB expense, the percent of annual OPEB expense contributed to the plan, and the net OPEB obligation for 2012, 2011, and 2010 are as follows:

<u>Year End September 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 15,214	0.00%	\$ 45,642
2011	15,214	0.00%	30,428
2010	15,214	0.00%	15,214

Funded Status and Funding Progress

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
12/31/2009	\$ -	\$ 168,339	\$ 168,339	0.00%	\$ 4,386,471	3.84%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

	<u>Actuarial Valuation Information</u>
	<u>12/31/09</u>
Actuarial cost method	projected unit credit
Amortization method	level percent of payroll
Amortization period in years	30 - closed
Asset valuation method	fair value
Healthcare trend rate *	9.00%
Projected salary increases *	3.00%
Investment rate of return *	4.50%

\*Includes an inflation adjustment of 4.50%.

**NOTE 10: EMPLOYEE HEALTH INSURANCE FUND**

The City sponsors a self-insurance plan to provide health care benefits to employees and their dependents. Transactions related to the plan are accounted for in the Employee Health Insurance Fund, an internal service fund of the City. The fund assumes all risk up to \$50,000 of claims per participant annually; after this a reinsurance policy pays any remaining claims for the remainder of the year up to \$1,009,434 of claims per participant. Premiums are charged to the individual funds based on a predetermined cost per employee and dependent. These amounts are recorded as operating revenue in the internal service fund and as operating expenditures/expenses in the respective funds. Any claims that have been incurred, but not reported, as of the balance sheet date are shown as current liabilities in the internal service fund and have been charged as an operating expense for that period. This amount was determined by the City's health plan administrator. As of September 30, 2012 the fund had estimated liabilities for outstanding claims of \$41,098. The fund incurred a net loss for the year of \$3,847 compared to a net income of \$104,183 in the prior year.

Changes in the balance of claims payable during fiscal year 2012 and 2011 are as follows:

	<u>9/30/12</u>	<u>9/30/11</u>
Unpaid claims, beginning of fiscal year	\$ 62,855	\$ 61,808
Incurred claims (including IBNR)	1,202,805	909,277
Claim payments	<u>(1,224,562)</u>	<u>(908,230)</u>
Unpaid claims, end of fiscal year	<u>\$ 41,098</u>	<u>\$ 62,855</u>

The above schedule reflects only those claims for which the City was liable. Information on claims paid by the insurance carrier under the reinsurance policy was not available. Settled claims resulting from insured risks have not exceeded insurance coverage in any of the past three fiscal years.

In fiscal year 2013, the City has entered into an interlocal agreement with the Texas Municipal League Intergovernmental Employees Benefit Pool for health benefits coverage for its employees.

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**NOTE 11: 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 coverage. 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.

**NOTE 12: LONG-TERM DEBT****A. Changes In Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 2,727,878	\$ -	\$ 1,317,878	\$ 1,410,000	\$ 70,000
General obligation bonds	23,184	1,071,597	23,184	1,071,597	105,597
Plus deferred amounts:					
Issuance premiums	-	50,798	3,810	46,988	-
Gain on refunding	-	81,574	6,118	75,456	-
Net bonds and certificates payable	<u>2,751,062</u>	<u>1,203,969</u>	<u>1,350,990</u>	<u>2,604,041</u>	<u>175,597</u>
Capital leases payable	<u>47,463</u>	<u>167,470</u>	<u>57,016</u>	<u>157,917</u>	<u>14,724</u>
Compensated absences	<u>267,386</u>	<u>163,129</u>	<u>130,971</u>	<u>299,544</u>	<u>179,529</u>
Total governmental activity long-term liabilities	<u>\$ 3,065,911</u>	<u>\$ 1,534,568</u>	<u>\$ 1,538,977</u>	<u>\$ 3,061,502</u>	<u>\$ 369,850</u>
<b>Business-type activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 7,062,122	\$ -	\$ 2,147,122	\$ 4,915,000	\$ 200,000
General obligation bonds	256,816	1,818,403	256,816	1,818,403	104,403
Plus deferred amounts:					
Issuance premiums	-	107,775	8,083	99,692	-
Gain on refunding	-	17,768	1,333	16,435	-
Net bonds and certificates payable	<u>7,318,938</u>	<u>1,943,946</u>	<u>2,413,354</u>	<u>6,849,530</u>	<u>304,403</u>
Capital leases payable	<u>1,189,075</u>	<u>-</u>	<u>114,714</u>	<u>1,074,361</u>	<u>119,667</u>
Compensated absences	<u>100,279</u>	<u>62,292</u>	<u>40,381</u>	<u>122,190</u>	<u>71,652</u>
Total business-type activity long-term liabilities	<u>\$ 8,608,292</u>	<u>\$ 2,006,238</u>	<u>\$ 2,568,449</u>	<u>\$ 8,046,081</u>	<u>\$ 495,722</u>

Compensated absences are generally liquidated by the General Fund for the governmental activities and by the Utility Fund for the business-type activities. Please see Notes 20 and 21 for discussions relative to the long-term debt of the City's component units.

**NOTE 12: LONG-TERM DEBT - (Continued)**

B. 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 currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Refunding Series 2012 A	2/13 - 2/21	2.00 - 3.00%	\$ 2,540,000
Refunding Series 2012 B	2/13 - 2/15	2.00%	350,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 105,597	\$ 25,934	\$ 104,403	\$ 46,441	\$ 282,375
2014	107,263	23,472	107,737	43,653	282,125
2015	110,478	21,294	109,522	41,481	282,775
2016	73,326	19,456	146,674	38,919	278,375
2017	74,993	17,973	150,007	35,952	278,925
2018-2021	599,940	47,833	1,200,060	95,680	1,943,513
	<u>\$ 1,071,597</u>	<u>\$ 155,962</u>	<u>\$ 1,818,403</u>	<u>\$ 302,126</u>	<u>\$ 3,348,088</u>

C. 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. C.O.'s currently outstanding are as follows:

	<u>Term</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Series 2007	8/08 - 2/27	3.55 - 5.50%	\$ 1,650,000
Series 2008	8/08 - 2/29	4.25 - 6.00%	3,430,000
Series 2010	3/10 - 2/30	3.25 - 4.50%	1,710,000
			<u>\$ 6,790,000</u>

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**NOTE 12: LONG-TERM DEBT - (Continued)****C. Combination Tax and Revenue Certificates of Obligation - (Continued)**

Annual debt service requirements to maturity for C.O.'s are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 70,000	\$ 60,473	\$ 200,000	\$ 219,101	\$ 549,574
2014	70,000	57,848	210,000	208,301	546,149
2015	75,000	54,473	225,000	196,862	551,335
2016	75,000	50,348	195,000	185,812	506,160
2017	80,000	46,285	205,000	175,576	506,861
2018-2022	465,000	169,350	1,140,000	733,010	2,507,360
2023-2027	575,000	62,258	1,690,000	441,930	2,769,188
2028-2030	-	-	1,050,000	59,075	1,109,075
	<u>\$ 1,410,000</u>	<u>\$ 501,035</u>	<u>\$ 4,915,000</u>	<u>\$ 2,219,667</u>	<u>\$ 9,045,702</u>

**D. Capital Leases**

Lease purchase agreement on a motor grader. 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 a rate of 3.25%. \$ 157,917

Lease purchase agreement on water meters. 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 a rate of 4.25%. 1,074,361

\$ 1,232,278

The present value of the capital leases after deduction of imputed interest is \$1,232,278.

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 14,724	\$ 4,914	\$ 119,667	\$ 43,770	\$ 183,075
2014	15,210	4,428	124,835	38,602	183,075
2015	15,711	3,927	130,225	33,212	183,075
2016	16,230	3,408	135,849	27,588	183,075
2017	16,765	2,873	141,715	21,722	183,075
2018-2020	79,277	5,821	422,070	27,381	534,549
	<u>\$ 157,917</u>	<u>\$ 25,371</u>	<u>\$ 1,074,361</u>	<u>\$ 192,275</u>	<u>\$ 1,449,924</u>

**NOTE 13: REFUNDING BONDS**

In January 2012, the City issued \$2,890,000 General Obligation Refunding Bonds with interest varying between 2.00% and 3.00% to advance refund \$3,130,000 of the District's outstanding bonds which were still outstanding in the amount of \$3,130,000 with interest rates ranging from 4.125% to 5.75% and to provide funding for costs of issuance. As a result, the bonds are considered defeased and the liabilities have been removed from the governmental activities column of the statement of net assets. The net proceeds available for refunding bonds in the amount of \$3,136,292 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issues. The refunding of the bonds and certificates resulted in an economic gain of \$711,012 and an increase in cash flow of \$740,625.

**NOTE 14: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A. 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. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2012, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Utility	\$ 49,684
	Nonmajor Governmental	
	Hotel/Motel Tax	28,200
	Police Seizure	5,393
	Internal Service	
	Information Technology	9,413
Utility	General	<u>95,558</u>
		<u>\$ 188,248</u>

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise funds to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Utility</u>	<u>Internal Service</u>	
General	\$ -	\$ 3,380	\$ -	\$ 99,025	\$ 102,405
Nonmajor Governmental	123,420	-	138,425	-	261,845
Utility	481,980	-	-	11,170	493,150
Emergency Medical Services	<u>7,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,270</u>
	<u>\$ 612,670</u>	<u>\$ 3,380</u>	<u>\$ 138,425</u>	<u>\$ 110,195</u>	<u>\$ 864,670</u>

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**NOTE 15: RELATED PARTY TRANSACTIONS**

At September 30, 2012, the primary government owed the City Development Corporation of El Campo, Inc., a discretely presented component unit, for a percentage of sales tax that was collected by the City. The receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
City Development Corporation of El Campo, Inc.	General	\$ 94,641

**Note Receivable from Component Unit**

On June 7, 1995, as part of the City's Tax and Revenue Certificates of Obligation Series 1995 Bonds, the Debt Service Fund loaned \$200,000 to the City Development Corporation of El Campo, Inc., a component unit of the City. At September 30, 2012, the amount outstanding of \$52,098 is shown as a note receivable from the component unit on the Statement of Net Assets. Annual installments ranging from \$17,695 to \$19,088 are due through February 1, 2015, with interest rates varying from 7.5% to 5.5%. The total annual payments for the note receivable outstanding balance at September 30, 2012, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 16,434	\$ 2,416	\$ 18,850
2014	17,148	1,493	18,641
2015	<u>18,516</u>	<u>572</u>	<u>19,088</u>
	<u>\$ 52,098</u>	<u>\$ 4,481</u>	<u>\$ 56,579</u>

**NOTE 16: 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, 2012, 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.

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**NOTE 16: COMMITMENTS AND CONTINGENCIES - (Continued)****Construction and Acquisition Commitments**

As of September 30, 2012, the City had entered into contractual commitments with contractors for various City projects. The commitments with contractors were as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Siemen's project	\$ 2,650,000
Memorial Drive extension	200,000
Transportation reinvestment zone project	450,000
Wastewater treatment plant and Monseratte water plant generators	<u>447,773</u>
Total	<u>\$ 3,747,773</u>

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

**NOTE 17: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2012:

	<u>Governmental Fund Balances</u>				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Deferred expenditures	\$ 63,852	\$ -	\$ -	\$ -	\$ 63,852
Inventory	65,449	-	-	-	65,449
Unassigned	-	-	-	4,366,855	4,366,855
Nonmajor Governmental					
Noncurrent notes receivable	35,664	-	-	-	35,664
Retirement of long-term debt	-	82,853	-	-	82,853
Municipal court	-	7,062	-	-	7,062
Public safety	-	142,796	-	-	142,796
Various capital projects	-	312,006	-	-	312,006
Street paving	-	-	6,751	-	6,751
Unassigned	-	-	-	(89,318)	(89,318)
	<u>\$ 164,965</u>	<u>\$ 544,717</u>	<u>\$ 6,751</u>	<u>\$ 4,277,537</u>	<u>\$ 4,993,970</u>

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**NOTE 18: SUBSEQUENT EVENTS**

In December 2012, the City issued General Obligation Refunding Bonds, Series 2013 in the amount of \$1,345,000. The bonds are due in annual installments ranging from \$100,000 to \$230,000 through 2027 with interest varying from 2.00% to 2.25%. The proceeds from the bonds will be used to advance refund \$1,270,000 of the City's Combination Tax and Revenue Certificates of Obligation, Series 2007 and to pay the costs of issuance of the bonds.

Also in December 2012, the City issued Tax and Revenue Certificates of Obligation, Series 2013 in the amount of \$2,920,000. The bonds are due in annual installments ranging from \$125,000 to \$445,000 through 2032 with interest varying from 2.00% to 2.75%. The proceeds from the bonds will be used for the construction of improvements to and the renovation, repair and equipment of the City's wastewater treatment plant and lift stations; the construction of improvements to and the renovation, repair and equipment of the City's municipal buildings; the construction of an extension to Memorial Drive; and to pay the costs of issuance of the bonds.

**NOTE 19: ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES**

The City's governmental and business-type activities financial statements for the fiscal year September 30, 2011 have been restated to properly report the proprietary grant activity with the business-type activities instead of as a governmental activity. The result of the restatement was to increase investment income and increase unrestricted net assets of the business-type activities by \$457. Similar adjustments were made to the Utility Fund financial statements. The governmental activities' investment income and unrestricted net assets at and as of September 30, 2011 were decreased by \$457. The grant activity was reported as a nonmajor special revenue fund at September 30, 2011.

**NOTE 20: CITY DEVELOPMENT CORPORATION OF EL CAMPO, INC.**

As described in Note 1, the City Development Corporation of El Campo, Inc. is a component unit of the City. It is reported in a separate column to emphasize that it is legally separate for accounting purposes from the City. Following are note disclosures relating to this component unit.

A. 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/or removed by the City Council of the City and the CDC is therefore a component unit of the City.

B. Summary of Significant Accounting Policies

The accounting and reporting policies of CDC conform to GAAP, as applicable to governmental units. For inclusion in this report, CDC's operations are reported as a governmental fund type.

The budget is adopted on a GAAP basis. The budget is based on expenditures amounting to a percentage of revenues recognized. A budget is adopted for the General Fund.

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**NOTE 20: CITY DEVELOPMENT CORPORATION OF EL CAMPO, INC. - (Continued)**

C. Legal Compliance - Budget

The CDC director prepares an estimate of revenues and expenditures. The Board of Directors adopts a budget based on these estimates. Before being formalized, the City Council must approve the budget.

Amendments to the budget may be made by the Board of Directors at the object level. Expenditures may not exceed legally budgeted appropriations in total. CDC has complied with all legal budget requirements for the year ended September 30, 2012.

D. Deposits and Investments

As of September 30, 2012, CDC had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Months)</u>
Certificates of Deposit	\$ 1,461,897	57.8

Interest Rate Risk

In accordance with CDC's investment policy, CDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 60 months or less. CDC's certificates of deposits have original maturities that are 48 months and 60 months. The CDC has obtained a waiver from its depository for any early withdrawal penalty, therefore the CDC's certificates of deposit 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. CDC was not exposed to credit risk.

Concentration of Credit Risk

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, CDC was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

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

As of September 30, 2012, CDC had deposits in two local financial institutions and the deposits were FDIC insured at each institution up to \$250,000. At September 30, 2012, \$1,125,723 of the CDC's bank balance of \$1,700,721 was properly collateralized per the CDC investment policy by securities pledged to CDC by the financial institution.

It is managements' recent understanding that the CDC and any other 4A and 4B economic development entity is not considered a "political subdivision" as defined by Section 330.15 of the FDIC's regulation. Therefore, CDC's bank deposits may not be insured above \$250,000 even though they are secured by a pledged collateral agreement.

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**NOTE 20: CITY DEVELOPMENT CORPORATION OF EL CAMPO, INC. - (Continued)**

D. Deposits and Investments - (Continued)

Custodial Credit Risk - Investments

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

E. Sales Taxes

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. CDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2012, was \$94,641. The City collects the sales tax from the State of Texas and then pays CDC's portion monthly when collected.

F. Notes Receivable

On October 11, 1995, as part of the revolving loan program, CDC loaned Prairie Rose Clothiers \$20,000, with principal and interest (5.25%) due in equal monthly installments of \$255.59 on the eleventh day of each month through October 11, 2013.

On March 15, 2011, CDC made an unsecured loan to the El Campo Country Club, Inc. in the amount of \$33,870, with principal and interest (2.00%) due in equal monthly installments of \$1,440.84 on the first day of each month through March 1, 2013. If the note is paid in full prior to March 1, 2012, the interest rate will be 0.00%.

The total annual payments for the note receivable outstanding balance at September 30, 2012, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 11,514	\$ 758	\$ 12,272
2014	254	2	256
	<u>\$ 11,768</u>	<u>\$ 760</u>	<u>\$ 12,528</u>

**NOTE 20: CITY DEVELOPMENT CORPORATION OF EL CAMPO, INC. - (Continued)**

G. Capital Assets

CDC's capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 164,378	\$ -	\$ -	\$ 164,378
Total capital assets not being depreciated	<u>164,378</u>	<u>-</u>	<u>-</u>	<u>164,378</u>
Capital assets being depreciated				
Buildings	1,233,251	-	-	1,233,251
Office equipment	16,840	-	-	16,840
Total capital assets being depreciated	<u>1,250,091</u>	<u>-</u>	<u>-</u>	<u>1,250,091</u>
Less accumulated depreciation for				
Buildings	294,894	32,633	-	327,527
Office equipment	16,840	-	-	16,840
Total accumulated depreciation	<u>311,734</u>	<u>32,633</u>	<u>-</u>	<u>344,367</u>
Total capital assets being depreciated, net	<u>938,357</u>	<u>(32,633)</u>	<u>-</u>	<u>905,724</u>
Governmental activities capital assets, net	<u>\$ 1,102,735</u>	<u>\$ (32,633)</u>	<u>\$ -</u>	<u>\$ 1,070,102</u>

H. Long-term Debt

During the year ended September 30, 2012, the following changes occurred in CDC's long-term debt:

	<u>Notes Payable City of El Campo, Texas</u>
Balance, beginning of year	\$ 67,103
New issues	-
Principal retirements	<u>(15,005)</u>
Balance, end of year	<u>\$ 52,098</u>
Due within one year	<u>\$ 16,434</u>

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**NOTE 20: CITY DEVELOPMENT CORPORATION OF EL CAMPO, INC. - (Continued)****H. Long-term Debt - (Continued)****Notes Payable to City of El Campo, Texas**

On June 7, 1995, CDC received \$200,000 from the City as part of the City's Tax and Revenue Certificate of Obligation Series 1995 Bonds of which CDC is obligated to repay. Annual installments ranging from \$16,620 to \$19,088 are due through February 1, 2015, with interest rates varying from 5.5% to 7.5%.

**Summary of Long-term Debt Requirements**

The annual requirements to amortize all CDC's long-term debt outstanding at September 30, 2012, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 16,434	\$ 2,416	\$ 18,850
2014	17,148	1,493	18,641
2015	18,516	572	19,088
	<u>\$ 52,098</u>	<u>\$ 4,481</u>	<u>\$ 56,579</u>

**I. Lessor Agreements**

CDC leases two commercial buildings to unrelated third parties. Substantially all of CDC's capital assets are leased to third parties. The future rentals disclosed below include only the base lease payment and the 5% fee for administrative costs. The variable costs, which are insurance and ad valorem taxes, are not included. The following is an analysis of minimum future rentals due CDC under non-cancelable lease agreements as of September 30, 2012:

<u>Year Ending September 30</u>	
2013	\$ 33,000
2014	36,000
2015	<u>3,000</u>
	72,000
Thereafter	<u>-</u>
	<u>\$ 72,000</u>

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**NOTE 20: CITY DEVELOPMENT CORPORATION OF EL CAMPO, INC. - (Continued)**

J. Fund Balances

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances – nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The CDC did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2012. This Statement did not have an impact on the CDC's functions, financial position or results of operations.

In accordance with CDC's "Contingency and Reserve Fund Policy", at September 30, 2012 CDC had \$23,636 set aside for contingencies. This amount is included in the General Fund's unassigned fund balance at September 30, 2012.

**NOTE 21: EL CAMPO VOLUNTEER FIRE DEPARTMENT**

As described in Note 1, the El Campo Volunteer Fire Department (the "ECVFD") is a component unit of the City. It is reported in a separate column to emphasize that it is legally separate for accounting purposes from the City. Following are note disclosures relating to this component unit.

A. Organization

The ECVFD was formed as a tax-exempt organization under Code Section 501(c)(3) of the Internal Revenue Code. The purpose of the ECVFD is the preservation and protection of property and lives from and during such fires as may occur in the City and vicinity and any other disaster or situation wherein ECVFD may be of assistance in protecting or promoting the safety and welfare of the public.

B. Summary of Significant Accounting Policies

The accounting and reporting policies of the ECVFD conform to GAAP, as applicable to governmental units. For inclusion in this report, the ECVFD's operations are reported as a governmental fund type. The budget is adopted on a GAAP basis. The budget is based on expenditures amounting to a percentage of revenues recognized. A budget is adopted for the General and Debt Service Fund.

C. Budget

The budget is adopted on income tax basis. The budget is based on expenditures amounting to a percentage of revenues recognized. A budget is adopted for the General Fund.

**NOTE 21: EL CAMPO VOLUNTEER FIRE DEPARTMENT - (Continued)**

D. Cash

The ECVFD has demand deposits, money market accounts, and certificates of deposit that are held by one institution within the State of Texas. The deposits were fully insured by the FDIC at December 31, 2011.

The ECVFD's cash at December 31, 2011, is as follows:

Cash and demand deposits	<u>\$ 202,112</u>
Total deposits	<u>\$ 202,112</u>

E. Capital Assets

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In compliance with GASB Statement No. 34, depreciation policies were adopted to include useful lives. The following is a summary of the change in capital assets:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Total capital assets not being depreciated	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
Capital assets, being depreciated				
Training facility	<u>1,790,429</u>	<u>59,099</u>	<u>-</u>	<u>1,849,528</u>
Total capital assets being depreciated	<u>1,790,429</u>	<u>59,099</u>	<u>-</u>	<u>1,849,528</u>
Less accumulated depreciation for				
Training facility	<u>458,721</u>	<u>95,927</u>	<u>-</u>	<u>554,648</u>
Total accumulated depreciation	<u>458,721</u>	<u>95,927</u>	<u>-</u>	<u>554,648</u>
Total capital assets being depreciated, net	<u>1,331,708</u>	<u>(36,828)</u>	<u>-</u>	<u>1,294,880</u>
Governmental activities capital assets, net	<u>\$ 1,340,708</u>	<u>\$ (36,828)</u>	<u>\$ -</u>	<u>\$ 1,303,880</u>

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**NOTE 21: EL CAMPO VOLUNTEER FIRE DEPARTMENT - (Continued)**

F. Long-term Debt

On October 23, 2003, the ECVFD opened a construction line of credit at Commercial State Bank for construction of the training facility collateralized by 30 acres of land. On April 19, 2004, the loan was paid off and renewed for \$1,120,000 at 3.25% payable yearly with the final unpaid principal and interest due April 12, 2025.

During the year ended December 31, 2011, the following changes occurred in the ECVFD long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Construction note	<u>\$ 367,311</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 267,311</u>	<u>\$ 100,000</u>

The following is a summary of payments on the construction note:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 100,000	\$ 6,726	\$ 106,726
2013	10,515	5,282	15,797
2014	10,862	4,935	15,797
2015	11,220	4,577	15,797
2016	11,591	4,206	15,797
2017-2021	63,945	15,040	78,985
2022-2025	<u>59,178</u>	<u>4,010</u>	<u>63,188</u>
	<u>\$ 267,311</u>	<u>\$ 44,776</u>	<u>\$ 312,087</u>

In 2010, the ECVFD borrowed \$84,826 for the purchase of a fire truck. The loan was for 4 years at 5.2%. The loan was paid off in 2011.

**Required Supplementary Information**

**CITY OF EL CAMPO, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	2012			Variance Positive (Negative)	2011
	Original Budget	Final Budget	Actual		Actual
<b>REVENUES</b>					
Taxes	\$ 5,900,110	\$ 5,633,115	\$ 6,081,409	\$ 448,294	\$ 5,685,143
Licenses and permits	84,380	84,380	100,726	16,346	86,460
Intergovernmental	125,650	125,650	108,291	(17,359)	207,131
Charges for services	197,190	236,975	259,540	22,565	248,181
Fines and forfeitures	539,580	539,580	581,093	41,513	530,895
Investment income	50,000	50,000	28,001	(21,999)	29,973
Industrial agreement	14,800	14,800	14,710	(90)	14,823
Miscellaneous	81,200	81,200	99,226	18,026	93,915
<b>Total revenues</b>	<u>6,992,910</u>	<u>6,765,700</u>	<u>7,272,996</u>	<u>507,296</u>	<u>6,896,521</u>
<b>EXPENDITURES</b>					
Current					
General government	789,820	1,478,478	1,459,534	18,944	1,596,827
Public safety	3,260,410	3,377,546	3,193,064	184,482	3,118,815
Public works	1,262,460	1,637,924	1,764,025	(126,101)	1,557,341
Parks and recreation	836,430	1,044,518	980,005	64,513	669,346
Capital outlay	-	30,667	-	30,667	-
<b>Total expenditures</b>	<u>6,149,120</u>	<u>7,569,133</u>	<u>7,396,628</u>	<u>172,505</u>	<u>6,942,329</u>
Excess (deficiency) of revenues over expenditures	843,790	(803,433)	(123,632)	679,801	(45,808)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	12,000	80,551	80,551	-	15,845
Capital lease	-	-	167,470	167,470	-
Transfers in	572,250	572,250	612,670	40,420	544,392
Transfers out	(1,428,040)	(99,025)	(102,405)	(3,380)	-
<b>Total other financing sources (uses)</b>	<u>(843,790)</u>	<u>553,776</u>	<u>758,286</u>	<u>204,510</u>	<u>560,237</u>
Net change in fund balance	-	(249,657)	634,654	884,311	514,429
Fund balance at beginning of year	<u>3,861,502</u>	<u>3,861,502</u>	<u>3,861,502</u>	-	<u>3,347,073</u>
<b>Fund balance at end of year</b>	<u>\$ 3,861,502</u>	<u>\$ 3,611,845</u>	<u>\$ 4,496,156</u>	<u>\$ 884,311</u>	<u>\$ 3,861,502</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF EL CAMPO, TEXAS**

REQUIRED SUPPLEMENTARY INFORMATION  
 HISTORICAL PENSION AND OTHER POSTEMPLOYMENT  
 BENEFITS INFORMATION  
 September 30, 2012

**TEXAS MUNICIPAL RETIREMENT SYSTEM**

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 17,321,560	\$ 19,636,079	\$ 2,314,519	88.21%	\$ 4,386,471	52.76%
12/31/10	16,369,313	18,848,698	2,479,385	86.85%	4,426,088	56.02%
12/31/09	10,391,825	14,719,666	4,327,841	70.60%	4,386,471	98.66%
12/31/08	10,246,891	14,458,248	4,211,357	70.87%	4,170,422	100.98%
12/31/07	10,202,248	13,954,179	3,751,931	73.11%	3,816,186	98.32%
12/31/06	10,173,047	12,762,866	2,589,819	79.71%	3,348,699	77.34%
12/31/05	10,051,419	12,544,550	2,493,131	80.13%	3,399,727	73.33%
12/31/04	9,178,723	11,588,951	2,410,228	79.20%	3,195,778	75.42%
12/31/03	8,509,931	10,808,750	2,298,819	78.73%	3,053,451	75.29%
12/31/02	8,283,076	10,342,035	2,058,959	80.09%	2,968,532	69.36%

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

Actuarial Valuation Information

	8/31/08	8/31/10
Actuarial cost method	entry age	entry age
Amortization method	level dollar, open	level dollar, open
Amortization period	6 years	30 years
Asset valuation method	market value smoothed by a 5-year deferred recognition method with a 90% - 110% corridor on market value	market value smoothed by a 5-year deferred recognition method with a 80% - 120% corridor on market value
Investment rate of return *	8.00%, net of expenses	7.75%, net of expenses
Projected salary increases	n/a	n/a
* Includes inflation at	3.50%	3.50%
Cost of living adjustment	none	none

**CITY OF EL CAMPO, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**HISTORICAL PENSION AND OTHER POSTEMPLOYMENT**  
**BENEFITS INFORMATION**  
 September 30, 2012

**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability <sup>1</sup> (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered (b-a)/(c)
8/31/2006	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
8/31/2008 <sup>2</sup>	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010 <sup>3</sup>	64,113,803	79,953,215	15,839,412	80.2%	8,708	1,819

<sup>1</sup> The actuarial accrued liability is based upon the entry age actuarial cost method.

<sup>2</sup> Changes in actuarial assumptions and methods, as well as benefit and contribution provisions, were first reflected in this valuation.

<sup>3</sup> Changes in actuarial assumptions were reflected in this valuation.

Three-Year Trend Information - State-wide

Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	\$ 2,875,103 <sup>3</sup>	\$ 2,875,103	100%
2009	2,698,271 <sup>3</sup>	2,698,271	100%
2008	3,160,764 <sup>2</sup>	11,239,339 <sup>1</sup>	356%

<sup>1</sup> Includes a state contribution of \$8,800,000.

<sup>2</sup> Based on the August 31, 2006, actuarial valuation.

<sup>3</sup> Based on the August 31, 2008, actuarial valuation.

State contributions to the City's plan for the fiscal year 2012 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of El Campo, Texas

Year Ended September 30	Annual Required Contributions (ARC)	Percentage Contributed	Net Obligation
2012	\$ 36,593	100%	\$ -
2011	39,584	100%	-
2010	32,892	100%	-

**CITY OF EL CAMPO, TEXAS**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 HISTORICAL PENSION AND OTHER POSTEMPLOYMENT  
 BENEFITS INFORMATION  
 September 30, 2012

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/2009	\$ -	\$ 168,339	\$ 168,339	0.00%	\$ 4,386,471	3.84%

Actuarial Valuation Information

	12/31/09
Actuarial cost method	projected unit credit
Amortization method	level percent of payroll
Amortization period in years	30 - closed
Asset valuation method	fair value
Healthcare trend rate *	9.00%
Projected salary increases *	3.00%
Investment rate of return *	4.50%

\*Includes an inflation adjustment of 4.50%.

**CITY OF EL CAMPO, TEXAS**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
 September 30, 2012

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**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

**NOTE 2: BUDGETARY LEGAL COMPLIANCE**

For the year ended September 30, 2012, the City complied with budgetary restrictions at all departmental levels except the following. The following table details this variance:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Municipal court	\$ 159,560	\$ 160,064	\$ (504)
Streets	1,282,910	1,421,169	(138,259)
Vehicle and facility maintenance	141,990	142,407	(417)
Transfers out	99,025	102,405	(3,380)

**Combining and Individual Fund Statements and Schedules**

**CITY OF EL CAMPO, TEXAS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
 September 30, 2012

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 155,251	\$ 66,419	\$ 326,964	\$ 548,634
Receivables (net)	37,961	32,129	50,946	121,036
Note receivable from component unit	-	16,434	-	16,434
Noncurrent assets				
Note receivable from component unit (net)	-	35,664	-	35,664
<b>Total assets</b>	<u>\$ 193,212</u>	<u>\$ 150,646</u>	<u>\$ 377,910</u>	<u>\$ 721,768</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 99,079	\$ -	\$ 8,207	\$ 107,286
Due to other funds	33,593	-	-	33,593
Deferred revenue	-	32,129	50,946	83,075
<b>Total liabilities</b>	<u>132,672</u>	<u>32,129</u>	<u>59,153</u>	<u>223,954</u>
<b>Fund balances</b>				
Nonspendable				
Noncurrent notes receivable	-	35,664	-	35,664
Restricted				
Retirement of long-term debt	-	82,853	-	82,853
Various capital projects	-	-	312,006	312,006
Municipal court	7,062	-	-	7,062
Public safety	142,796	-	-	142,796
Committed				
Street paving	-	-	6,751	6,751
Unassigned	(89,318)	-	-	(89,318)
<b>Total fund balances</b>	<u>60,540</u>	<u>118,517</u>	<u>318,757</u>	<u>497,814</u>
<b>Total liabilities and fund balances</b>	<u>\$ 193,212</u>	<u>\$ 150,646</u>	<u>\$ 377,910</u>	<u>\$ 721,768</u>

**CITY OF EL CAMPO, TEXAS**

*ALL NONMAJOR GOVERNMENTAL FUNDS*

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES*

*For the year ended September 30, 2012*

	Total Nonmajor Special <u>Revenue Funds</u>	Total Nonmajor Debt <u>Service Fund</u>	Total Nonmajor Capital <u>Project Funds</u>	Total Nonmajor <u>Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 133,262	\$ 303,240	\$ -	\$ 436,502
Charges for services	-	-	4,590	4,590
Fines and forfeitures	18,192	-	-	18,192
Investment income	615	3,757	874	5,246
Miscellaneous	<u>130,965</u>	<u>-</u>	<u>-</u>	<u>130,965</u>
<b>Total revenues</b>	<u>283,034</u>	<u>306,997</u>	<u>5,464</u>	<u>595,495</u>
<b>EXPENDITURES</b>				
Current				
General government	44,602	-	-	44,602
Public safety	48,808	-	-	48,808
Public works	89,318	-	7,579	96,897
Capital outlay	40,493	-	119,382	159,875
Debt service				
Principal retirement	-	185,659	-	185,659
Interest and fiscal charges	-	109,404	-	109,404
Issuance costs	<u>-</u>	<u>33,980</u>	<u>-</u>	<u>33,980</u>
<b>Total expenditures</b>	<u>223,221</u>	<u>329,043</u>	<u>126,961</u>	<u>679,225</u>
Excess (deficiency) of revenues over expenditures	59,813	(22,046)	(121,497)	(83,730)
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	1,071,597	-	1,071,597
Bond premium	-	50,798	-	50,798
Payment to escrow	-	(1,154,921)	-	(1,154,921)
Transfers in	3,380	-	-	3,380
Transfers out	<u>(123,420)</u>	<u>(138,425)</u>	<u>-</u>	<u>(261,845)</u>
<b>Total other financing sources (uses)</b>	<u>(120,040)</u>	<u>(170,951)</u>	<u>-</u>	<u>(290,991)</u>
Net change in fund balances	(60,227)	(192,997)	(121,497)	(374,721)
Fund balances at beginning of year, as restated	<u>120,767</u>	<u>311,514</u>	<u>440,254</u>	<u>872,535</u>
<b>Fund balances at end of year</b>	<u>\$ 60,540</u>	<u>\$ 118,517</u>	<u>\$ 318,757</u>	<u>\$ 497,814</u>

## **NONMAJOR SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

**Municipal Court Technology and Building Security Funds** - Account for funds received in addition to municipal court fines to enhance these specific areas.

**Hotel/Motel Tax Fund** - Accounts for the collection of hotel and motel taxes collected within the City.

**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.

**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.

**CITY OF EL CAMPO, TEXAS***NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**COMBINING BALANCE SHEET**September 30, 2012*

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	Municipal Court Technology	Municipal Court Building Security	Hotel/Motel Tax
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 7,062	\$ -
Accounts receivable	-	-	37,961
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 7,062</u>	<u>\$ 37,961</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 9,761
Due to other funds	-	-	28,200
<b>Total liabilities</b>	-	-	37,961
Fund balances			
Restricted			
Municipal court	-	7,062	-
Public safety	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	-	7,062	-
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 7,062</u>	<u>\$ 37,961</u>

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<u>Transportation Reinvestment Zone</u>	<u>Police Seizure</u>	<u>EMS Grant</u>	<u>Total</u>
\$ -	\$ 93,166	\$ 55,023	\$ 155,251
<u>-</u>	<u>-</u>	<u>-</u>	<u>37,961</u>
<u>\$ -</u>	<u>\$ 93,166</u>	<u>\$ 55,023</u>	<u>\$ 193,212</u>
\$ 89,318	\$ -	\$ -	\$ 99,079
<u>-</u>	<u>5,393</u>	<u>-</u>	<u>33,593</u>
<u>89,318</u>	<u>5,393</u>	<u>-</u>	<u>132,672</u>
-	-	-	7,062
-	87,773	55,023	142,796
<u>(89,318)</u>	<u>-</u>	<u>-</u>	<u>(89,318)</u>
<u>(89,318)</u>	<u>87,773</u>	<u>55,023</u>	<u>60,540</u>
<u>\$ -</u>	<u>\$ 93,166</u>	<u>\$ 55,023</u>	<u>\$ 193,212</u>

**CITY OF EL CAMPO, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

For the year ended September 30, 2012

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	Municipal Court Technology	Municipal Court Building Security	Hotel/Motel Tax
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 133,262
Fines and forfeitures	-	-	-
Investment income	10	78	-
Miscellaneous	10,111	7,040	-
<b>Total revenues</b>	<u>10,121</u>	<u>7,118</u>	<u>133,262</u>
<b>EXPENDITURES</b>			
Current			
General government	14,760	-	29,842
Public safety	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>14,760</u>	<u>-</u>	<u>29,842</u>
Excess (deficiency) of revenues over expenditures	(4,639)	7,118	103,420
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	3,380	-	-
Transfer out	-	(20,000)	(103,420)
<b>Total other financing sources (uses)</b>	<u>3,380</u>	<u>(20,000)</u>	<u>(103,420)</u>
Net change in fund balances	(1,259)	(12,882)	-
Fund balances at beginning of year	1,259	19,944	-
<b>Fund balances at end of year</b>	<u>\$ -</u>	<u>\$ 7,062</u>	<u>\$ -</u>

Transportation Reinvestment Zone	Police Seizure	EMS Grant	Total
\$ -	\$ -	\$ -	\$ 133,262
-	18,192	-	18,192
-	414	113	615
-	40,970	72,844	130,965
-	59,576	72,957	283,034
-	-	-	44,602
-	15,931	32,877	48,808
89,318	-	-	89,318
-	40,493	-	40,493
89,318	56,424	32,877	223,221
(89,318)	3,152	40,080	59,813
-	-	-	3,380
-	-	-	(123,420)
-	-	-	(120,040)
(89,318)	3,152	40,080	(60,227)
-	84,621	14,943	120,767
<u>\$ (89,318)</u>	<u>\$ 87,773</u>	<u>\$ 55,023</u>	<u>\$ 60,540</u>

## **NONMAJOR CAPITAL PROJECT FUNDS**

Capital Project Funds are used to 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. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**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 General Fund.

**CITY OF EL CAMPO, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****COMBINING BALANCE SHEET**

September 30, 2012

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	<u>2004 Bonds</u>	<u>Street Paving</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 312,754	\$ 14,210	\$ 326,964
Receivables (net)			
Other	<u>-</u>	<u>50,946</u>	<u>50,946</u>
<b>Total assets</b>	<u>\$ 312,754</u>	<u>\$ 65,156</u>	<u>\$ 377,910</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 748	\$ 7,459	\$ 8,207
Deferred revenue	<u>-</u>	<u>50,946</u>	<u>50,946</u>
<b>Total liabilities</b>	<u>748</u>	<u>58,405</u>	<u>59,153</u>
Fund balance			
Restricted			
Various capital projects	312,006	-	312,006
Committed			
Street paving	<u>-</u>	<u>6,751</u>	<u>6,751</u>
<b>Total fund balances</b>	<u>312,006</u>	<u>6,751</u>	<u>318,757</u>
<b>Total liabilities and fund balance</b>	<u>\$ 312,754</u>	<u>\$ 65,156</u>	<u>\$ 377,910</u>

**CITY OF EL CAMPO, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES***For the year ended September 30, 2012*

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	<u>2004 Bonds</u>	<u>Street Paving</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for services			
Street assessments	\$ -	\$ 4,590	\$ 4,590
Investment income	<u>804</u>	<u>70</u>	<u>874</u>
<b>Total revenues</b>	<u>804</u>	<u>4,660</u>	<u>5,464</u>
<b>EXPENDITURES</b>			
Current			
Public works	-	7,579	7,579
Capital outlay	<u>119,382</u>	<u>-</u>	<u>119,382</u>
<b>Total expenditures</b>	<u>119,382</u>	<u>7,579</u>	<u>126,961</u>
Excess (deficiency) of revenues over expenditures	(118,578)	(2,919)	(121,497)
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(118,578)	(2,919)	(121,497)
Fund balances at beginning of year	<u>430,584</u>	<u>9,670</u>	<u>440,254</u>
<b>Fund balances at end of year</b>	<u>\$ 312,006</u>	<u>\$ 6,751</u>	<u>\$ 318,757</u>

## **GENERAL FUND**

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



**CITY OF EL CAMPO, TEXAS****MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****BALANCE SHEET**

September 30, 2012

With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,254,499	\$ 1,882,819
Investments	804,872	1,607,028
Receivables (net)		
Taxes	332,890	356,679
Interest	1,788	3,347
Fines	135,824	143,882
Other	6,191	-
Due from other funds	92,690	125,103
Due from other governments	568,776	521,105
Deferred expenditures	63,852	65,249
Inventory	65,449	21,928
<b>Total assets</b>	<u>\$ 5,326,831</u>	<u>\$ 4,727,140</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 64,214	\$ 73,581
Accrued expenditures	137,240	127,427
Deposits	14,886	11,381
Due to component unit	94,641	86,816
Due to other funds	95,558	95,558
Due to other governments	39,243	56,818
Deferred revenue	384,893	414,057
<b>Total liabilities</b>	<u>830,675</u>	<u>865,638</u>
Fund balance		
Nonspendable		
Deferred expenditures	63,852	65,249
Inventory	65,449	21,928
Unassigned	4,366,855	3,774,325
<b>Total fund balance</b>	<u>4,496,156</u>	<u>3,861,502</u>
<b>Total liabilities and fund balance</b>	<u>\$ 5,326,831</u>	<u>\$ 4,727,140</u>

**CITY OF EL CAMPO, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 2,541,050	\$ 2,606,842	\$ 65,792	\$ 2,617,480
Sales	2,445,395	2,840,198	394,803	2,405,245
Franchise	622,170	622,421	251	650,585
Alcoholic beverage	24,500	11,948	(12,552)	11,833
Licenses and permits	84,380	100,726	16,346	86,460
Intergovernmental	125,650	108,291	(17,359)	207,131
Charges for services	236,975	259,540	22,565	248,181
Fines and forfeitures	539,580	581,093	41,513	530,895
Investment income	50,000	28,001	(21,999)	29,973
Industrial agreement	14,800	14,710	(90)	14,823
Miscellaneous	81,200	99,226	18,026	93,915
<b>Total revenues</b>	<b>6,765,700</b>	<b>7,272,996</b>	<b>507,296</b>	<b>6,896,521</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
City administration				
Personnel	820,950	817,774	3,176	811,522
Materials and supplies	7,560	5,417	2,143	6,150
Repairs and maintenance	14,650	13,065	1,585	6,143
Other services and charges	179,322	167,679	11,643	337,063
Capital outlay	35,989	35,989	-	7,862
Total city administration	1,058,471	1,039,924	18,547	1,168,740
Finance				
Personnel	202,393	203,522	(1,129)	192,306
Materials and supplies	3,000	2,188	812	2,850
Repairs and maintenance	1,670	-	1,670	455
Other services and charges	53,384	53,836	(452)	6,019
Total finance	260,447	259,546	901	201,630
Information technology				
Materials and supplies	-	-	-	1,282
Repairs and maintenance	-	-	-	47,254
Other services and charges	-	-	-	30,565
Capital outlay	-	-	-	4,799
Total information technology	-	-	-	83,900

(continued)

**CITY OF EL CAMPO, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
<b>EXPENDITURES - (CONTINUED)</b>				
<b>Current - (continued)</b>				
<b>General government</b>				
Municipal court				
Personnel	\$ 151,300	\$ 153,019	\$ (1,719)	\$ 134,790
Materials and supplies	1,500	1,491	9	2,015
Repairs and maintenance	790	1,400	(610)	822
Other services and charges	5,970	4,154	1,816	4,930
Total municipal court	159,560	160,064	(504)	142,557
Total general government	1,478,478	1,459,534	18,944	1,596,827
<b>Public safety</b>				
Police				
Personnel	2,057,894	2,010,030	47,864	1,931,432
Materials and supplies	172,660	168,964	3,696	142,263
Repairs and maintenance	62,950	52,225	10,725	34,063
Other services and charges	121,980	92,574	29,406	110,115
Capital outlay	91,592	91,592	-	115,708
Debt service	14,540	-	14,540	14,544
Total police	2,521,616	2,415,385	106,231	2,348,125
Fire				
Materials and supplies	60,700	49,104	11,596	44,735
Repairs and maintenance	37,000	29,014	7,986	41,502
Other services and charges	103,480	90,829	12,651	97,743
Capital outlay	9,800	9,800	-	39,774
Debt service	7,270	-	7,270	7,270
Total fire	218,250	178,747	39,503	231,024
Fire marshal				
Personnel	11,140	11,037	103	10,932
Materials and supplies	1,530	130	1,400	608
Repairs and maintenance	2,460	2,499	(39)	584
Other services and charges	1,650	1,300	350	834
Total fire marshal	16,780	14,966	1,814	12,958
Inspection				
Personnel	197,760	199,618	(1,858)	194,358
Materials and supplies	3,720	3,833	(113)	3,249
Repairs and maintenance	1,220	667	553	135
Other services and charges	27,850	14,208	13,642	7,865
Total inspection	230,550	218,326	12,224	205,607

(continued)

**CITY OF EL CAMPO, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
<b>EXPENDITURES - (CONTINUED)</b>				
<b>Current - (continued)</b>				
<b>Public safety - (continued)</b>				
Communications				
Personnel	\$ 373,810	\$ 349,696	\$ 24,114	\$ 300,885
Total communications	<u>373,810</u>	<u>349,696</u>	<u>24,114</u>	<u>300,885</u>
Emergency management				
Personnel	11,640	11,222	418	11,106
Materials and supplies	700	16	684	103
Other services and charges	4,200	4,706	(506)	2,433
Capital outlay	-	-	-	6,574
Total emergency medical services	<u>16,540</u>	<u>15,944</u>	<u>596</u>	<u>20,216</u>
Total public safety	<u>3,377,546</u>	<u>3,193,064</u>	<u>184,482</u>	<u>3,118,815</u>
<b>Public works</b>				
Streets				
Personnel	489,006	470,345	18,661	518,112
Materials and supplies	119,450	113,041	6,409	110,251
Repairs and maintenance	425,442	401,823	23,619	328,912
Other services and charges	149,420	141,917	7,503	138,984
Capital outlay	57,192	245,575	(188,383)	5,000
Debt service	42,400	48,468	(6,068)	92,029
Total streets	<u>1,282,910</u>	<u>1,421,169</u>	<u>(138,259)</u>	<u>1,193,288</u>
Administration/engineering				
Personnel	154,124	137,534	16,590	163,209
Materials and supplies	6,150	7,034	(884)	7,711
Repairs and maintenance	7,380	12,878	(5,498)	16,331
Other services and charges	45,370	43,003	2,367	30,863
Total administration/engineering	<u>213,024</u>	<u>200,449</u>	<u>12,575</u>	<u>218,114</u>
Vehicle and facility maintenance				
Personnel	134,140	134,109	31	131,512
Materials and supplies	6,630	7,263	(633)	12,743
Repairs and maintenance	660	603	57	1,434
Other services and charges	560	432	128	250
Total vehicle and facility maintenance	<u>141,990</u>	<u>142,407</u>	<u>(417)</u>	<u>145,939</u>
Total public works	<u>1,637,924</u>	<u>1,764,025</u>	<u>(126,101)</u>	<u>1,557,341</u>

(continued)

**CITY OF EL CAMPO, TEXAS**

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>EXPENDITURES - (CONTINUED)</b>				
<b>Current - (continued)</b>				
<b>Parks and recreation</b>				
Parks and recreation				
Personnel	\$ 245,188	\$ 247,856	\$ (2,668)	\$ 243,680
Materials and supplies	13,130	14,981	(1,851)	13,772
Repairs and maintenance	29,400	28,095	1,305	32,853
Other services and charges	168,880	164,463	4,417	40,663
Capital outlay	120,998	120,998	-	10,260
Total parks and recreation	577,596	576,393	1,203	341,228
<b>Civic center</b>				
Materials and supplies	800	773	27	268
Repairs and maintenance	61,040	58,245	2,795	62,935
Other services and charges	42,680	33,780	8,900	33,889
Total civic center	104,520	92,798	11,722	97,092
<b>Aquatic center</b>				
Personnel	172,580	135,810	36,770	145,868
Materials and supplies	14,700	16,543	(1,843)	13,986
Repairs and maintenance	20,555	21,030	(475)	9,401
Other services and charges	79,270	62,134	17,136	61,771
Capital outlay	75,297	75,297	-	-
Total aquatic center	362,402	310,814	51,588	231,026
Total parks and recreation	1,044,518	980,005	64,513	669,346
<b>Capital outlay</b>	30,667	-	30,667	-
<b>Total expenditures</b>	7,569,133	7,396,628	172,505	6,942,329
Excess (deficiency) of revenues over expenditures	(803,433)	(123,632)	679,801	(45,808)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	80,551	80,551	-	15,845
Capital lease	-	167,470	167,470	-
Transfers in	572,250	612,670	40,420	544,392
Transfers out	(99,025)	(102,405)	(3,380)	-
<b>Total other financing sources (uses)</b>	553,776	758,286	204,510	560,237
Net change in fund balance	\$ (249,657)	634,654	\$ 884,311	514,429
Fund balance at beginning of year		3,861,502		3,347,073
<b>Fund balance at end of year</b>		\$ 4,496,156		\$ 3,861,502

(concluded)

**NONMAJOR DEBT SERVICE FUND**

The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for general government debt principal and interest.

**CITY OF EL CAMPO, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND****BALANCE SHEET**

September 30, 2012

With comparative totals for September 30, 2011

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 66,419	\$ 244,411
Receivables, net		
Taxes	32,129	34,215
Note receivable from component unit	16,434	15,005
Noncurrent assets		
Note receivable from component unit, net	<u>35,664</u>	<u>52,098</u>
<b>Total assets</b>	<u>\$ 150,646</u>	<u>\$ 345,729</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Deferred revenue	<u>\$ 32,129</u>	<u>\$ 34,215</u>
<b>Total liabilities</b>	<u>32,129</u>	<u>34,215</u>
Fund balance		
Nonspendable		
Noncurrent notes receivable	35,664	52,098
Restricted		
Retirement of long-term debt	<u>82,853</u>	<u>259,416</u>
<b>Total fund balance</b>	<u>118,517</u>	<u>311,514</u>
<b>Total liabilities and fund balance</b>	<u>\$ 150,646</u>	<u>\$ 345,729</u>

**CITY OF EL CAMPO, TEXAS**

NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current taxes	\$ 279,310	\$ 289,436	\$ 10,126	\$ 273,737
Delinquent taxes	7,500	7,932	432	11,427
Penalty and interest	4,000	5,872	1,872	6,175
Investment income	19,540	3,757	(15,783)	5,327
<b>Total revenues</b>	<u>310,350</u>	<u>306,997</u>	<u>(3,353)</u>	<u>296,666</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	185,659	185,659	-	172,872
Interest and fiscal charges	124,691	109,404	15,287	133,641
Issuance costs	-	33,980	(33,980)	-
<b>Total expenditures</b>	<u>310,350</u>	<u>329,043</u>	<u>(18,693)</u>	<u>306,513</u>
Excess (deficiency) of revenues over expenditures	-	(22,046)	(22,046)	(9,847)
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	1,071,597	1,071,597	-
Premium on refunding bonds issued	-	50,798	50,798	-
Payment to escrow	-	(1,154,921)	(1,154,921)	-
Transfer out	-	(138,425)	(138,425)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(170,951)</u>	<u>(170,951)</u>	<u>-</u>
Net change in fund balance	-	(192,997)	(192,997)	(9,847)
Fund balance at beginning of year	<u>311,514</u>	<u>311,514</u>	<u>-</u>	<u>321,361</u>
<b>Fund balance at end of year</b>	<u>\$ 311,514</u>	<u>\$ 118,517</u>	<u>\$ (192,997)</u>	<u>\$ 311,514</u>

## **ENTERPRISE FUNDS**

Enterprise Funds account for the acquisition, operations, and maintenance of the City's facilities and services which are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance. Debt service amounts are also included.

**Utility Fund** - Records transactions relative to the provision of water, wastewater system, and solid waste sanitation services to the residents of the City.

**Emergency Medical Services Fund** - Accounts for activities of the City relative to providing emergency medical services to the residents and visitors of the City.

**CITY OF EL CAMPO, TEXAS****MAJOR ENTERPRISE FUND - UTILITY FUND****BALANCE SHEET**

September 30, 2012

With comparative totals for September 30, 2011

---

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,998,116	\$ 1,560,749
Investments	100,665	700,366
Receivables (net)		
Accounts	531,025	617,293
Interest	175	2,676
Due from other funds	95,558	95,558
Due from other governments	252,408	-
Prepaid expenses	17,069	28,527
Restricted assets		
Cash and cash equivalents	114,141	294,262
Total current assets	<u>3,109,157</u>	<u>3,299,431</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,907,484	1,845,206
Buildings and improvements	1,713,074	1,705,709
Water works system	13,311,635	13,279,833
Sewer system	10,474,112	10,185,379
Total capital assets	27,406,305	27,016,127
Less accumulated depreciation	<u>11,722,434</u>	<u>10,978,161</u>
Subtotal	15,683,871	16,037,966
Land	30,498	30,498
Construction in progress	<u>430,024</u>	<u>16,948</u>
Net capital assets	<u>16,144,393</u>	<u>16,085,412</u>
Bond issue costs, net	<u>243,975</u>	<u>153,682</u>
Total noncurrent assets	<u>16,388,368</u>	<u>16,239,094</u>
<b>Total assets</b>	<u>19,497,525</u>	<u>19,538,525</u>

**CITY OF EL CAMPO, TEXAS**  
**MAJOR ENTERPRISE FUND - UTILITY FUND**  
**BALANCE SHEET**  
September 30, 2012  
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 579,138	\$ 301,613
Accrued expenses	21,611	19,512
Deposits	174,927	179,707
Accrued interest payable	51,402	63,366
Due to other funds	49,684	104,916
Due to other governments	2,917	-
Compensated absences	34,654	25,705
Current portion of capital leases	119,667	114,714
Current portion of general obligation bonds	104,403	256,816
Current portion of certificates of obligation	200,000	172,526
Total current liabilities	<u>1,338,403</u>	<u>1,238,875</u>
Noncurrent liabilities		
Compensated absences	22,366	16,197
Capital leases, net of current portion	954,694	1,074,361
General obligation bonds, net of current portion	1,830,127	-
Certificates of obligation, net of current portion	4,715,000	6,889,596
Total noncurrent liabilities	<u>7,522,187</u>	<u>7,980,154</u>
<b>Total liabilities</b>	<u>8,860,590</u>	<u>9,219,029</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	8,334,643	7,871,661
Unrestricted net assets, as restated	2,302,292	2,447,835
<b>Total net assets</b>	<u>\$ 10,636,935</u>	<u>\$ 10,319,496</u>

**CITY OF EL CAMPO, TEXAS***MAJOR ENTERPRISE FUND - UTILITY FUND**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS**BUDGET (NON-GAAP BASIS) AND ACTUAL**For the year ended September 30, 2012**With comparative totals for the year ended September 30, 2011*

	2012		Variance	2011
	Original/Final Budget	Actual	Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Water	\$ 1,476,200	\$ 1,431,317	\$ (44,883)	\$ 1,607,909
Sewer	1,563,500	1,610,130	46,630	1,582,962
Sanitation	1,500,000	1,531,504	31,504	1,516,575
Billing fees	125,000	124,193	(807)	122,143
Penalties	75,000	81,860	6,860	79,012
Connection and installation fees	52,209	51,469	(740)	43,274
Other	18,100	20,111	2,011	44,207
<b>Total operating revenues</b>	<u>4,810,009</u>	<u>4,850,584</u>	<u>40,575</u>	<u>4,996,082</u>
<b>OPERATING EXPENSES</b>				
Utility operations				
Personnel	830,109	840,633	(10,524)	784,156
Materials and supplies	67,025	78,980	(11,955)	63,202
Repairs and maintenance	196,606	237,218	(40,612)	165,035
Other services and charges	2,189,894	2,200,792	(10,898)	2,215,862
Capital outlay	27,964	35,770	(7,806)	74,524
<b>Total operating expenses</b>	<u>3,311,598</u>	<u>3,393,393</u>	<u>(81,795)</u>	<u>3,302,779</u>
<b>Operating income (loss) before nonoperating revenues (expenses) and transfers</b>	1,498,411	1,457,191	(41,220)	1,693,303
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	25,000	7,333	(17,667)	8,975
Noncapital grants and contributions	-	20,686	20,686	-
Principal retirement	(544,055)	(544,055)	-	(517,093)
Interest and fiscal charges	(359,826)	(332,929)	26,897	(411,041)
<b>Total nonoperating revenues (expenses)</b>	<u>(878,881)</u>	<u>(848,965)</u>	<u>29,916</u>	<u>(919,159)</u>
Income (loss) before transfers	619,530	608,226	(11,304)	774,144
Transfers				
Transfers in	12,500	138,425	125,925	-
Transfers out	(875,410)	(493,150)	382,260	(484,020)
Change in net assets - (Non-GAAP Basis)	<u>\$ (243,380)</u>	253,501	<u>\$ 496,881</u>	290,124
<b>ADJUSTMENTS</b>				
Principal portion of debt payments		544,055		517,093
Depreciation and amortization		(761,755)		(630,250)
Capital grants and contributions		245,868		-
Capital outlay		35,770		74,524
Change in net assets - (GAAP Basis)		317,439		251,491
Net assets at beginning of year, as restated		<u>10,319,496</u>		<u>10,068,005</u>
<b>Net assets at end of year</b>		<u>\$ 10,636,935</u>		<u>\$ 10,319,496</u>

**CITY OF EL CAMPO, TEXAS****MAJOR ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES FUND****BALANCE SHEET**

September 30, 2012

With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 103,985	\$ 62,536
Receivables (net)		
Accounts	350,656	373,704
Prepaid expenses	<u>8,368</u>	<u>4,030</u>
Total current assets	<u>463,009</u>	<u>440,270</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	743,110	641,523
Buildings and improvements	<u>410,000</u>	<u>410,000</u>
Total capital assets	1,153,110	1,051,523
Less accumulated depreciation	<u>835,445</u>	<u>751,953</u>
Net capital assets	<u>317,665</u>	<u>299,570</u>
Total noncurrent assets	<u>317,665</u>	<u>299,570</u>
<b>Total assets</b>	<u>780,674</u>	<u>739,840</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	5,397	5,455
Accrued expenses	23,681	22,724
Compensated absences	<u>36,997</u>	<u>30,627</u>
Total current liabilities	<u>66,075</u>	<u>58,806</u>
Noncurrent liabilities		
Compensated absences	<u>28,173</u>	<u>27,750</u>
Total noncurrent liabilities	<u>28,173</u>	<u>27,750</u>
<b>Total liabilities</b>	<u>94,248</u>	<u>86,556</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	317,665	299,570
Unrestricted net assets	<u>368,761</u>	<u>353,714</u>
<b>Total net assets</b>	<u>\$ 686,426</u>	<u>\$ 653,284</u>

**CITY OF EL CAMPO, TEXAS****MAJOR ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS  
BUDGET (NON-GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	2012			2011
	Original/Final Budget	Actual	Variance Positive (Negative)	Actual
<b>OPERATING REVENUES</b>				
Ambulance services	\$ 319,770	\$ 319,446	\$ (324)	\$ 389,178
Other	-	8,113	8,113	542
<b>Total operating revenues</b>	<u>319,770</u>	<u>327,559</u>	<u>7,789</u>	<u>389,720</u>
<b>OPERATING EXPENSES</b>				
Ambulance operations				
Personnel	815,139	854,970	(39,831)	833,902
Materials and supplies	56,810	60,811	(4,001)	51,947
Repairs and maintenance	23,440	15,877	7,563	20,962
Other services and charges	71,600	68,663	2,937	74,575
Capital outlay	55,000	101,587	(46,587)	125,650
<b>Total operating expenses</b>	<u>1,021,989</u>	<u>1,101,908</u>	<u>(79,919)</u>	<u>1,107,036</u>
<b>Operating income (loss) before nonoperating revenues (expenses) and transfers</b>	(702,219)	(774,349)	(72,130)	(717,316)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	-	156	156	207
Noncapital grants and contributions	796,510	796,510	-	796,510
<b>Total nonoperating revenues (expenses)</b>	<u>796,510</u>	<u>796,666</u>	<u>156</u>	<u>796,717</u>
Income (loss) before transfers	94,291	22,317	(71,974)	79,401
Transfers				
Transfers out	(7,270)	(7,270)	-	(7,270)
Change in net assets - (Non-GAAP Basis)	<u>\$ 87,021</u>	15,047	<u>\$ (71,974)</u>	72,131
<b>ADJUSTMENTS</b>				
Depreciation		(83,492)		(55,877)
Capital grants and contributions		-		13,331
Capital outlay		101,587		125,650
Change in net assets - (GAAP Basis)		33,142		155,235
Net assets at beginning of year		<u>653,284</u>		<u>498,049</u>
<b>Net assets at end of year</b>		<u>\$ 686,426</u>		<u>\$ 653,284</u>

## INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The City maintains two Internal Service Funds: Employee Health Insurance and Information Technology.

**Employee Health Insurance Fund** - The Employee Health Insurance Fund was created to provide accounting for transactions of a self-insured health insurance plan for City employees, employee dependents, and retirees. The City pays a portion of the premium for City employees and employees pay the premium if they wish to cover dependents. Payments by the various City funds, employees, and retirees are revenues of the fund. Payments are made from the fund to a third party administrator for services, to an insurance company for specific stop loss insurance, and to providers of medical services.

**Information Technology Fund** - This Information Technology Fund was created to provide computer maintenance and purchases for all departments of the City.

**CITY OF EL CAMPO, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**September 30, 2012**

---

	<u>Health Insurance</u>	<u>Information Technology</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 96,478	\$ -	\$ 96,478
Receivables (net)	26,139	-	26,139
Total current assets	<u>122,617</u>	<u>-</u>	<u>122,617</u>
Noncurrent assets			
Capital assets			
Buildings, improvements, and equipment (net)	-	4,600	4,600
Total noncurrent assets	<u>-</u>	<u>4,600</u>	<u>4,600</u>
<b>Total assets</b>	<u>122,617</u>	<u>4,600</u>	<u>127,217</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	9,525	-	9,525
Due to other funds	-	9,413	9,413
Claims payable	41,098	-	41,098
Total current liabilities	<u>50,623</u>	<u>9,413</u>	<u>60,036</u>
<b>Total liabilities</b>	<u>50,623</u>	<u>9,413</u>	<u>60,036</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	4,600	4,600
Unrestricted net assets	71,994	(9,413)	62,581
<b>Total net assets</b>	<u>\$ 71,994</u>	<u>\$ (4,813)</u>	<u>\$ 67,181</u>

**CITY OF EL CAMPO, TEXAS****INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**

For the year ended September 30, 2012

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	<u>Health Insurance</u>	<u>Information Technology</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,199,887	\$ -	\$ 1,199,887
<b>Total operating revenues</b>	<u>1,199,887</u>	<u>-</u>	<u>1,199,887</u>
<b>OPERATING EXPENSES</b>			
Materials and supplies	-	27,071	27,071
Repairs and maintenance	-	87,230	87,230
Other services and charges	1,160	-	1,160
Claims expense	1,202,805	-	1,202,805
Depreciation and amortization	-	707	707
<b>Total operating expenses</b>	<u>1,203,965</u>	<u>115,008</u>	<u>1,318,973</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(4,078)	(115,008)	(119,086)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	231	-	231
Net nonoperating revenues (expenses)	<u>231</u>	<u>-</u>	<u>231</u>
Income before transfers	(3,847)	(115,008)	(118,855)
Transfers			
Transfers in	-	110,195	110,195
Total transfers	<u>-</u>	<u>110,195</u>	<u>110,195</u>
Change in net assets	(3,847)	(4,813)	(8,660)
Total net assets at beginning of year	<u>75,841</u>	<u>-</u>	<u>75,841</u>
<b>Total net assets at end of year</b>	<u>\$ 71,994</u>	<u>\$ (4,813)</u>	<u>\$ 67,181</u>

**CITY OF EL CAMPO, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2012

	<u>Health Insurance</u>	<u>Information Technology</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from other funds	\$ 1,173,748	\$ -	\$ 1,173,748
Cash paid to suppliers for goods and services	<u>(1,216,197)</u>	<u>(114,301)</u>	<u>(1,330,498)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(42,449)</u>	<u>(114,301)</u>	<u>(156,750)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Borrowing (repayments) to other funds	-	9,413	9,413
Transfers in from other funds	<u>-</u>	<u>110,195</u>	<u>110,195</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>-</u>	<u>119,608</u>	<u>119,608</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	<u>-</u>	<u>(5,307)</u>	<u>(5,307)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>-</u>	<u>(5,307)</u>	<u>(5,307)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	<u>231</u>	<u>-</u>	<u>231</u>
<b>Net cash provided (used) by investing activities</b>	<u>231</u>	<u>-</u>	<u>231</u>
Net increase (decrease) in cash and cash equivalents	(42,218)	-	(42,218)
Cash and cash equivalents at beginning of year	<u>138,696</u>	<u>-</u>	<u>138,696</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 96,478</u>	<u>\$ -</u>	<u>\$ 96,478</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (4,078)	\$ (115,008)	\$ (119,086)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	707	707
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(26,139)	-	(26,139)
Increase (decrease) in accounts payable	9,525	-	9,525
Increase (decrease) in claims payable	<u>(21,757)</u>	<u>-</u>	<u>(21,757)</u>
Total adjustments	<u>(38,371)</u>	<u>707</u>	<u>(37,664)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (42,449)</u>	<u>\$ (114,301)</u>	<u>\$ (156,750)</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.

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	99
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These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues.....	110
<b>Debt Capacity</b>	
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.....	119
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments .....	125
<b>Operating Information</b>	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs .....	127

**CITY OF EL CAMPO, TEXAS**  
**NET ASSETS BY COMPONENT (1)**  
*Last nine fiscal years*

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Invested in capital assets, net of related debt	\$ 11,092,683	\$ 12,588,438	\$ 11,890,772
Restricted	214,232	344,823	292,694
Unrestricted	<u>6,476,749</u>	<u>6,421,514</u>	<u>7,249,296</u>
Total governmental activities net assets	<u>\$ 17,783,664</u>	<u>\$ 19,354,775</u>	<u>\$ 19,432,762</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 4,881,538	\$ 6,454,462	\$ 6,824,445
Unrestricted	<u>1,739,828</u>	<u>2,015,929</u>	<u>2,383,222</u>
Total business-type activities net assets	<u>\$ 6,621,366</u>	<u>\$ 8,470,391</u>	<u>\$ 9,207,667</u>
Primary government			
Invested in capital assets, net of related debt	\$ 15,974,221	\$ 19,042,900	\$ 18,715,217
Restricted	214,232	344,823	292,694
Unrestricted	<u>8,216,577</u>	<u>8,437,443</u>	<u>9,632,518</u>
Total primary government activities net assets	<u>\$ 24,405,030</u>	<u>\$ 27,825,166</u>	<u>\$ 28,640,429</u>

(1) Accrual basis of accounting

NOTE: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 11,783,741	\$ 11,802,324	\$ 13,175,250	\$ 12,651,611	\$ 12,096,688	\$ 11,780,074
284,411	239,496	293,532	596,548	394,422	250,288
<u>7,491,671</u>	<u>6,823,104</u>	<u>4,355,197</u>	<u>3,556,474</u>	<u>4,253,875</u>	<u>4,740,346</u>
<u>\$ 19,559,823</u>	<u>\$ 18,864,924</u>	<u>\$ 17,823,979</u>	<u>\$ 16,804,633</u>	<u>\$ 16,744,985</u>	<u>\$ 16,770,708</u>
\$ 7,094,356	\$ 7,239,131	\$ 6,040,671	\$ 8,185,040	\$ 8,171,231	\$ 8,652,308
<u>2,353,223</u>	<u>2,910,875</u>	<u>4,287,504</u>	<u>2,381,014</u>	<u>2,801,092</u>	<u>2,671,053</u>
<u>\$ 9,447,579</u>	<u>\$ 10,150,006</u>	<u>\$ 10,328,175</u>	<u>\$ 10,566,054</u>	<u>\$ 10,972,323</u>	<u>\$ 11,323,361</u>
\$ 18,878,097	\$ 19,041,455	\$ 19,215,921	\$ 20,836,651	\$ 20,267,919	\$ 20,432,382
284,411	239,496	293,532	596,548	394,422	250,288
<u>9,844,894</u>	<u>9,733,979</u>	<u>8,642,701</u>	<u>5,937,488</u>	<u>7,054,967</u>	<u>7,411,399</u>
<u>\$ 29,007,402</u>	<u>\$ 29,014,930</u>	<u>\$ 28,152,154</u>	<u>\$ 27,370,687</u>	<u>\$ 27,717,308</u>	<u>\$ 28,094,069</u>

**CITY OF EL CAMPO, TEXAS****CHANGES IN NET ASSETS (1)***Last nine fiscal years*

	Fiscal Year		
	2004	2005	2006
<b>Governmental activities</b>			
Expenses			
General government	\$ 1,107,839	\$ 1,231,557	\$ 1,364,142
Public safety	2,690,890	3,157,010	3,140,921
Public works	1,555,335	2,795,238	2,210,670
Parks and recreation	447,264	676,385	711,395
Interest on long-term debt	80,346	110,901	106,953
Total expenses	<u>5,881,674</u>	<u>7,971,091</u>	<u>7,534,081</u>
Program revenues			
Charges for services			
General government	163,016	151,589	128,353
Public safety	964,933	927,081	981,327
Public works	10,733	9,879	26,079
Parks and recreation	78,528	172,965	142,997
Operating grants and contributions	224,713	163,174	192,895
Capital grants and contributions	<u>1,168,924</u>	<u>2,169,237</u>	<u>121,009</u>
Total program revenues	<u>2,610,847</u>	<u>3,593,925</u>	<u>1,592,660</u>
Total governmental activities net program (expense) revenue	(3,270,827)	(4,377,166)	(5,941,421)
General revenues and other changes in net assets			
Taxes			
Property taxes	1,671,271	2,058,280	2,210,482
Sales taxes	1,861,214	2,000,244	2,150,320
Franchise taxes	599,967	639,487	633,442
Other taxes	134,095	131,053	125,111
Investment earnings	118,598	206,046	319,572
Gain (loss) on disposition of capital assets	9,193	-	72,787
Miscellaneous	74,835	67,953	33,812
Transfers	<u>319,500</u>	<u>367,735</u>	<u>434,033</u>
Total general revenues and other changes in net assets	<u>4,788,673</u>	<u>5,470,798</u>	<u>5,979,559</u>
<b>Total governmental activities change in net assets</b>	<u>\$ 1,517,846</u>	<u>\$ 1,093,632</u>	<u>\$ 38,138</u>

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 1,847,968	\$ 1,735,303	\$ 1,730,446	\$ 1,700,404	\$ 1,748,982	\$ 1,598,194
3,299,795	4,036,711	4,197,726	3,331,347	3,181,009	3,486,798
1,991,662	1,853,152	2,258,781	1,933,738	2,205,043	2,220,393
662,876	705,118	754,293	745,235	682,760	860,990
99,957	146,150	152,972	144,355	136,246	101,779
<u>7,902,258</u>	<u>8,476,434</u>	<u>9,094,218</u>	<u>7,855,079</u>	<u>7,954,040</u>	<u>8,268,154</u>
166,974	148,938	130,103	134,468	131,517	134,253
1,071,589	1,267,229	843,653	670,620	580,613	599,335
39,240	32,206	20,308	29,651	55,955	33,332
171,566	186,210	172,042	187,309	231,917	251,355
640,257	115,606	200,212	148,542	162,233	181,085
25,000	160,359	179,786	-	71,424	-
<u>2,114,626</u>	<u>1,910,548</u>	<u>1,546,104</u>	<u>1,170,590</u>	<u>1,233,659</u>	<u>1,199,360</u>
(5,787,632)	(6,565,886)	(7,548,114)	(6,684,489)	(6,720,381)	(7,068,794)
2,185,347	2,350,642	2,627,352	2,641,886	2,811,094	2,834,559
2,154,527	2,422,347	2,291,988	2,161,373	2,405,245	2,840,198
604,425	604,010	612,731	603,132	650,585	622,421
120,776	136,673	127,396	102,424	104,512	145,210
407,748	285,267	154,964	57,935	38,222	33,478
-	-	-	-	-	-
140,150	167,151	178,636	295,309	173,116	243,932
301,720	345,100	514,102	(196,916)	477,959	375,176
<u>5,914,693</u>	<u>6,311,190</u>	<u>6,507,169</u>	<u>5,665,143</u>	<u>6,660,733</u>	<u>7,094,974</u>
\$ <u>127,061</u>	\$ <u>(254,696)</u>	\$ <u>(1,040,945)</u>	\$ <u>(1,019,346)</u>	\$ <u>(59,648)</u>	\$ <u>26,180</u>

(continued)

**CITY OF EL CAMPO, TEXAS****CHANGES IN NET ASSETS (1)***Last nine fiscal years*

	Fiscal Year		
	2004	2005	2006
<b>Business-type activities</b>			
Expenses			
Utilities	\$ 2,807,134	\$ 3,004,005	\$ 3,434,174
Emergency medical services	-	-	-
Total expenses	<u>2,807,134</u>	<u>3,004,005</u>	<u>3,434,174</u>
Program revenues			
Charges for services			
Utilities	3,332,422	3,642,874	4,101,097
Emergency medical services	-	-	-
Operating grants and contributions	-	-	-
Capital grants and contributions	88,084	1,252,082	409,122
Total program revenues	<u>3,420,506</u>	<u>4,894,956</u>	<u>4,510,219</u>
Total business-type activities net program (expense) revenue	613,372	1,890,951	1,076,045
General revenues and other changes in net assets			
Unrestricted investment earnings	36,871	55,909	102,960
Miscellaneous	71,096	73,633	-
Transfers	(319,500)	(367,735)	(434,033)
Total general revenues and other changes in net assets	<u>(211,533)</u>	<u>(238,193)</u>	<u>(331,073)</u>
<b>Total business-type activities change in net assets</b>	<u>\$ 401,839</u>	<u>\$ 1,652,758</u>	<u>\$ 744,972</u>
<b>Total primary government change in net assets</b>	<u>\$ 1,919,685</u>	<u>\$ 2,746,390</u>	<u>\$ 783,110</u>

(1) Accrual basis of accounting

NOTE: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2004.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 3,528,587	\$ 3,862,890	\$ 4,065,879	\$ 4,219,111	\$ 4,269,546	\$ 4,439,126
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050,632</u>	<u>1,037,263</u>	<u>1,083,813</u>
<u>3,528,587</u>	<u>3,862,890</u>	<u>4,065,879</u>	<u>5,269,743</u>	<u>5,306,809</u>	<u>5,522,939</u>
3,918,547	4,312,032	4,350,603	4,337,210	4,996,082	4,850,584
-	-	-	294,344	389,720	327,559
-	-	-	655,472	796,510	817,196
<u>104,804</u>	<u>101,676</u>	<u>336,738</u>	<u>-</u>	<u>-</u>	<u>245,868</u>
<u>4,023,351</u>	<u>4,413,708</u>	<u>4,687,341</u>	<u>5,287,026</u>	<u>6,182,312</u>	<u>6,241,207</u>
494,764	550,818	621,462	17,283	875,503	718,268
46,868	99,331	70,809	23,680	8,725	7,489
-	-	-	-	-	-
<u>(301,720)</u>	<u>(345,100)</u>	<u>(514,102)</u>	<u>196,916</u>	<u>(477,959)</u>	<u>(375,176)</u>
<u>(254,852)</u>	<u>(245,769)</u>	<u>(443,293)</u>	<u>220,596</u>	<u>(469,234)</u>	<u>(367,687)</u>
<u>\$ 239,912</u>	<u>\$ 305,049</u>	<u>\$ 178,169</u>	<u>\$ 237,879</u>	<u>\$ 406,269</u>	<u>\$ 350,581</u>
<u>\$ 366,973</u>	<u>\$ 50,353</u>	<u>\$ (862,776)</u>	<u>\$ (781,467)</u>	<u>\$ 346,621</u>	<u>\$ 376,761</u>

(concluded)

**CITY OF EL CAMPO, TEXAS**

*FUND BALANCES, GOVERNMENTAL FUNDS (1)*

*Last nine fiscal years*

	Fiscal Year		
	2004	2005	2006
General Fund			
Nonspendable			
Deferred expenditures	\$ -	\$ -	\$ -
Inventory	-	-	-
Unassigned	-	-	-
Reserved			
Deferred expenditures	54,558	74,787	76,349
Inventory	7,001	10,971	9,920
Unreserved	<u>4,520,294</u>	<u>5,522,797</u>	<u>5,473,008</u>
Total general fund	<u>\$ 4,581,853</u>	<u>\$ 5,608,555</u>	<u>\$ 5,559,277</u>
All Other Governmental Funds			
Nonspendable			
Noncurrent notes receivable	\$ -	\$ -	\$ -
Restricted			
Retirement of long-term debt	-	-	-
Municipal court	-	-	-
State and federal grant programs	-	-	-
Public safety	-	-	-
Various capital projects	-	-	-
Committed			
Street paving	-	-	-
Unassigned	-	-	-
Reserved			
Noncurrent receivables	137,124	127,835	117,832
Unreserved, reported in			
Special revenue funds	196,357	39,803	39,878
Debt service fund	52,610	213,250	262,310
Capital project funds	<u>1,015,982</u>	<u>1,019,807</u>	<u>789,462</u>
Total all other governmental funds	<u>\$ 1,402,073</u>	<u>\$ 1,400,695</u>	<u>\$ 1,209,482</u>

(1) Modified accrual basis of accounting

NOTE: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the fund balance information is available only beginning in 2004.

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ 65,249	\$ 129,301
-	-	-	-	21,928	-
-	-	-	-	3,774,325	-
60,250	9,626	10,554	10,177	-	-
18,179	10,787	16,820	27,831	-	-
<u>5,624,841</u>	<u>6,033,298</u>	<u>3,810,126</u>	<u>3,309,065</u>	-	<u>4,366,855</u>
<u>\$ 5,703,270</u>	<u>\$ 6,053,711</u>	<u>\$ 3,837,500</u>	<u>\$ 3,347,073</u>	<u>\$ 3,861,502</u>	<u>\$ 4,496,156</u>
\$ -	\$ -	\$ -	\$ -	\$ 52,098	\$ 35,664
-	-	-	-	259,416	82,853
-	-	-	-	21,203	7,062
-	-	-	-	457	-
-	-	-	-	99,564	142,796
-	-	-	-	430,584	312,006
-	-	-	-	9,670	6,751
-	-	-	-	-	(89,318)
100,225	94,254	81,393	67,103	-	-
71,576	26,573	48,449	81,471	-	-
251,958	216,811	266,302	254,258	-	-
<u>746,838</u>	<u>716,994</u>	<u>459,558</u>	<u>628,268</u>	-	-
<u>\$ 1,170,597</u>	<u>\$ 1,054,632</u>	<u>\$ 855,702</u>	<u>\$ 1,031,100</u>	<u>\$ 872,992</u>	<u>\$ 497,814</u>

**CITY OF EL CAMPO, TEXAS****CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)**

Last nine fiscal years

	Fiscal Year		
	2004	2005	2006
Revenues			
Taxes	\$ 4,314,389	\$ 4,869,425	\$ 5,110,463
Licenses and permits	110,551	100,367	87,717
Intergovernmental	758,546	387,033	192,895
Charges for services	429,261	521,660	530,601
Fines and forfeitures	500,761	533,007	494,368
Investment income	118,598	206,046	319,572
Industrial agreement	-	-	-
Miscellaneous	641,038	2,011,249	229,359
Total revenues	<u>6,873,144</u>	<u>8,628,787</u>	<u>6,964,975</u>
Expenditures			
Current			
General government	1,068,234	1,173,582	1,332,860
Public safety	2,579,573	2,674,482	3,020,822
Public works	1,194,039	1,311,721	1,297,906
Parks and recreation	441,790	576,742	653,067
Capital outlay	1,293,613	2,189,325	1,127,237
Debt service			
Principal retirement	158,378	158,816	184,704
Interest and fiscal charges	74,096	115,528	108,196
Bond issue costs	22,050	-	-
Total expenditures	<u>6,831,773</u>	<u>8,200,196</u>	<u>7,724,792</u>
Excess (deficiency) of revenues over expenditures	41,371	428,591	(759,817)
Other financing sources (uses)			
Regular and refunding bonds issued	1,038,960	-	-
Premium on bonds issued	-	-	-
Payment to escrow	-	-	-
Sale of capital assets	9,193	11,651	85,293
Capital leases	-	-	-
Transfers in	390,591	519,703	539,076
Transfers out	(71,091)	(151,968)	(105,043)
Total other financing sources (uses)	<u>1,367,653</u>	<u>379,386</u>	<u>519,326</u>
Changes in fund balances	<u>\$ 1,409,024</u>	<u>\$ 807,977</u>	<u>\$ (240,491)</u>
Debt service as a percentage of noncapital expenditures	<u>3.87%</u>	<u>3.46%</u>	<u>4.32%</u>

(1) Modified accrual basis of accounting

NOTE: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the changes in fund balance information is available only beginning in 2004.

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 5,129,477	\$ 5,553,867	\$ 5,726,072	\$ 5,530,398	\$ 6,069,161	\$ 6,517,911	
125,546	110,520	82,013	98,729	86,460	100,726	
580,162	497,283	503,073	218,104	207,131	108,291	
505,985	557,310	494,131	217,408	284,405	264,130	
632,966	627,661	581,037	655,274	571,100	599,285	
407,748	285,267	154,370	57,772	37,794	33,247	
-	-	16,641	14,954	14,823	14,710	
180,636	159,023	199,637	199,942	171,699	230,191	
<u>7,562,520</u>	<u>7,790,931</u>	<u>7,756,974</u>	<u>6,992,581</u>	<u>7,442,573</u>	<u>7,868,491</u>	
1,906,962	1,641,061	1,672,339	1,611,531	1,648,537	1,504,136	
3,352,675	3,818,081	4,048,711	3,260,752	3,173,120	3,241,872	
1,948,665	1,443,436	1,461,833	1,540,477	1,729,891	1,860,922	
617,806	652,629	689,063	692,676	669,346	980,005	
131,070	1,002,344	2,935,358	401,725	65,980	159,875	
193,453	169,842	239,702	163,536	172,872	185,659	
101,097	133,531	151,847	141,654	133,641	109,404	
-	57,765	-	-	-	33,980	
<u>8,251,728</u>	<u>8,918,689</u>	<u>11,198,853</u>	<u>7,812,351</u>	<u>7,593,387</u>	<u>8,075,853</u>	
(689,208)	(1,127,758)	(3,441,879)	(819,770)	(150,814)	(207,362)	
-	1,650,000	-	-	-	1,071,597	
-	-	-	-	-	50,798	
-	-	-	-	-	(1,154,921)	
16,546	45,959	49,664	12,729	15,845	80,551	
476,050	65,426	-	-	-	167,470	
434,260	412,212	2,114,539	959,725	544,392	616,050	
(132,540)	(67,112)	(1,600,437)	(467,713)	(53,102)	(364,250)	
<u>794,316</u>	<u>2,106,485</u>	<u>563,766</u>	<u>504,741</u>	<u>507,135</u>	<u>467,295</u>	
\$ <u>105,108</u>	\$ <u>978,727</u>	\$ <u>(2,878,113)</u>	\$ <u>(315,029)</u>	\$ <u>356,321</u>	\$ <u>259,933</u>	
<u>4.07%</u>	<u>3.89%</u>	<u>3.89%</u>	<u>4.17%</u>	<u>4.18%</u>	<u>4.00%</u>	

**CITY OF EL CAMPO, TEXAS****TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (1)***Last ten fiscal years*

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<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Other</u>	<u>Total</u>
2003	\$ 1,641,042	\$ 30,120	\$ 573,599	\$ 1,788,358	\$ 121,091	\$ 4,154,210
2004	1,676,531	42,582	599,967	1,861,214	134,095	4,314,389
2005	2,056,972	41,669	639,487	2,000,244	131,053	4,869,425
2006	2,153,598	47,992	633,442	2,150,320	125,111	5,110,463
2007	2,195,592	54,157	604,425	2,154,527	120,776	5,129,477
2008	2,329,692	61,145	604,010	2,422,347	136,673	5,553,867
2009	2,628,063	65,894	612,731	2,291,988	127,396	5,726,072
2010	2,608,599	54,870	603,132	2,161,373	102,424	5,530,398
2011	2,848,527	60,292	650,585	2,405,235	104,512	6,069,151
2012	2,850,758	59,324	622,421	2,840,198	145,210	6,517,911

(1) Modified accrual basis of accounting

NOTE: Property tax rates have remained stable because of growth in property tax values and the addition of new construction values.

**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
2003	2002	\$ 231,099,557	\$ 65,282,923	\$ 9,082,473	\$ 53,170,234	\$ 2,034,086
2004	2003	243,973,121	65,819,282	9,451,070	44,418,714	2,185,948
2005	2004	256,739,192	75,364,421	9,757,410	52,474,549	2,027,313
2006	2005	278,957,276	80,744,642	10,298,750	60,280,579	1,933,296
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	4,694,923
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

(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

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<u>Less: Tax-Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ 75,502,551	\$ 285,166,722	\$ 0.5757	\$ 285,166,722	100.00%
79,517,779	286,330,356	0.5757	286,330,356	100.00%
80,381,916	315,980,969	0.6207	315,980,969	100.00%
83,758,809	348,455,734	0.6207	348,455,734	100.00%
126,633,708	395,185,670	0.5598	395,185,670	100.00%
124,259,716	420,556,716	0.5598	420,556,716	100.00%
109,735,389	406,954,946	0.5598	406,954,946	100.00%
108,563,844	419,621,512	0.5444	419,621,412	100.00%
112,395,082	460,617,928	0.5280	460,617,928	100.00%
107,524,105	471,894,687	0.5254	471,894,687	100.00%

**CITY OF EL CAMPO, TEXAS****DIRECT AND OVERLAPPING PROPERTY TAX RATES****PER \$100 OF ASSESSED VALUE***Last ten fiscal years*

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Fiscal Year	City Direct Rates			Overlapping Rates		
	Debt Service	General Fund	Total	School District	Junior College	Wharton County/ FMLR
2003	\$ 0.0762	\$ 0.4995	\$ 0.5757	\$ 1.5464	\$ 0.1674	\$ 0.6999
2004	0.0646	0.5111	0.5757	1.5433	0.1740	0.6999
2005	0.0767	0.5440	0.6207	1.4164	0.1689	0.6899
2006	0.0857	0.5350	0.6207	1.4366	0.1560	0.6699
2007	0.0607	0.4991	0.5598	1.4302	0.1358	0.5736
2008	0.5020	0.0577	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	0.0640
2011	0.0526	0.4753	0.5279	1.1949	0.1445	0.5318
2012	0.0548	0.4706	0.5254	1.1962	0.1382	0.5022

SOURCE: Tax department records of the various taxing authorities

Overlapping Rates

Emergency Services District #1	Coastal Bend Groundwater Conservation District	Emergency Services District #4	West Wharton County Hospital District	Total
\$ 0.0300	\$ 0.0200	\$ -	\$ 0.1073	\$ 2.5710
0.0300	0.0200	-	0.1145	2.5817
0.0300	0.0190	-	0.1145	2.4387
0.0300	0.0165	-	0.1145	2.4235
0.0300	0.0112	-	0.0999	2.2807
0.0300	0.0085	-	0.1300	2.0247
0.0300	0.0071	-	0.1399	2.0530
0.0300	0.0073	0.0680	0.1828	1.6915
0.0300	0.0073	0.0680	0.1828	2.1593
0.0300	0.0073	0.0643	0.1833	2.1215

**CITY OF EL CAMPO, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**(UNAUDITED)**  
*Current Year and Nine Years Ago*

2012		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Wal-Mart Stores	\$ 11,601,344	2.46%
Key Energy Services, Inc.	7,832,340	1.66%
Davis Net Lease No 1 LP	5,043,276	1.07%
AEP Texas Central Co.	4,990,140	1.06%
Kansas City Southern Railway	4,300,860	0.91%
Farmers Coop of El Campo	4,265,160	0.90%
H.E.B.	4,061,997	0.86%
Winfield Solutions LLC	3,989,351	0.85%
Sutherland Lumber Southwest, Inc.	3,248,950	0.69%
Don Davis Motor Co Inc.	2,885,392	0.61%
	<u>\$ 52,218,810</u>	<u>11.07%</u>

2003		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
BON L Campo Ltd	\$ 7,406,470	2.60%
Lerio Corporation	5,877,180	2.06%
Wal-Mart Stores	5,008,555	1.76%
Central Power & Light Company	3,857,960	1.35%
Clayton Williams Energy, Inc.	3,752,710	1.32%
Southwestern Bell Telephone Company	3,342,230	1.17%
Cardell Cabinets	3,139,050	1.10%
Farmers Coop of El Campo	3,086,240	1.08%
Bayard Drilling Technologies	2,238,000	0.78%
Davis Don Motor Co Inc.	1,824,935	0.64%
	<u>\$ 39,533,330</u>	<u>13.86%</u>

SOURCE: Wharton County Tax Assessor/Collector

**CITY OF EL CAMPO, TEXAS****PROPERTY TAX LEVIES AND COLLECTIONS***Last ten fiscal years*

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<u>Fiscal Year</u>	Taxes Levied for the Fiscal Year (Original Levy)	<u>Collections within the Fiscal Year of the Levy</u>		Collections in Subsequent Years	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2003	\$ 1,675,209	\$ 1,599,508	95.48%	\$ 31,670	\$ 1,631,178	97.37%
2004	1,682,045	1,619,510	96.28%	28,346	1,647,856	97.97%
2005	2,043,015	2,009,199	98.34%	33,816	2,043,015	100.00%
2006	2,207,005	2,102,119	95.25%	45,645	2,147,764	97.32%
2007	2,243,450	2,139,050	95.35%	39,691	2,178,741	97.12%
2008	2,354,108	2,275,265	96.65%	78,777	2,354,042	100.00%
2009	2,664,871	2,565,253	96.26%	54,057	2,619,310	98.29%
2010	2,676,392	2,547,219	95.17%	87,822	2,635,041	98.45%
2011	2,799,518	2,745,509	98.07%	39,697	2,785,206	99.49%
2012	2,826,754	2,777,421	98.25%	-	2,777,421	98.25%

SOURCES: City of El Campo  
Wharton County Tax Assessor/Collector

**CITY OF EL CAMPO, TEXAS***WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED**Last ten fiscal years*

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<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
2003	575,964,000	442,040,000	133,924,000	23.25%	514,106,000
2004	563,099,000	398,078,000	165,021,000	29.31%	516,850,000
2005	669,899,000	497,394,000	172,505,000	25.75%	513,066,000
2006	665,466,000	578,346,000	87,120,000	13.09%	384,631,000
2007	566,452,000	494,834,000	71,618,000	12.64%	466,698,000
2008	635,048,000	551,382,000	83,666,000	13.17%	451,881,000
2009	685,027,000	609,054,500	75,972,500	11.09%	350,015,000
2010	556,683,000	488,754,900	67,928,100	12.20%	441,316,000
2011	749,552,000	671,189,100	78,362,900	10.45%	332,235,000
2012	642,247,000	574,495,400	67,751,600	10.55%	378,650,000

SOURCE: City of El Campo

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Total Direct Rate		
Base Rate	Water	Sewer
	Usage Rate	Usage Rate
\$ 20.80	\$ 2.20	\$ 2.68
22.30	2.20	2.68
22.30	2.20	2.68
22.30	2.20	2.68
22.30	2.20	2.68
22.30	2.20	2.68
22.30	1.79	3.27
22.30	1.91	3.80
22.30	2.01	4.13
22.30	2.01	4.13

**CITY OF EL CAMPO, TEXAS**  
**TEN LARGEST WATER CUSTOMERS**  
**(UNAUDITED)**  
*Current Year and Nine Years Ago*

2012			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
Isaacson Municipal Utility District	Municipal District	143,410	2.14%
El Campo Housing Authority	Housing	73,155	1.09%
El Campo Independent School District	School	69,174	1.03%
Jones-Co Properties	Housing	60,955	0.91%
Wal-Mart Stores, Inc.	Retail	46,320	0.69%
El Campo Memorial Hospital	Hospital	39,810	0.59%
Roane & Roane Properties	Housing	33,828	0.50%
PHPM Mission Care Centers	Housing	31,830	0.47%
Oakcrest Apartments	Hospital	31,032	0.46%
El Campo Inn	Hotel	27,100	0.40%

2003			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
Isaacson Municipal Utility District	Municipal District	75,760	1.71%
El Campo Housing Authority	Housing	46,584	1.05%
Key Energy Services Division	Oil Field	23,570	0.53%
El Campo Memorial Hospital	Hospital	19,000	0.43%
Country Aire Mobile Home Park	Housing	14,415	0.33%
Roane & Roane Properties	Housing	11,405	0.26%
Socha Enterprise	Car Wash	23,890	0.54%
Oakcrest Apartments	Housing	9,784	0.22%
Lone Star Washateria	Washateria	8,589	0.19%
El Campo Independent School District	School	8,050	0.18%

SOURCE: City of El Campo Utility Billing Office

**CITY OF EL CAMPO, TEXAS**

*RATIOS OF OUTSTANDING DEBT BY TYPE*

*Last ten fiscal years*

Fiscal Year	Governmental Activities			Business-type Activities		
	Certificates of Obligation	General Obligation Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases
2003	\$ 1,555,137	\$ 343,105	\$ 255,120	\$ 704,894	\$ 3,800,681	\$ -
2004	2,133,158	250,885	181,122	2,571,842	2,779,115	-
2005	2,016,984	208,242	103,089	2,528,016	2,306,758	1,784,239
2006	1,883,175	157,320	45,017	2,466,825	1,742,680	1,695,226
2007	1,742,272	104,742	447,460	2,402,728	1,160,258	1,602,369
2008	3,241,060	86,112	405,130	5,763,940	953,888	1,505,502
2009	3,021,644	65,826	282,470	5,673,356	729,174	1,404,453
2010	2,878,808	45,126	153,406	7,226,192	499,874	1,299,040
2011	2,727,878	23,184	47,463	8,772,122	256,816	1,189,075
2012	1,410,000	1,071,597	157,917	4,915,000	1,818,403	1,074,361

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

N/A denotes information not available.

SOURCE: City of El Campo

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<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 6,658,937	N/A	\$ 608
7,916,122	N/A	723
8,947,328	N/A	817
7,990,243	N/A	730
7,459,829	N/A	667
11,955,632	N/A	1,069
11,176,923	N/A	894
12,102,446	N/A	968
13,016,538	N/A	1,122
10,447,278	N/A	900

**CITY OF EL CAMPO, TEXAS****RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING***Last ten fiscal years*

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Fiscal Year	General Bonded Debt Outstanding (1)			Debt Service Monies Available (2)
	Certificates of Obligation	General Obligation Bonds	Total	
2003	\$ 1,555,137	\$ 4,143,786	\$ 5,698,923	\$ 38,756
2004	2,133,158	3,030,000	5,163,158	52,610
2005	2,016,984	2,515,000	4,531,984	213,250
2006	1,883,175	1,900,000	3,783,175	262,310
2007	1,742,272	1,265,000	3,007,272	352,183
2008	3,241,060	1,040,000	4,281,060	311,065
2009	3,021,644	795,000	3,816,644	347,695
2010	2,878,808	545,000	3,423,808	321,361
2011	2,727,878	280,000	3,007,878	311,514
2012	1,410,000	2,890,000	4,300,000	118,517

(1) Includes general bonded debt for both governmental and business-type activities.

(2) This is the amount restricted for debt service principal payments.

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

SOURCE: City of El Campo

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<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 5,660,167	100.00%	\$ 517
5,110,548	100.00%	467
4,318,734	100.00%	395
3,520,865	100.00%	322
2,655,089	100.00%	237
3,969,995	100.00%	355
3,468,949	100.00%	278
3,102,447	100.00%	248
2,696,364	100.00%	232
4,181,483	100.00%	360

**CITY OF EL CAMPO, TEXAS****DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)**

September 30, 2012

	<u>Gross Debt Outstanding</u>		<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
	<u>Date</u>	<u>Amount</u>		
Direct Debt:				
City of El Campo (1)	9/30/2012	\$ 2,639,514	100.00%	\$ 2,639,514
Overlapping Debt:				
Wharton County	12/31/2011	2,915,000	26.00%	757,900
El Campo Independent School District	8/31/2012	<u>23,010,000</u>	42.31%	<u>9,735,531</u>
Total Overlapping Debt		<u>25,925,000</u>		<u>10,493,431</u>
Total		<u>\$ 28,564,514</u>		<u>\$ 13,132,945</u>

(1) Figures do not include accrued compensated absences.

NOTES: 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 population, or \$1.50 for cities over 5,000 population.

The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each government's total taxable value.

SOURCES: City of El Campo  
El Campo Independent School District  
Wharton County

**CITY OF EL CAMPO, TEXAS**  
**PLEDGED-REVENUE COVERAGE**  
*Last ten fiscal years*

Water and Sewer Revenue Bonds					
Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Revenue Available for Debt Service	Average Annual Debt Service Requirements	Times Debt Coverage
2003	\$ 3,350,715	\$ 2,207,690	\$ 1,143,025	\$ 375,465	3.04
2004	3,440,389	2,224,096	1,216,293	364,871	3.33
2005	3,772,416	2,284,745	1,487,671	344,293	4.32
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	536,916	2.17
2011	5,004,600	3,228,255	1,776,345	390,349	4.55
2012	4,857,917	3,357,623	1,500,294	310,575	4.83

NOTES: Details regarding the City's outstanding debt can be found in the notes to 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 and amortization.

SOURCE: City of El Campo

**CITY OF EL CAMPO, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**(UNAUDITED)**  
*Last ten fiscal years*

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Personal Income</u>	<u>(2) School Enrollment</u>	<u>(3) Unemployment Rate</u>
2003	10,945	N/A	N/A	3,497	6.2%
2004	10,945	N/A	\$ 14,464	3,481	7.5%
2005	10,945	N/A	14,464	3,623	6.0%
2006	10,945	N/A	N/A	3,442	4.8%
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%

NOTES: Personal income figures for 2003 through 2012 are not available.  
The unemployment rates are a twelve-month average from October through September.  
N/A denotes information not available

SOURCES: (1) Population figures for the years are estimates provided by the City  
(2) El Campo Independent School District  
(3) Texas Labor Market

**CITY OF EL CAMPO, TEXAS**  
**PRINCIPAL EMPLOYERS**  
**(UNAUDITED)**  
*Current Year and Six Years Ago*

2012		
Employer	Employees	Percentage of Total Area Employment
El Campo Independent School District	482	10.20%
Greenleaf Nursery	404	8.55%
El Campo Memorial Hospital	211	4.47%
Wal-Mart	190	4.02%
H.E.B.	180	3.81%
Prasek's Hillje Smokehouse	161	3.41%
City of El Campo	108	2.29%
Mark's Machine	93	1.97%
New ICM	91	1.93%
Key Energy	70	1.48%
	<u>1,990</u>	<u>42.13%</u>

2006		
Employer	Employees	Percentage of Total Area Employment
El Campo Independent School District	491	10.18%
Cardell Cabinetry	355	7.36%
Greenleaf Nursery	350	7.26%
Wal-Mart	195	4.04%
El Campo Memorial Hospital	153	3.17%
H.E.B.	105	2.18%
City of El Campo	99	2.05%
New ICM	92	1.91%
El Campo Coca-Cola	91	1.89%
Prasek's Hillje Smokehouse	90	1.87%
	<u>2,021</u>	<u>41.91%</u>

NOTES: Information for nine years ago was not readily available.

Information is based on the City of El Campo, Texas area, which includes Hillje, Texas.

SOURCE: City of El Campo

**CITY OF EL CAMPO, TEXAS**

*FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year				
	2003	2004	2005	2006	2007
General government					
Administration	6.00	6.00	6.00	6.00	5.00
Finance	-	-	-	-	-
Municipal court	4.00	4.00	4.00	4.00	4.00
Inspections	4.00	4.00	3.50	4.00	4.00
Public safety					
Police	36.00	28.00	29.00	29.00	29.00
Communications	-	8.00	8.00	8.00	8.00
Fire marshal	0.30	0.30	0.50	-	-
EMS	9.00	9.00	10.00	10.00	10.00
Public works					
Administration	3.00	3.00	4.00	3.00	3.00
Vehicle maintenance	2.00	2.00	2.00	2.00	2.00
Streets and drainage	14.00	15.00	14.00	14.00	14.00
Community and recreational services	0.50	0.50	-	-	1.00
Parks maintenance	5.00	5.00	5.00	5.00	5.00
Civic center	0.50	0.50	-	-	-
Aquatic center	-	-	-	-	2.00
Water and sewer					
Administration	3.00	3.00	2.00	1.50	1.50
Water production and distribution	5.50	5.00	5.00	6.00	6.00
Wastewater collection	5.50	5.00	5.00	5.00	5.00
Wastewater treatment	2.00	2.00	2.00	2.00	2.00
Total	<u>100.30</u>	<u>100.30</u>	<u>100.00</u>	<u>99.50</u>	<u>101.50</u>

NOTES: 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.

SOURCE: City of El Campo

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Fiscal Year				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
5.00	2.00	2.00	2.00	2.00
-	4.00	4.00	4.00	4.00
4.00	4.00	4.00	4.00	4.00
5.00	5.00	5.00	4.00	4.00
33.00	33.00	33.00	33.00	34.00
8.00	8.00	7.00	8.00	8.00
-	-	-	-	-
10.00	10.00	10.00	10.00	10.00
3.00	3.00	3.00	3.00	3.00
2.00	2.00	2.00	2.00	3.00
14.00	14.00	14.00	14.00	13.00
1.00	1.00	1.00	1.00	1.00
5.00	5.00	5.00	5.00	5.00
-	-	-	-	-
2.00	2.00	2.00	2.00	2.00
1.00	1.00	1.00	1.00	3.00
6.00	6.00	6.00	6.00	5.00
5.00	5.00	5.00	5.00	5.00
2.00	2.00	2.00	2.00	2.00
<u>106.00</u>	<u>107.00</u>	<u>106.00</u>	<u>106.00</u>	<u>108.00</u>

**CITY OF EL CAMPO, TEXAS**

*OPERATING INDICATORS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2003	2004	2005	2006
General government				
Building permits issued	661	892	714	586
Building inspections conducted	762	800	830	652
Fire inspections conducted	N/A	11	19	17
Public safety				
Police				
Physical arrests	1,578	1,491	1,662	1,802
Traffic violations	8,041	8,473	7,560	12,675
Fire				
Total incidents	126	143	172	175
Streets and highways				
Street resurfacing (miles)	8.00	N/A	5.10	6.59
Water and wastewater				
Water				
Active water connections	3,911	4,386	4,277	4,314
Average daily consumption (in 000's)	1,550	1,540	1,470	1,468
Peak daily consumption (in 000's)	3,310	3,080	3,590	3,575
Wastewater				
Active sewer connections	3,813	3,813	3,890	3,932
Average daily flow	1,410	1,420	1,190	1,234

NOTE: N/A denotes information not available.

SOURCE: Various City departments

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Fiscal Year					
2007	2008	2009	2010	2011	2012
606	641	545	508	503	498
789	708	588	489	453	523
23	10	26	9	22	15
2,018	2,035	4,471	4,036	1,756	1,613
9,459	10,588	9,674	4,272	10,517	8,065
190	331	252	193	343	261
6.60	3.20	4.00	6.50	10.89	12.28
4,301	4,351	4,013	3,655	4,093	4,263
1,355	1,707	1,876	1,496	2,053	1,759
2,400	3,303	3,839	2,642	2,837	3,376
3,900	3,931	3,919	3,573	3,869	4,099
1,278	1,232	958	1,208	885	885

**CITY OF EL CAMPO, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2003	2004	2005	2006
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) (1)	75	75	100	100
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)	75	75	81	81
Wastewater				
Sanitary sewers (miles)	75	75	75	75
Storm sewers (miles)	15	15	15	15

(1) Excludes roads maintained by TxDOT or privately owned roads.

SOURCE: Various City departments

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Fiscal Year						
2007	2008	2009	2010	2011	2012	
1	1	1	1	1	1	1
5	5	5	5	5	5	5
1	1	1	1	1	1	1
100	100	100	100	78	79	
6	6	6	6	5	4	
56	56	56	56	56	56	56
1	1	1	1	1	1	1
8	8	8	8	8	8	8
1	1	1	1	1	1	1
81	81	81	81	87	87	
75	75	75	75	88	88	
15	15	15	15	15	15	

**OVERALL COMPLIANCE AND  
INTERNAL CONTROL SECTION**



CERTIFIED PUBLIC ACCOUNTANTS  
101 S. MAIN, SUITE 400  
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255  
FAX: (361) 573-9531

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

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

The Honorable Mayor and Members  
of the City Council

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

*Harrison, Waldrop & Whitt, LLP*

February 11, 2013